What is ‘Development’?

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1. Defining ‘development’

Before we can discuss ‘African development’ we first need to know what the word ‘development’ means. Unfortunately, there does not exist a single, universally accepted, definition of ‘development’. Development is an abstract concept, the meaning of which is far more difficult to grasp than something tangible like a bicycle, a pair of shoes or your teacher. If you would ask five people what the word ‘development’ means, it is likely that you will get five very different answers. One thing is clear though, the word ‘development’ refers to *some kind of process of change that occurs over time*.

To be more specific about the way we use the term ‘development’ in this textbook we make a distinction between ‘*human* development’ and other categories of development such as ‘*political* development’, ‘*economic* development’, ‘*social* development’ or ‘*cultural* development’. Although all these categories are related, the term ‘*human* development’ emphasizes aspects of development that are of direct importance to people. This emphasis appears in the following definition offered by the United Nations:

“*The basic objective of human development is to enlarge the range of people’s choices to make development more democratic and participatory*.” (UN, 2011).

Nobel Prize winner Amartya Sen has defined development along similar lines. According to Sen development can be regarded as “*a process of expanding the freedoms that people enjoy”* (2000, 3). Development thus depends on the ability and capacity of people to make choices in their personal and social lives. The process of expanding peoples freedoms requires removing many different kinds of material and immaterial barriers to freedom, such as poverty, insecurity, or unaccountable government, but also a lack of good infrastructure complicating physical mobility or a lack of access to safe drinking water, food or electricity. In Sen’s understanding of development, the *freedom* that people enjoy to decide over the course of their own lives is essential. Economic or political developments are also important, but mainly because they create particular conditions for achieving the higher aim of human freedom.

Although the focus on people’s freedom of choice gives us a more specific idea of how to define ‘development’, there remain a lot of questions about the meaning of *development as freedom*. First of all, when we talk about ‘freedom’, or ‘liberty’, it is important to know to whom this applies. Few people will actually think that the ideal of human freedom should be pursued under

all circumstances. For instance, parents will restrict the ‘freedom’ of their children until they have reached a certain degree of maturity. If they wouldn’t protect their children by limiting their freedom, chances are high that children will not survive. Moreover, what constitutes freedom for one person, family or community, often implies a reduction of freedom for others. If I allow myself the freedom to eat all the food on the table, there will be nothing left for my family members. And what about the ‘freedom’ of humans versus other living creatures, such as plants and animals? Indeed, freedom and un-freedom go hand in hand: if we agree that all people have a basic right to free medical care, we simultaneously claim that doctors have a duty to assist us.

The idea that human freedom is almost always distributed unequally among members of any type of group or society, is best captured in another abstract term: ‘human agency’. Human agency refers to the capacity of humans to act. This capacity is largely restricted by natural forces, many of which humans are not able to control or manipulate. But agency can also be restricted by economic, social or political structures or institutions (rules, see for further explanation below), that go beyond the control of the individual. An important example of the latter type of man-made restrictions is gender inequality. In a situation of gender inequality, the agency of women is restricted in favour of the agency of man. There are many societies in today’s world where gender inequality is supported by cultural norms, values, religious institutes or even by state law. Hence, if we care about human development, and we agree that it is about expanding the freedoms all people enjoy, than the pursuit of gender equality by supporting female agency is very important.

2. Institutions

Organizations such as states, families, schools and sports clubs create rules that coordinate and distribute the rights and duties of their members. States may provide free primary education to people, but also oblige them to preserve part of their later income for taxes to finance these schools. Such rules are subject to public discussion and political debate. Even between two neighbour village families there may exist very different rules about how their members allocate household labour and shared resources.

We call rules that regulate the behaviour of people ‘institutions’. Institutions include formal rules such as laws that are written down on paper, but also informal rules, codes of conduct that are adopted by many but not formally included in codified law. The institutions that govern people’s behaviour are inspired by different conceptions of what people believe to be ‘normal’ or ‘appropriate’ and what they see as ‘ab-normal’ or ‘inappropriate’. In more simple terms, we can define institutions as the ‘rules of the game’: without such rules it is impossible for people to live together in peace and harmony.

But for people living together it is not only important to have rules. It is equally important to have mechanisms to control and enforce these rules. Rules can only function in practice if people who disobey the rules are corrected. For instance, in a soccer game the referee has the

power to correct the behaviour of players and make sure that the match is played under fair conditions. The referee cannot change the rules of the game, he/she can only make sure that they are applied when the game is played. People can only start to trust institutions if the abuse of rules is constrained. If people trust that the rules will be obeyed they feel more secure and they become more likely to invest in their businesses, or to pay taxes to their government. Indeed, if state authorities commit themselves to uphold institutions and secure the rule of law, then this also implies that they fight corruption and punish people who abuse political power for personal gain.

There is no society in the world where institutions, including the systems of control, are set up in a perfect way. National laws, or social codes, always favour some interests over others. But if societies and politicians have to balance the rights and duties of people, it would be helpful if we rank the various aspects of human freedom in order of importance. This is more difficult than you may think it is. How would you rank, for instance, such basic necessities as access to water, access to food, protection against violence, access to health care, access to electricity, free public education, political representation or internet access? Can we make a list? And even if we were able to agree on the priorities, would we then also be able to agree on the best ways to achieve those priorities? Should the government take money from family Y and give it to family X? Or should private property be protected at the expense of economic inequality? Indeed, any ranking of development priorities is informed by notions of 'equality' and 'inequality'.

3. Human development and the 'poverty trap'

Poverty is regarded as one of the most important barriers to human development, because poor people have limited access to a large range of basic commodities and services. A lack of access to education, health care or internet reduces their chances to make *sustainable* improvements in their living conditions. The impossibility to escape from poverty is referred to as the 'poverty trap'. The poverty trap can operate both at the *micro-level* of the family as well as the *macro-level* of countries or regions. To see how this trap works, you may consider that health is important for earning an income. But at the same time, income is an important means to get access to sanitation, medicines and health care. We call such a relationship between health and income a 'reciprocal' relationship.

Reciprocity is essential to understand how people can become trapped in a situation of poverty. To reduce poverty the income levels of the poor need to be raised and, simultaneously, their access to important services should be structurally improved to prevent them from falling back into poverty. This reciprocity is the main reason why economic growth is a *necessary condition* for human development (and poverty reduction), but not a *sufficient condition*.

Scientists and international organizations have developed so-called composite indices to measure human development at a national level. The most famous of these indicators is the *Human Development Index* (HDI) constructed by the United Nations. This index does not only

look at average levels of income, but also at access to education and conditions of human health. The Human Development Index thus offers a broader picture of human development than income levels alone.

Many African countries rank at the bottom of the HDI not only because of low income levels, but also because of the limited access to education and health care of the poor. Table 1 shows the ten countries at the top and the bottom of the HDI in 2020. The table shows that the bottom 10 countries of the HDI are all in Africa. But there is also some good news. In the past two decades many African countries have made significant progress in all three domains of the HDI, that is average income levels have been on the rise, access to education has widened and life expectancies have risen, despite the HIV/AIDS-epidemics and the recent Covid-19 crisis. These developments have not led to a decline in inequality though. In many African countries income inequality has remained very high. In other words, the conditions to make free choices have improved for some Africans, but certainly not for all.

Table 1: The top 10 and bottom 10 countries of the UN Human Development Index 2020

Rank	Country	HDI	Rank	Country	HDI
1	Norway	0.957	180	Eritrea	0.459
2	Ireland	0.955	181	Mozambique	0.456
3	Switzerland	0.955	182	Burkina Faso	0.452
4	Hong Kong, China	0.949	183	Sierra Leone	0.452
5	Iceland	0.949	184	Mali	0.434
6	Germany	0.947	185	Burundi	0.433
7	Sweden	0.945	186	South Sudan	0.433
8	Australia	0.944	187	Chad	0.398
9	Netherlands	0.944	188	Central African Republic	0.397
10	Denmark	0.940	189	Niger	0.394

Source: United Nations (2020).

One of the reasons for the low scores of African countries on the HDI is that many African states still fail to support the provision of basic public services such as health care, infrastructure and education. If states want to enhance the access of citizens to public services they require solid fiscal systems (for financing public services) and effective bureaucracies (for coordinating these investments). This is just one example of the crucial importance of 'good institutions' for human development. However, African states do not always act in the interest of the poor.

The poverty trap is not only caused by a lack of material wealth, but also by a lack of opportunities to raise intellectual (immaterial) wealth. There are enormous advantages to knowing how to read and write (literacy) and to knowing how to count and calculate (numeracy). Education also increases the chances of people to find a job that earns a decent income. In virtually every society there is a strong relationship between income levels and education. Indeed, the question of African poverty does not only involve income levels, but also involves access to education, health care and many other conditions that help people to escape the poverty trap and improve their agency.

Farmers often suffer from poverty because their crops do not generate sufficient income.

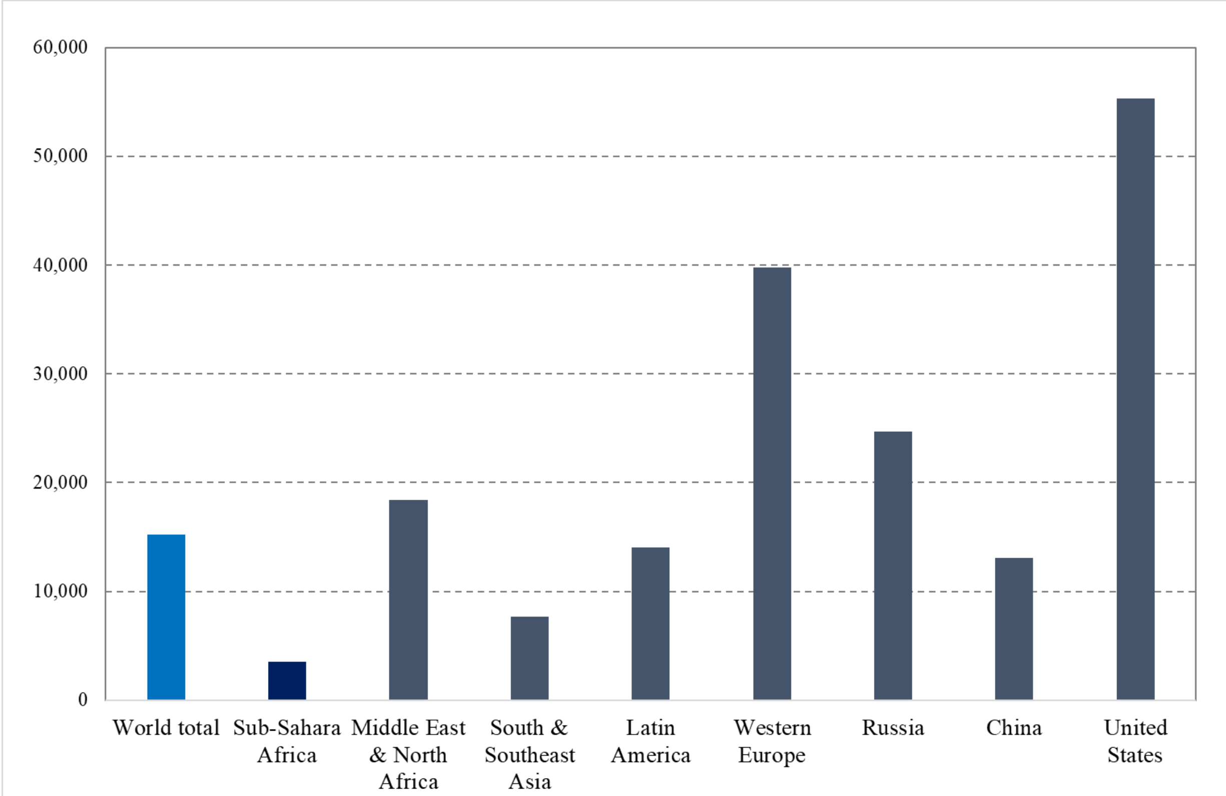
4. Economic growth in Africa

Since increasing income is one of the keys to reduce poverty, it is important to look at how average incomes of African peoples have evolved in the long-run. Economists study the relative wealth of countries with the help of so-called national income accounts. 'National income' refers to the total value of all income earned, or the total value of all the commodities and services produced, in a particular country and in a particular period of time (usually one calendar year). To estimate average income levels, national income is divided by the total population to obtain 'average income per capita'. In academic literature and media reports national income is commonly referred to as GDP (Gross Domestic Product). The *national income* earned in a society is more or less equal to the total value of *domestic production*.

In Figure 1 we compare the *GDP per capita* figures of Sub-Sahara Africa in 2018 with other world regions. These GDP data are expressed in US dollars with a constant value, that is, US dollars valued at 2011 price-levels. Figure 1 shows that Sub-Sahara Africa is the poorest region of the world. Africa is much poorer than Western Europe or the US, where average annual incomes often exceed $40,000. But also compared to the average levels of Asian and Latin American GDP per capita, African income levels lag behind. Average incomes in Sub-Sahara Africa are ca. $3,500. Yet, there are some reasons to believe that Africa is richer than figure 1 actually suggests. National income accounts tend to include the income that is earned via market transactions, that is, the value of goods and services that receive a price in the market and whose exchange is recorded by national statistical offices. A lot of economic activity that is taking

place within households, the farm or the village community does not involve market transactions. These activities, that are central to the lives of many Africans (and especially the African poor) tend to be excluded from official statistics and if we would include these activities GDP would be higher. However, whereas the average African may be richer than suggested in this graph, there is no doubt that Africa remains the region with the largest share of poor people in the world. According to World Bank estimates ca. 40 percent of all Africans are living on less than 1.90$ a day. This is regarded as extreme poverty and it is visible in virtually every country south of the Sahara.

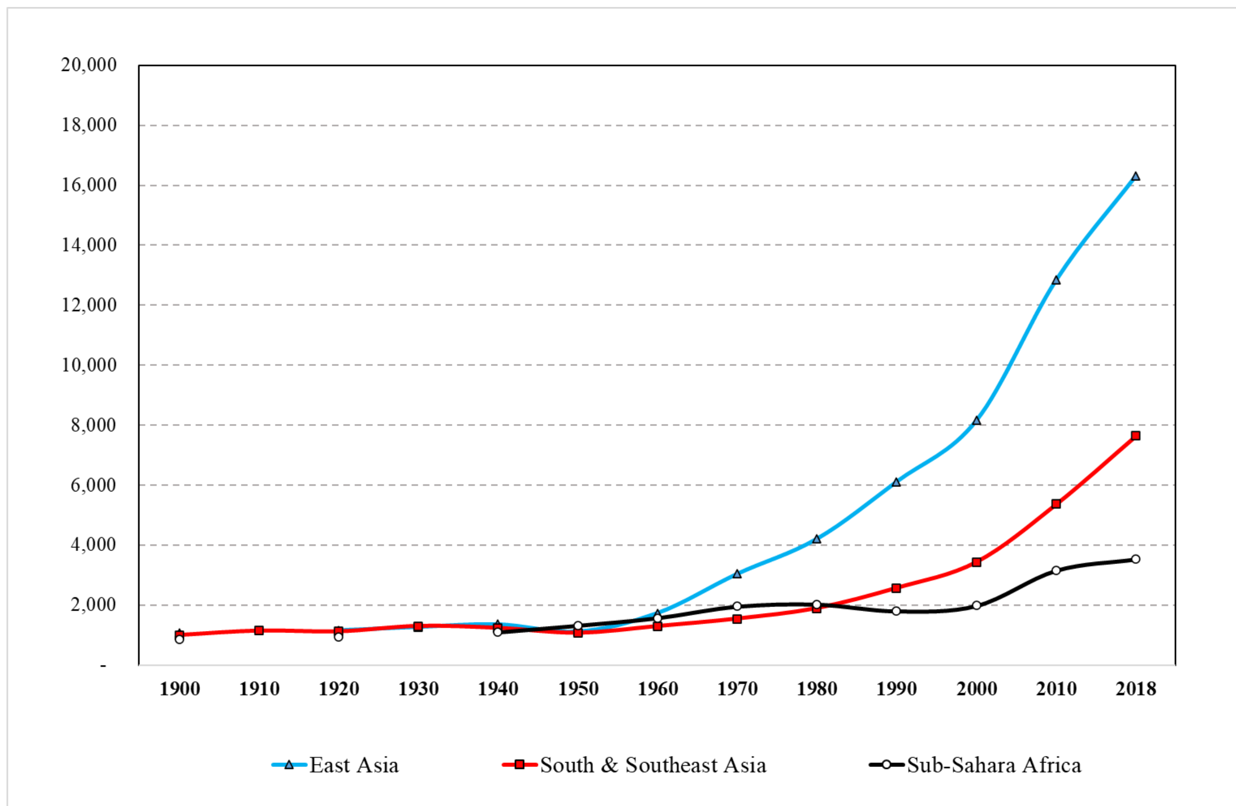
Figure 1: GDP per capita by world region, 2018 (in 2011 US$)



Source: Maddison Project Database, v. 2020.

That the average African today is poorer than the average world citizen does not mean that this has always been the case. A large part of the gap between Africa and other developing regions has emerged during the final three decades of the 20th century. Figure 2 shows the development of GDP per capita in Sub-Sahara Africa, South and Southeast Asia & East Asia 1900 to 2018. Up to circa 1960 the income levels of Africa and Asia were comparable, around $1,500 per person per year expressed in US$ at price levels of 2011. Indeed, small-holder farmers or urban dwellers in Africa were not necessarily poorer than their colleagues in India or China. Japan was the only Asian country that was considerably richer in 1960. In the 1980s the Chinese economy also began to grow at very high rates. Today, the average Chinese is considerably richer than the average African. Especially after 1980, African economies have also lost much ground compared to economies in South and Southeast Asia, which includes large countries such as India and Indonesia.

Figure 2: GDP per capita (USD) of Sub-Sahara Africa, East Asia and South & Southeast Asia, 1900-2018



Source: Maddison Project Database, v. 2020.

Why did African incomes not rise in a similar way as Asian incomes? There exists no simple answer to this big and important question. As we have stated in the introduction of this textbook, we cannot even begin to think about an answer without looking at different episodes in African history. Many African economies stagnated, or even collapsed, in the period between 1975 and 2000. Of all 52 African countries for which data exist, 29 countries have experienced negative growth rates in the last quarter of the 20th century, which means that in more than half of all African countries the economy contracted.

The deeper causes of this economic collapse must be traced further back in history. What we know for sure is that there are multiple causes for Africa's growth collapse and that these causes are interrelated. To give one example of 'multi-causality': many African economies were suffering from declining world market prices of their export commodities since the early 1970s. The prices of coffee, cotton, cocoa and minerals, like copper ore, fell sharply compared to the prices of imported manufactured products. At the same time African governments accumulated huge debts on loans that they were unable to pay back. The African debt crises was thus reinforced by declining export and custom revenues.

This period also saw a rise in the number of violent conflicts in the region. Different ethnic or social groups were fighting for political influence or access to valuable economic resources such as diamonds (Sierra Leone), oil (Sudan), land (Rwanda) or coltan (Democratic Republic of Congo). In times of war, the economy loses and in some cases military conflict can even lead

to famines, as in the case of Ethiopia in the mid-1980s and in Somalia and Sudan in more recent years. Not all African economies fared badly though. Oil producing countries, such as Equatorial Guinea and Gabon, benefitted from rising world oil prices and the economy of Botswana and Mauritius experienced rapid economic growth in the last decades of the 20th century.

When we take a closer look at the determinants of African economic growth in the second part of the 20th century there are at least two factors that set large parts of Africa apart from other developing regions. The first is that labour productivity in agriculture, (still) the largest sector in most African economies, has not risen in the same way as it did in large parts of Asia or Latin America. Many African countries became net food importers after 1970, whereas many Asian countries gained self-sufficiency in food production or even became large net exporters of food crops. Africa has missed the benefits from the so-called "green revolution", by failing to implement a range of technological advances in the production of staple foods such as wheat, rice and maize.

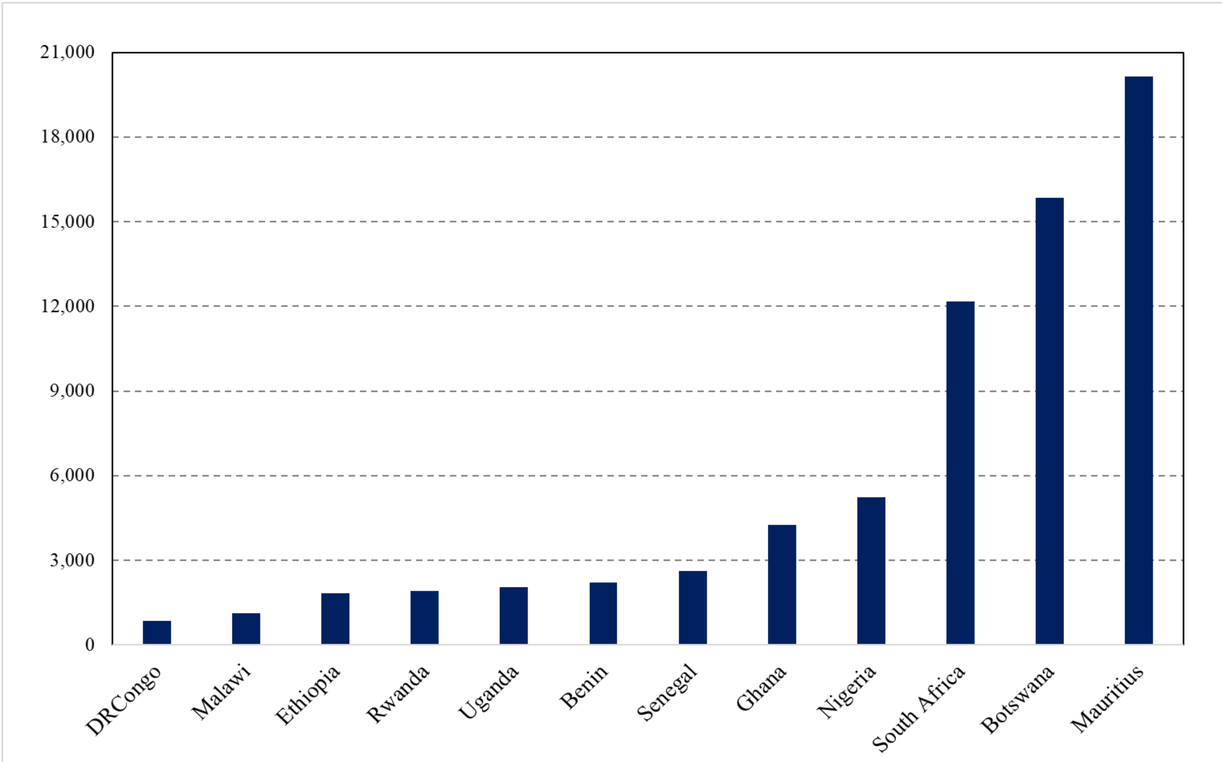
The second factor is that Africa has experienced a rather slow process of structural change. Structural change refers to the transformation of production processes from low value added activities towards high value added activities. The development of manufacturing industries is a crucial part of structural change. Manufacturing industries tend to produce more output per worker than agricultural industries and thus have the potential to raise average income levels. A large part of the economic growth in Asia has been caused by rapid industrialisation. Countries like Japan, South Korea, Taiwan, Malaysia, Thailand, Indonesia and Vietnam produce a vast range of manufactured commodities and sell these products across the globe, especially to wealthy consumers in Europe and North America, but increasingly also to emerging African middle class consumers. These commodities consists of textiles, shoes, electronics, cars, toys, furniture and many, many other items.

With the exception of Japan, most Asian countries underwent a structural change of their economies during the second half of the 20th century and this process is still on-going. Also in Latin America industrializing countries such as Brazil, Chile and Mexico have managed to raise labour productivity levels on the basis of structural change. The result is that in countries like China and Brazil the number of extremely poor people (those who live on $1.90 per day) has declined rapidly. Structural change also makes economies more stable, because it implies a *diversification* of productive activities: a larger range of economic activities spreads the opportunities for job growth and reduces the risk of a total collapse of the economy.

5. Current African economic development

Behind the broad generalizations of African economic development in a global perspective, there has been a huge variation of growth experiences *within* Africa. After all, Africa consists of more than 50 countries, and these have experienced varying phases of growth and contraction over time. This intra-African variation is reflected in the GDP per capita presented in Figure 3. Figure 3 shows a selection of African countries with income levels below and above $3,000. Among the lower income countries are the DRC (Congo), Malawi, Ethiopia, Rwanda, Uganda and Benin. At the higher end of the income distribution we find countries such as South Africa, Botswana and Mauritius. Senegal, Ghana and Nigeria are somewhere in between. One of the explanations for these large gaps in GDP per capita is that among the higher income countries in Africa there are quite a few countries with large reserves of mineral resources such as oil, gold or diamonds. But mineral resource wealth does not explain everything. Nigeria is a major oil-exporting country as well, yet it's average income level is far lower than Mauritius, which does not export any oil or precious metals.

Figure 3: GDP per capita in a selection of African countries, 2018



Source: Maddison Project Database, v. 2020.

Notwithstanding the large income gaps, the majority of African economies has experienced a period of rapid economic growth between 1995 and 2015. In recent years, however, growth slowed down again, amongst others due to falling world market prices for African export commodities (including oil) and the Covid-19 pandemic. Some countries such as Ethiopia and Rwanda recorded yearly growth rates between 5 and 10 percent, which is in line with growth rates recorded in Asia and Latin America in the past decades. These growth rates are also much higher than in the advanced economies of Western Europe and North America. These rates of

GDP growth led to high rates of GDP *per capita* growth, as population growth rates were lower than 2 percent per year. However, we need to keep in mind that these countries were growing from very low initial levels and are still considered to be very poor by global standards.

It is not clear to which extent the poorest Africans have benefitted from the growth revival, and whether these rates can be sustained in the coming decades. African economic growth has not been driven by a rapid development of manufacturing industries like in Asia and Latin America. The recent wave of growth is mainly driven by increasing exports of tropical cash crops (tea, tobacco, cocoa, coffee, palm oil etc.) and mineral resources such as metal ores, oil and gold. In some countries the fruits of these increasing trade revenues have directly accrued to farmers or wage workers. In other cases the profits have disappeared in the pockets of a few mega-rich families or foreign firms who have managed to monopolize the most profitable sectors of the economy, such as the oil sector.

One of the biggest disadvantages of GDP per capita as a measure of welfare is that it does not show how income is distributed among people. Figures 1 to 3 have presented *average* incomes. These averages do not represent the actual incomes of most people, because incomes are not equally distributed. The poorest people make a living of perhaps as little as $1.5 a day, which is about $500 a year. For this reason it is important to not focus only on economic growth, but also on the broader concept of economic development, including the distribution of income.

6. From economic growth to economic development

Economic growth is an essential condition for economic development, and eventually, also for human development. But what is the difference between economic growth and economic development? The first thing to remember is that economic growth is part of a process of economic development, but that the latter includes a wider range of changes in the economy. Economic development is economic growth that is accompanied by structural change and diversification. Diversification means that the range of productive activities widens. Diversification leads to an increase in the number of jobs and is usually also accompanied by an increase in labour productivity. Labour productivity refers to the level of production (output) per worker. And if labour becomes more productive, their incomes will rise.

Ideally, economic development includes a process of economic expansion that is sustainable over time (a permanent improvement of income levels) and allows broad participation (it is inclusive). Unlike economic growth, economic development encapsulates the possibility to reduce poverty in a structural way.

To see how economic growth can contribute to economic development it is useful to make a distinction between *extensive* growth and *intensive* growth. Extensive growth is economic growth as result of adding more resources (inputs) to the system of production. You can think of extra labour hours, extra raw materials, more land or more machines, transport equipment or infrastructure (capital goods). Intensive growth is the result of producing in a more efficient

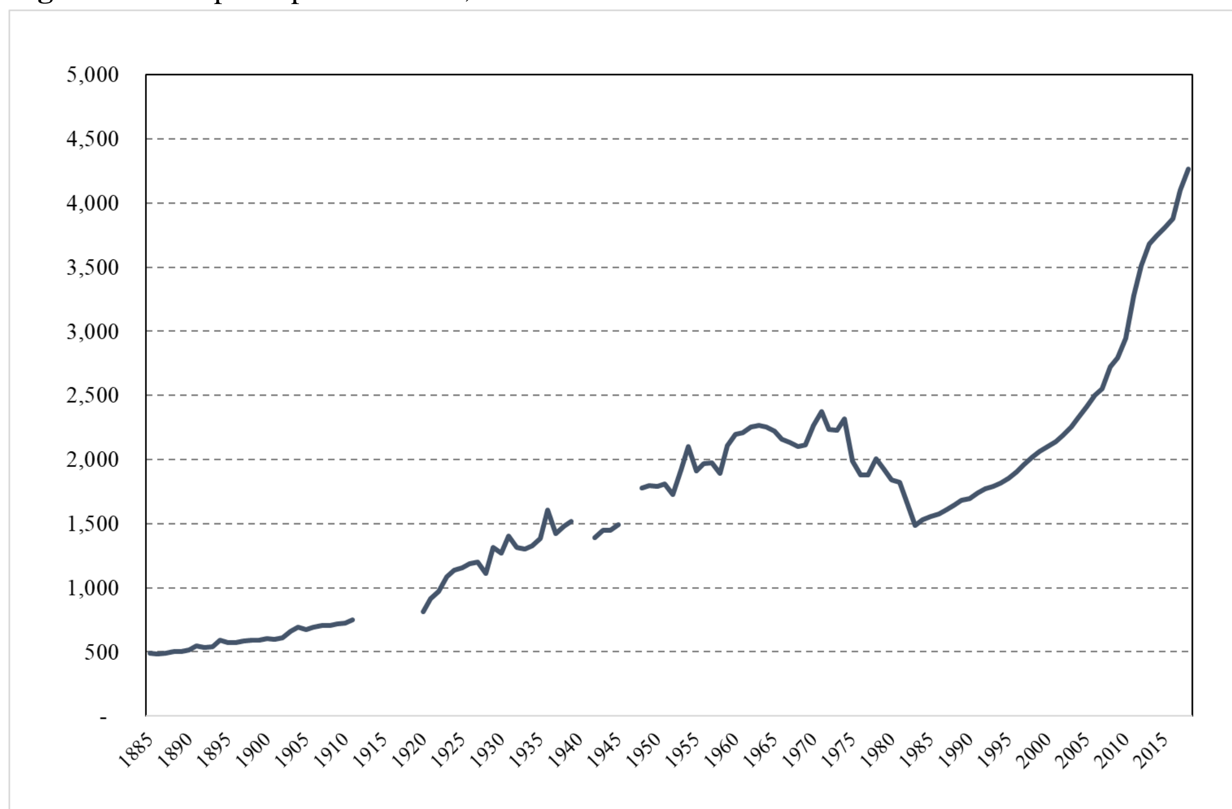
way. Efficiency means that you can produce more with the same (or even less) resources than before. Intensive growth is thus driven by productivity growth. To increase productivity workers have to become better trained and production systems have to incorporate better technology.

A simple example of productivity growth is the following: suppose you have to move 10 heavy bags of rice from one village to another over a distance of 10 kilometre. You walk every day back and forth with one bag. After 10 days you have completed the job. Motor car technology (combustion engine, axes, metal etcetera) will allow you to move the bags in a much more efficient manner. You can drive up and down in perhaps less than one hour, instead of walking ten days! However, to have the car carry the rice bags, you need to have a driver who is trained to drive the car and an investor who owns a car for rent. Indeed, the combination of investments in capital, human skills, knowledge and technology is essential for achieving intensive growth. These are the key determinants of what Nobel Prize winner Simon Kuznets has called 'modern economic growth'. Modern economic growth leads to a sustained rise in GDP per capita, a sustained reduction of poverty rates and a structural transformation of the economy because people become more productive.

African history has witnessed several phases of economic growth, and in some places and periods even strong economic growth. However, most of this growth has been extensive growth. African growth has especially been driven by the sale of natural resources, or even people in the form of slaves. Economic development has lagged behind. Without productivity growth and structural change phases of extensive growth will always be followed by phases of stagnation or decline. Figure 4 shows the long term trend of GDP per capita in Ghana - also known as the Gold Coast in the colonial era. You can see a very rapid rise between 1900 and 1930. In these years the Gold Coast economy experienced a cocoa-boom. Many cocoa-farmers and people working on the railways and in the harbours benefitted. Export revenues and wages rose. The colonial government received increasing amounts of tax money and re-invested part of this money in railways and public schools. The Gold Coast quickly became one of the richest countries in Sub-Sahara Africa.

However, with the collapse of world market prices for cocoa in the 1930s and again in the 1970s, it became clear that much of the gains were temporary. Ghana's economy was dependent on cocoa, and had insufficiently diversified into other economic activities. When an economy depends so heavily on world market prices income levels can be highly volatile. Ghana's government revenues suffered as custom duties declined and the state became increasingly indebted. Ghana's integration in the world economy (globalisation) thus had a large impact on the lives of its citizens, for better or worse. The only way for societies to strengthen their position in the world economy is to turn from extensive to intensive growth. Ghana is currently diversifying its exports from cocoa towards gold, oil and tropical hardwood, which is by itself not a bad strategy. Yet, all of these export products are still natural-resource based commodities. These exports can only form a basis for sustainable economic growth in the future if the money that is earned with these exports is re-invested in health, education, infrastructure and economic activities that create more jobs and labour productivity growth.

Figure 4: GDP per capita in Ghana, 1885-2018



Sources: Broadberry and Gardner (2021) (1885-1950); Maddison Project Database, v. 2020 (1950-2018).

7. Conclusion

The central question of this chapter was: what is development? We have seen that the term 'development' is not so easy to define and that it is subject to different types of interpretation. In the definition of 'human development', the idea of *expanding the freedoms that people enjoy* is crucial. But human freedom is not just an aim in itself, it is also often a means towards achieving more of it. If people are not in a position to use their talents, to acquire skills and knowledge or to reap the benefit from their entrepreneurship, economic growth cannot be sustained in the long run. Freedom is not something that is given, it is both secured and constrained by rules. We have called such rules institutions and distinguished between formal institutions (e.g. laws) and informal institutions (e.g. social behaviour). Political authorities design many of the formal rules of the game in the economy and are also responsible for controlling and maintaining the rule of law. To enhance the freedom of people to make their own economic decisions it is necessary that governments offer a minimal degree of security to people and that, in turn, people have a minimum degree of trust in the way their rulers guarantee security. Only under such conditions are people likely to make investments that may enhance their welfare in the long term. This is not the place to further discuss the various institutions that are needed to achieve intensive growth, but in other chapters of this textbook we will address the role of institutions in more detail.

Study questions

1. Human development differs from economic development or political development. Can you describe the most important differences?
2. What are, in your view, the most important elements of human freedom? Can you also indicate how some of these elements contain aspects of un-freedom?
3. What are *institutions* and why are they important? Can you think of institutions that are typical for Africa, your country, or your family?
4. Can you mention two differences between the long-term paths of economic growth in Africa and Asia?
5. Economic growth is often considered a *necessary condition* for ‘development’, but not a *sufficient condition*. Can you explain what is meant by this?

Discussion exercise

Divide the class into sub-groups of 3-5 students. Let each group discuss what they believe to be the three most important barriers to human freedom in their country and rank these in order of importance. One student per group will be asked to present the list and offer a short discussion of the arguments in support of their choices.

Suggested readings

Broadberry, Stephen, and Leigh Gardner (2021). "Economic growth in Sub-Saharan Africa, 18852008: Evidence from eight countries." *Explorations in Economic History*, 101424.

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About the author

Ewout Frankema is the chair of the Rural and Environmental History Group at Wageningen University, editor-in-chief of the *Journal of Global History* and research fellow of the UK Centre for Economic Policy Research (CEPR). His research agenda focuses on a deeper understanding of the long-term comparative economic development of developing regions (Africa, Latin America, Asia) and the historical origins and nature of present-day global inequality. He has taught courses in history, economics and development studies at the University of Groningen, Utrecht University, Wageningen University, and offered guest lectures at universities in Benin, Uruguay, Uganda, Spain, Sweden and the UK.