

# Views on Development

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## Growth is not enough: alternative paths to Human Development

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Development is more than just economic growth. In fact, if we accept that development must be about people and their lives, we need to consider growth as a mere instrument that may (or may not) contribute to development. And we need to ask critically whether in fact it does so, under which conditions, and at what cost, such as growing inequalities or environmental degradation. This view is hardly new and is widely accepted in many academic as well as political and public discussions. It is most prominently crystallized in the concept of Human Development, which puts the real choices available to people to the forefront.

At the same time, in the practice of economic and development policy we observe the continued dominance of the traditional focus on growth as the very measure of development and also the most effective means of bringing about other valuable changes, such as improved health and democratic participation. There are deep flaws in this perspective. Growth should be viewed as a *means* to development, not the end; and it is only *one among several* ways of promoting improvements in human conditions. Indeed, very often it is not the most effective way of doing so. Policy-makers need to focus much more on a *combination* of approaches which may contribute to advancing human development, and to do so by taking into account the particular historical context of a country or region.

### Dynamics of Human Development: Changes in the HDI, 1970 - 2007

In 1990, the UNDP produced the first Human Development Report, putting Human Development as the central development objective, in place of the more conventional objective of development, GDP per capita growth. The report drew upon the idea that what constitutes a good human life goes beyond material wealth and includes human flourishing and self-determination as crucial elements. Accordingly, Human Development was defined as 'a process of enlarging people's choices. The most critical ones are to lead a long and healthy life, to be educated and to enjoy a decent standard of living. Additional choices include political freedom, guaranteed human rights and self-respect'. The Report also introduced the Human Development Index (HDI). This was a somewhat imperfect measure of some of the basic choices, including indicators of health, education and income. Human Development goes well beyond the HDI, but nonetheless achievement on the HDI is a vital component of progress in Human Development.

By considering these different aspects of human lives, and exploring progress in Human Development across countries, a different and richer picture of how countries are developing emerges. Putting Human development as the central objective also poses anew the question of which factors - growth

being one of them - foster Human Development and should therefore be at the center of policy-making. Thus, twenty years after the first Human Development Report was issued, it is high time to assess the progress that has been made in terms of the HDI, and explore which countries have achieved particular success and which have been weakest in terms of HDI progress. It is also important to see whether achievements on the HDI have been paralleled by progress on wider dimensions of HD, not measured by the HDI. We prepared a paper for the UNDP on these questions, in which it emerges that there are several alternative roads to success as well as to failure.

Actual rates of progress can be expected to differ according to a country's starting point. In the 1990 Report countries were divided into low, medium and high HDI categories. In order to analyze success and failure as related to these different starting points, we have selected the three best and the three worst performers in each of these categories, using the 1990 classification, but assessing progress for 1970-2007 so as to identify long-term patterns. The best and worst performers on HD according to this criterion are shown in Table 1.

Previous research, including case studies and cross-country regressions, has pointed to factors that are likely to be related to progress on the HDI. These include the social expenditure ratio (i.e. health plus education as a percentage of GDP); primary and secondary education enrolment rates; the ratio of female to male primary enrolment rates; growth in per capita incomes; the distribution of income; and the poverty rate. The question then is which of these variables or their combination led to success or failure in the countries we had identified and could therefore potentially serve as entry points for fostering HDI improvements.

### The many routes to HDI success and failure and what they have in common

A general finding was that, among the successful countries, all did well on educational

**Table 1**  
**Countries performing best and worst by category in terms of HDI improvement, 1970-2007**

Good performers	Weak performers
<b>High HDI</b>	
Mexico	Ukraine
Chile	Trinidad and Tobago
Panama	Kazakhstan
<b>Medium HDI</b>	
Laos	Zambia
Indonesia	Congo, Rep.
Tunisia	Moldova
<b>Low HDI</b>	
Nepal	Congo Dem. Rep.
Bangladesh	CAR
Benin	Uganda

enrolment, on female/male primary enrolment rates and on poverty reduction. Almost all countries did at least moderately well on economic growth. But *not* all countries showed outstanding performance in growth in incomes. And some countries succeeded despite poor income distribution. More specifically, a number of quite different routes to success were seen to be possible, many involving only moderate growth in incomes.

- For example, countries with initially high HDI can achieve success despite poor income distribution and with moderate growth levels, if they have good social expenditure and education enrolment ratios; examples are Mexico, Chile and Panama.
- Among the countries that started in the medium or low 1990 HDI categories, high rates of progress could occur via improvements in social expenditure and education indicators together with good income distribution, even in the presence of only modest income growth; examples are Nepal and Bangladesh.
- Other countries even succeeded through high social expenditure ratios when per capita income growth and income distribution were not particularly good; Tunisia is an example.

- Finally, a combination of high growth and good distribution were shown to be able to achieve success even with only moderate social expenditure ratios in poor countries like Indonesia.

Thus, success was possible with only moderate growth in incomes when combined with a number of other conditions and policy measures. However, when we looked at the typology of failure, we found that poor growth was the overwhelming characteristic in both high HDI cases like Kazakhstan and Trinidad and Tobago as well as in medium HDI cases like Ukraine and in low HDI cases like Zambia, Uganda and Congo Dem. The two-way causal link between human development and economic growth suggests that sustained failure in either direction is likely to lead to failure in the other. This contains a clear message for policy: At least moderate economic growth then is necessary but not sufficient for success in HD over time. In addition, all unsuccessful 1990 high HDI countries showed worsening income distribution and most showed poor performance on poverty rates and social expenditure ratios. To prevent decreases in HD in those countries, these parameters are therefore of utmost importance.

**Human Development beyond HDI**

The HDI is a pragmatic and rather reductionist measure of human development. We must not forget about important dimensions of HD that are not covered by this measure. From a policy point of view, a crucial question is to what extent performance on the HDI is paralleled by performance on the broader dimensions of HD. Can one assume that that policy which focuses on HDI improvements alone will also bring about progress in these other dimensions?

The evidence suggests that hopes for somewhat automatic progress in the broader dimensions of HD are not warranted. We have examined how the most and least successful countries performed over the 1970-2007 period with respect to several broader dimensions. We derived these dimensions from philosophical and psychological investigations into the requirements for human flourishing. Suggestions as to which freedoms and choices matter for a good human life abound, but several key aspects are agreed to be important by almost all observers. Since we were restricted by data availability, we included only a subset – notably, political rights, environmental sustainability, inequality, community

well-being and gender empowerment.

What we found was a lack of consistency across different “beyond the HDI” dimensions with little relationship between them and improvements in the HDI. For example, some of the good HDI performers have high and worsening levels of homicide (measuring community well-being) such as Mexico and Panama, and some of the poor HDI performers, such as Ukraine, have low levels of homicide. Political rights are poor in some medium HDI performers, like Laos and Tunisia, but good in some poor HDI performers, such as Trinidad and Tobago. Based on this, we have little reason to expect improvements in HD in its broader sense progressing automatically with HDI improvements.

**Another strand of underlying conditions: politics and institutions**

While aggregate statistics are instructive, to understand fully the causes of success and failure on human development, including the underlying politics, and to derive effective policy measures for HD, one must move beyond data and take political, historical and institutional factors into account, and these are highly country-specific. Exploring six cases in greater depth, including their historical developments, we found that different institutional features were present in different countries. Each of the good performers succeeded both in expanding economic opportunities and improving access to basic social services, but the institutions and politics underlying these achievements varied.

For example, Bangladesh’ success seems to have been due to a combination of a strong civil society and NGO presence together with a vibrant local private sector, and rather little to the government. Strong government priorities aimed at comprehensive basic services, in contrast, were a prominent feature of Chile’s and Indonesia’s success. In the case of Indonesia, the early authoritarian period saw presidential instructions responsible for the use of revenues from oil to promote primary education and health services even in remote areas, while, in the democratic era, radically enhanced decentralization was responsible for HD-oriented priorities.

In general, both authoritarian and democratic governments were associated with success – sometimes in different periods in the same country, as in Chile and Indonesia. Failure too was seen to have several parents. Poor growth is one, though the causes varied from negative terms of trade shocks and general

economic mismanagement in Zambia to the difficult transition from a socialist system in Kazakhstan. Indeed, we must recognize that there are always important country-specific historical and political dimensions which defy quantification and yet help determine outcomes.

### **What should be done?**

The investigation has several important lessons for policy-makers. Most critical, it shows that it is not enough to focus on economic growth alone as this will not by itself guarantee success in Human Development. To achieve sustained success in HD requires an expansion of basic services, whether state or NGO provided; and generation of sufficient economic opportunities for the poor so that income poverty is kept in check. The latter is best achieved by policies which generate increased employment opportunities, as was achieved in Bangladesh and Indonesia, largely through the expansion of labor-intensive manufactured exports. Such a pattern of development generates both economic growth and good income distribution – fundamental factors underlying success in Human Development. Another vital lesson is that improving female education, and female empowerment

more generally, underpins improvements in HD. While the right to equal opportunity is reason enough for this, the instrumental importance of female empowerment for HD, which has become obvious from a growing body of evidence, cannot be emphasized too much and should be put (or remain) high-up in the priorities of policy-making and development programs.

Avoiding failure is in a way even more important than achieving outstanding success. Yet, although it is crucial, this is an often uncommon perspective that should guide policies and programs towards HD more than to date. Here economic growth does seem to be important, though more in the sense of a safeguard against setbacks in HD: policy-makers must aim to prevent economic collapse, often associated with violent conflict and also with poor policy decisions. Although it is beyond this brief to consider policies for conflict prevention, this is probably the single most important requirement for reducing HD failures. The wide spread of economic opportunities and employment needs to be appreciated as a source of resilience, and economic policies and development programs should target these aspects just as much as growth.

When it comes to the wider dimensions of HD, the research indicates that policy-makers have to target these independently and cannot assume that they will improve automatically as basic HD improves. Again identifying policies to achieve these wider dimensions – establishing democratic rights; reducing criminality and domestic violence; or supporting good environmental development impacts – is of great importance for promoting HD but extends beyond the present research.

Finally, as a general point, policy-making, development programs and strategies need to be more aware of, and potentially make use of, the variety of paths to success in HD. What makes countries successful is an effective combination of several factors and related policy options (and not growth alone). The appropriate combination needs to fit the circumstances, for instance by compensating for only moderate growth and unequal income distribution by high social expenditure. It needs also to match the differing initial conditions and the particular institutional and political setting in a country. There is significant potential to foster Human Development in developing countries if policy is more case-sensitive and innovative with regards to feasible and effective combinations of measures. ■