

# Growth and development

BY DR FAISAL BARI



*Management*  
*14-2000*  
*Nation*

**If one is convinced of the centrality of humans in the development process and the claims of equality and equity, this implies a radical change in the way policies are made. Growth will then be important only in so far as it goes towards allowing individuals to achieve better lives.**

consequentialist and a utilitarian, was also similarly concerned with the equity effects of growth.

In modern times the concern with human development has come from two different sides. Empirical investigations into the growth process have shown, quite conclusively, that human resource has a very significant and important role to play in both achieving high growth and especially in sustaining high growth (instrumental importance). Low levels of human development induce low and rapidly declining returns to capital. In other words, if you do not have trained manpower, who is going to run your machines and man your industrial process. Low level of human development also implies low research and development capability. If you do not have educated and trained people, who is going to do the innovation that is needed to ensure sustainability of growth. Human development is a necessary condition for sustaining high levels of growth in the modern economies of today. And evidence from East Asia as well as developed countries amply demonstrates that.

But the second stream has given another, and possibly more important, reason for being concerned about human development. Whether it be the basic needs literature of the 1970s, the quality of life literature of the 1980s, the human development literature of the 1990s or even the more recent contributions that Sen and others have made in the area of 'development as freedom', the idea is that it is the development of human beings that is the 'goal' (end) of development. So how can we not put human beings at the center of the development process. It is our

any other way?

This thought derives its roots from very deep philosophical traditions. Aristotle talked about the functionality of individuals and what was needed to allow them to fulfill their teleology. For Immanuel Kant it was the community of rational beings in which every rational being has to be treated as an end in itself and not as a means that justified a lot of the imperatives in a moral system. For David Hume it was our humanity, existing in each and every one of us, that guaranteed our status as ends. In modern political thought, Rawl's attempt at creating a liberal state and society, based on the compact arrived at from behind a veil of ignorance, where we leave aside our less universal characteristics, is one of the more powerful and convincing attempts at using this classical approach to forge a 'decent' society. Ultimately successful or not, Rawl's attempt does show the power and pull of this position.

It should be borne in mind that rejection of the centrality of humans in social endeavours is definitely possible, but is, in the ultimate analysis, a less convincing and appealing position. Consequentialism and utilitarianism are two good examples of such positions. As are the Hobbesian accounts of justice and social system. These systems can give laws and even order, but it is hard to see how they can deliver justice in which concerns for equity and equality are adequately addressed. But this discussion will take us too far off the subject.

More importantly, if one is convinced of the centrality of humans in the development process and the claims of equality and equity, this implies a radical change in the way policies are made. Growth will then be important only in so far as it goes towards allowing individuals to achieve better lives. Actions that limit human freedoms and choices, even if they increase growth for some or even in the aggregate, will not be allowed. If this perspective is indeed subscribed to, schools, health facilities, infrastructure for the poor, political, social and economic freedoms, and safety nets for the marginalised will have to come much before not only Mercedes for the ministers but F-16s for the armed forces as well.

The question is not whether the government will take this view or not, or will it continue to represent the interest of the few, but more importantly, if Pakistan is to survive, if we are to address the 'root causes' of a lot of ills, whether it be terrorism, regional disharmony, disillusionment in the young despondency in the society, or apathy of the middle class, can we afford not to take this view of how the society is to be built and managed? The government is concerned about sustainability of growth and its level (seven or eight percent), and it gives lip service to reforms in selected sectors, but what it needs to think about today, if it wants to ensure the existence and prosperity of the country, is if it is going to adopt a more universal view of the process of development that accords people their due respect and structure all laws, institutions and priorities according to th

Despite the PRSPs and some of the rhetoric that is coming from some of the ministers, it seems that the real aim and concern of the government is currently just limited to ensuring a 7 percent rate of GDP growth for the year, and some degree of sustainability for this growth rate. Implicit in this single purpose aim is the assumption that if we do achieve this growth rate and if we can sustain it for even a few years, other objectives like poverty reduction, employment creation, and equity will get addressed automatically.

Previously government used to talk about stabilisation in this vein, now they talk of growth in this manner. Growth, though very important, and it is a very small minority of social scientists who deny its importance, cannot be the sole aim of the government. Not in this day and age at least. There is plenty of literature, in economics as well as other fields, that shows that growth, even when it has been high and has been sustained at that level for sometime, does not guarantee that the other objectives that have been mentioned above will be adequately addressed.

Growth in GDP need not reduce poverty, need not create many jobs and need not increase equity, and create more opportunities for all. Empirically speaking we have plenty of countries, especially from Latin America, where growth has been high and for sustained periods, but it has coexisted with tremendous poverty, unemployment, misery and inequity. Theoretically speaking, the reasons are even easier to understand. If growth is circulating in a sub-sector of the economy, and is making people related to that sector only much richer and it is a sector that does not have many connections with the rest of the economy (is capital-intensive, has low labour elasticity, is export oriented and so on), then the growth need not circulate in the entire economy.

So, most researchers, empiricists and theorists, in economics agree that economic policies in a country need not just growth inducing incentives but this growth needs to be of the right kind as well. By this they mean that the state has to have policies that create safety nets for those who, for one reason or another, have been marginalised, create opportunities for employment creation, and introduce policies for redistribution. This preoccupation with nets and redistribution is not new for economists. They have, for long, realised that such policies are important for reasons of justice and equity (as ends) and for making growth sustainable (as a means).

Adam Smith talked about ensuring that every worker should get enough to show up in public with his dignity intact. He was also of the opinion that the state needed to intervene in the area of providing that no one was left out and

they mean that the state has to have policies that create safety nets for those who, for one reason or another, have been marginalised, create opportunities for employment creation, and introduce policies for redistribution. This preoccupation with nets and redistribution is not new for economists. They have, for long, realised that such policies are important for reasons of justice and equity (as ends) and for making growth sustainable (as a means).

Adam Smith talked about ensuring that every worker should get enough to show up in public with his dignity intact. He was also of the opinion that the state needed to intervene in the area of providing education to ensure that no one was left out and everyone had a chance to improve his/her skills and future opportunities set. Smith was also of the view that regulation, to safeguard the interests of the public and to ensure that oligopolists do not get away with conspiracies against the public, was the responsibility of the government. J.S. Mill, despite being a

Asia as well as developed countries amply demonstrates that.

But the second stream has given another, and possibly more important, reason for being concerned about human development. Whether it be the basic needs literature of the 1970s, the quality of life literature of the 1980s, the human development literature of the 1990s or even the more recent contributions that Sen and others have made in the area of 'development as freedom', the idea is that it is the development of human beings that is the 'goal' (end) of development. So how can we not put human beings at the centre of the development process. It is our ability to give the residents of a country a healthy, long, productive life in which she can decide what she wants to pursue and is able to achieve most of her dreams to lead a fulfilling life while keeping her dignity intact that is the goal of development. This can be the only aim for a state or society. How can it

Pakistan is to survive, if we are to address the 'root causes' of a lot of ills, whether it be terrorism, regional disharmony, disillusionment in the young, despondency in the society, or apathy of the middle-class, can we afford not to take this view of how the society is to be built and managed? The government is concerned about sustainability of growth and its level (seven or eight percent), and it gives lip service to reforms in selected sectors, but what it needs to think about today, if it wants to ensure the existence and prosperity of the country, is if it is going to adopt a more universal view of the process of development that accords people their due respect and structures all laws, institutions and priorities according to the basic insight about the centrality of humans in the development process, or is it just going to pass time till it is booted out. That, as the sage said, is the question.

E-mail queries and comments to:  
[faisal@nation.com.pk](mailto:faisal@nation.com.pk)