WHAT MAKES DEVELOPMENT HAPPEN?

Development, most simply, is improvement in human well-being. Most people today aspire to higher standards of living, longer lives, and fewer health problems; education for themselves and their children that will increase their earning capacity and leave them more in control of their lives; a measure of stability and tranquility; and the opportunity to do the things that give them pleasure and satisfaction. A small minority will take exception to one or more of these aspirations. Some others may wish to add one or more. For the purposes of this book, however, I think the list is adequate.

The enormous gap in well-being between the low-income and the industrialized countries is apparent from the following summary table, the source of which is the World Bank's World Development Report 1982. A similar but expanded table, broken down by country, appears later in this chapter.

Table 1.

<table>
<thead>
<tr>
<th></th>
<th>Low-income countries</th>
<th>Industrialized countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population (mid-1980)</td>
<td>2.2 billion</td>
<td>.671 billion</td>
</tr>
<tr>
<td>Annual average population growth rate (1970-80)</td>
<td>2.1%</td>
<td>.8%</td>
</tr>
<tr>
<td>Average per-capita gross national product (1980)</td>
<td>$260</td>
<td>$10,320</td>
</tr>
<tr>
<td>Average life expectancy at birth (1980)</td>
<td>57 years</td>
<td>74 years</td>
</tr>
<tr>
<td>Average adult literacy (1977)</td>
<td>50%</td>
<td>99%</td>
</tr>
</tbody>
</table>

What explains the gap? What have the industrialized countries done that the low-income countries have not? Why was the Marshall Plan a monumental success, the Alliance for Progress much less successful? What makes development happen or not happen?

There are those who will say that what the industrialized countries have done that the low-income countries have not is to exploit the low-income countries; that development is a zero-sum game; that the rich countries are rich because the poor countries are poor. This is doctrine for Marxist-Leninists, and it has wide currency throughout the Third World. To be sure, colonial powers often did derive great economic advantage from their colonies, and U.S. companies have made a lot of money in Latin America and elsewhere in the Third World, particularly during the first half of this century. But the almost exclusive focus on "imperialism" and "dependency" to explain underdevelopment has encouraged the evolution of a paralyzing and self-defeating mythology. The thesis of this book is in diametrical contrast. It looks inward rather than outward to explain a society’s condition.

I believe that the creative capacity of human beings is at the heart of the development process. What makes development happen is our ability to imagine, theorize, conceptualize, experiment, invent, articulate, organize, manage, solve problems, and do a hundred other things with our minds and hands that contribute to the progress of the individual and of humankind. Natural resources, climate, geography, history, market size, governmental policies, and many other factors influence the direction and pace of progress. But the engine is human creative capacity.
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The economist Joseph Schumpeter (1893 – 1950) singled out the entrepreneurial geniuses — the Henry Fords of the world — as the real creators of wealth and progress, as indeed they must have appeared in the early years of Schumpeter's life. Economist and political scientist Everett Hagen was less elitist: "The discussion of creativity refers . . . not merely to the limiting case of genius but to the quality of creativity in general, in whatever degree it may be found in a given individual."²

My own belief is that the society that is most successful at helping its people — all its people — realize their creative potential is the society that will progress the fastest.

It is not just the entrepreneur who creates progress, even if we are talking narrowly about material — economic — progress. The inventor of the machine employed by the entrepreneur; the scientist who conceived the theory that the inventor turned to practical use; the engineer who designed the system to mass-produce the machine; the farmer who uses special care in producing a uniform raw material to be processed by the machine; the machine operator who suggests some helpful modifications to the machine on the basis of long experience in operating it — all are contributing to growth. So is the salesman who expands demand for the product by conceiving a new use for it. So, too, are the teachers who got the scientist, the inventor, and the engineer interested in their professions and who taught the farmer agronomy.³

Production takes place within a broader society, and the way that society functions affects the productive process. Good government can assure stability and continuity, without which investment and production will falter. Good government can provide a variety of services that facilitate production. And the policies government pursues, e.g., with respect to taxation, interest rates, support prices for agricultural products, will importantly affect producer decisions. Thus, the creativity and skill of government officials play a key role in economic development. It can be argued, in fact, that an effective government policymaker — e.g., a Treasury Secretary — is worth many Henry Fords.⁴ W. Arthur Lewis observes, "The behaviour of government plays as important a role in stimulating or discouraging economic activity is does the behaviour of entrepreneurs, or parents, or scientists, or priests."⁵

But our definition of development is far broader than just the productive dimension of human existence. It also embraces the social dimension, particularly health, education, and welfare. It is government that bears the principal responsibility for progress in these sectors, and, as with economic progress, innovation and creativity are at the root of social progress. The people who conceive the policies that expand and improve social services are thus comparable in their developmental impact to industrial entrepreneurs, as are public-sector planners, administrators, technicians, and blue-collar workers to their private-sector counterparts.

It is not difficult to see how this view of what makes development happen can be extended to virtually all forms of work, intellectual and physical, performed within a society. While it is obvious that the contribution of some will be greater than that of others, and while the role of gifted people can be enormously important, all can contribute. It is thus probably more accurate, at least in the contemporary world, to think of development as a process of millions of small breakthroughs than as a few monumental innovations, the work of geniuses. A society that smooths the way for these breakthroughs is a society that will progress.

How does a society encourage the expression of human creative capacity? Basically, in seven ways:

1. Through creation of an environment in which people expect and receive fair treatment.
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2. Through an effective and accessible education system: one that provides basic intellectual and vocational tools; nurtures inquisitiveness, critical faculties, dissent, and creativity; and equips people to solve problems.
3. Through a health system that protects people from diseases that debilitate and kill.
4. Through creation of an environment that encourages experimentation and criticism (which is often at the root of experimentation).
5. Through creation of an environment that helps people both discover their talents and interests and mesh them with the right jobs.
6. Through a system of incentives that rewards merit and achievement (and, conversely, discourages nepotism and "pull").
7. Through creation of the stability and continuity that make it possible to plan ahead with confidence. Progress is made enormously more difficult by instability and discontinuity.

Two examples in Nicaragua

My recent experience in Nicaragua provides two examples that symbolize what societies can do to nurture or frustrate human creative capacity.

The United States ambassador to Nicaragua during my two years there was Lawrence A. Pezzullo. Larry Pezzullo grew up in the Bronx, the son of an immigrant Italian butcher. His mother, also an immigrant, was illiterate. He attended public schools in New York City, served in the U.S. Army in Europe during World War II, and returned to New York to attend Columbia University under the GI bill. Following graduation, he taught in a public high school on Long Island for six years, then joined the Foreign Service. He rose steadily through the ranks, served as deputy assistant secretary of state for congressional affairs from 1975 to 1977, and was named ambassador to Uruguay in 1977. He became ambassador to Nicaragua in July 1979, simultaneous with the installation of the revolutionary Government of National Reconstruction.

Larry Pezzullo is a person of extraordinary talent. He has great capacity for understanding complicated political processes. But he also has a flair for conceiving and orchestrating responses to the circumstances he faces, and an unerring sense of timing. He is a diplomatic entrepreneur who, in Nicaragua, was the right man in the right place at the right time. (He has since become executive director of Catholic Relief Services.)

Rosa Carballo was born into similar humble circumstances, but in Nicaragua. She is a woman in her sixties, highly intelligent, dignified, and self-disciplined. She has a profound understanding of human nature and sees well below the surface of the political process in her country. With those qualities, she might well have been a successful professional in another society. In Nicaragua she is a domestic servant. She is effectively illiterate.

I want to note in passing that, today, there are few countries that could not virtually eradicate illiteracy within a generation if the will to do so existed.

Values and attitudes that foster progress

We now have to ask what values and attitudes foster the conditions that facilitate the expression of human creative capacity — and development. In this discussion, I will be referring to Figure 1. Diagrams often both oversimplify and confuse. Figure 1, however, has helped me think through the complicated relationships between culture and development, and the reader may find it helpful, too. I want to stress
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...that it is a simplification of an enormously complicated system, and that cause and effect probably move both up and down, both left and right.

The society's world view is the source of its value and attitude systems. The world view is formed by a complex of influences, including geography, economic organization, and the vagaries of history. The world view and its related value and attitude systems are constantly changing, but usually at a very slow pace, measurable in decades or generations. The world view is expressed at least in part through religion.

**Figure 1**

Of crucial importance for development are: (1) the world view's time focus — past, present, or future; (2) the extent to which the world view encourages rationality; and (3) the concepts of equality and authority it propagates.

If a society's major focus is on the past — on the glory of earlier times or in reverence of ancestors — or if it is absorbed with today's problems of survival, the planning, organizing, saving, and investment that are the warp and woof of development are not likely to be encouraged. Orientation toward the future
implies the possibility of change and progress. And that possibility, as Max Weber stressed in his
landmark work *The Protestant Ethic and the Spirit of Capitalism*, must be realizable in this life. The
Calvinist concepts of "calling" and "election" force the eyes of the faithful toward the future. So do the
basic tenets of Judaism:

Judaism clings to the idea of Progress. The Golden Age of Humanity is not in the past, but in the
future.\(^6\)

If the society's world view encourages the belief that humans have the capacity to know and understand
the world around them, that the universe operates according to a largely decipherable pattern of laws, and
that the scientific method can unlock many secrets of the unknown, it is clearly imparting a set of
attitudes tightly linked to the ideas of progress and change. If the world view explains worldly
phenomena by supernatural forces, often in the form of numerous capricious gods and goddesses who
demand obeisance from humans, there is little room for reason, education, planning, or progress.

Many world views propagate the idea of human equality, particularly in the theme of the Golden Rule and
its variations. The idea is stressed more in some ethical systems than in others. It is obviously present in
both the Protestant and Catholic ethical systems. But Weber argues that the traditional Catholic focus on
the afterlife, in contrast to the Protestant (and Jewish) focus on life in this world, vitiates the force of the
ethical system, particularly when that focus is accompanied by the cycle of transgression/confession/absolution.\(^7\) One possible consequence may be a relatively stronger Protestant orientation
toward equality and the community, and a relatively stronger Catholic orientation toward hierarchy and
the individual.

Directly related to the idea of quality is the concept of authority. Subsequent chapters observe repeatedly
the negative consequences of authoritarianism for growth of individuals and societies. There may well be
truth in the belief of Weber and others that traditional Catholicism, with its focus on the afterlife and the
crucial role of the church hierarchy and the priest, encouraged a dependency mindset among its adherents
that was an obstacle to entrepreneurial activity. Martin Luther, by contrast, preached "the priesthood of all
believers,"\(^8\) every Christian had to be a monk all his life.\(^9\)

But there are also some religions — including, to be sure, some Protestant denominations — whose basic
tenets embrace the idea of inequality. Traditional Hinduism comes immediately to mind, as do Gunnar
Myrdal's comments on South Asia:

. . . Social and economic stratification is accorded the sanction of religion. . . . the inherited
stratification implies low social and spatial mobility, little free competition in its wider sense, and
great inequalities.\(^10\)

It should be an hypothesis for further study that people in this region are not inherently different from
people elsewhere, but that they live and have lived for a long time under conditions very different
from those in the Western world, and that this has left its mark upon their bodies and minds. Religion
has, then, become the emotional container of this whole way of life and work and by its sanction has
rendered it rigid and resistant to change.\(^11\)

The fundamental questions of future versus past and present orientation, encouragement or
discouragement of rationality, and emphasis on quality versus emphasis on authority strongly influence
three other cultural factors that play an important role in the way a society develops: (1) the extent of
identification with others, (2) the rigor of the ethical system, and (3) attitudes about work.
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Several of the people whose works are discussed in the following chapter (e.g., Weber, Myrdal, David McClelland) have emphasized the importance for progress of a radius of identification and trust that embraces an entire society. There is evidence that the extended family is an effective institution for survival but an obstacle to development. Weber observes, "The great achievement of ethical religions, above all of the ethical and ascetic sects of Protestantism, was to shatter the fetters of the sib [i.e., the extended family]." The social consequences of widespread mistrust can be grave. Samuel Huntington makes the point:

. . . the absence of trust in the culture of the society provides formidable obstacles to the creation of public institutions. Those societies deficient in stable and effective government are also deficient in mutual trust among their citizens, in national and public loyalties, and in organization skills and capacity. Their political cultures are often said to be marked by suspicion, jealousy, and latent or actual hostility toward everyone who is not a member of the family, the village, or, perhaps, the tribe. These characteristics are found in many cultures, their most extensive manifestation perhaps being in the Arab world and in Latin America . . . In Latin America . . . traditions of self-centered individualism and of distrust and hatred for other groups in society have prevailed.

A whole set of possibilities opens up when trust is extended beyond, the family, possibilities that are likely to be reflected in both economic and social development. Myrdal observes, " . . . a more inclusive nationalism then becomes a force for progress . . . a vehicle for rationalism and for the ideals of planning, equality, social welfare, and perhaps democracy." In such an environment, the idea of cooperation will be strengthened, with all that implies for modern production techniques, community problem-solving, and political stability. The idea of compromise, which is central to the working of a pluralistic system, is also reinforced. When the idea of compromise — i.e., that a relationship is important enough to warrant seeking to avoid confrontation, even if some concession is necessary — is weak, the likelihood of confrontation is increased. Constant confrontation undermines stability and continuity, which, as noted earlier, are crucial to development.

There is a gap in all societies between the stated ethical system and the extent to which that system is honored in practice. Religions' treatment of ethical issues obviously has something to do with the size of the gap. Broad identification among the members of a society will strengthen the impact of the ethical system. Where the radius of identification and trust is small, there may effectively be no operative ethical system.

The rigor of the effective ethical system will shape attitudes about justice, which are central to several major development issues. If the members of a society expect injustice, the ideas of cooperation, compromise, stability, and continuity will be undermined. Corruption and nepotism will be encouraged. And the self-discipline necessary to keep a society working well (e.g., payment of taxes, resistance to the temptation to steal) will be weakened. The system of criminal and civil jurisprudence will be politicized and corrupted and will not be taken seriously by the citizenry. The idea of justice is also central to crucial social issues: the fairness of income distribution, availability of educational opportunities and health services, and promotion by merit.

Another link to these questions of radius of identification, rigor of the effective ethical system, and justice is the idea of dissent. Its acceptance is fundamental to a functioning pluralistic political system, and it is clearly related to the idea of compromise. But it is also an important idea for creativity: what the inventor and the entrepreneur do is a kind of creative dissent.
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Attitudes about work link back to several of these ideas, but particularly to future orientation. If the idea of progress is well established in the culture, there is a presumption that planning and hard work will be rewarded by increased income and improved living conditions. When the focus is on the present, on day-to-day survival, the ceiling on work may be the amount necessary to survive.

This brings us back to the seven conditions that encourage the expression of human creative capacity:

1. The expectation of fair play
2. Availability of educational opportunities
3. Availability of health services
4. Encouragement of experimentation and criticism
5. Matching of skills and jobs
6. Rewards for merit and achievement
7. Stability and continuity

Taken together, the seven conditions describe a functional modern democratic society. The extent to which countries realize their potential is determined, I believe, by the extent to which these conditions exist. This assertion is supported by Table 2: the seven conditions substantially exist in the fifteen countries whose per-capita gross national product (GNP) is the highest in the world (excluding four oil-rich Arab countries). These same fifteen countries accounted for 83 percent of the Nobel Prize winners from 1945 to 1981.

### A breakdown of progress by country

I conclude this chapter with the country-by-country Table 2 [omitted], which is drawn from the World Bank's *World Development Report 1982*. The table will be useful in the following chapters to give at least a sense of the different development levels achieved by the pairs of countries considered.

I am aware of the shortcomings of per-capita GNP as an indicator. For example, it is distorted by exchange-rate conversions and it tells nothing about income distribution. But it continues to be the single most widely used indicator of development, and at least some of its shortcomings are mitigated by the inclusion of adult literacy and life expectancy data.
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NOTES

1. “Development” and "progress" are used synonymously in this book.
4. This point is elaborated in Lawrence E. Harrison, "Some Hidden Costs of the Public Investment Fixation," pp. 20 – 23.
7. Clearly, contemporary Catholicism is moving toward the Protestant and Jewish focus on this life, particularly since Pope John XXIII.
11. Ibid., p. 112.
12. The conditions for human progress and happiness are still worse where trust extends no further than the nuclear family, as in Banfield's "Montegrano" (see the next chapter). In that case, both development and survival are threatened.
16. It is, I believe, significant that there is no truly apt Spanish word for "compromise" (see Chapter 7).
17. It also seems significant that there is no truly apt Spanish word for "dissent" (see Chapter 7).