

Need for an Innovative Development Strategy for Greater Effectiveness

The Role of Social Science Discourse¹

The concept paper and the agenda drawn up for this symposium identifies, quite rightly, a few burning social issues Sri Lanka has faced over the last couple of decades and continues to suffer from – the youth insurrections, civil war in the north and east, youth unemployment, economic deterioration, shattered social fabric, war trauma, worsened law and order conditions, increased incidence of crime, poverty, process of relief, rehabilitation and reconstruction, peace building and so on. The analysis of, and finding solutions to, these social problems are then presented as the challenge facing social sciences today. By using in the symposium title the expression “national development”, rather than an expression like “human” or “social” development, the convenors of the symposium are probably highlighting the nationality issue also as a major challenge for social science discourse.

Let me begin with my basic premise. In order to improve conditions in Sri Lanka in respect of the social issues raised above, there should be sustained strengthening of the society’s economic base. The social problems no doubt, have multi-faceted causality. There is enough empirical evidence, however, from economic development experience of the last fifty years in a variety of societies, to confirm my hypothesis that there is a very strong direct causal link running from lack of success in sustainable economic development to the social ills like poverty, unemployment, youth unrest, civil war and so on. We in South Asia have indeed been very successful in talking of and recommending solutions for these and many other social ills, without getting our acts together to achieve sustainable economic development. When I say this, I am sure many will be formulating in their minds the counter argument that the social problems of the type discussed here have a life of their own independently of what happens to economic development. Let me therefore clarify myself about what I mean by economic development here before I go any further.

In the development discourse of the 1960s and 1970s shortcomings of definitions of development based on material advancement were strongly highlighted. When I argue here that there is a very strong direct causal link running from economic development to social peace and harmony, the concept of “economic devel-

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opment” I talk of is a combination of three elements:

- * Growth of production or real incomes
- * Stability in the rate of that growth over time and
- * Equitable sharing of benefits of growth.

The desirable kind of economic development that I advocate here is thus one of “stable and shared economic growth”. On this basis one could confidently argue that Sri Lanka’s failure to achieve this kind of economic development has unequivocally been responsible for the social issues coming up for discussion in this symposium and also many other social ills. My argument is not adversely affected by the fact that there were many factors other than “lack of economic development” which influenced the social processes in the country. My argument is that these other factors were less than central. Then development policy, to be effective in respect of social development as well, should invariably define its goal as the process of “stable and shared” growth.

The dominant development strategy today, not only in Sri Lanka, but also in the world at large, is variously described as “structural adjustment policies” (SAPs), “market friendly policies” (MFP) and in more recent times, “poverty reduction strategies” (PRS). Many analysts refer to them also as policies of the Washington Consensus and more generally, neo-liberal policies. The core of this policy package consists of two parts, each part having a combination of inter-linked measures:

A. Macro stabilisation policies:

- * Fiscal discipline
- * Restrictive monetary policy
- * Realistic exchange rate

B. Adjustment policies:

- * Liberalisation & deregulation of:
 - international trade and finance, including foreign exchange transactions and
 - domestic goods and factor markets
- * Restructuring and privatisation and
- * Integration with processes of globalisation through opening up of the country to the myriad of global influences, economic, tech-

nological, social, cultural etc.

In a PRS programme (e.g. the SLPRS) the above policy mix is expected to achieve economic growth coupled with: (i) price stability and (ii) balance of payments stability (these also for how long is a question) but *not growth stability*. The growth achieved through such policies could be and has actually been unstable. The policy package has nothing concrete to correct this growth instability. By themselves they will not do anything to bring about equitable distribution either. Often growing inequality in income and wealth distribution is thought desirable for growth. SAPs or MFPs have also been found not to decisively reduce poverty. So the PRSs now (like the Sri Lankan one) talk of connecting (whom is not clear but presume) may be the poor “to growth” so that the usual SAP becomes a PRS. A major tene: in SAPs or MFPs today is the dogmatically held maxim of “level playing fields” which indeed removes much of the room available to policy makers to incentivise and promote growth selectively, working through prioritized sectors. Growth promotion, indeed, is a matter of discriminatory treatment of sectors of an economy and a “level playing fields” policy (if strictly adhered to) would imply leaving everything to markets, which will ensure continued underdevelopment of the developing world in the prevailing conditions of uneven development.

The widely experienced result of these policies in developing countries which have experimented with them for a long enough period (including Sri Lanka) has been the following:

- * Unstable growth. Spurts of growth (showing ‘beginners’ luck’ type phenomena) followed by gradually declining growth. Growth spurts were often caused by sudden expansion of foreign resource inflows. To arrest the decline in growth, another resource injection would be necessary. With stronger policy conditionality, more and more of the same kind of policies will be implemented, in return for the enhanced resource inflows. No recipe for sustained and stable growth.
- * Growth producing concentration of incomes and wealth in a few hands. Distribution is permitted to get increasingly unequal. A theory also is being cited, in the name of “Kuznets’ inverted U hypothesis” to say

that the degree of concentration of wealth and incomes should increase in the early stages of development, if the society were to save and invest for accelerated growth.

Here lies the real challenge for social sciences in the Third World countries. Social sciences in general, and economics within social sciences in particular, are expected:

- A. To systematically critique the theoretical foundations of the development policy emanating from SAP or MFP models, examining these foundations against increasing empirical evidence from a variety of developing country environments challenging the claims made for these policy packages by their supporters, and
- B. To search for feasible policy alternatives that can achieve stable and shared economic growth at an accelerated speed.

There is a need to move out of the prevailing "paradigm" in a *Kuhnian* sense. What happens today is to research into minor issues remaining within the existing paradigm. We ought to begin questioning the existing dominant paradigm and the world view.

In regard to these tasks, social sciences today are in a crisis. Prevailing world conditions are gradually reducing the space available to social sciences for autonomous / independent thinking. Many pressures operate on us the social scientists to keep us chained within the frontiers of orthodoxy. *The government of the establishment in every society or nation state, big or small, would use its power to prevent research from exploring into new knowledge that could threaten the power of the elites.* Their power in society is ensured as long as they can keep people believing that "there is no alternative" (the idea conveyed by the acronym TINA, associated with Margaret Thatcher in the UK). So research into new knowledge is discouraged by not allocating adequate funds for such research activities, as these are considered threatening to social positions of elite classes. Indirectly, the powerful classes discourage such research by providing remunerative and influential positions to those who would

go along with TINA philosophy. We have known instances in many countries, including Sri Lanka, in which formal state power or informal terror tactics were used to preserve status quo in social research. Internationally, the rich countries led by the United States, and also private capital led by huge multinational companies, ensure that TINA remains the dominant ideology, particularly in respect of globalisation and market liberalisation. The bulk of the university sector and the non-university research establishment in these countries, often acting on self-interest, would minimise research into alternatives. Most importantly, the message of TINA is carried to even the remotest corner of the Third World and the implementation of MFPs is ensured through conditionality by the Washington institutions. They command power over huge volumes of resources – partly their own and partly those the advanced countries are willing to allocate for resource-poor developing countries. Since 1995, the WTO operating much more forcefully than the predecessor GATT to establish free trade in goods and services in the world economy has become a strong ally to the Washington institutions. There is thus a hugely powerful world system, which determines the social science agenda and ensures that social science research remains well within orthodoxy. We have indeed moved a great deal away from the dependency visions of the 1970s, but there are today stronger reasons than then to hold on to ideas of intellectual neo-colonialism.

Let me try to sum up by raising an important issue. In the deliberations of this symposium an attempt will be made to "identify ways and means of enhancing the contribution of the social sciences", as the concept paper says, to reduce crime and improve law and order situation in the country, to reduce poverty, to improve processes of peace building and conflict resolution, and to carry out RRR activities. Sri Lankan society is indeed eagerly looking forward to see the reduction in crime, alleviation of poverty, establishment of permanent peace and resettlement and reintegration of the millions who were thrown out of their homes and villages. In today's environment of optimism, created by the peace process, all of us are hoping for the peace dividend – arising from production and income growth and from large volumes of foreign assistance that are being committed. Having been battered for twenty years by a civil war, which the bulk of this society did not want, we all deserve indeed a large peace dividend.

But I fear that we are not ready with a carefully carried out conceptualisation of how things would develop over a period of even 5-10 years, let alone a longer time horizon. Nor do we have plans to achieve "stable and shared economic growth". Even the very word

planning is often viewed with utter disdain. In the context of the ongoing peace process huge pledges of foreign assistance are being announced I would indeed congratulate any government able to raise large volumes of foreign official capital. My argument is that without carefully formulated plans of action, with realistic implementation mechanisms, to achieve "stable and shared economic development" we would not make the maximum use of the enormous international goodwill that seems to exist today. Persons talking of alternative economic policies today are likely to be written off as "statist" import substitutionists favouring control regimes. I am talking of alternatives to "level playing field" SAPs / MFPs, within a market-oriented, private enterprise system. Alternative development strategies are a pre-requisite if we hope to achieve stable and shared growth. In the prevailing scenario of extreme orthodoxy, combined with inflows of very large official foreign capital, we might experience a rerun of the 1978-82 experience. How the country came to a relative drying up of foreign aid around 1984-5 and started a gradual worsening of balance of payments after these years is known history. Economic growth rose sharply to 8% in 1978 but gradually fell to around 5% in 1982. This decline continued until the rate reached 2% by the end of the decade. The growth process was not only "unstable" (it is more correct to say that growth rate was gradually declining) but also highly "unequal" – in terms of distribution by income groups as well as by regions. When I argued in a seminar held in 1978 about the dangers of increasing relative inequalities, I remember a senior executive of the Central Bank asking me the question as to why should one worry about relative inequalities, as long as absolute poverty levels are falling. What the highly unequal / inequitable economic growth had done to our society during 1983-89 is well-known. No doubt, behind these developments, there were other reasons as well which combined with growing inequality to create the disorders in our society during this period. My argument is that had action been taken timely to make the economic development of the preceding period less unstable and most importantly, equitably shared, the social disasters of this period could have been averted. Our history would indeed have been very different. We are again at the threshold of plunging into a yet another era of faithful application of SAPs, accepting to a large extent, its "level playing fields" ideology as well. Let me end up by raising two sharp questions: What can we social scientists do to help the government avert a repeat performance of the 1980s? Are the policy makers willing to listen?

Footnotes

¹ This is the text of the keynote address delivered at a symposium organised by the National Science Council on "The Contribution of Social Sciences to National Development: Opportunities and Challenges"

