

Economic Development and Human Rights

Barrie Dyster¹

When we study the economic aspects of human rights we are measuring degrees of power and powerlessness. Who has access to food and health, and how? Economic development (the creation and distribution of surpluses) is conventionally, though not universally, taken to be essential to the extension of economic rights. And economic development, conventionally understood as a process of cumulative economic growth, has occurred in recent times when the power of the nation-state has been married to the power of capital.

The causal and other relationships between political and economic power are complex and debatable. It does seem, however, that the process of cumulative economic change is most likely to occur in a context of secure territorial sovereignty, where banditry and civil disturbance have been curbed (which may well involve severe breaches of human rights), and where a fairly uniform system of contracts can be enforced. Formal and informal empires hastened the process of accumulation for those economies which grew most spectacularly, which in turn skewed the process of accumulation in the subordinated societies.

Nowadays we tend to think of global capital as more powerful than any single nation-state. Flows of capital surge over national boundaries and threaten to obliterate them. That we have been surprised by "globalisation", however, may simply be a consequence of the decline of formal empires and of formal imperial alliances. While global empires existed, and Cold War blocs survived, the global mobility of capital was to some extent embodied in, and masked by, the national and imperial political structures.

Whether or not capital flows are contained, or channelled, by political structures, however, the nation-state is nearly always the unit of measurement for economic development *and* for human rights. It is the normal unit of account for economic development, first because the nation-state remains the prime collector of aggregated statistics, which are used for managing its own territory, particularly on behalf of the

1 School of Economics, University of New South Wales.

strongest material interests in that territory — and second because distinctive monetary, fiscal, legal and other arrangements usually operate up to but not beyond national borders. And State power has been even more central to questions of human rights, because political and legal uniformity is the ambition of most states, and institutions for abridging or extending rights are more often than not national in scope.

One of the classic analyses of the connection between political power and economic development was provided by Alexander Gerschenkron, who argued that every major new economy that industrialised required a more authoritative government than earlier industrialisers did.² This was partly because food production, resource extraction, processing and manufacture operated on a larger and larger scale as the years passed, so that technology and capital intensity became reliant more and more on systematic land reform, systematic fund raising, and systematic mobilisation of labour. In addition, when ambitious regimes wanted to catch up with rivals they were tempted to take shortcuts towards “modern” large-scale production.

Hence Britain’s pioneering piecemeal change, the piecemeal organisation of capital there and the constant, massive but piecemeal involvement of government in its Agricultural and Industrial Revolutions and in its global outreach, were tracked in France by political upheaval, a more corporate financial sector, and government involvement in transport and industry. The nineteenth century transformations of Germany and Japan brought their governments further into the process of capital raising and economic management, and created large interlocked financial and productive corporations. And Russia, first under the Tsars and then in the Soviet phase, attempted even more convulsive, comprehensive and managed economic change.

The multi-lingual Gerschenkron came to maturity when Europe, between World Wars, was fully partitioned for the first time into self-conscious nation-states, which were offered (among others) Soviet and Fascist pathways to economic growth. And as a youthful exile from Russia, coming to rest in a Harvard chair, his later adult life was conditioned by the Cold War which presented itself as a clash between two models of economic development. Gerschenkron’s classic essay, “Economic Backwardness in Historical Perspective” was published in 1952 as the first chapter in a classic American symposium, *The Progress of Underdeveloped Areas*.³

2 Alexander Gerschenkron *Economic Backwardness in Historical Perspective* (Belknap Press of Harvard, Cambridge, Mass, 1962).

3 B F Hoselitz (ed) *The Progress of Underdeveloped Areas* (Chicago University Press, Chicago, 1952), pp 3-29.

The Cold War also provided a context for a debate among English-speaking historians about the immediate human consequences of the shift towards economic development. It was a debate between pessimists and optimists, taking the English experience of industrialisation as the case study. The pessimists found long hours, foul conditions, harsh management, abysmal wages and great sickness in nineteenth century English factories and factory towns, which were crammed with refugees from worsening conditions in the English and Irish countryside. The optimists argued that the agricultural and industrial revolutions created more food, clothing and other goods; they widened opportunity and access to resources; in the short and in the long runs they increased welfare and freedom generally. Later participants in this debate have demonstrated that both pessimists and optimists may be correct, depending on which generation you are looking at, which region, which gender, which occupation or class. Some suffered while others benefited.⁴ Students of imperial or global processes went further. The cost-benefit calculation could only be made once you took into account people far beyond the national boundaries. The textile revolutions in Great Britain, for example, drew on American slave labour for its cotton, and depended on the dispossession and destruction of Aboriginal Australians for the land on which much of its wool was grown.

Economic development is, more than ever, the political orthodoxy of today, and the most conspicuous models in the 1990s are the Newly Industrialised Countries to the north of us — Singapore, Taiwan, Hong Kong and South Korea. The first thing to say about those four entities is how artificial they are. They are circumscribed territories, politically and militarily distinguished from the larger units of which they once were a part. The second thing to be said is that they are the products of large-scale and international capital movements. Singapore and Hong Kong came into existence purely and simply as foreign investments — to start with, as British investments — and they have grown as conduits for the flow of international capital. Taiwan and Korea had several decades in the first half of this century of Japanese imperial involvement in land reform, in transport and manufacture and education, before the US took over with military spending, direct aid, soft loans and invested capital when they were shaky front-line states in the Cold War. Thirdly, and more recently, all four states have grown under authoritarian governments (Hong Kong included), where the government mobilises much of the savings and capital (even in Hong Kong), and there is an intimate connection between big government and big business that bears down

4 A J Taylor (ed) *The Standard of Living in the Industrial Revolution* (Methuen, London, 1975).

heavily on political and economic dissent. A recent study has called it "market-preserving authoritarianism".⁵

The four NICs seem to fit the Gerschenkron model. Late developers, both because they are catching up and because recent stages of development have been capital-intensive, exercise state power and private enterprise power in a very systematic and integrated fashion. And the pessimist-optimist debate about the welfare effects of the process poses the question: does growth, whether managed or less managed, impose sacrifices on its instruments, who are the workers and their families in the growing economy? Conventional practice in the NICs, certainly, is to rein in expectations, to shackle individual and small group assertiveness. The ostensible reasons have been to turn as much as possible of national income into savings for investment rather than as personal income for discretionary spending, and also to limit the ability of domestic consumers to buy goods that are intended for export. The strategy is one of capital-intensive investment and of export-driven growth, export-driven so as to sell the products of large-scale enterprises, export-driven to earn the foreign exchange needed to pay for imported machinery and to service foreign loans.

The defence of this model of development is that in the medium-run, or at worst the long-run, the total benefits for division among the population will be greater. The benefits will be shared, the argument goes on, because a trained and concentrated workforce, familiar with the goods produced, will in the end demand a share of the wealth themselves by becoming more and more assertive in the workplace, and perhaps in the streets, so that employers and the regime itself must buy their cooperation.

But do we believe this sequence? Will it succeed in any but a handful of societies? Are the sacrifices of present generations worth it, or defensible at all? What will be costs of struggle in the workplace, and in the streets? And are there other trajectories whereby people share equally from the beginning and have something worthwhile to share at the end?

In the 1960s and 1970s there was high excitement about grass-roots state-sanctioned development. Tanzania provided one of the most self-conscious examples of this. Papua New Guinea adopted "Eight Aims" on independence, which included equalisation of benefits and incomes, decentralisation, small and even traditional enterprises, national selfreliance, and "a rapid increase in the equal and active

5 Li Shuhe and Peng Lian "On Market-Preserving Authoritarianism: an Institutional Analysis of Growth Miracles", Research Paper, City University of Hong Kong, 1996.

participation of women in all forms of economic and social activity"; the eight aims were soon overwhelmed and forgotten.⁶ Why has there seemed to be such little result from what the title of a recent book has called "The Egalitarian Moment"?⁷ Has the "egalitarian" solution been thwarted by the indifference or hostility of the inescapable managers of international capital and trade? Has it been distorted by inescapable and dynamic capital intensive projects domestically? Or is egalitarian development as difficult a task as that recently achieved by the NICs, but once the successful formula has been found will it also be repeatable?

We have returned to the question of the relations between economic and political power. Should political rights be postponed until national affluence has been achieved? Can South Korea afford to try and to convict tycoons, generals and former presidents only when they have delivered the industrial goods? Amnesty International has sidestepped these questions in an ingenious way. By focussing on imprisonment irrespective of a society's ideology or economic structure, Amnesty is able to celebrate political dissent and to weaken political conformity under every kind of regime. This also allows people of differing ideologies to identify areas where active intolerance limits the freedoms, principles and people that the particular Amnesty member admires.

Non-government aid agencies perform the same sidestepping function on the economic plane. Whether their members believe that top-down and macro-structural projects are unprincipled, or ineffective, or simply insufficient, the non-government agencies proclaim the importance of what have been called "grass-roots" projects.

Grass-roots projects can appeal to Westerners with quite contradictory ideologies. Conservatives believe that watering the grassroots will reward traditional communities, strengthen traditional family life, and avert disorder and revolution by satisfying local needs. Liberals believe that fertilising the grass-roots will alter the imbalance between the weak against the powerful, and provide useful demonstration effects for more democratic development across the whole society. Radicals believe that weeding around the grass-roots will empower the weak and weaken the strong, creating alternative relationships and structures over time. Socialists believe that by favouring the grass-roots and boycotting the tall poppies collective activity can be rewarded and ideological and institutional alternatives will

6 Anthony Clunies Ross and John Langmore (eds) *Alternative Strategies for Papua-New Guinea* (Oxford University Press, Melbourne, 1973).

7 Low D A *The Egalitarian Moment: Asia and Africa, 1950-1980* (Cambridge University Press, Cambridge, 1995).

grow in opposition to landlords, moneylenders, and rural and urban capitalists generally. And revolutionaries believe that an empowered grass-roots extends suckers, and seeds, far and wide, so that the privileged foliage that previously overshadowed it is stifled and displaced in its turn. But the most spectacular economy that has passed through a grass-roots phase is probably China, whose tyranny and subsequent transformation has fully satisfied none of these various ideological tendencies.

Would a national power structure permit projects, particularly if helped from outside, that would shift power relations in the nation unfavourably to the rulers? Must we then accept that human rights will be conceded incrementally rather than all or not at all?

The East Asian economic crisis has occurred since the words above were written. Commentators have laid blame on the follies and crimes of East Asian elites, forgetting that there have been three global recessions in the last quarter century — in the mid-1970s, the early 1980s and at the very end of the 1980s — which were produced by and experienced in the most advanced nations. Australians who remember their own 1980s cannot be supercilious about foolish banks and incompetent companies, not to mention the encouragement (and even adulation) showered on corrupt businessmen.

Nor can outsiders discount recent achievements in the stricken economies. Standards of living rose for many inhabitants, whether expressed crassly in terms of consumer goods or more fundamentally in a decline in mortality rates (behind which stand improvements in health through nutrition, sanitation and the treatment of epidemics). The indignities heaped on working people, even before the current cutbacks, have been manifold. The recent reduction in the bargaining power of employees in Australia reminds us that these issues of human rights have global dimensions. The trade-off between better food and health on the one hand, and unequal access to real resources and potential freedoms on the other, has shifted again away from the former.

The circumstances of the reversal, however, are wilfully misunderstood. Just as the IMF now insists that international obligations take precedence over domestic obligations, so the underlying condition of indebtedness then required exuberant lenders as well as avid borrowers. The lenders' readiness to exploit opportunities for investment in debtor countries made these overseas creditors partners in whatever spending decisions were made. But they are not partners in the subsequent punishment. The fact that creditor institutions and creditor nations escape strict discipline suggests that countries might be made to suffer if they adopt programs antipathetic to the interests, current or latent, of the providers and arbiters of international credit. Decision-makers in borrowing societies face a dilemma: are the penalties of non-conformity more damaging for the people around them than the conditions imposed by the enforcers of conformity? ●