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A Time of Reflection on Development and Development Policies

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Bonn, York 19 September 2011. Today, in Northern England's picturesque area of York, a four-day conference of European development policy researchers and development policy institutes will begin. Under the heading "*Rethinking Development in an Age of Scarcity and Uncertainty – New Values, Voices and Alliances for Increased Resilience*", the conference will be jointly coordinated by Britain's federation of development policy researchers (the *Development Studies Association*, or DSA) and Europe's parent organisation of development policy institutes (the *European Association of Development Institutes*, or EADI).

The conference will take place immediately following the 10th anniversary of the terrorist attacks on New York and Washington, which have diverted the attention of the USA and Europe far too long from the actual challenges facing the global community. Here is at last an opportunity to look ahead, to find the right answers, and to draw conclusions for international cooperation.

Multiple lines of global and regional development trends criss-cross and augment each other today. For one, the dominance of the Western World is ending while China and India rise again and grow once more into the traditional places of pre-eminence in the global economy which they occupied before the industrial revolution in Europe and North America. The move of the core of the world economy from West to East has proceeded peacefully up to now, but upheavals in international trade and finance are pushing the world economic institutions and the rules of the game to their limits of endurance.

Thus it is not to be expected that it will be possible to bring the Doha Development Round which has been running for nearly ten years now in the World Trade Organisation (WTO), to a conclusion this year. And the financial crisis was ignited first in the USA because the Americans had not yet come to terms with the new challenge of adjusting their consumption to their own production capacities instead of financing ever-greater current-account deficits with dollars at their convenience. The more the role of their own currency as "the world currency" is undermined by structural

weakness of exports and growing doubts of international investors in the ability of the US government to repay its debts (the downgrade of American government bonds from AAA to AA+ by a large rating house was a clear warning shot), the more unavoidable will be the structural adjustment of the US economy to the new realities of the global economic situation. Americans will be forced to consume less, and the government will have to invest more in modernisation of the infrastructure and in education, research, and development in order for internationally competitive industries to one day rise again.

Europe too must adjust its economy to the pressure of competition from Asian countries which are on the technological threshold. In the process, it wrestles with the special problem that readiness for structural adjustment is unevenly developed in the Euro countries. Whereas Germany is again marking up high current account surpluses, one country after another in the southern periphery is falling behind. These countries can meet their sovereign debt obligations only with difficulty. The European governments now stand before the unpleasant decision of 1) Greek debt relief and the risk which it carries for major European banks, 2) ejecting Greece – and perhaps other insolvent Euro countries as well – from the monetary union, or 3) further integration with European economic governance and shared government bonds (*Eurobonds*).

Sovereign debts and currency upheavals would be easier to get under control if the governments of the OECD countries still had the Keynesian range of instruments at their disposal for allowing their economies to "grow out" of debt through governmental stimulus of demand. However, this is almost impossible today for two reasons. For one, the level of accumulated debt is already so high that it does not permit taking on all too much further debt for the purpose of stimulating demand; and for another, economic growth cannot be simply stimulated as easily as in the past. Strategic raw materials and oil become scarce during every global upswing, and price increases, which are often exaggerated through speculation and cause governmental shots in the economic arm to

more or less dissipate without effect. And the threat of climate change and other global and regional ecological disasters is forcing nations to make ever more wide-ranging investments in forms of renewable energy sources, increased energy efficiency, and strategies of adaptation to climate change.

At the same time the younger generation in many countries knows all too well that its prospects for jobs and income, which make it possible to start and feed a family to some extent, are being forcibly squeezed by the combination of economic and ecologic crises. Thanks to modern information and communication technologies, this awareness is spreading faster than authoritarian governments can catch and counteract it. The "Arab Spring" is already unsettling a whole region of the world; dictators are being hounded or brought to court, and at present the political structures which will best correspond to the will of the people at the end of the upheaval processes are not yet foreseeable. In Israel too, and even in Europe, young people are taking to the streets with identical rage and similar forms of protest. It looks as if young people, who are ever better informed, are no longer willing to be taken in by ideologies and/or fanatical systems of belief. Instead, they demand justice and hope for a degree of happiness in the here and now, that is, for nothing other than the "pursuit of happiness" that the American Declaration of Independence holds out as a human right. If these wishes were to be fulfilled even only a little, that would be the best defence against fanatical ideologues and terrorist movements.

Whether it will be possible for these wishes to be fulfilled depends on the one hand on whether the financial and economic crisis will be surmounted, and on the other on harmonising the future economic development of all countries with the biophysical foundations of our world in terms of raw materials and energy consumption of modern

societies. Measured by the second challenge, all countries are "countries in transition" on the way to a long-term manner of living within their means. In the process, the transition for many of the older industrial countries could well be more drastic than for most of the developing countries.

Comprehensive international collaboration in the development and dissemination of resource-saving and climate-friendly technologies and methods of production and the implementation of effective environmental and climate policies is required to master the challenges. The old way of thinking according to which the rich industrial countries are the model for the developing countries, and developmental cooperation is aimed at guiding them along their way and supporting their political and economic structural transformation, must give way to a new way of thinking, one which sees that all countries are faced with the joint task of changing course to a path now seen only in outlines, one of long-term and climate-friendly development. This challenge will be surmountable only by a global cooperation which is free of ideological prejudices or know-it-all attitudes on the part of the countries which view themselves as "developed". One year before the major Rio+20-Conference, the EADI Conference in York will offer an opportunity to focus on these manifold challenges and to discuss the consequences for international cooperation.

The present Current Column represents the author's personal opinion and therefore does not necessarily reflect the views of either the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) or the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE).

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