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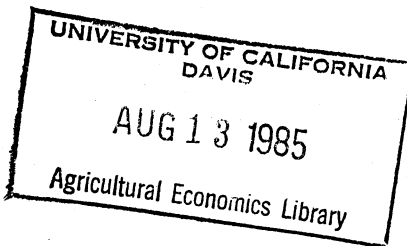
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BASIC HUMAN NEEDS

by

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Underdeveloped areas

BASIC HUMAN NEEDS

In this short presentation, I shall briefly discuss some of the concepts concerning two interrelated areas of policy--policies oriented toward fulfilling basic human needs and policies with the objective of maximizing economic growth and "development."

Maslow (Chapter 5, pp. 80-102) prioritized human needs as, first, organic (air, water, food, warmth, and sex); second, safety needs; third, needs for a sense of belonging and love; fourth, needs for self-esteem and the respect of others; fifth, the need for selfactualization; and, finally, needs for knowledge, understanding, and aesthetic gratification. Higher needs exist only if the lower ones have been satisfied to some acceptable degree.

The 1977 report of the Tripartite World Conference on Employment (United Nations, International Labour Organization) proposed, in line with U. N. objectives, that development plans, strategies, and policies should have, as a priority objective, the promotion of employment and the satisfaction of basic needs of the population of each country. Basic needs were specified as minimally adequate levels of food, clothing, and shelter; certain items of household equipment and furniture; safe drinking water, sanitation, public transport, and health; education; and some cultural activities (Srinivasan, p. 13). Policies to provide basic needs rely not only on income generation (in the main through employment) and transfers but also on direct delivery to the very poor of a basic-needs basket (Srinivasan, pp. 18 and 19; Streeten and Burki, pp. 413-416).

Policies with the objective of maximizing economic growth and development invariably focus on increasing the gross domestic product (GDP)--the measure of performance of the market economy. A basic-needs policy is one concerned

with equity--one intended to improve the quality of life for poor people. It is for the people but not necessarily by the people. A policy by the people, that is, one maximizing individual choice, would rely on consumer sovereignty. The problem in most developing countries is that many do not have the purchasing power to enter the market as effective demanders for even the most basic of commodities, that is, those with a high enough priority to be part of the consumption bundle that even the poorest should have, i.e., merit goods. Sen argues that the poor do not have entitlements to any of societies' resources. Myrdal emphasizes that redistribution of income or wealth would increase production by increasing the consumption and, therefore, the health and productivity of the poor. Undernutrition in adults leads to decreased productivity and, in all age groups, to a decreased resistance to disease (Glastra). Improved nutrition improves human health and performance.

A basic-needs fulfillment approach to development policy generally emphasizes measures that increase incomes of the poor by increasing and redirecting employment and other measures permitting the poor to meet their most basic needs. Both of these governmental efforts can be of smaller magnitude and less costly if population growth is slowed. Parenthetically, in many cases government does not have a social philosophy that commits it to providing basic needs for the poor as a high priority objective.

Many of the poor in the less-developed countries who are either unemployed or engaged in relatively unproductive work of little economic value have not been helped by economic growth (Streeten and Burki, pp. 411 and 412). In fact, Kuznets, Chenery and Syrquin, and Adelman and Morris all argue that income distribution tends to worsen during economic development, only tending to become more egalitarian at higher income levels, and that the absolute income

of the poorest 40 percent of the population normally declines during much of the economic development process. But this scenario is not inevitable. Special measures can be adopted to ensure that benefits of economic development reach the poorest levels of the population (Sheehan and Hopkins, p. 41). Otherwise, opportunities to increase income and wealth and, thereby, command over goods and services, are often severely limited for those in developing countries with meager endowments.

Streeten and Burki, referring to the experience of many less-developed countries between 1953 and 1978, wrote: "Imperfections stood in the way of an improved allocation of resources, with benefits to the poor. In the towns access to jobs in organized industry was restricted so that the majority [of the poor] had to eke out a miserable existence by work of low productivity in the 'informal' sector. In the countryside, where land ownership is highly concentrated [in many countries], the landless laborers, the sharecroppers, the suppliers of direct services and those with only tiny plots of land were denied access to the resources that would have raised their productivity and income. Lack of access to productive assets, low wages and rapid population growth kept their earnings low. It was not growth as such, but the structure of ownership and power, and the policies pursued by the governments, which prevented the poor from benefiting from growth" (Streeten and Burki, p. 412).

They continue: "The employment-orientation and redistribution with growth (the World Bank proposed development strategy involving redistribution of assets to make the poor more productive by either redistributing investment from incremental GDP or redistributing the existing stock) have correctly emphasized the need to raise production by the poor by raising demand for their

goods and services, by improving their skills, and by raising their productivity. These are necessary conditions for eradicating poverty, but, for three reasons, they are not sufficient. Firstly, measures (like raising prices of agricultural products or introducing more labour-intensive techniques) have often not achieved the intended results, but only led, in the final incidence, to a return to the initial income and power distribution (e.g., higher prices for agricultural products led to higher industrial wages, which were passed on as higher prices of the products farmers bought, or lowering of the real wage rate has encouraged the introduction of labour-intensive techniques without expanding employment more than proportionately).

"Secondly, critical social services for the poor have been neglected. The link between government expenditure devoted to social services meeting basic needs, intended to benefit the poor, and the accrual of benefits to these poor has been tenuous. . . .

"Thirdly, the economic emphasis has tended to lose sight of the ultimate purpose of the policies, which is not only to eradicate physical poverty, but also to provide all human beings with the opportunities to develop their full potential. . . . 'Basic needs' is an organizing and integrating concept . . ."

(Streeten and Burki, p. 412).

The two main subsets of the poor in developing countries are the urban unemployed and the landless rural poor or those with too little land to provide for their needs. Increasing employment for the first group has been linked to increasing domestic savings and investment. Neoclassicists believe that redistribution from high- to low-income groups results in a decrease of aggregate savings and investment. But nontraditionalists argue that redistribution increases effective demand for basic-needs commodities which are

supposedly more labor consuming and import and capital saving. Demands for foreign exchange and scarce capital--frequent bottlenecks that curtail economic growth--are reduced. Furthermore, increased domestic demand for basic-needs products may lead to economies of scale further increasing demand and employment.

As de Kruijk points out, the contribution of household savings to total savings is small in developing countries, especially in the poorer ones. Investment, which is not motivated by the same causes as savings, depends mostly on corporate, public, and foreign savings; the part played by household savings is relatively minor. Furthermore, investment is only one factor in the determination of growth (pp. 1 and 2). Findings from a 1975 U. N. Conference on Trade and Development study (cited in de Kruijk) of 36 developing countries indicated no significant positive relationship between income inequality and savings. Also, according to U. N. data, there is no association between the share of household savings and the investment ratio or between this share and the growth of the GDP in the developing countries studied (de Kruijk).

Nontraditionalists [Cline (1972); Lopes; Morley and Smith] indicate that, although their separate effects are small, when combined the capital- and import-saving effects barely offset the negative savings effect from redistribution. Chinn found the capital- and import-savings effects negligible for Korea and Taiwan. Ho found the consumption basket of the poorest more capital intensive than that of the richest in Taiwan, probably because of the relatively capital-intensive agriculture (de Kruijk). When the capital intensity of the consumption basket of the middle-income group was considered, it appeared that income redistribution would have little impact on average capital intensity.

Studies by Kuyvenhoven and Mennes indicate that basic-needs goods do not necessarily incorporate products of the industrial sectors in which economies of scale play a role. Ballentine and Soligo found little empirical evidence to support Georgescu-Roegen's hypothesis that the poor tend to consume goods produced principally by factors belonging to the poor while the rich consume goods produced by factors belonging to the rich. While this "second round effect" may be small, it would still promote increasing inequality (de Kruijk, p. 5).

Fragmentary though the evidence is, it appears that neither policies that encourage domestic household savings nor those that favor redistribution of income unequivocally promote economic growth or employment. Judging by the countries with the highest rates of economic growth in the past two decades, growth seems to be most encouraged by becoming an entrepot (Hong Kong) or by investing in certain types of industries generally producing higher valued industrial products in which the country has a comparative advantage (Japan). Industrial products and construction normally involve more labor and capital and ordinarily are scarcer; so industrial products, unless there is an unusual shortage of food, are higher priced than is food.

But what of the rural poor specifically? A basic-needs policy keyed to redistribution of wealth effectuated by instruments such as land reform, lowering or removing taxes on agricultural land in small holdings (variously defined), raising prices of agricultural products produced by small farmers, and subsidizing agricultural inputs and credits for small farmers would increase income and savings of some of the rural poor (World Bank, 1982). But from a policymaker's viewpoint, a redistribution that favors the politically

less powerful rural sector may not be politically feasible. Still, the evidence that basic-needs policies are of direct benefit in helping the rural poor improve their quality of the life appears to be convincing (Berg, Appendix B).

The poor are concentrated in the rural sector in many developing countries (Todaro, p. 29) and, among those who wish to migrate, many have not found employment in the industrial sectors of late-developing countries (Todaro, p. 59). While the unemployment rate is low in some developing countries if underemployment is not considered, it is as high as 15 percent in others (Goodsell and Flanery).

Of the various agricultural policies, if properly managed, land redistribution is the most effective (Cline, 1971, p. 392). While land reform invariably reduces economies of scale, it apparently has not, in most cases, adversely affected aggregate production. Empirical studies have found more constant returns to scale for many products as well as higher utilization of land (holding quality constant) on small farms than on large farms (Cline, 1971). There is a problem, however, if employment opportunities for the rural landless are reduced by the breakup of larger farms (Cline, 1977).

Other policies and programs geared toward helping the poor increase incomes and consumption (e.g., progressive taxation; raising minimum wages, theoretically of questionable value; rural work programs; development of new technologies suited to particular factor endowments--food subsidies, health subsidies, and transportation subsidies) may, indeed, help some of the poor, especially in the short run. Investment in mass education, health, nutrition, and rural infrastructure has widespread benefits (Cline, 1977) but also has secondary effects that are not well understood.

An interesting question then is: Have nations with policies and programs designed to satisfy the pressing basic human needs of their populations achieved higher rates of economic growth than otherwise would have been the case? There is no direct answer to this question. Most attempts to implement a basic-needs policy are food programs--the form of income redistribution that is most politically feasible. But analyses have revealed a very strong temporarily stable relationship between the levels of satisfaction of nutrition and health needs and those for education and housing (Rietschin). There is also a large amount of consistency at the level of aggregation employed in the Sheehan and Hopkins study (which included 135 countries) between gross national product per capita and levels of basic needs fulfillment achieved. [The basic needs fulfillment indicators measured were calorie consumption, protein consumption, access to clean water, literacy, life expectancy, mortality due to disease, infant mortality, and availability of health services (Sheehan and Hopkins, p. 30).] Nonetheless, some countries with programs that reach the poor have high growth rates in per capita GDP and others have lower rates (World Bank, 1984). Other factors, including the population growth rate, are involved in this relationship. Some argue that both growth and income redistributive strategies are prerequisite for progress in meeting basic needs (Sheehan and Hopkins, p. 43). There is evidence that basic human needs policies do not hamper economic growth (van der Hoeven, p. 124).

What is the point of all this? Although I have taken a new vantage point in looking at some important questions, I have not provided very much new information. For us, the important question is: If our objective is to address

the problems of meeting the basic human needs of a population, how do we set the research agenda? Evaluations of programs and policies in developing countries are few; most are made on large foreign-aided projects at the request of the donor agencies (Agarwala, p. 37). Their purpose is usually to identify and overcome difficulties preventing the accomplishment of their objectives, not the evaluation of actual program achievements. Program and policy results are often intangible or different from what was anticipated, and they spring from the overall policy and admixture of programs and projects rather than any specific one. They may not become apparent for a number of years and may be due to secondary and tertiary effects. The Hawthorne effect may predominate (Roethlisberger and Dickson). What is needed is program and policy research, including cost-effectiveness and cost-benefit analyses at the country level, that will provide usable answers to those seeking to implement basic-needs development strategies. Our research agenda for those of us who, as agricultural economists, are interested in helping the disadvantaged is interminably long.

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