New Challenges of Economic and Business Development – 2012

May 10 - 12, 2012, Riga, University of Latvia

DEVELOPMENT ECONOMICS – FROM THE TRADITIONAL APPROACHES TO THE NEW CONCEPTS

Sandrina B. Moreira
ESCE-IPS, Polytechnic Institute of Setubal
Department of Economics and Management
Campus IPS – Estefanilha, Setubal, Portugal
BRU-UNIDE – Economics Research Center
Phone: + 351 265 709 437
E-mail: sandrina.moreira@esce.ips.pt

Nuno Crespo
ISCTE-IUL, Lisbon University Institute
Department of Economics
Av. Forças Armadas, Lisbon, Portugal
BRU-UNIDE – Economics Research Center
E-mail: nuno.crespo@iscte.pt

Keywords: development, sustainable development, human development, local development, development economics

Abstract

Development economics centres its analysis on the specific problems of less developed countries. Its main goal is to find answers to the following question: 'how can low-income economies in the world today be set on the track to sustained economic development for the immediate goal of reducing poverty and the long-run goal of catching up on the wealth of developed economies?' (Hayami and Godo, 2005: 2 [1]).

Many answers to this fundamental question have been presented. We survey the central elements that characterize four important theoretical approaches in Development Economics, namely: (i) modernization theories; (ii) dependency theories; (iii) world-system theory; (iv) neoclassical counter-revolution.

However, the "old" notion of economic development, which considers as its main goal the reduction of inequality in terms of per capita income, seems to be insufficient to cover the amplitude and complexity of development problems. Therefore, it is not surprising that the notion of development has been expanded through the consideration of new dimensions, with the adding of many adjectives to the word "development" – "human", "local" and "sustainable" development being the most frequently mentioned.

The main objective of this paper is to produce a concise survey of this range of contributions frequently analyzed separately. Together with the contributions of traditional development economics, these new development concepts – human, local and sustainable – offer a theoretical wealth which, in their globality, allow a more appropriate understanding of the complex and multi-dimensional phenomenon of development.

9. Dany, F.; Torchy, V. (1994): Recruitment and selection in Europe: policies, practices and methods. In: C. Brewster, A. Hegewisch (eds.). Policy and Practice in European Human Resource Management: the Price Waterhouse Cranfield Survey: Routledge, London. In: Cook, Mark (2009): Personnel Selection: Adding Value through People, Fifth Edition. New Jersey: Wiley-Blackwell, 376 p.
10. Drucker, P.F. (2002): Managing Oneself. In: Harvard Business Review on Managing Your Career, originally printed in 1999, pp. 73-97.
11. European Lifelong Guidance Policy Network (2010): A Report on the Work of the European Lifelong guidance Policy Network 2008-10 – Short Report. Online: *www.lifelongguidance.at/qip/mm.nsf/0/E8C6BAB0F6542944C12578B60043575F/$file/English_ELGPN_Short_Report.pdf*, per 19.11.2011
12. Faragher, E.B.; Cass, M.; Cooper, C.L. (2005): The relationship between job satisfaction and health: a meta-analysis. In: Occup Environ Med, Vol. 62, No. 2, pp. 105-112.
13. Frey, B. (2008): Happiness: a revolution in economics. Cambridge: The MIT Press.
14. Frey, B.S.; Frey Marti, C. (2010): Kompaktwissen: Glück – Die Sicht der Ökonomie. Zürich: Ruegger Verlag.
15. Hunt, Steven T. (2007): Hiring Success – The Art and Science of staffing Assessment and Employee Selection. New York: Wiley & Sons (282 p.)
16. Komisar, R. (2002): Goodbye Career, Hello Success. In: Harvard Business Review on Managing Your Career, originally printed in 2000, pp. 23-47.
17. Layard, R. (2009): Die glückliche Gesellschaft, Was wir aus der Glücksforschung lernen können, Second Edition. Frankfurt: Campus Verlag.
18. Maslow, A.H. (1943): A Theory of Human Motivation. In: Psychological Review, Vol. 50, pp. 370-396.
19. Neuert, J. (2004): The Logic of Manageral Decision Making Processes – Rational Conduct in The Context of Multiple Behavioural Patterns: Conjectures and Refutations tested via an Experimental Investigation. In: Journal of the Academy of Business Administration, Le Moyne.
20. Schmied, C. (2011a): Beratung und Orientierung sind der Schlüssel für gelungene Bildungs- und Berufsentscheidung. Online: *www.bmukk.gv.at/schulen/bo/index.xml*, per 19.11.2011.
21. Schmied, Claudia (2011b): Studienwahlberatung NEU – Maßnahmenpaket zur Unterstützung der Studienwahlvorbereitung. Vienna: Austrian Federal Ministry for Education, Art and Culture, Online: *www.bmukk.gv.at/studienwahlberatung*, per 19.11.2011.

1. Introduction

The relevance and peculiarities of development problems has led to the appearance of a new field within economics – Development Economics. This field centres its analysis on the problems specific to this periphery of the less developed countries formerly called the "Third World".

In the context of Development Economics, we first consider a wide group of theoretical approaches on the nature of development and the factors that hinder it, reflecting on the implications in terms of real convergence. After that, we analyze some of the new concepts of development – human, local and sustainable – emphasizing their contribution to a concept that is more humanistic, focusing on human nature and on the right to a healthy, informed, and fair life.

The article is structured as follows. In Section 2, we summarize the central ideas of the more important theoretical contributions to Development Economics. In Section 3 we present the new development concepts that have emerged in the last decades, namely sustainable, local, and human development. In Section 4 we present some final remarks.

2. Main Approaches to Development Economics

Modernization Theories

Since the seminal contribution of Rosenstein-Rodan (1943) [2] the thinking on the problems and vices of underdevelopment has centred on the concept of development as a modernization process, that is, the structural change whereby developing countries become progressively similar to developed countries, namely the North-Western world. Historically, capital accumulation and industrialization had been the main drivers of sustained growth for developed countries and thus, it was reasoned, this would also be the way forward for developing countries. On this common ground, theorists of modernization present alternative perspectives on the causes of underdevelopment – mainly internal causes – and the way to overcome them.

(i) Balanced growth vs. unbalanced growth

Rosenstein-Rodan (1943) [2] identifies the key factors that hinder industrial investment by private enterprises in backward regions. Subsequently, he suggests a development strategy of big push actively involving State investment in the training of the workforce and State planning and organization of large-scale investment programs.

The proposition that a country is poor because it is poor summarizes the vicious circle of poverty. Low per capita income of backward economies is the starting point of Nurkse (1952, 1953 [3] [4]) for the identification of the two main obstacles to capital formation – low purchasing power and small saving capacity.[1] The final outcome is mass poverty. These constraints are overcome by both the inducement to investment and the mobilization of

[1] According to Nurkse, the latter problem is exacerbated by the operation on an international scale of the Duesenberry effect, that is, the tendency to imitate consumption patterns prevailing in developed countries by consumers from developing countries.

investible funds. As Rosenstein-Rodan, Nurkse is thus an advocate of a balanced growth strategy, that is, 'a synchronised and simultaneous application of capital throughout industry in order to bring about a generalised expansion of the market' (Oman and Wignaraja, 1991: 18 [5]).

On the other hand, Hirschman (1958) [6] points to the lack of organizational and managerial skills as the major problem of developing countries. He emphasizes that a strategy of balanced growth demands such a considerable amount of these type of skills that 'if a country were ready to apply the doctrine of balanced growth, then it would not be underdeveloped in the first place' (Hirschman, 1958: 54 [6]). Alternatively, he proposes the deliberate creation of disequilibrium through active State involvement in stimulating investment in key sectors that have many links backwards and forwards in the economy.

Myrdal (1957) [7] stresses the existence of forces that induce a process of cumulative and circular causation that accentuate disequilibrium. As a result, initially less developed regions further diverge from advanced ones. In contrast to the so-called circular resource movement, Myrdal maintains that both labour and capital are attracted to the more dynamic regions, where wages are greater. Moreover, economies of scale and agglomeration deepen the cumulative process of disequilibrium. Even though there are spread effects between more and less developed regions (for instance, an augmented volume of demand or the diffusion of technology), backwash effects are dominant for Myrdal, leading to a deepening of the development differential. Thus, he identifies an interventionist role for government aimed at avoiding cumulative processes of economic and social disequilibrium.

In the same vein, Perroux (1955) [8] supports growth concentration in certain sectors located in certain geographical enclaves with the notion of growth poles susceptible to inducing development. These poles – 'propellant industries, geographically concentrated poles of industry and activity' (Perroux, 1955: 288 [8]) – are largely responsible to the growth for other industries and the economy as a whole, mainly through a number of linkages and external economies.

(ii) Rostow and Lewis's approaches

Lewis (1954, 1955) [9] [10] develops a dynamic dual economy model with both a traditional/subsistence sector and a modern/capitalist sector, in which development is seen as a process of expansion of the modern sector and contraction of the traditional sector until the economy is no longer dualistic. His starting point is the availability of abundant labour at a subsistence level that may be absorbed by the modern sector with the offer of a slightly higher wage to induce rural-urban migration. Since the wage level remains fixed as long as labour supply is perfectly elastic (unlimited), capitalists successively reinvest their profits, enabling both modern sector expansion and traditional sector contraction. As a result, profits rise in proportion to national income, thus solving the main constraint to economic growth – the lack of capital accumulation caused, in turn, by low savings rate.

According to Rostow (1956, 1960) [11] [12], the take-off is crucial for the historical evolution of societies, since it opens the way to more advanced development stages characterized by the full modernization of both the economy and the society. He adds three specific conditions which should be in place immediately before the take-off: (i) a marked increase in the investment rate; (ii) the emergence of primary or leading sectors that function as engines of economic growth; (iii) the establishment of political, social, and institutional frameworks that give support to the process of industrialization and, thereby, pave the way for self-sustaining growth (Martinussen, 1997 [13]).

Stages that precede Rostow's take-off – the traditional and the transition society – are conceived as lower stages of development, while stages that follow the take-off – the drive to maturity and the age of mass consumption – are more advanced development stages where developed economies are located.

According to Rostow's theory on the stages of growth, developing countries would in essence follow the same development pattern as developed. However, 'his thesis that all countries pass through the same sequence of five economic stages, from stagnant subsistence economy to the age of high mass consumption, with each transitional stage being of similar duration in all countries, was soon discredited by appeal to historical evidence' (Hunt, 1989: 96 [14]).

In sum, the Anglo-Saxon development literature from post-World War II considers economic growth as a process conditioned by the possibilities of overcoming internal constraints associated with capital accumulation in industry or in the modern sector of the economy. The emphasis of these authors is on specifying the potential drive for the economic progress of largely pre-industrial regions and the convergence of their per capita income levels with industrialized regions. A country that does not eventually establish the necessary conditions to enter into a circle of development is stuck in a low-level trap and remains in a state of real divergence.

In their leading contributions to the modernization school during the 1950s and early 1960s, both Rostow and Lewis generally present a common view on certain key elements, mainly the following: (i) the central measure of economic growth is rising per capita income; (ii) economic development is conceived as a modernization process; (iii) the starting point for such transformation process is an abundant supply of labour in the traditional sector; (iv) savings rate is the central determinant of the investment rate, which in turn determines the economic growth rate; (v) the capitalist class (Lewis) or the entrepreneurial class (Rostow) constitutes the driving force behind economic growth, in particular, for initiating this process (Hunt, 1989 [14]).

Dependency Theories

More radical interpretations have emerged since the mid-1960s, arguing that economic domination, as exerted by highly industrialized countries over backward countries, is a much more important development-impeding factor than the internal conditions inherent in the latter countries. Both neo-Marxist and structuralist dependency theorists attempt to provide a basic framework from which the analysis of dependence, and its implications for development/underdevelopment, can proceed. Even though both perspectives reveal similarities on the position of underdeveloped economies in the international economic system, they differ in important aspects, the nature of development, the dominant causes of underdevelopment, and the route to be followed in overcoming them.

(i) Structuralism

The structuralist perspective on development is closely associated with Latin-American authors from the Economic Commission for Latin America (ECLA), who questioned the liberal orthodoxy theses that support the freedom of exchange to all countries and the international specialization according to the principle of comparative advantage. Pessimism about international relations is attributed to the trend of deteriorating terms of trade as seen from the primary exporters' perspective; this thesis developed by Prebisch (1949) [15] and Singer (1950) [16] in a world divided into centre and periphery. According to these authors, the initiation of an industrialization process for peripheral countries cannot be based on international markets – also because it would become more and more difficult overtime and the terms of trade would further deteriorate. Import substitution is therefore advocated as the major strategy for developing these countries.

Structuralist considerations on dependency are made explicit in the work of Furtado (1973) [17] and Sunkel (1973) [18]. The crucial points of the structuralist thinking can be summarized as follows: (i) the object of development is the structural transformation of underdeveloped economies and, not just an expansion of economic activity using more advanced production technologies, but also a change in the sectoral composition of total output. These are the two main features of economic development; (ii) the existing structures of underdeveloped economies are historically determined by the manner in which these economies have become incorporated into the international economy and, as a consequence, they are dualistic economic structures, with the modern sector oriented to production of primary products for export in exchange for manufactured products; (iii) under these conditions, underdeveloped economies are incapable of generating their own growth dynamic or of achieving economic development, and thus it is necessary to break away from the reliance on foreign demand for primary exports as the engine of growth and focus on the development of a diversified domestic industrial sector instead; (iv) the State has a crucial role in this process of structural transformation through the adoption of an import-substituting industrialization strategy (ISI) (Hunt, 1989 [14]).

(ii) The neo-Marxist perspective

The expression development of underdevelopment defines the central thesis of Frank (1967) [19], denoting that underdevelopment is not a natural condition, but an artifact created by the colonial domination experience of Third World countries. The author presents a pyramidal structure with metropolises and satellites through which the economic surplus (in the form of raw materials, minerals, profits) is extracted from Third World villages to local capitals, to regional capitals, to national capitals and finally to the cities of Western countries. Frank argues that this transfer mechanism of economic surplus has produced underdevelopment in the former and development in the latter and thus suggests that the best development strategy for Third World countries is "de-linking from the world market".

Dos Santos (1970) [20] defines dependence as 'a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected' (Dos Santos, 1970: 271 [20]). These relationships of interdependence are unequal, because development of dominant countries takes place at the expense of dependent ones. Dos Santos identifies three historical forms of dependence – colonial dependence, financial-industrial dependence, and technological-industrial dependence (or new dependence). The author dedicates special attention to the third one, which emerges after the Second World War and is associated with the beginning of the industrial development process of many underdeveloped countries. According to Dos Santos, these numbers of dependence relationships "place fundamental limits on the scope for development", especially the new dependence, which makes industrial development dependent on the existence of an export sector, influenced by fluctuations of the balance of payments (leading to a deficit), and strongly conditional on the technological monopoly exercised by centre countries.

Amin's (1976) [21] transition analysis to peripheral capitalism is based on two types of economies, mainly classified in terms of their productive structure – an auto-centric centre economy and a dependent peripheral economy. Amin states that the structure of production inherent in peripheral countries – namely the predominance of an over-developed export sector and a near or even complete absence of both a capital goods industry and a sector manufacturing goods for mass consumption – is the result of the domination of centre countries. Subsequently, 'peripheral capitalism is unable to attain auto-centric and auto-dynamic economic growth without challenging the domination of foreign monopolies and central capitalism' (So, 1990: 103 [22]).

In spite of the diversity that characterizes the different approaches of the dependency school, one can identify a set of fundamental shared ideas: (i) dependency is a condition imposed from the outside, that is, the main obstacles to the development of peripheral countries are not internal in nature, but rather centred in the historical heritage of colonialism and the perpetuation of an unequal international division of labour; (ii) dependency is mostly an economic condition, i.e. a result of the economic surplus transfer from Third World countries to capitalist countries; (iii) underdevelopment in the periphery and development in the centre are two sides of the same process of capital accumulation, leading to regional polarization in the global economy; (iv) genuine development in the periphery is a highly unlikely scenario due to the continual flow of surplus to the core (So, 1990 [22]).

(iii) The new dependency of F. H. Cardoso and his followers

In contrast to classical dependency theories, a new set of contributions to dependency analysis emerges during the 1970s and is associated with the work of Cardoso and Faletto (1979) [23]. Development in dependency synthesizes the main perspective of the new dependency theory, which combines two notions not likely to be reconciled – dependency and development. Cardoso and Faletto maintain a kind of development that can be brought about in Third World countries, even the most successful ones, that does not correspond to the development pattern in capitalist countries, but rather to development in dependency. Cardoso (1973) [24] states that, to some extent the interests of foreign companies become compatible with the internal prosperity of dependent countries and, in this sense, they help to promote development, because of the rise of multinational companies, the immersion of industrial capital into peripheral economies, and a new international division of labour. However, this dependent development leads to an unbalanced and distorted production structure, that is, peripheral economies lack "autonomous technology", are compelled to use imported technology (bearing the consequences of absorbing capital-intensive technology), and lack a developed capital-goods sector.

The World-System Theory of I. Wallerstein

During the 1970s, a group of researchers led by Wallerstein presented a critical view on the contrasting theses of both previous schools (modernization and dependency), although having a theoretical heritage with the latter school. The departure from these theoretical approaches resides in the proposal of a systemic view on development that takes into account the historical dynamic of the privileged unit of analysis, the world-system. Indeed, not just should the development of a country be perceived in the context of the whole world-system, but also history, development, and underdevelopment should be seen from a dynamic concept characterized by cyclical rhythms and secular trends.

Wallerstein (1974, 1979, 1980 [25] [26] [27]) conceived the world-system as a system comprising three layers – the core, the periphery, and the semi-periphery – in which the last stands in between and exhibits features of both the core and the periphery. The three-tiered model and the historical basis of the analysis make it possible for a periphery moving into the semi-periphery or a semi-periphery moving into the periphery. According to Wallerstein, 'success in moving from periphery to semiperiphery depends on whether the country can adopt one of the following strategies of development: seizing the chance, promotion by invitation, or self-reliance' (So, 1990: 182 [22]). He also adds that 'the key to peripheral breakthrough is that a country must have a market available that is large enough to justify an advanced technology, and for which it must produce at a lower cost than the existing producers' (So, 1990: 184 [22]).

In contrast to the dependency school, Wallerstein and his followers criticize a bimodal concept of the world-system, apart from the deterministic statement that a periphery is bound to have underdevelopment or dependent development. Indeed, 'whereas dependency theory offered only one solution out of the prevailing power relations, namely moving out, world-system theory offered one more option, namely moving up or down the hierarchy within the prevailing world system' (Booysen-Wolthers, 2007: 7 [28]).

In brief, under the framework of the world-system theory, the semi-periphery concept breaks off both the optimism and the pessimism of the previous theoretical approaches – modernization theories and dependency theories, respectively – by opening the possibility to vertical mobility of economies. The outcome depends on the dynamics of capital accumulation worldwide and the historical contingencies and positioning of the different countries.

Neoclassical Counter-Revolution

Critics to the prevailing development orthodoxy in the late 1950s and early 1960s – Latin-American structuralism and modernization – came from both the neo-Marxist tradition and the tradition of neoclassical economics. Bauer and Yamey (1957) [29] are among the pioneer investigators in the application of the neoclassical perspective – in particular, the philosophy of *laissez-faire* and the principle of comparative advantage – to the causes of (and constraints to) the economic development of Third World countries.

The revival of the neoclassical thinking centres on the analysis of the relationship between the State and the market in the process of economic development, and is associated with a critical view on State activism, predominant since the early development economics literature. Therefore, it ends up as a neoclassical counter-revolution in economics policy and theory.[2] Whereas dependency theorists saw underdevelopment as an externally induced phenomenon, the neoclassical authors saw it as a problem with internal causes, namely an excessive government intervention and bad economic policies.

---

[2] The neoclassical counter-revolution is an expression popularized to characterize the neoclassical incoming into the field of development economics, namely to express the radical change that it brought to the prevailing thinking.

(i) 1st wave – the free-market approach

The first of the two waves of neoclassical attack, initiated in the 1970s, explains underdevelopment as a result of poor resource allocation due to incorrect pricing policies and excessive State intervention. Developing countries usually have prices of agricultural products artificially low, exchange rates overvalued, interest rates artificially low, and industrial wage levels excessively high in relation to agricultural wages. This results in a distorted pattern of resource allocation and, subsequently, efficiency and welfare reduction. A strategy of getting prices right based on a free functioning of the markets will thus lead to both economic efficiency and economic growth.

The analyses of McKinnon (1973) [30] and Shaw (1973) [31] reveal that distortions in the financial system encompass interest rate ceilings (below market rates) and compulsory credit allocation, both being detrimental to investment and growth in developing economies. Moreover, neoclassical theorists of international trade such as Krueger (1974) [32] and Bhagwati (1982) [33] maintain that government intervention in developing economies is conducive to rent-seeking activities and, in general, directly unproductive profit-seeking activities that impose resources waste.

(ii) 2nd wave – the public choice approach

In the 1980s, the neoclassical reaction culminates in the view that the State is the problem of (not the solution for) underdevelopment. A minimal role for government in the economy is the best for the promotion of development.

According to the public choice theory, the State is not a kind of social guardian of benevolence, but rather is formed by a number of politicians, bureaucrats and technocrats, that act in their self-interest using the power and the authority of government for their own ends. Krueger (1990) [34] highlights that State intervention and protectionism in developing countries tend to be associated with rent-seeking behaviour, pressure from personal interests and conflicting groups of interest, bureaucratization, and corruption.

The neoclassical counter-revolution's approaches of free-market and public choice matched with the so-called Washington consensus materialized in structural adjustment programs to indebted Third World countries in the 1980s. The pattern of action was based on precepts that stimulated both economic efficiency and economic growth, namely 'permitting competitive free markets to flourish, privatizing State-owned enterprises, promoting free trade and export expansion, welcoming investors from developed countries, and eliminating the plethora of government regulations and price distortions in factor, product, and financial markets' (Todaro and Smith, 2000: 128 [35]).

(iii) The market-friendly approach

A new variant of the neoclassical counter-revolution emerges in the early 1990s from the writings of World Bank economists who re-examine their theoretical positioning regarding the role of the State in the economic development process. The 1997 WDR marks a shift in the concept of the State, that is, 'the State is central to economic and social development, not as a direct provider of growth but as a partner, catalyst, and facilitator' (World Bank, 1997: 1 [36]).

The repositioning is directly associated with a change in development thinking from market supremacy to a more balanced perspective, in which the relationship between the State and the market is seen as complementary with the two working in partnership. Minimal State is replaced by effective State, i.e. a State working as a complement (not a substitute) to markets. Therefore, the State not just undertakes those actions that make markets fulfil their functions better, but also corrects for market failures.

The market-friendly neoclassical approach differs from the two previous ones (free-market and public choice) in two crucial aspects. On the one hand, there is the recognition of numerous imperfections in factor and product markets of developing countries. On the other hand, market failures are more common in these countries and can occur in such cases as incomplete markets, imperfect information, externalities, or economies of scale.

3. New Concepts of Development

The new concepts of development that emerge mainly after the 1970s do not deny the importance of economic growth to development. Instead, they emphasize that, though necessary, it is insufficient to assure development, encompassing a set of inter-actuated dimensions, mainly economic, social, political, cultural, and environmental in nature.

Different views on the concept contribute to the new conception of development, multi-dimensional in nature. Moreover, the diversity of its inter-related components presupposes an interdisciplinary approach.

Sustainable Development

The eco-development concept emerges in the early 1970s, following two major events having a decisive influence over the concerns on the environment and development – the first conference of the United Nations on environment and development (the Conference of Stockholm in 1972) and the study ordered by the Club of Rome on the compatibility between the strategic resources reserves and growth rhythms (Meadows and Meadows, 1972 [37]). Eco-development is at the basis of the latter concept of sustainable development, because central to eco-development is the need to take care over future development by avoiding destruction in the present of non-renewable resources.

Sustainable development is a concept that follows from the Brundtland Report, finished in 1987 and published by the World Commission on Environment and Development (WCED) of the United Nations. The definition from that report is the most widely used: 'development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs' (WCED, 1987: 43 [38]). Sustainable development requires availability of resources for future generations and thus assumes inter-generational solidarity.

Sustainability is also about natural resources management. At the beginning, this meant solely the management of non-renewable resources (oil, minerals, and strategic resources in general). Later, sustainable development also became associated with managing renewable resources (for instance, the environmental services from solar radiation), due to their quality / renewal rhythm. Moreover, sustainable development presumes a new relation with Nature based on systemic interdependence, that is, to embrace containment logic in the interaction between economy and ecology defined by a sustainable rhythm of balance between inputs, throughputs and outputs.

The sustainable development concept has been widely used since the second conference of the United Nations on environment and development. The Rio Conference (also known as

Earth Summit or Eco-92) gave the international visibility to the concept. Today, it is entirely accepted by different international organizations, governments of many countries, and Non-Governmental Organizations (NGO) that play a role in that field. On the other hand, the Johannesburg Conference (or Rio+10) which took place in 2002, diminishes the paramount importance given to the environmental component, and subsequently stresses a tri-part view of sustainability: economic viability, environmental preservation, and social cohesion.

Local Development

The communitarian development concept was born in the 1960s and is the origin of the local development concept. This latter concept gathers the following three important pillars from the former: an acquaintance of people's needs from their own voices, the mobilization of local capacities as the starting point for the answers to their problems and an integrated view of the problems and solutions.

There was a proliferation of formulations that followed the alternative concept of communitarian development and in the end led to the concept of local development. The definition of local development presented by authors such as Pecqueur (1989) [39] or Houeé (2001) [40] includes many elements. In the first place, local development is a process of community based change that usually has collective needs as its starting point and whose answers are to be found first by making use of local capacities. Indeed, local development is founded in the territorial paradigm of regional economics and territory sciences, in which the diversity of infra-national territories demands a concept of development that, apart from taking into account the resources available and the local needs, is also differentiated and multiform, and also departs from the endogenous potential in resources and capacities. The new paradigm of development in the territory is thus a kind of development that takes place from more confined spaces, from below.

Local development also requires a participative logic, in which the importance of local communities' participation in solving their problems and valuing the local resources is highlighted. The reinforcement of people and communities' power through the enhancement of their capacities (empowerment) is a condition for participation and leadership. This is an aspect further developed by Friedmann (1992) [41]. However, local development is not regarded as self-sufficient, and thus the use of exogenous resources is not rejected as long it complements or strengthens endogenous resources.

An integrated view of the context in which the problem is raised and of the appropriate answers is another key component of the concept. This demands partnership logic, a working involvement between formal and informal institutions, companies, citizens, and public administration, with an engagement and direct participation of all, and the will to ambition affect the entire community.

Human Development

The origin of the human development concept can be traced back to the 1970s and the claim for basic needs fulfillment as the most important development evaluation criteria advanced by former institutional leaders, namely Mahbub ul Haq from the International Labor Organization (ILO) and Robert McNamara from the World Bank.

The discussion on the concept of human development and its interlinked concept of basic needs was presented in 1990 by the United Nations Development Program (UNDP), according to which human development is:

> *'a process of enlarging people's choices. In principle, these choices can be infinite and change over time. But at all levels of development, the three essential ones are people to lead a long and healthy life, to acquire knowledge and to have access to resources needed for a decent standard of living. If these essential choices are not available, many other opportunities remain inaccessible' (UNDP, 1990: 10 [42]).*

Today, the human development concept is wider and much more complex than the original one. Apart from the three crucial components of human development, it has been extended to include other dimensions such as freedom, equal opportunities, sustainability, and safety.[3] Human development is a process of enlarging people's choices and opportunities, of expanding human freedoms and of valuing individuals' capacities that allow them to lead a long and healthy life, to acquire knowledge and to have access to resources needed for a decent standard of living, while preserving these same benefits for future generations, with equal opportunities and in safety.

According to this new development perspective, the adjective "human" gathers three different meanings: (i) the human being is at the centre; (ii) human well-being is the goal of development; (iii) the human being has an active role to play (participation). Thus, human development is a development process *of* the, *for* the, and *by* the human being.

Human development is also linked to the issue of "fighting against poverty" which assumed a crucial dimension with the Millennium Summit of the United Nations in 2002. In that summit, 'a pact between nations to defeat human poverty' (UNDP, 2003: 31) [44] was made and the so-called Millennium Development Goals (MDG) established. Poverty is indeed the absence of human development, i.e. the denial of the most elementary choices and opportunities.

4. Final Remarks

The analysis of a complex phenomenon such as development is especially difficult due to its multi-dimensionality. The central purpose of this article is to present an integrated perspective of the main contributions of Development Economics, focusing on: (i) the optimistic perspective of the modernization theories aiming to determine the endogenous conditions of modernization; (ii) the more pessimistic vision of dependence theories, emphasizing the existence of external barriers to development; (iii) the world-system theory, seeking an integrated vision of the different economies in a world-wide context; (iv) the neoclassical counter-revolution, with its critical evaluation of the role of government, later on redefined in order to emphasize the complementarity between the State and the market.

Beyond all this it is possible to recognize the limitations of a concept exclusively centred on the economic dimension. Thus, many concepts have emerged aiming to make more explicit

[3] Sen (1999) [43] conceives development as freedom in a large sense, including elementary capacities such as the possibility to avoid privations such hunger, under-nutrition, avoidable death, premature death, and also freedoms associated with education, political participation, and censorship forbiddance.

the relevance of other dimensions of the development process, namely the social, human, local and environmental, among others. This range of new concepts has led to three broad conceptual approaches – sustainable, human, and local development.

Although not diminishing the importance of the emergence of new concepts and theoretical perspectives, we believe that the main challenge facing the evaluation of development is the need to transpose empirically the multi-dimensionality present in the concept of development. This requires traditional development indicators (namely per capital income) to be complemented with other more comprehensive indicators.

The generality of the indicators proposed over the last two decades do not capture all of the crucial dimensions of the phenomenon. Therefore, the emergence of new development indices is important, incorporating, in an innovating and comprehensive way, the many dimensions of development. The importance of an appropriate measurement of the critical phenomenon of development is of high priority.

Acknowledgements

The financial support provided by Fundação para a Ciência e a Tecnologia (FCT – Portugal) under PROTEC (SFRH/BD/50207/2009) and UNIDE/BRU (PEst-OE/EGE/UI0315/2011) is gratefully acknowledged. The authors are indebted to two anonymous reviewers for helpful comments. The usual disclaimer applies.

References

1. Hayami, Y. and Y. Godo (2005), *Development Economics: From the Poverty to the Wealth of Nations*, New York: Oxford University Press.
2. Rosenstein-Rodan, P (1943), Problems of Industrialization of Eastern and South-Eastern Europe, *Economic Journal* Vol. 53, No. 210/211, pp. 202-211.
3. Nurkse, R. (1952), Some International Aspects of the Problem of Economic Development, *American Economic Review*, Vol. XLII, No. 2, pp. 571-583.
4. Nurkse, R. (1953), *Problems of Capital Formation in Underdeveloped Countries*, New York: Oxford University Press.
5. Oman, C. and G. Wignaraja (1991), *The Postwar Evolution of Development Thinking*, New York: St Martin's Press.
6. Hirschman, A. (1958), *The Strategy of Economic Development*, New Haven, Conn.: Yale University Press.
7. Myrdal, G. (1957), *Economic Theory and Underdeveloped Regions*, London: Duckworth.
8. Perroux, F. (1955), Note on the Concept of Growth Poles, *Economie Appliquée*, Vol. 8, pp. 307-320.
9. Lewis, A. (1954), Economic Development with Unlimited Supplies of Labour, *Manchester School of Economic and Social Studies*, Vol. 22, No. 2, pp. 139-191.
10. Lewis, A. (1955), *The Theory of Economic Growth*, London: Allen and Unwin.
11. Rostow, W. (1956), The Take-Off Into Self-Sustained Growth, *Economic Journal*, Vol. 66, No. 261, pp. 25-48.
12. Rostow, W. (1960), *The Stages of Economic Growth: A Non-Communist Manifesto*, Cambridge: Cambridge University Press.
13. Martinussen, J. (1997), *Society, State & Market: A Guide to Competing Theories of Development*, London and New York: Zed Books Ltd.

14. Hunt, D. (1989), *Economic Theories of Development: An Analysis of Competing Paradigms*, New York: Harvester Wheatsheaf.
15. Prebisch, R. (1949), The Economic Development of Latin America and its Principal Problems, *Economic Bulletin for Latin America*, Vol. 7, No. 1, pp. 1-22.
16. Singer, H. (1950), The Distribution of Gains Between Investing and Borrowing Countries, *American Economic Review*, Vol. 40, No. 2, pp. 473-485.
17. Furtado, C. (1973), *Underdevelopment and Dependence: the Fundamental Connections*, Working Paper No. 17, University of Cambridge: Center of Latin American Studies.
18. Sunkel, O. (1973), Transnational Capitalism and National Disintegration in Latin America, *Social and Economic Studies*, Vol. 22, Nº 1, pp. 156-171.
19. Frank, A. (1967), *Capitalism and Underdevelopment in Latin America*, New York: Monthly Review Press.
20. Dos Santos, T. (1970), The Structure of Dependence, *American Economic Review*, Vol. 60, No. 2, pp. 231-236.
21. Amin, S. (1976), *Unequal Development: An Essay on the Social Formations of Peripheral Capitalism*. New York: Monthly Review Press.
22. So, A. (1990), *Social Change and Development: Modernization, Dependency, and World-System Theories*, California: SAGE.
23. Cardoso, F. and E. Faletto (1979), *Dependency and Development in Latin America*, Berkeley: University of California Press.
24. Cardoso, F. (1973), Associated-Dependent Development: Theoretical and Practical Implications, in A. Stepan (ed) *Authoritarian Brazil*, 142-76. New Haven, CT: Yale University Press.
25. Wallerstein, I. (1974), *The Modern World-System, Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*, New York: Academic Press.
26. Wallerstein, I. (1979), *The Capitalist World-Economy*, Cambridge: Cambridge University Press.
27. Wallerstein, I. (1980), *The Modern World-System II: Mercantilism and the Consolidation of the European World-Economy, 1600-1750*, New York: Academic Press.
28. Booysen-Wolthers, A. (2007), *The Development Status of Women in South Africa: Patterns, Progress and Profiles*, PhD in Economics, University of the Free State.
29. Bauer, P. and B. Yamey (1957), *The Economics of Under-developed Countries*, Cambridge University Press.
30. McKinnon, R. (1973), *Money and Capital in Economic Development*, Washington, D.C.: Brookings Institution.
31. Shaw, E. (1973), *Financial Deepening in Economic Development*, New York: Oxford University Press.
32. Krueger, A. (1974), The Political Economy of the Rent-Seeking Society, *American Economic Review*, Vol. 64, No. 3, pp. 291-303.
33. Bhagwati, J. (1982), Directly Unproductive Profit-Seeking Activities, *Journal of Political Economy*, Vol. 90, No. 5, pp. 988-1002.
34. Krueger, A. (1990), Government Failures in Development, *Journal of Economic Perspectives*, Vol. 4, No. 3, pp. 9-23.
35. Todaro, M. and Smith, S. (2000), *Economic Development*, 8th edition, New York: Oxford University Press.
36. World Bank (1997), *World Development Report 1997: The State in a Changing World*, New York: Oxford University Press.
37. Meadows, D. and D. Meadows (1972), *The Limits of Growth*, London: Pan Books.
38. WCED (1987), *Our Common Future: Brundtland Report*, New York: Oxford University Press.
39. Pecqueur, B. (1989), *Le Développement Local,* Paris: Syros-Alternatives.
40. Houeé, P. (2001), *Le Développement Local au Défi de la Mondialisation*, Paris: L'Harmattan.
41. Friedmann, J. (1992), *Empowerment: the Politics of Alternative Development*, Cambridge: Blackwell.
42. UNDP (1990), *Human Development Report 1990*, New York: Oxford University Press.
43. Sen, A. (1999), *Development as Freedom*, New York: Alfred A. Knopf.
44. UNDP (2003), *Human Development Report 2003*, New York: Oxford University Press.