What Makes Development Sustainable?

On September 3, the Cato Institute and the International Policy Network cosponsored a conference titled "Sustainable Development: One Year after the World Summit." Among the speakers were James Shikwati of the Inter Regional Economic Network in Kenya, Julian Morris of the International Policy Network in Great Britain, and Barun Mitra of the Liberty Institute in India. Excerpts from their remarks follow.

James Shikwati: If you visit an average African family you will not find them factoring the government into their day-to-day lives. Everybody wakes up in the morning, goes to the farm, and struggles day in and day out to get food on his plate. And whereas here in America you have health clubs where people check their weight, in Africa people are not sure what they will have for lunch and dinner. In the United States the biggest issue is security, but conflicts in Africa tend to focus on how people can access enough wealth to bring food to their plates. So you can see we are talking about two different worlds.

In Africa 70 percent of the population are engaged in subsistence agriculture. Everybody wants to be a farmer because that is the best way to ensure a steady food supply. And African farmers rely on the climate. They apply little of the knowledge and innovation that help to achieve high agricultural productivity.

We have good friends from the developed countries who have tried to help with some aid. We rely heavily on donor funding. We have economic experts who strategize about how best to get money from the developed world, from the World Bank and the IMF. I am not saying all of them do that, but a lot of time and energy are spent on getting aid instead of helping the 70 percent of the population still locked in agriculture move to higher levels of production.

Third World governments are trying their best to promote sustainable development, but I don't think they are taking the right path out of poverty. And because they have partners that are willing to subsidize their own policies in the name of aid, they have been keeping people poor for the last 40 years. When you send money to African governments, the few at the top say: "We are developing. We are doing well because we are getting your money." But the people who are on the ground, who do not even know that money is coming in, remain poor.

We have many internal problems. We do not have property rights or the rule of law. Our governments are intervening in people's lives too much; some Africans are scared even to start a business. But our governments also have to answer to other governments that give them aid, which makes the whole equation a bit difficult to solve.

When talking about sustainable development, I think we should focus on the individual African. And that is what we have been trying to do in our organization, to encourage people not to look to government to solve their problems, because the government is ignoring the population, which doesn't give it money, and paying attention to those who do—the donor countries.

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By ignoring the people, governments are making it difficult for people to be productive and solve their own problems. Let me give you an example. In Kenya we have a city called Kisumu, which has a population of around 1.6 million people. This city is close to Lake Victoria, the world's second largest freshwater lake. But if you visited this city, you would note that people have taps in their houses but have never seen water running out of those taps, although the lake is a few meters away. People keep sending requests to the government, "We want water," and the government keeps taking money without delivering water. Yet we have got Kenyans who are trained as engineers, as water experts, who could set up companies and say, "Give me some money and I will provide water." But instead, our government has asked for donor funding to ensure that water flows from those taps.

Malaria kills tens of thousands of children in Kenya. It is a serious problem in all of Africa. People in Kenya have listened to outside agents, who have promoted bed mosquito nets as the solution to the malaria problem. And now we have a lot of money from the World Bank and elsewhere to ensure that we get bed mosquito nets. But if you have been to an area where there are mosquitoes you know that they do not wait until you are in bed to bite you. Mosquito nets do keep you safe when you are sleeping, but they do not help solve the malaria problem. So, unfortunately, the policy is donor driven; because the money is coming for bed nets, all the experts cheer for bed nets, when they know that bed nets will not solve their problem.

In summary, aid subsidizes corrupt government officials. It is like a life-support mechanism that helps a dictatorial government to remain in power even when people are pushing it to move out. But if we had trade, people would be more productive, because governments don't trade, people trade. And when you are economically empowered as an individual, you can access more information, vote out a government that is not doing what it is supposed to do. But if you keep subsidizing our governments in Africa in the name of aid, and at the same time say that you are helping us, I think that is not safe for Africa.

Julian Morris: In 1987 the Brundtland Commission defined sustainable development as "development that meets the needs of

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the present generation without compromising the ability of future generations to meet their needs.” This seems unobjectionable: How can one argue against development that meets the needs of both the present and future generations? To do so would be facile.

The problem is not the term but the uses to which it has been put. Academics, activists, and governments across the world have used “sustainable development” to justify all manner of more-or-less arbitrary interventions in the economy. Ironically, many of these would, if enacted, likely harm not only the present generation but also future generations. For example, restrictions on the use of fuel—justified on the specious grounds that they will protect future generations from climate change—raise the cost of energy, food, and other goods. Such interventions are not only regressive—hitting the poor hardest—they also slow economic growth, preventing people in the future from living better lives.

In order to examine such absurdities and to offer an alternative more constructive formulation of “sustainable development,” I commissioned a group of experts to address various aspects of the concept. The result is *Sustainable Development: Promoting Progress or Perpetuating Poverty?* (Profile Books, 2002).

One challenge was to identify instances of “unsustainable” development, so that we can learn from those experiences and identify ways of making development more sustainable. Perhaps the most egregious example was the Soviet Union. It will not surprise an audience at the Cato Institute that central planning doesn’t work. But it is instructive to look again at why central planning doesn’t work.

In the Soviet Union, successive governments attempted to increase output simply by increasing inputs—the presumption being that by putting more into the system, they would get more out. For a few years this worked—increased inputs led to increased output. But to the surprise of the central planners, that was followed by a flattening and then a decline in output.

The ultimate reason for the failure of the Soviet Union was explained by Ludwig Von Mises in *Socialism*. In a centrally planned system, Mises observed, planners have no effective guide as to how best to use factor inputs. In a market system, prices, brands, and other signals enable participants to make rational decisions about which factors to use and provide a stimulus to the development of more efficient production methods. In a centrally planned system, there are no such signals.

In fact, the Soviet government, after a period, did try to use prices. But because none were being generated locally, the planners decided to use the prices in Sears catalogs as a proxy. But of course Sears catalogs don’t necessarily give a realistic indication of what local prices should be in the USSR, so the technique did not work terribly well.

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The sad thing is that not only does central planning not work; it actually has horrible adverse consequences. In an attempt to implement central planning more effectively, the communist rulers murdered people who disagreed with their views, sent millions of people to gulags, and in many other ways violated basic freedoms. Worse, millions of people died as a result of the inability of the system to deliver basic necessities.

For people who are concerned about the environment, the Chernobyl disaster is a horrendous instance of what happens when government attempts to control everything from the center. Another example is the Aral Sea. Beginning in the late 1930s, the Soviet central administration attempted to increase cotton production in the region around the Aral Sea by using water from the rivers that fed it. Although there was an initial rise in production, this was followed by a decline as the water table fell and agricultural land became saline. The sea is now at about one-third its previous level, has a very high salt concentration, and is polluted with all manner of contaminants. The fish, which previously were responsible for an industry employing more than 60,000 people, are mostly gone. And the ecosystems of the sea and surrounding areas have been changed beyond recognition.

A second example of unsustainable development is import-substitution industrialization (ISI), which was promoted very widely after World War II and was implemented aggressively and enthusiastically in Latin America, especially in Brazil. The justifications for ISI policies were two: First, it was taken as a given that development required industrialization. Second, it was supposed that governments could speed this process up by preventing imports of industrial goods—thereby encouraging the development of local industry.

Following the advice of proponents of ISI, Brazil and other Latin American economies put massive restrictions—quotas, tariffs, and outright bans—on imports of industrial goods. As a result, there was a temporary rise in industrial output. This is not surprising: if you restrict the import of goods that people traditionally import, then local production will step in to some extent.

However, the initial cost was a reduction in agricultural output, as productive factors moved into industry and away from agriculture, and a migration of people from the countryside into the cities. After a period of time, industrial output began to level off. The reasons are manifold, but most significant, the output was no longer competitive. Because it was no longer possible to purchase essential productive inputs from abroad, efficiency of outputs was constrained. The costs of inputs rose and

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so competitors overseas did better.

To save the industries that had been sponsored by import-substitution policies, governments started to subsidize them. To pay for that, they raised taxes on agriculture and monetized government debt through inflation. The net result was hyperinflation, combined with unemployment and negative growth.

In addition to that, there was social chaos. In part, this was a result of the fact that many people had migrated to towns and were now unemployed. If they had been unemployed in the countryside, they would have had their social support networks that had been developed over decades. But the new migrants to towns hadn’t developed such networks.

The record of Africa, our third example, is even more depressing than that of Latin America and in many ways similar to the USSR’s. Leaders such as Nyerere (Tanzania), Mengistu (Ethiopia), Amin (Uganda), Abacha (Nigeria), Moi (Kenya), and others employed various forms of centralized state control of resources and enterprises, restrictions on property ownership, and restrictions on trade. The results—sometimes intentional, sometimes not—were corruption, embezzlement, and the entrenchment of the ruling elite. Another result was conflict and war. Oppressed minorities—or even majorities—often rose up and tried to capture the power of the state for themselves. Other consequences included slow, zero, or even negative growth and environmental degradation.

What are the lessons for sustainable development from those examples of unsustainable development? The first and most obvious lesson is that governments should not try to plan centrally. They should decentralize economic activity, establish private ownership through clearly defined property rights, and allow people to trade freely both locally and internationally.

The second lesson is that governments should be prevented from engaging in arbitrary or discretionary actions. If you want to prevent corruption, embezzlement, and so on, then ensure that any restrictions imposed on the ownership of property or the freedom to trade are justified by abstract principles that are, as far as possible, universally accepted. Meanwhile, laws must apply equally to the governing and to the governed.

Barun Mitra: It seems to be a common assumption that sustainability requires reduced consumption. My basic thesis is that it is actually increased consumption that leads to conservation and improving environmental quality. To me, the best illustration of this is the United States, the most industrialized, advanced country in the world. People here enjoy environmental qualities that can hardly be found in the much more pristine environments of India, Africa, and many other parts of the world.

Barun Mitra: “It is actually increased consumption that leads to conservation and improving environmental quality.”

Why is that so? Do people here consume less, or does the United States do something that makes improvement in quality possible? Julian Simon, who was a friend of Cato and a mentor of mine, would point out that the reason consumption is not the problem is that people who consume don’t have only mouths; they also have hands and minds. Therefore, the more you consume, the better incentive you have to improve your efficiencies and, consequently, improve the environment.

Let me give you an example. In India, a typical household spends a larger fraction of its income on energy than does an American household. Although energy consumption in India is a fraction of that in the United States, one reason why poor people in India and elsewhere desperately attempt to conserve energy is to save money—not because they want to conserve for the future but because they need to conserve to survive in the present.

Another example is agriculture. India today has about 1.1 billion people, which is about three times as many as 50 years ago. You might guess from this that India in the 1950s was very sustainable, and yet it wasn’t. In fact, until 1950, it is estimated that, on average, every year a million people died of starvation, not because of any particular famine or drought but from “standard” starvation. Starvation and famine were the norm.

It would have seemed in 1950 that to feed its population India would need more land. After all, agriculture depends on land. But as India progressed agriculturally, particularly in the last 15 to 20 years, it became quite obvious from any data that we look at that India does not seem to require as much land.

If we were producing wheat with the technology of the 1950s, to achieve the current level of production, we would require about a third of India’s total land mass just for that one crop. In fact, today India uses only 30 percent of that area because of the higher productivity that has come with modern farming practices. And if India could produce wheat at the levels at which some of the most productive countries are currently doing so, the land area under wheat cultivation would perhaps be 50 percent less than it is today, even while maintaining current levels of production.

If you consider all the agricultural crops that India needs to produce to feed itself, the technology of the 1950s and the land mass of India were not sufficient to feed its present population. By the 1970s, when the green revolution technologies were introduced, India’s demand for agricultural land had already fallen. In the last 30 years

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the green revolution has spread to many other parts of India and technology has improved, further reducing land use despite a rising population. Today, India is seeking to export some of its food.

I don’t think anyone in 1950 or even in 1970 would have been able to predict that India, with its 1.1 billion population, would not require as much land in 2003 for agriculture to feed its own people as it did in 1950.

This leads to a very interesting question: What happens when land goes out of agriculture? One of the nonagricultural purposes is conservation of the environment, natural resources, and biodiversity. The lower demand for land for agriculture is what makes conservation possible, not reduced consumption.

That is exactly what you have done in the United States and in many other developed countries. The United States has not given up agriculture. The United States is the world’s largest agricultural producer and exporter. But its demand for agricultural land has fallen dramatically, which is why you have so much land available for nonagricultural purposes, such as forests and wildlife habitat.

The share of India’s gross domestic product coming from agriculture has declined from about 60 percent in 1950 to about 25 percent today, yet the number of people still dependent on land has barely declined from 70-odd percent to 60-odd percent. This is why in poor countries sustainable agriculture, as it is defined in the West, is so unsustainable—it causes poverty.

The government has been most focused on the industrial sector, because that sector is the most visible sign of economic progress. But, as a result, the industrial sector has barely moved in the past 50 years. In terms of its size, it has increased only slightly. In terms of its labor, it has gone from 10 to 15 percent. Which seems to suggest that we might actually bypass the industrial revolution as most of the Western world knew it.

Meanwhile, the service sector in India and many other countries is expanding rapidly, because this is where productivity growth has been the fastest. Incidentally, this has happened, unlike in the industrial sector, because the government barely recognized the service sector for much of the past 50 years.

This is consistent with the pattern in all countries that have developed. There is no other way to develop economically but to improve and move from one sector to another—primarily to move from agriculture to industry and to services, to move from physical resources to human and intellectual resources. This is the reason the United States tends to be so powerful. A larger labor dependence on agriculture is synonymous with poverty. Increased agricultural production is contributing to environmental improvement rather than the other way around.

We probably have the greatest opportunity of all time today because we have our natural allies, the people at the bottom. A globalized world economy is presenting many unpredictable opportunities. The poor suffered the most when governments sought to control the economy. These are the people who have nothing to lose anymore. To paraphrase Marx, the poor have nothing to lose but their poverty. ■