Recently, development aid has been the subject of serious criticisms at the national and international level. It is deplored that, after forty years of international efforts and considerable investment of funds, millions of people still cannot satisfy their simplest needs. Some of the critics are of the opinion that development aid is more prejudicial than beneficial. In general, doubt is expressed as to whether the problem is tackled in the proper way. In this situation, it seems useful to review the development strategies hitherto as well as the concepts for developing the Third World. Thereby, it is particularly interesting to analyse how the development of rural areas, where the majority of the poor people live, had been intended and what the results have been.

1. Initial Efforts 1945 - 1960

Efforts towards developing the „underdeveloped countries“, as was then said, were initiated during the period following the Second World War. For the first time, humanity thought on a world-wide scale. After the turmoils of World War II, the people were seized by a desire for harmony. They wanted to improve the world. The rich in „the one world“ should help the poor so that these could also live happily. It was the time of decolonization, and feelings of guilt about the conditions in which the countries were released into independence may have played a role. In the United Nations, the young states were given a platform for expressing their wishes and soon a rapid economic development became the declared objective of these countries‘ governments.

A few years later there was an additional motive: during the period of cold war it was thought that these people’s misery would conduct them to communism, and help for combatting poverty would retain them for the free world. At that time the general opinion was that the problem of development could be solved rapidly. Economists and politicians considered development synonymous with growth of national income. The cause of underdevelopment was seen in the lack of necessary factors of production, especially capital and training. Consequently, capital and technical aid became the instruments of development policy. According to the example set by industrial countries a rapid industrialization — which did not seem to be connected with specific socio-cultural systems — was considered to be the promising way to development. The scarcity of capital for this industrialization and possibilities of overcoming it were the main subjects discussed by the development theoreticians of that time.
According to Harrod (9) and Domar (6) the growth rate depends upon the savings rate and, since the latter is insignificant in poor countries, capital aid should cover the shortage of funds — as the Marshall Plan did for Europe. In 1956 Lewis (21) saw that a rapid expansion of industry would lead to a greater accumulation of capital and, thus, to a further industrialization that would withdraw surplus labour from the traditional agrarian sector. In the initial phase the task of agriculture in these two-sector-models was to release labour together with a marketable surplus in order to keep the wage level low and allow high profit rates. This would result in high growth rates for industry. Aid in small doses would not be sufficient. Due to the indivisibility of investments, Rosenstein-Rodan (31) was of the opinion that a „big push“ is necessary to achieve effects. In 1956, Rostow (32) put forward his theory of growth stages which met with great resonance. According to this theory, the transition from underdevelopment to development can be described as a series of stages through which all countries must proceed. One of the principal necessities for any take-off is seen in the mobilization of savings in order to generate sufficient investment to accelerate economic growth. At each stage a particular ‘leading sector’ has to play the decisive functions.

At a time when rapid industrialization was considered to be the appropriate way leading to development, great importance was not attached to agriculture. In the industrial countries the experience had been made that, as development increases, the share of agriculture in the overall economy decreases. This results from the fact that, as income increases, the share spent on food becomes less and less significant and, as labour productivity goes up, fewer and fewer people can assure the necessary agrarian production. According to Boeke’s (3) dualism theory, development policy ought to support the necessary structural change, repress the traditional agrarian sector and transfer the surplus labour from traditional agriculture to industry — the motor of growth. The thesis, advanced by Prebisch (28) in 1949, that the terms of trade between industrial and agrarian countries had deteriorated, allowed few opportunities to be assumed for growth on the basis of agrarian products. Due to the price decline for their products, the poor countries had to constantly increase their exports to be able to pay for an unchanged amount of imports. According to Bhagwati (2) instead of growth a real immiserizing growth is achieved. In 1958 Hirschman (11) argued that agriculture did not provide many incentives to suppliers and processors to take up new activities and that, as a result, investments into industry were more appropriate to achieve a rapid growth.

Within the framework of these concepts which did not attach great importance to agriculture, agrarian policy, including that of FAO, had two main objectives: to increase food supply to the production level achieved in the pre-war period and to raise farm income. At the time, both were, to a considerable extent, successful. Under the methodological aspect, emphasis was laid on transferring production methods, which were common in industrial countries, by means of extension and model farms as examples of modern agriculture. However, the farmers’ reaction to extension was often insignificant, not least because it offered innovations that were not very profitable. Therefore, theory characterized the farmers as being tradition-minded.

During the whole of that growth-oriented period, discussions as to who draws the benefits from this growth were scarce, and the poor people were mostly neglected. Indeed, the opinions differed: Nurkse (27) believed, as early as 1953, that the limited demand...
in the poor countries was a more serious cause of the few incentives to invest than was the lack of capital. In 1957 Myrdal (26) turned, for the first time, against explaining underdevelopment merely under the economic aspect and demanded a comprehensive analysis of all social relations at the national and international level. However, the greatest deviations from the growth-oriented development strategy occurred on grounds of political considerations. During the time of the ‘cold war’ a non-revolutionary way of changing the rural areas was sought in the concept of community development, which made use of the experiences of social sciences. The mere transfer of western concepts caused the success to be limited, and, as the divergences between East and West were mitigated, the importance of these programmes declined. Around 1960 there was no theory competing with a growth concept based on rapid industrialization which agriculture should support by supplying capital and labour.

2. First Development Decade 1960 - 1970

The period from 1960 to 1970, the so-called first development decade, brought about considerable changes in the development concepts. It began with the growth-by-industrialization concept but soon there were bitter disappointments. The industrial countries granted less development aid than expected. In 1962, instead of 0,7 % of the gross national product, only 0,5 % and, in 1976, even less, 0,3 %, was granted. The first UNCTAD conference showed that the industrial countries were not prepared to make trade concessions to the poor countries, and moreover, during that period, a deterioration in prices on the world market was ascertained for products from developing countries as compared with industrial products.

Of still greater importance was the fact that new concepts on the role of agriculture in economic development were suggested. In 1961 Jorgenson (17) as well as Ranis and Fei (29) pointed out the interdependencies between agricultural and industrial growth. The increase in non-agricultural employment depended upon the rise in agricultural surplus. If there were a lack of food in the cities, the labour supply would become inelastic. Therefore, it was not unlimited as forecast in Lewis’ (21) hypothesis in 1956.

As early as 1961 Johnston and Mellor (16) went even further. They saw, in agriculture, a moving power in the process of economic growth which should actively provide important contributions. It should supply labour, capital and food for the growing industrial sector, serve as a market for the sale of local industrial products and, from the proceeds of agricultural export, provide foreign currency for developing the economy. Kuznets (19) expressed similar views in the same year.

Thus, agriculture was no longer negligible, but was assigned great importance for the development of the Third World. The experience made hitherto with rural development began to be worked up. Two aspects were thereby perceived: There are structural and institutional obstacles to the producers’ adopting a new attitude and to an increase in agricultural production. Considering the prevailing conditions as far as power and property are concerned, institutional reforms are a prerequisite for a rapid rural development.
Farmers in developing countries react to economic incentives. The myth of farmers bound to tradition is a misjudgement. The only point is that the incentives should be profitable under the farmers’ conditions.

In two PhD-dissertations (Hopper, 12, and Raj Krishna, 18) it was examined what the farm organization of two regions in India should be like if it were planned according to the methods of modern agricultural economics. The result was that, under the prevailing framework conditions, it would be exactly the same as practised by the Indian farmers for a long time. It is not the traditional, uneconomic attitudes that are the cause of the situation prevailing in agriculture but the institutional conditions and the lack of profitable packages of technological innovations.

In his book..Transforming Traditional Agriculture” (1964) Schultz (34) demands, as a result, that investments should be made into agrarian research and human capital should be provided, i. e., education and training, so that extension should also have something to offer.

Schultz was proved to be true more quickly than he could have dreamed of. In the middle of the decade, as a package of innovations involving rapid and important profits became available within the framework of the so-called ‘Green Revolution’, neither extension nor even credit arrangements were necessary to encourage farmers to adopt them.

The ‘Green Revolution’ had a great influence. A .strategy of agricultural growth developed. This concept tried to achieve a rapid success in increasing food production by applying yield-increasing farm-inputs on large farms. By intensifying (part of) agriculture, thus, food shortage was remedied, wage goods produced for non-agricultural workers and productive employment initiated in the sectors producing and processing basic materials. In the course of time, it was recognized that the ‘Green Revolution’ was not entirely a blessing. Indeed, it had been possible to reduce food shortage, but at high social costs. The rich became richer, regional differences greater, and the beginning oil crisis caused questions to be posed as to the suitability of an agrarian strategy based on a high utilization of farm inputs.

If the first half of the first development decade was characterized by some new concepts., developed by scientists, after 1965 the impulses came from the political field. The students’ riots in Paris, followed by similar movements in Germany, called in question our own socio-economic objectives for the first time after World War II. Can the pursuit of more and more income and consumption really be society's objective? The more this question was discussed, the more it overlapped the discussions on development policy. The concept of a harmonious international development, in the course of which the rich assume the leadership while the poor follow the way lost its attraction. Samir Amin (1) considered the development of industrial countries and the underdevelopment of agrarian countries to be one historical process, in which the former's progress resulted in the latter's backwardness. From this point of view, developing countries were not lagging behind but had been caused to undergo a downward development. Andre Gunnar Frank (8) spoke of unequal partners having different interests, whereby the poor are exploited by the rich. Marx’ terms entered into the discussion of development policy.
Such concepts, which found the strongest support in Latin America, led to the development of the Dependencia School. Underdevelopment is not a stage of development but the result of extending the capitalist system over the world. Integration into that system brought about pauperization. Santos (33) spoke of dependence as a situation in which the economy of many a country is influenced by the other countries' expanding economy. The dependence concerned is of a technological-industrial nature. The industrial countries promote the exportation of raw materials from developing countries and then influence the prices to their advantage. The deformation of the economic and social system leads to structural heterogeneity: rich elites beside marginal masses, whereby a reform is prevented by the rich people's similar interests in the central place and in the periphery.

The role of agriculture in this new way of thinking is somewhat hazy due to the high degree of abstraction. Underlining local needs and retaining traditional economies mean, finally, supporting the rural regions. However, it is not said how the relations between the central place and the periphery, which also exist within the developing countries, should be changed. Just as little consideration is given to the technological innovations and the particularities of the agrarian production process.

Towards the end of the first development decade, a scientist developed a new trend of thought which was to become the core of the second development decade. Ishikawa (14) said in 1968 that the industrial countries' past experiences could not be a doctrine for today's developing countries because the framework conditions were totally different. He particularly emphasized the population increase and the demographic pressure in several countries. These aspects had actually been neglected hitherto. The efforts towards development made until then had, of course, not remained without success: from 1950 to 1965, the developing countries could quote an annual increase of 1.2 to 1.4% of their per capita income. This was no poor achievement in comparison with England, where the increase from 1800 to 1950 had been 1.2% on the average. Food production had also increased considerably. The significant cause of disappointment as to the success of development was not the false objectives but the failure to consider the population increase. Moreover, the one-sided objective of growth turned out to be questionable.

If Dovring (7) had, as early as 1954, pointed out the fact that, in the case of a considerable population increase, rapid industrialization would also cause an increase in the number of agricultural workers, Ishikawa (14) now posed the question: How can these people be productively employed? It is no longer a question of removing a 'surplus' as postulated by Lewis (21) and Nurkse (27). The question is no longer how can an area be cultivated by a few workers but rather how can more workers work productively in that area.

The first development decade brought little to the really poor. It is true that the 'Green Revolution' prevented, through an additional supply, a further increase in the prices of staple food. However, agricultural development was still understood in terms of production increase by small and medium farms. Thus, the really poor were excluded. There is no doubt that small farm owners often live in very straitened circumstances. However, the real poor, the landless casual labourers and small tenants, to whom no resources except their working capacity are available, live below that level.

In the second development decade these concepts were further developed. The ILO presented an employment-oriented development strategy in its World Employment Programme. It sent missions to various countries to explore the possibilities of expanding employment. Under the quantitative aspect, they had little success. It was ascertained that most of the people already had an occupation. One cannot live on unemployment. However, the findings of these missions led to numerous new points of view. The problem at hand was not at all unemployment but a general employment problem involving several aspects. Sometimes, it was a problem of time when someone did not have enough work. However, many people worked hard and over a long period at a low salary so that it was not a problem of time but of income. Others did not find the work they wanted in the place they wished, and many worked at a low productivity because the complementary factors of production were not available. Each of these circumstances calls for a different policy.

Thus, it is not so much the volume of work available that is important but the earned income. A rich man does not complain about too little work. As the emphasis was laid on income, poverty became the main term in the discussion. Seers (35) was one of the first to question the increase in the gross national product as objective and criterion. It was perceived that the success of growth did not trickle down to the poor. It also became particularly evident that industry could not absorb the increasing number of workers. This was caused not so much by deficiencies in the labour market as by deficiencies on other markets, e.g., credit subsidies, overvaluation of currency and other circumstances encouraging high capital intensity.

McNamara’s (22) famous address, made in 1973, drew attention to the neglected 40% of the poorest in the world and, since these live mostly in rural areas, agriculture again enjoyed greater consideration. Food prices are, indeed, the most important factor for the poor people's real income, and the low agricultural productivity was considered to be the main cause of poverty.

As a result, attention once more turned to the conditions of agricultural development. Myrdal (26) in 1970 had already emphasized the importance of adjusting the institutional framework conditions as the prerequisite for a successful rural development. In 1971, Ruttan and Hayami (10) submitted their concept of an induced agricultural development. According to that concept the countries, whose resources in production factors vary, have different effective technological ways of achieving growth, and factor prices help in selecting the optimal way.

In 1974, Johnston and Kilby (15) analysed the interaction between agricultural development and the expansion of the non-agricultural sector. They arrived at the result that numerous small farms had a greater stimulating influence on industrial development than a few large farms.

The opening of China has, undoubtedly, also helped to put a stronger emphasis on income distribution in development policy. China’s recent history shows a development concept which aims at avoiding an increase of income inequality. The attractiveness of this model, for Asia in particular, led to more efforts in the development policies of industrial countries to fight inequality (“growth with equity”, Chenery, 4).
All these trains of thought of the early seventies led to a concise concept which Mellor (24) submitted in 1976, as an „employment-oriented strategy of rural development“. This concept takes into consideration the interdependence between agricultural and non-agricultural development, the necessity of growth and distribution, and the emphasis on production increase as distribution basis. According to Mellor the starting points of development are the labour-intensive economic sectors, namely agriculture and the small industries established in the rural areas, both of which produce consumer goods that are in demand. An increased food production —especially cereals —supplies food, employment in processing sectors and, due to the increasing agricultural income, a greater demand for labor-intensive industrial products. This strategy should be supported by reorganizing foreign trade so that labour-intensive products are exported.

At the same time, at the international level, dissatisfaction with the results of the development efforts was again on the increase. The poverty-stricken rural population migrated more and more to the towns. They were not motivated by the difference between income in the rural areas and real urban income, but by the difference between their income at the time and the expected income in town (Todaro, 38).

It is true that the success of rural development in a few countries had globally mitigated the problem of food supply, but all the measures taken hitherto had been of little help to the poor people in the world. In this situation, a moral appeal to the whole world population was made. McNamara (23) declared in 1977, that an equal income distribution called for changes in industrial as well as in developing countries. These changes are levelled at the personal interests of the privileged, influential minorities in all countries. In 1976, Tinbergen (37) demanded a „new world economic order“.

At the same time ILO, Jolly and the Overseas Development Institute of Sussex drew up the strategy of „basic needs“ (13). The disadvantaged people in the world are not helped by mammoth projects but by a change in the structure of production, distribution and consumption. Measures aimed at satisfying basic needs such as food, clothing, housing and health help those standing in the background of the development process. At about the same time it was tried, on the basis of the concept of integrated rural development, to implement these ideas and to combine production increase and social improvements in the same project whose target groups were the poor people. Thereby, the emphasis was laid on the participation of the poor. At any rate, this approach, taking up ideas which played a role in the community development policy of the fifties already, turned out to be very complex and difficult to implement. In particular, it meant more influence on the part of the government due to the requirements for integration and thus showed a tendency to divert attention from self-help activities.

Uma Lele (20) obtained negative results when conducting a survey on the success of this concept, especially since the local institutions could not be sufficiently activated and since the available knowledge of the local technological possibilities was scanty. The administrative costs turned out to be considerable and, therefore, the projects could not be multiplied. In 1980 the World Bank started to discontinue support of this approach. It had been recognized that the emphasis on the basic needs indeed brings about an increase in welfare but that, unless an economic basis is created simultaneously, investments into social services are not possible at long term. The poor benefit more from a reinforcement of the development basis than from mere redistribution measures, if an appropriate policy guarantees that the results do not bypass them.

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4. Concepts from recent years

In recent years the discussion on development policy has not remained uninfluenced by the economic problems and the decline in the social consensus at our end. On the one hand, disappointment at the results and, indeed, bitterness over the still prevailing conditions can be ascertained. On the other hand, the industrial countries' own interests are again given more priority and the effects of international relations on the employment situation are underlined. Appeals to donate, e.g., for Africa, meet with great resonance (as if one could buy oneself off). However, if a developing country succeeds in achieving a break-through in the production of consumer goods, industrial countries concerned call for import restrictions and "voluntary" limitations of the export quota.

The most important features of the discussion in the last years have been its induration and polarization:

— "Alternative" groups demand the concentration of development aid on satisfying the poor people's basic needs. The concept of self-help and auto-responsibility is strongly emphasized, "...development from below" is advocated. Rural development should be based on traditional agriculture, give up agrarian exports to a large extent, and take into account the energy and ecological aspects.

— Other circles doubt the creditability of development aid, at least in its effectiveness, as long as fundamental structural changes do not take place in international relations. They point out the problems of international trade, the influence exercised by multinational companies, the indebtedness of many developing countries, the ambiguity of food aid and the increasing imbalance in the distribution of commodities of every kind in the world.

— Others, in contrast, pass to the agenda and, undeterred by all failures, attacks and doubts, try to do whatever seems possible and whatever can be implemented politically. They feel that it is important that more help is provided to the poor people by taking small steps in the right direction than by making long speeches.

Various groups maintain that they know the truth, and there is a bit of it in all the arguments. However, no analysis includes the totality of the problems. This results from the fact that no general development theory nor universal concepts exist which are conclusive and undisputed. The most important insight of the recent years is perhaps that the co-existence of poverty and surplus in the world is to be understood as a moral problem.

5. Conclusion

40 years of efforts towards development have produced tremendous effects. From 1950 to 1985 the wheat production in the world rose from 131 to 520 million tons, the rice production during the same period from 94 to 484 million tons, whereas the population, in comparison, increased from 2.5 to 4.5 billion inhabitants. The observer ascertains that there has been an incomparable improvement in education, in supply of consumer goods, infrastructure etc. in many countries.
However, poverty has not been overcome. Considering the formerly unimaginable wealth that exists in the world at the same time, this is the scandal of the century.

The review of 40 years of efforts towards development shows that new attempts have constantly been made, but today's wisdom is tomorrow's mistake. The most important realization is, perhaps, that societies cannot be developed but that they develop themselves. Help from outside can be given by providing knowledge and funds, and by not disturbing nor hindering these countries' development, e. g., by trade restrictions or inappropriate ideologies of development. However, many changes in the societies in developing countries are indicated as well. It is the large-scale projects and programmes that often exceed the economic and social absorptive capacity of the receiving country. Every society only copes with a specific amount of socio-economic change in a unit of time. If, 40 years ago, development appeared to be a task that could be performed rapidly, today, we have become more modest.

Summary

The paper presents different concepts for developing the Third World, which have played a role in discussions on development theory and in development programmes since the end of the Second World War. The developments and findings, which led to new opinions in the course of the various development decades, are presented. Particular emphasis is laid on the question as to the way in which the development of rural areas and of the poor population groups had been intended.

Zusammenfassung


References


