

CHAPTER 2

DEVELOPMENT HAS FAILED

The first challenge is to help people understand the scale of the failure of development. First, absolutely in terms of the total population that are affected by development failure. Second, relatively in terms of how some have progressed and other have not. Discussion of some of the big facts that have to be faced: famine and hunger, war and refugees, poverty and concentration of wealth.

The big conclusion

I look at the hunger, health and wealth profile of the world's population and I am appalled. How can it be that some 4.5 billion people on this planet are poor and hungry. Compared to what should be ... development has failed. There is something wrong when a society that has the capacity to deliver objects millions of miles away in space, not to mention place bombs into any building on the planet ... cannot get a ubiquitous functioning capacity that enables everyone to have food and potable water. I see this as failure!

We have amazing technology ... but dysfunctional decision making. There is too much of poverty, hunger, disease and death. It is a really sad state of affairs. The idea that around 4.5 billion people are in dire poverty, hungry and with no health or education is obscene. Around 30,000 young children, according to the United Nations (UN) die every day from preventable disease. Poverty, hunger, disease and death are the clear symptoms of failed relief and development. The failure is a sad reality. The quality of life for poor people around the world is rotten. It is a disgrace that half the world is poor, hungry, prone to disease and dying prematurely.

There is a huge amount of information writing about the failure of development. The official relief and development assistance (ORDA) community writes report after report that documents different aspects of the failure. The mainstream media quite frequently writes articles that chronicle failed development, often in its most hopeless areas. Professors and PhD students study and write about the failure. Film makers make documentaries. But the reality is that very little actually gets done to change anything very much.

In my own experience, I have seen a lot of failed development first hand. I thought I was meant to be part of a process that would solve problems and make development successful. Seeing dead people and people who are going to die because the system that does not work for them changed me ... but I was not able to change the system.

Failed development

The phrase “failed development” is not yet in common usage, but it should be. Development performance is not just failure at the margin. It is failure that permeates the whole of the global economy. It has had a devastating impact among the world's poorest.

There is something wrong when the functioning of the global economy results in around 50% of the planet's population being in abject poverty and hungry ... while the rich countries have a problem with

obesity. Something is surely wrong. I have the temerity to suggest that this is not a chronic problem, but a problem of misused resources, and a global system that allows this to happen, not once, but over and over again

In the broadest sense the development paradigm that has prevailed for the past three or four decades just does not work. Bits of it are functional, but most of it consumes resources and destroys economic value.

Bluntly put, the world is neither more secure nor much happier, nor much better fed than fifty years ago. The euphoria and expectations for post-independence countries in the 1960s has not in any way been realized in the past four decades. So little of what was projected by the development experts of 50 years ago has been achieved. The only people who appear to have been right are the reactionary critics of independence who said that developing countries would never amount to anything.

And it is probably worse than this. Because thirty years ago there were a lot of trends that were favorable, and expectation of life, a very basic measure of economic performance, was going up. But in recent years, this very basic measure is going down. And the idea that failed development is causing a vast number of people to be dying prematurely makes the need for solution to the development crisis so very important.

There has been immense technological and economic progress in some parts of the world, but as much as 50% of the world's population is hungry, and will be hungry for their whole lives. Most of the world's people live a life that is best described in the old classic phrase "Life is brutish and short"

Not now, but soon, the crisis of development failure is not going to be confined to the poor people of the world who just get hungrier and die quietly. The crisis of development is going to get translated into a different sort of crisis where poor people get angrier and angrier and though weak, will be able to challenge the comfort and security of the world's rich. The SOUTH is not going to let the NORTH have it all. The stage is set for global terrorism in a way that has never been seen before. It might be very messy. In time, failed development is going to have a devastating impact on the quality of life in rich countries.

The developing world, the SOUTH, is facing economic disaster. Even though health and education have been improved, the standard of living is far worse for most people in developing countries today than it was 50 years ago

For fifty years, most development resources have been "expended" in the public sector, with questionable results

The paradigm for development has not worked and is not working. There has been a long time continuum of economic value destruction in most developing countries.

Look at the market price history of all of the products originating in developing countries and see what these countries have to deal with.

In this chapter some of the symptoms of failure will be looked at, recognizing that treating symptoms does not cure the underlying disease.

But what we will see is a generalized pattern that seems to suggest a way forward that can be extremely successful.

As a starting point, then, the following:

1. Hunger and famine (food, water and basic necessities)
2. Violence, war and insecurity (also refugees, IDPs and victims of trauma)
3. Poverty, economic value destruction and the distribution of wealth

4. Balance of trade, currency crises and government insolvency
5. Health pandemics

Hunger and famine (food, water and basic necessities)

The issue of lack of food, and lack of safe water and lack of basic necessities is having an impact on about half the population of the world, some 3 billion people. The experts of the official development assistance (ODA) community know about this, and the leaders of nations in the NORTH and the SOUTH know about this, yet it is a problem that not only persists, but gets worse.

“Global Banquet” is a video produced in 1998 that shows some of the issues of poverty and food shortage in a world where plenty is possible. Its thesis is that large scale corporate mono-culture supported by subsidy has defeated value adding labor intensive sustainable multi-culture. Corporate win, people defeated.

The video's thesis is well intentioned. But the problem is both broader and deeper. Without understanding a lot more about the global economy and local cultures and area issues, it is very difficult to sort out what are the symptoms and what are the fundamental underlying problems. After forty years of development effort, it is sad that there is no apparent consensus about a way forward for development that looks like being successful

My first experience of death from failed economics was in Nigeria. Nigeria was in the process of becoming one of the richest places in the world as a result of the oil shocks of the 1970s. At the time it was the largest market in the world for Mercedes cars, ahead of the United States. But one morning when I was going to our lawyers office in Western House on Broad Street in the middle of Lagos, there were two dead undernourished children on the steps of the building. Clearly, money alone did not ensure development success.

What became clear very early on in my development consultancy career was that success in development required progress on many fronts at the same time. My experience in Nigeria showed me very clearly that money flows on their own would not result in development success. It was also clear to me that good people and good intentions were not going to make a difference as long as control of the process was subject to corruption and fraud.

The failure of world development was already becoming apparent in the 1970s, and in the 1980s famine became headline news, especially the famine in Ethiopia. As a result a lot of money was raised for famine relief in Ethiopia, and also for other famine affected areas. I did some planning work during that period in futile attempts to integrate emergency and development initiatives. I tried to get “Band Aid” funds to be used effectively, but could not get heard. It was heartbreaking. The decisions were tough. Feed the dying or build a future for the living.

The commitment of good people working in the emergency organizations is amazing. They do incredible work in impossible circumstances. But the fact that they are needed is a problem.

There are multiple systemic and process problems that make needed changes very difficult if not impossible. People being hungry is partly cause by shortage. People cannot have food and water and the other basic necessities when there are none to be had. But it is not the only problem.

Another critical problem is that while food and water and basic necessities are available, poor people just do not have the economic means to buy them.

The two problems are quite distinct, and different strategies are needed to have a lasting impact on these problems. There are linkages, and there are ways for the strategies to be effective.

On a global basis there is no shortage. But at a local level there may well be a physical shortage. If the community has no buying power, there is no market mechanism that will solve the shortage problem. With no demand the market suppliers will not make any offers of supply, and the shortage will continue.

If it is impossible to have value adding economic activities of any sort in an area, then the people are well advised to move. Economic migration has been a part of history, and is with us as much today as it has ever been. If people cannot survive in terms of food and water and basics, and the local environment does not allow for any productive economic activity, then migration is what should happen.

But migration to where?

The rural economy in the modern world with the present development paradigm is not able to support people as it might have done in the past. There are market pressures and there are population pressures. But migration from a failing rural area to a typical urban area is essentially “out of the frying pan, into the fire”. The people who are having difficulty succeeding in the rural setting are also likely to be in trouble in the urban setting, and maybe worse.

Development initiatives have got to get to the root cause of rural economic failure. There are many elements to be addressed.

The first responsibility of rural communities in developing countries should be related to food security. Rural communities should be able to produce a good surplus of food over what they need for their own consumption and for seed requirements. Food is first. If they can also produce other crops to earn cash, then that is a bonus. But the first job is to produce food.

And rural communities should be able to get easy access to safe potable water. This is perhaps the top job for community leadership. If there is no water, there cannot be much community.

The next issue is probably fuel, and this is likely to be fuelwood. There is a global energy crisis, and it is fuelwood. Rural populations have grown and the fuelwood supplies have been depleted and the problem of deforestation is accelerating all the time.

And rural productivity degradation continues in a vicious cycle. Because of deforestation there is more soil erosion and less productive agriculture, and then less food and more hunger.

This is a big problem. We will come back to it again.

War, insecurity and violence

War and insecurity have resulted in a massive loss of economic value in developing countries over the past decades. Getting a more peaceful world and a more secure world will have enormous value in developing countries.

What war and military expenditure does in the SOUTH is disastrous. Spending on military hardware and supplies wrecks the budget. Use of military hardware and supplies kills and maims people, and uproots people from their homes and their normal occupations and creates refugees and internally displaced people (IDPs). Both do serious economic damage and destroy economic wealth,

Refugees and internally displaced peoples (IDPs) are a quiet crisis of our time. In the last twenty years in Africa there has been a continuing crisis of refugees and IDPs, but the crisis is not on the media

agenda. UNHCR talks about their own crisis. Not having enough money to look after the refugees. But that is not the issue. The real issue is why do we have refugees and IDPs in the first place.

There is something wrong with a world where poor people have guns and do not have potable water. There is something terribly wrong when governments can buy F16 fighter jet aircraft and cannot buy basic medical supplies. What is wrong is not only the focus on destruction but the totally immoral allocation of scarce resources.

The video "Arms for the Poor" produced in 1998 shows some of the issues of military arms sales to poor governments. The jobs and profits of arms manufacturers are a key driver of the problem, and difficult to get stopped.

Governments cannot stop the escalation of military equipment sales. The politics will not allow it. But if it is not stopped the world's future is going to be increasingly dangerous and increasingly poor.

The killing and maiming of both combatants and civilians is a global disgrace. But for some reason the preconditions for war and insecurity are off the international development agenda until there is hot conflict and there is a resultant humanitarian crisis.

The anti-social behavior of soldiers is another disgrace with rape and pillage in our time as bad as it was in our history books. Rape in particular with high prevalence of HIV-AIDS in the population is tantamount to murder.

President Carter, to his credit, has made the challenge of conflict resolution one of his missions in life as a past-President of the United States. But the issue of peace not war should be high on the agenda of every human being. It is a basic requirement of civilization. It is the foundation of natural law.

The sad fact about war is that there are enormous profits to be made when war is being waged. The economic history of the United States shows how immensely profitable war can be ... as long as the nation is a supplier of the materials of war, and is not being destroyed by the process of war. In the period 1914-1918, when the First World War was being waged in Europe, the United States was able to consolidate its position as the richest nation on earth. In the period 1939 to 1946 when the Second World War was being waged around the world, the United States again advanced its position as the richest nation on earth and emerged as a superpower. The great foreign wars helped make the United States wealthy. But the little foreign wars do the same thing. Guns and ammunition and land-mines and aircraft and other military supplies all add up to big and profitable business.

But the problem of peace is that there is a reduced demand for weapons of war, and weapons of war are jobs and profits in the NORTH, and it is the NORTH that is in a position to set the global agenda.

The mindset that the Second World War helped to get the US economy out of the depression of the 1930s is still a factor in the way in which people think about military spending and jobs. In the USA, cutting spending on local bases is politically very difficult, and exporting guns and military hardware is seen as good for the US economy. What these exports do for the buying nations is not part of the decision matrix.

Everything associated with war generates jobs and profits in the NORTH as long as the war is in some remote part of the SOUTH.

But this is not just the United States. This is all the European nations, it is Japan and the Asian nations, it is Russia and the newly independent republics of the former soviet union. Every nation seems happy to sell armaments to other nations. Profit for the supplier, but potential mayhem for someone else.

The sad fact of war is that enormous profits can be made. Manufacturing organizations that produce military equipment and supplies can make huge profits. And, sadly, there is no accounting and

accountability for the terrible economic value loss and human trauma that arises as a direct consequence of these materials. Not to mention the economic disruption and chronic shortages of a war economy and the rationing of essentials and the anti-social role of “black market” business

The essential immorality of profiting from war has been with me since my first memories as a toddler in London during the Second World War. There is always money to be made when there are shortages and rationing and the market system is subjugated to regulation. The black market was profitable and corrupt.

A land mine can be made for a few dollars, of which a substantial part is profit. But a land mine can blow off the legs of an unsuspecting civilian farmer thousands of miles away and years later. If the civilian does not die immediately, the persons farming performance is going to be terribly diminished, and he and his family are going to suffer horribly. Replicate this thousands of times, and it is real damage to the society.

While litigation in the United States on behalf of victims of dangerous materials like tobacco and asbestos has generated billions of dollars of claim settlement on behalf of the “victims”, there is no similar movement to make claims against the manufacturers of weapons of war, though arguably, weapons of war are inflicting far more damage and devastation on the world's people than tobacco and asbestos.

Economic value flows are all from SOUTH to NORTH. By participating in the NORTH to SOUTH arms trade, developing countries are exchanging their tangible resources for the best that is produced for economic value destruction. And by choosing value destruction the SOUTH has landed in a situation where it has an impoverished economy and a disenchanting people who are largely hopeless.

The arms trade has been and continues to be one of the aspects of the global economy that makes development fail.

Poverty, economic value destruction and the distribution of wealth

Probably half the world's population is poor and hungry. Even while the world's aggregate wealth has been growing enormously over the past fifty years, faster than at any time in history, the number of poor people has grown as well. Debilitating poverty still affects about half the whole of the world's population or around 3 billion people.

Very few countries are rich, most are poor. Some people are rich, many are middle income but most are poor. The problem is the way resources are used and the way there has been economic value destruction in poor countries and economic value creation in rich countries. The problem is the process of economic value creation and the way it is managed for the benefit of the managers.

The same economic drivers serve to help rich people get richer and poor people stay poor. The fact that so many are poor is a worry to the rich, but it tends to be a reason for defending wealth and the wealth creating processes rather than being a catalyst to understand how more wealth can be created by the poor and indeed to benefit the poor.

The possibilities and promise looked for when the old European empires gave up their colonial possessions has not been realized to anything like the extent anticipated. But something is wrong when the world has half its population excluded from the possibilities.

The basic institutions that are being used to “govern” are not working very well, or at any rate are not working for the benefit of everyone. In fact the basic institutions seem to function in a way that ensures

that the rich get richer and the poor get poorer. This is not by accident. It is because the basic economic model and the corporate business model that has emerged and proliferated during the past fifty years has a very limited planning horizon and short term focus.

Even though economic wealth has been created in the last fifty years at a pace never ever anticipated, it has concentrated to an extent that is dangerous. And the pace of concentration has continued to accelerate even as the boom times of the 1990s evaporate.

The role of “market economics” and the role of “globalization” have been discussed at length in a lot of places. But there is little in either of these themes that serve to explain how development has performed, how it is managed and how it can be reformed.

Just as the great fortunes of the industrial revolution and the early days of the oil industry and the automobile industry live on as major philanthropic foundations, the Carnegie Foundation, the Rockefeller Foundation, the Ford Foundation, etc. the new fortunes of the more recent past are spawning a new era philanthropic organizations. The Templeton Foundation in finance and the Melinda and Bill Gates Foundation from technology are examples.

But the underlying fact is that the same economic mechanics that made concentration of wealth happen in the “robber baron” days of 19th century capitalism still work the same in the much more highly sophisticated capitalism of modern times. And it also possible to say that the same foolishness that dominated the market in every boom time in history are still in play today.

And some of the same economic mechanics that worked in the mercantile empire era for the European empires still works for the economically powerful NORTH in its economic relations with the SOUTH. Just as colonial possessions provided raw materials for Europe's factories, now the SOUTH provides raw materials for the NORTH, and especially the United States.

And while much raw material production in colonial times had a big local labor content, modern raw material production is highly capital intensive with very little local labor and economic value adding.

In political terms the SOUTH has independence, but in economic terms the SOUTH is ruined and is facing disaster.

The world's wealth is now more concentrated in the financial centers of the NORTH than it was at the peak of empire. The difference is that New York is now bigger than Europe and Tokyo (and Beijing and Hong Kong) have important financial centers and function as part of the NORTH.

But the SOUTH is poverty stricken. Its financial base is almost non-existent. Even the oil rich exporting countries have failed to move solidly into the NORTH and remain outside the exclusive club of global leadership.

The idea that a single individual can get paid \$1 million for a year's work raises lots of questions. The idea that more and more at the top of the NORTH are getting paid \$10 million, \$100 million or more is even more questionable. While a family in the SOUTH may not even get paid \$500 a year. And a poor family in the USA may only be getting \$10,000 a year, a lot more “money” than they would get in the SOUTH, but still true poverty because of the high cost of a lot of essentials in the NORTH.

The global economic system as it has been operating for the last few decades is doing some things very well, but it is by no means perfect, and the way that rich and those in control positions are able to augment their riches while the poor are on an everlasting cycle of working to survive. In the NORTH the survival is “economic”. In the SOUTH survival is “staying alive”.

Balance of trade, currency crises and government insolvency

The balance of trade, the evolution of currency and government public finance are all in the disaster category for countries in the “south”. Nothing has gone right for the countries in the “south”. What on earth is wrong.

I became interested in the history of trade partly because of history, partly because of my interest in geography, partly because of my interest in ships and technology, partly because of my interest in economics. I got to use it practically as the CFO of a shrimp fishing company that was very nearly bankrupt in the aftermath of the 1970s oil shocks. I learned about the history of the shrimp industry and how trade and prices had behaved since the industry first went international after the end of WWII. Our company's knowledge of the market soon made us as good as any company in the world, and I testified at a Congressional inquiry about the shrimp industry based on our company's expertise.

And then I found myself working with the experts of the World Bank, and trying to understand the work they were doing. Myself and a number of other external World Bank consultants found ourselves at odds with the World Bank projections.

These World Bank projections produced in the period from about 1978 to 1982 were really wrong. They were prepared by people who knew statistics (a lot better than I did) but had very little understanding of the dynamic of industry, the decision making of investment and the impact of changing variables on a market.

The “south” has been a currency disaster.

I learned as a student that money was both a store of value and a medium of exchange. HA! Not true when the currency is a “south” currency and everything has gone wrong with the economy. Hardly any “south” currency has maintained any value at all.

The reason for failed currency is simply that there has been failed development.

And public finance has been another area of disaster. It has been a low priority for World Bank until it was too late. Huge projects fail under the guarantee of a sovereign government and it is a no brainer that the government is going to be practically bankrupt, while not having any ability to be bankrupt. The system makes no sense, yet the ORDA community fights hard to preserve the fiction.

Health pandemics

For a while it looked as if the biggest success in post colonial ORDA was going to be in the health arena. Health improved a lot as a result of some excellent work in the health sector spearheaded by UNICEF, and guided well by the WHO. The accomplishment of getting almost every child on the planet immunized was impressive and as a result critical diseases like chicken pox, measles and polio were reduced worldwide.

Expectation of life increased almost everywhere by about 15 years and almost everywhere reached near 60. An impressive improvement.

But there have been new challenges, including HIV-AIDS. This pandemic is reducing expectation of life and the progress achieved is being lost. Botswana, a country badly impacted by HIV-AIDS is expected to have a life expectancy of around 35 years in the next few years.

And the health of the economy is translating into the health of the government and its ability to have a working health sector. The expectation is that there will be government health services. In practice there is little or no money.

At the end of the colonial era there were many initiatives to address the problem of malaria. Most of these programs terminated. A WHO initiative years ago had a high profile for a while but funding ended and malaria has become a killer in the “south” on a scale similar to AIDS. This is unconscionable given that it is relatively easy to address. Places like the State of Florida in the USA no longer have malaria, simply because funds have been used to control mosquitoes and in turn control malaria.

Some parts of the world had success in reducing the burden of malaria ... but essentially almost nothing was done in Africa control mosquitoes and abate malaria.

Death from failed development is running at the rate of perhaps 20,000 a day ... say 7 million a year.

How can the world's leaders not pay any attention in the face of this. But then, the world's leaders did not do much in the face of the holocaust in Europe either, or Cambodia's killings, or Rwanda's.

Conclusion: What a mess!

It is a sad commentary on 40 years of development effort that there are now a record numbers of people in poverty, and there is a global fear of terrorism and there is hopelessness more than there is hope.

Based on more than thirty years of development consulting and hundreds of assignments it is apparent that development performance ranges from quite remarkable to awful. Over the years I have had the opportunity to see development performance first hand, and to see the inner workings of the ORDA system. It is not a pretty site, especially for someone with an analytical background and accustomed to seeing good accounting and good performance.