



“Summary of article by Paul Streeten: The Evolution of Development Thought” in Frontier Issues in Economic Thought, Volume 3: Human Well-Being and Economic Goals. Island Press: Washington DC, 1997. pp. 292-296

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## **“Summary of article by Paul Streeten: The Evolution of Development Thought”**

Development thinking has evolved over the years from its original focus on economic growth, to emphases on employment, jobs and justice, redistribution with growth, basic needs, and, most recently, human development. This review traces the evolution of some of the most important ideas in the field. In particular, it discusses the concept of human development as a model for thinking about development, identifies some of the weaknesses of current poverty measures, and proposes some alternative indicators.<sup>1</sup>

### **HUMAN DEVELOPMENT**

Economic growth has never been regarded as the objective of development, but rather as its principal performance test. Poverty reduction has always been the core concern; economic growth was believed to help achieve this goal through trickle down effects or through government intervention to redistribute the gains. However, as it became increasingly clear not only that these mechanisms for linking growth and poverty reduction were inadequate, but also that direct investments in the human capital among of poor could be productive, GNP was "dethroned," and more direct approaches to poverty reduction were pursued.

One approach focuses on human development, defined as "the enlargement of choices, the presentation of options." (22) Income is one means of achieving this enlargement, but health, education, self-respect, participation in the common life, and cultural identity are also important components. It is "development of the people, for the people and by the people," where "of the people means jobs and incomes; for the people means social services; and by the people means participation." (22) Human development and poverty eradication are beneficial not only as ends in themselves, but also because they can contribute to higher productivity, lower reproductivity (lower population growth), and environmental sustainability, as well as to the growth of civil society and of social and political stability.

The Human Development Index (HDI), introduced by the United Nations Development Programme in 1990, is a composite indicator that measures income per head, life expectancy, literacy rates and years of schooling. While there are some criticisms of this index, and no single index can fully capture the depth and richness of the concept of human development, the greatest value of the HDI (apart from the political value of highlighting single figure) is in demonstrating the inadequacies of measures based on GNP alone. For example, analysis of the HDI indicates that there is much greater scope for reducing international gaps in human indicators than in income. It shows that in human terms, development in the last three decades has actually

succeeded, as life expectancy, literacy, nutrition and mortality levels have all increased substantially during this period despite the persistence of wide income gaps; average income in the South is only 6 percent of that in the North, but life expectancy is 80 percent, literacy 66 percent, and nutrition 85 percent.

It is important to remember that the HDI, like GNP is also an average indicator, and we must look beyond it at the implications of the underlying income distribution for the poorest, especially rural inhabitants, women and children. Even so, the HDI has additional advantages because the distributions of literacy and life expectancy are generally much less skewed than that of income, so, for example, a high HDI does tell us something about distribution, and an increase in the HDI is a better indicator of actual improvements than an increase in average income. But the most important advantage of the HDI is its political and policy implications; it can shift attention to social sectors and policies that are left out in income alone.

There has been some debate about whether and how freedom should be treated in measures of human development; it is clear, for example, that basic material needs could be satisfied in a well-run prison. However, it is difficult not only to measure freedom, but also to compare its importance with that of other social indicators; freedom can also be highly volatile. Nor does guaranteeing freedom require commitment of scarce resources in the way that protecting positive rights does. Freedom might therefore best be treated as an issue separate from, but related to, development. It is not a necessary condition for development, but neither is its absence. Moreover, increasing levels of human development almost invariably lead to greater demands for freedom by the people, as recent experiences in Latin America, East Asia, Eastern Europe, South Africa, and the former Soviet Union clearly demonstrate.

## **POVERTY: CONCEPTS AND MEASUREMENT**

Before we can consider policies to reduce poverty, we must analyze the concept of poverty and its measurement. First, do we identify the poor and measure the extent of poverty? This has most often been done by using fractiles of income recipients, an approach which has some uses, but also serious weaknesses: how do we measure income distribution (e.g., by household, individual, or adult equivalent)? Moreover, income statistics alone cannot capture the essence and causes of poverty, even when they are well used. For example, poverty may be related to an individual's or household's location, control of physical assets, stock of human capital, ethnic group, position in the age cycle, or characteristics of the household head. In addition, poverty may be dynamic rather than static, as incomes fluctuate year by year, or as a household progresses through various life-cycle stages of greater and less poverty, or faces a year of particular misfortune. This suggests that consumption expenditure will serve as a more consistent measure of poverty than income, and that understanding poverty requires knowing how long any given segment of the poor population has been in that position, how long it is likely to stay there, and what adaptations are available, such as borrowing to alleviate hardship during the most difficult periods.

The distinction between relative or absolute poverty is also important. The assumption that higher poverty lines in countries with higher income levels reflect only relative poverty is mistaken. Absolute poverty levels can also rise with rising incomes as "the capability of

appearing in public without shame, of participating in the life of the community or of maintaining self-respect will vary with the conventions, regulations, and material comforts of society." (36) For example, if access to educational television programs becomes the norm in schools, it becomes necessary for gaining the full benefits of primary education, to have access to a television set. This is not a case of rising income creating new needs (for television), but of satisfaction of the same need (to be educated) requiring more income. While viewing shame as an indicator of absolute poverty can be taken too far, it is clear that absolute poverty is at least partly a function of average living standards. Relative poverty is an evil, but is different, and lesser evil than absolute poverty.

Another important distinction was made by the turn of the century economist Seebohm Rowntree between primary and secondary poverty. Primary poverty is the inability to command enough income to obtain the minimum necessities - i.e., insufficient resources - while secondary poverty exists when there is an inefficient use of adequate resources (for example, owing to lack of education or to addictions such as drinking and gambling). Amartya Sen builds on the concept of secondary poverty when he identifies the importance of "capabilities" and "functionings" when he discusses the capacity to convert resources into well-being. The ability to convert income into a high quality of life will also depend on the availability and quality of education, health and other social services.

There are considerable difficulties in measuring primary poverty; should income or consumption be the focus, should households, individuals, or adult equivalents be the basic units, determining how poor (i.e., how far below the poverty line) the poor are, and dealing with how poverty is distributed among the poor. To overcome these complexities, it may be useful to measure poverty through the removal of six veils; "the removal of each veil gets us nearer the facts that we want to measure, but the outer veils are not therefore unnecessary." (42) We must therefore evaluate poverty as it is associated with each "veil," and then proceed beyond it. The first such veil is money income, which has some relevance, but which also obscures a great deal about differences among the poor and about how conditions for the poor change as incomes rise. The second veil is real income or money income adjusted for changes in the general price level, and the third is real income adjusted for the region- and commodity-specific purchases of the poor, and for the non-availability of some items.

However, even real income misses some important components of well-being and poverty; it ignores the welfare benefits of leisure, and often does not include non-marketed subsistence income, free social services and benefits derived from pure public goods, nor does it account for distribution. The fourth level or veil is therefore the direct measure of the physical inputs required to meet basic needs - e.g., calories consumed - that "penetrate behind the veil of money," (43) while the fifth incorporates impact measures of health, mortality, literacy, and morbidity to "look behind income and what it is spent on, at the inputs in relation to requirements, and the skills and abilities of converting goods and services into human functionings." (44) While average income per head often is not very closely correlated with these human indicators, the indicators are highly correlated with one another, which has important implications for policy selection, especially when it comes to granting priority to income generation or to provision of social services. Finally, the sixth level evaluates distribution of benefits and costs within the household.

Human impact indicators have some advantages over income or consumption indicators, but the former should serve to complement rather than replace the latter. There is no easy way to aggregate these indicators into a single composite measure similar to GNP, but this should not discourage their use. Several approaches to aggregation have been attempted, including the HDI discussed above, and the Physical Quality of Life Index (PQLI), which aggregates life expectancy, infant mortality and literacy, giving equal weight to each. Another approach develops profiles of lifetime expectations of years of schooling, marriage, employment, retirement, etc., that can then be compared across different groups or countries.

An alternative approach that highlights the shortcomings of those listed above is to evaluate poverty from the point of view of the poor by, for example, asking households not only what they consume, but also what they think is an adequate level of wellbeing. Indices of satisfaction determined in this way often are not highly correlated with other measures of poverty, in part because a number of non-material benefits other than income and consumption influence an individual's perception of his or her well-being, including independence from patrons, mobility, security, self-respect, good working conditions, and freedom to choose jobs and livelihoods. This should warn against efforts to measure poverty by single indicators, and against an excessive concern with income levels, which may or may not influence an individual's ability to meet these other needs. It also demonstrates that "any attempt to understand poverty must include the way in which poor people themselves perceive their situation." (50)

Finally, it should be clear even in the best conditions that no policy maker can guarantee the achievement of all of these goals, but policy can create opportunities for their fulfillment. Policy makers must recognize that "in assessing and measuring successes or failures in the pursuit of these objectives, it is important not to fall victim to the twin fallacies that only what can be counted counts, and that any figure, however unreliable, is better than none. . . . The ability, or capability, not only to keep alive, but also to be well nourished, healthy, educated, productive, fulfilled, these are the objectives of good policy, and incomes or the goods they buy are only one type of instrument to achieve them." (51)

In the light of the above discussion, three measures are proposed for use by donors in monitoring poverty and the effectiveness of policies aimed at poverty alleviation. The first is income or consumption per capita, or preferably per adult equivalent, in conjunction with the definition of a poverty line. The second is calorie consumption relative to requirements, again preferably on a per adult equivalent basis. The third measure is the proportion of income or expenditure on food; high levels (e.g., above 75 percent) indicate poverty, and levels that remain unchanged even as income increases indicate extreme poverty.

These three indicators often will not identify the same groups of people as poor, in which case more analysis is called for, including measures such as weight for age of children, land area per capita, literacy rates, and life expectancy (which are in any case useful supplements to the indicators suggested above). Monitoring poverty is constrained by the fact that there are trade-offs between accuracy and the costs of gathering information, but the cheapest indicators will probably also be the least accurate ones. Monitoring, especially by outside donors, may also be politically sensitive in the eyes of host governments. Creating monitoring institutions that can

gain the trust and meet the needs of both sides may therefore be necessary. At the same time, a degree of competition in the monitoring process that encourages the testing of a variety of methods would also be productive. Enhancing indigenous capacity to monitor and conduct research on poverty issues should be a priority, since research and action on poverty tend to go together.

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1. This article covers a broad range of issues encompassed by the debates about development. This summary focuses primarily on the last two sections of the paper which deal most directly with understanding and measuring human well-being.