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First Published in the International Herald Tribune, May 5, 1999

Development economics is the discipline that addresses the world's most enduring problem: persistent and widespread poverty. Three billion people live on less than \$2 a day, 1.3 billion do not have clean water, 130 million children do not go to school, and 40,000 children die every day because of hunger-related diseases. Within this deprivation is another dimension: hundreds of millions of girls and women whose lives are diminished and shortened by inadequate economic means and discrimination in social status and medical attention.

Not surprisingly, a problem that has remained unsolved through human history generates controversies over how it should best be tackled. Two general attitudes prevail in development economics. One favors a hard-nosed - even fierce - approach, emphasizing sacrifices to be made for the sake of a better tomorrow, and advocating tough macroeconomic medicine. Unfortunately, this is often accompanied by an almost calculated neglect of urgent social concerns, seen as "soft-headed". This view often perceives social safety nets, social services, even human rights as folly - perhaps high-minded - but folly all the same.

Set against this is an alternative outlook that sees development as an essentially 'friendly' process, based on mutually beneficial exchange - of which Adam Smith spoke so eloquently - complemented by the working of social protection systems, of freedoms, of laws and of judicial systems that can earn the confidence and respect of citizens.

We lean towards this alternative outlook, but also agree that it must be reinforced by sound macroeconomic policies, which are required to generate the resources that social and economic development demand. Profligate spending that ignores resource constraints, and fiscal or monetary requirements, can cripple an economy, and ruin this social progress. By the same token, excessive stringency on the macroeconomic side can have dire consequences for social programs such as health care and schooling. It can even undermine the financial system itself. In this sense, the two issues are like two sides of a coin; each is incomplete without the other.

Our shared understanding has developed in recent years, during which one of us has presided over the World Bank, while the other has researched and written on development as a process of expanding the freedoms that

people enjoy. These include freedom from starvation, from undernourishment, from illiteracy, from preventable and premature death, but also freedom of speech, of political participation, and of social cooperation. For the World Bank, too, development is a process that ends with freedom from poverty and from other social and economic deprivations.

So how do we proceed?

One approach is outlined in a World Bank discussion paper, which presents a "comprehensive development framework" (CDF). This proposal is being debated by governments, civil society organizations and corporate leaders, among others. The CDF calls on the development community, which is struggling to come to terms with the lessons of the global financial crisis unleashed in 1997, to build strategies that combine macroeconomic policies with the social and structural foundations essential to long-term sustainable and equitable growth.

Some of the ideas underpinning this framework are also found in a forthcoming book by one of us (Sen), *Development as Freedom*, which argues that development can be seen as a process of expanding the real freedoms that people enjoy. These freedoms are both the primary ends and the principal means of development. They include freedom to participate in the economy, which implies access to credit, among other facilities; freedom of political expression and participation; social opportunities, including entitlement to education and health services; transparency guarantees, involving freedom to deal with others openly; and protective security, guaranteed by social safety nets, such as unemployment insurance or famine relief.

The end of the Cold War has been accompanied by a growing recognition of the importance of political, social and economic participation, by widespread demands for human rights and gender equity, and by an emerging globalized economy. This offers an unprecedented opportunity to make development work. To do this, we need a consolidated package of specific requirements that includes honest governments, open legislative and transparent regulatory systems, properly trained and remunerated officials, and a vigorous commitment by leaders to fight corruption at all levels.

We also need an effective and impartial legal and justice system, with protection of and positive support for rights and freedoms of various kinds, a well-organized and supervised financial system, effective social safety nets and essential social programs.

Further, there must be education and knowledge institutions that offer access to all at primary levels, and that are open and competitive at secondary and post-secondary levels. There must also be a real commitment to extend the coverage of health services, family planning, and clean water and sewerage systems to all.

Physical infrastructure is also needed, including adequate, reliable and appropriately priced sources of energy, roads, transportation and telecommunications. Natural environments, including forests, air, water

and biodiversity must be protected, as well as culture and heritage, a major source of identity and pride for people everywhere. Finally, these challenges must be tackled together, with overlapping strategies to develop rural and urban areas, as well as the private sector.

But the design of the framework itself is not enough. The key is how it is implemented. Countries themselves, not donor agencies or foreign experts, must be in the driver's seat. Even when a general framework is broadly accepted, particular strategies have to be discussed and developed at the national level. Only then will development be broadly based and broadly owned. Reaching that goal must involve wide participation, including governments, multilateral organizations, social and political institutions, trade unions and employer organizations, and many other types of non-governmental organizations, and the private sector.

The list of concerns outlined here is large. But so is the challenge of development. It is easy to close our eyes, to keep the agenda narrow and straight, but this can lead to damaging oversights in development policy. Allocation of resources must be decided with all issues considered together; this is the only way to avoid the dangerous extremes of profligacy and overstringency.

The new international financial architecture now under discussion demands a participatory and a comprehensive approach, with attention paid to the interlinked development freedoms. Unless we adopt such an approach and consider the two sides of the coin together, the new international financial architecture risks being a house built on sand.