12 Twenty Propositions about Development and Aid

1. There is a strong moral and political case for the rich countries of the world to try to help the poor countries achieve higher standards of living and reduce poverty. But the key question, after 40 years of effort, is whether, and if so how, they can do so effectively in practice.

2. The basic test of development success must be economic growth as measured by the change in GNP per person. Although there are also other valid measures of development, a rising level of incomes is basic because it widens the choices available to people in shaping their communal and individual lives.

3. By this test, the overall results of the international development effort over the past half century have been disappointing. Although a few countries in the Far East have done very well, there are still large numbers of very poor people even in countries which have made some progress (much of Asia); in Sub-Saharan Africa, where standards of living have been falling for long periods of time, despite huge quantities of aid, there has clearly been failure.

4. A significant improvement in GNP per person in poor countries can be achieved only through a sustained period of rapid economic growth, usually lasting at least two decades. Without such growth there will be no effective attack on poverty.

5. The statist approach to economic development is the main reason why economic growth has been slower than it could have been in most of the Third World. Aid agencies bear some of the responsibility for this because they supported policies involving government planning, controls and public
ownership. Aid also strengthened the role of the state in Third World economies by channelling large amounts of money to governments.

6. There is now sufficient experience to put it beyond doubt that the only effective route to fast economic growth is the market economy. The widespread acceptance of the market philosophy holds out new hope that poor countries will be able to achieve a significant improvement in their standards of living. The basic aim of international aid should now be to help developing countries to run a successful market economy.

7. Efficiency and fairness in a market economy requires the role of the state to be well defined and competently performed. While keeping out of decisions which should be left to the markets, the state must provide the framework within which the market economy can work, including infrastructure and essential services, legal and regulatory systems and a sound macro-economic policy.

8. The unfettered play of market forces can cause social problems which are more difficult to deal with in poor countries. Before a country can afford unemployment pay, the only effective answer to the problem of unemployment is to achieve a momentum of growth in which new jobs are created as old jobs are lost.

9. Reducing poverty is more important than equalising incomes. Rapid growth does not necessarily mean greater inequality of incomes, as is commonly supposed, but where extremes of wealth and poverty occur (as in many Latin American countries) governments should seek to reduce poverty by increasing the productivity of the poor.

10. The market philosophy requires that the intellectual basis of aid be re-examined. The doctrinaire view that any kind of aid is inconsistent with market principles is wrong; but misguided forms of aid can retard the development of a market economy. Aid can be harmful and is not validated simply by good intentions.