The hoax of the UNDP's 'human development index'

by Linda de Hoyos

Human Development Report 1991
by U.N. Development Programme
Oxford University Press, New York, 1991
202 pages, hardbound, $29.95; paperbound, $15.95

With great fanfare earlier this year, the United Nations Development Programme (UNDP) published its *Human Development Report 1991* which called for the disbursement of aid to developing countries based on a so-called Human Development Index (HDI), which purports to measure not only economic but also social parameters of "human development." The purpose of the report is to justify the notion of political and environmental conditionalities on aid and loans from the World Bank and the International Monetary Fund as a necessary feature of the "new world order" so zealously espoused by the heavyweights of the Permanent Security Council. For this reason, the report was rightly condemned by various governments of developing countries as an attempt to quash their national sovereignty.

However, the economic assumptions of the report are as ludicrous as its political assumptions.

"The real objective of development is to increase people's development choices," the report opens. The "choices" in this tautology are of course never defined. The idea that scientific and technological progress is required to both enable society to reproduce itself at a higher level, and also to provide the conditions for the fullest realization of each individual's creative capacities, is a notion absent from the report.

For that matter, the idea of economic production doesn't make it into the report either!

By refusing to address the issue of growth in the physical economy of developing nations, the United Nations Development Programme attempts to focus attention on issues of distribution—particularly of social services. The motivation is twofold. First, it is to devise more sophisticated apologias for the doctrine of "technological apartheid"—the blocking by the OECD countries, the International Monetary Fund, and the World Bank of advanced technologies and capital goods to the underdeveloped countries. Second, with the question of technology transfer removed from the arena, the report's authors attempt to lay the blame for the genocidal looting of the developing countries upon the governments of these countries themselves.

For example, the report states: "An attempt to measure changes in human development over time (between 1970 and 1988) shows that many of the least developed countries in Africa made good progress in human development during 1970-85, even when their per capita GNP [gross national product] growth was low or negative."

Dismantling militaries

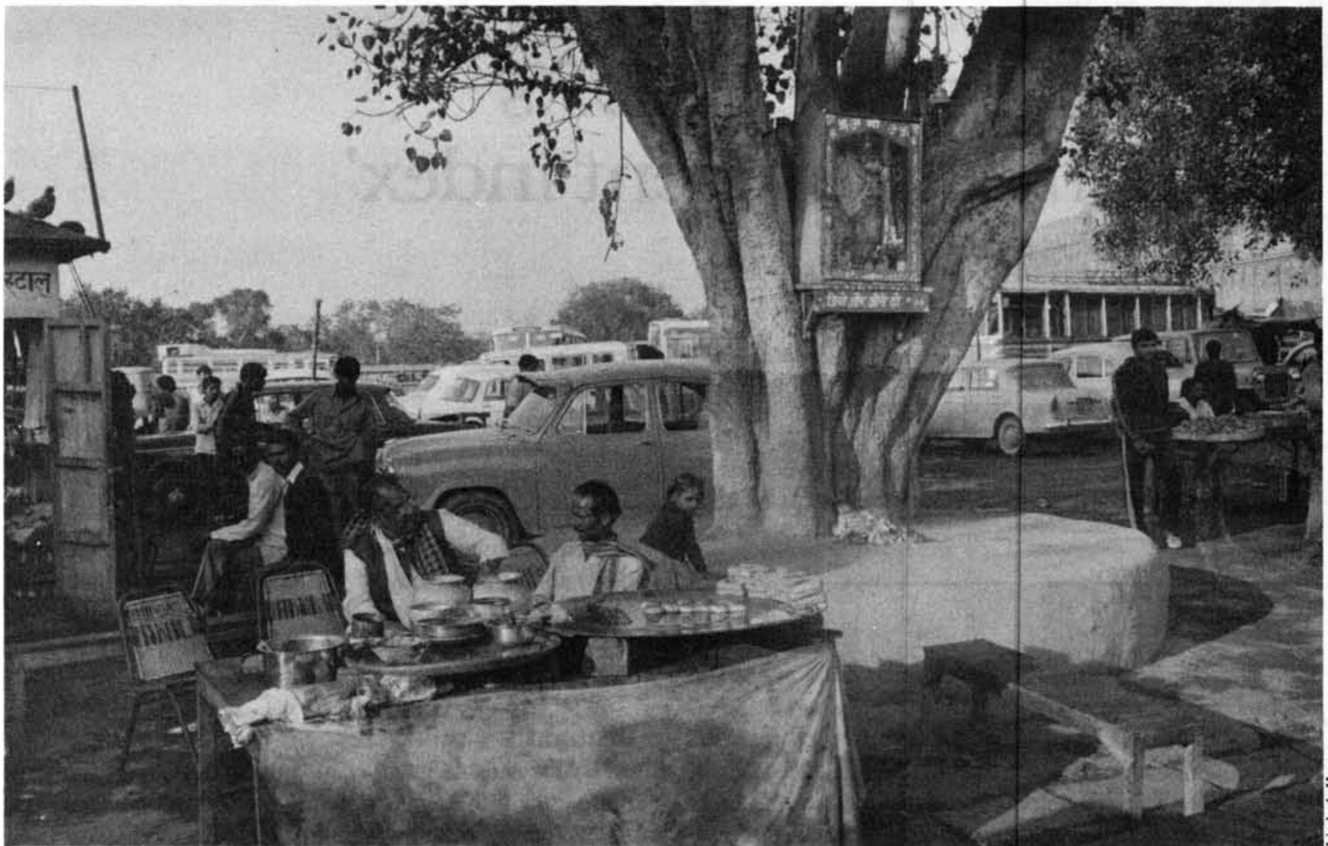
By focusing on its ratios of "human development expenditure," the U.N. report also takes aim at military spending in developing countries. "Few people seem to have noticed the speed with which military spending in developing countries has risen—three times faster than in the industrial countries over the last three decades. . . . Such spending often comes from unrepresentative regimes that invoke spurious threats to national security as a justification for just such spending. In reality, these regimes are usually more interested in using the hardware to suppress their own people."

In order to reduce military expenditure, the U.N. report proposes three measures, all of which advance the imperialist dogmas of George Bush's "new world order" and maintain a strict technological apartheid, especially given the demand from OECD governments to ban dual-use technologies—i.e., those that can be used for civilian purposes as well as military ones:

1) "Reduce military transfers from the North. . . . Concrete proposals should now be made to phase out military bases in the Third World, to convert military aid into economic aid, and *to place collective restraints on shipment of sophisticated arms to developing countries*" (emphasis added).

2) "Develop new methods of conflict resolution"—i.e., apply the methods of the Gulf war universally. "The tragedy in the Gulf demonstrates the need for much more effective methods of resolving Third World conflicts. The U.N. machinery will have to be strengthened for this purpose. . . . More cooperation between the superpowers can greatly facilitate this process."

3) "Bring arms reductions into aid dialogues. . . . If a



Linda de Hoyos

Street vendors in India selling their few, pitiful goods. Mahbub ul Haq's human development index incorporates this disguised unemployment as labor in the "service sector." According to the latest HDI, such employment reached 26.1% of the Third World labor force in 1988, while agricultural employment dropped to 61.2%.

government chooses to spend more on its army than on its people, it cannot be regarded as committed to human development, and this bias should certainly count against it in aid negotiations. . . . The World Bank and the IMF would also need to ensure that their adjustment programs follow much the same principle."

The McNamara strain

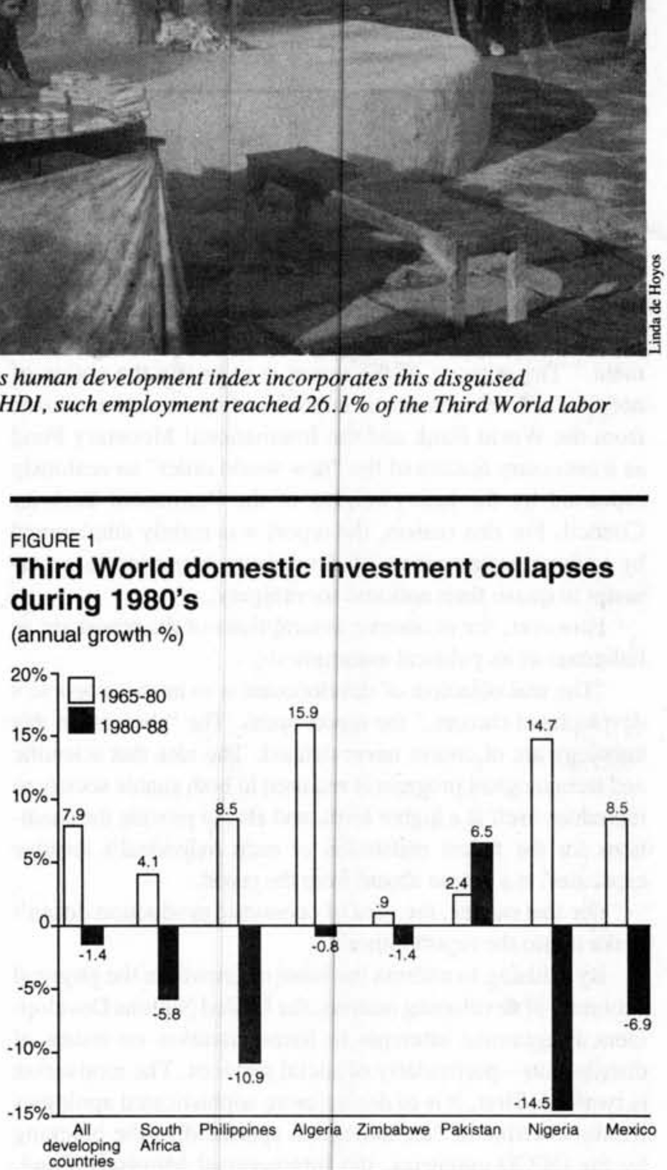
The UNDP's demand to constrain military expenditure and dual-use technology transfer follows precisely the views put forward by former World Bank president and U.S. Defense Secretary Robert S. McNamara. In a paper issued in April 1991, McNamara issued a diatribe against the militaries in the developing sector and demanded that measures be taken against them, including: "U.N. Security Council guarantees of territorial integrity; tight control of the proliferation of weapons of mass destruction and the means to deliver them; and the tying of financial aid to developing countries to reductions in military expenditures."

The link between the UNDP report and McNamara's blast is not casual. The project director for the *Human Development Report* was Mahbub ul Haq, former finance minister of Pakistan and a longtime associate of McNamara's. In

FIGURE 1

Third World domestic investment collapses during 1980's

(annual growth %)

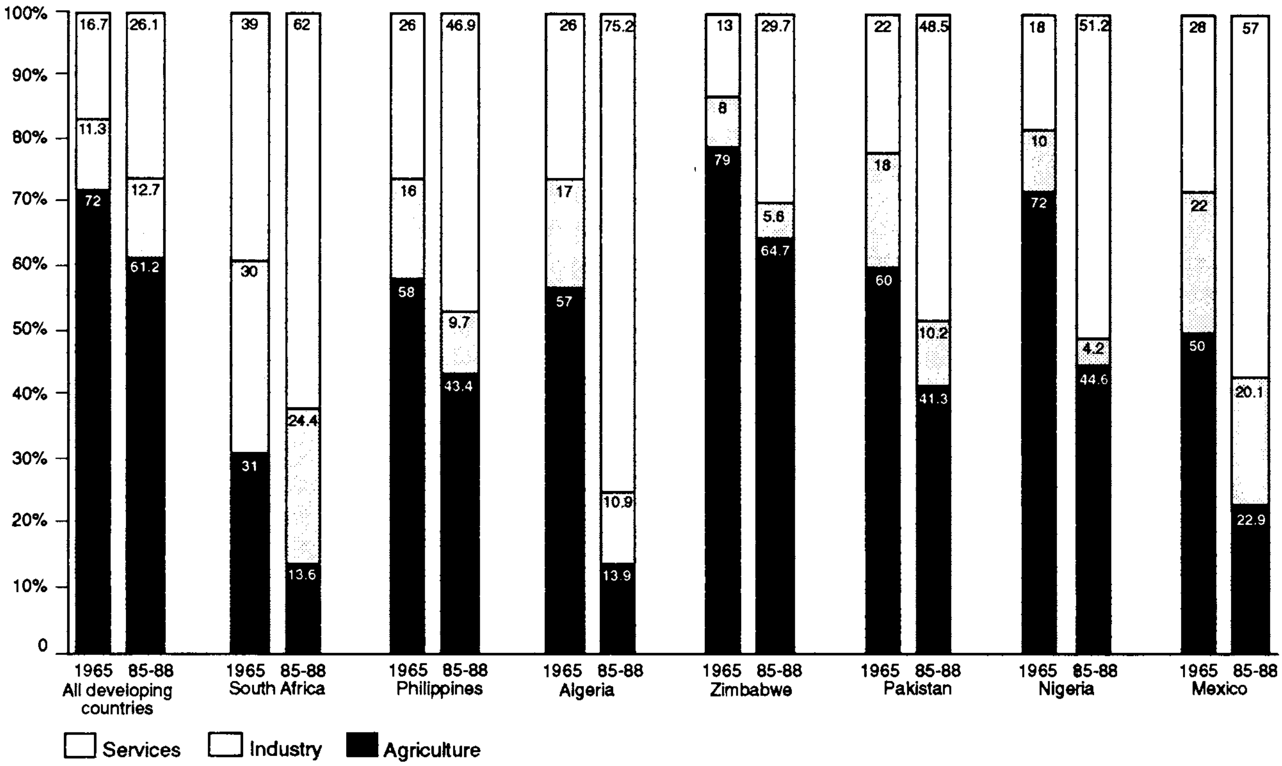


Source: The World Bank.

FIGURE 2

The contraction of Third World productive economies and growth of the service sector

(percentage of labor force)



Source: United Nations

1971, McNamara, as president of the World Bank, brought in Haq, then planning minister in Pakistan, to serve as the bank's director of policy planning and review section.

Haq's job was to popularize the dogma that McNamara had brought into the World Bank straight from the Institute for Development Studies (IDS) in London, an offshoot of the British Fabian Society. According to this thesis, "social equity"—not economic development as such—should become the primary focus of "development strategy." Under the ideological direction of Gunnar Myrdal and Paul Streeten, the IDS had demanded that the modern industrialized nation be rejected as a model for the development of the Third World, a convenient view that quickly led to the concept of "appropriate technologies"—read "backward"—for Third World countries. Instead of concentration on economic growth and increasing productivity in agriculture and industry, the IDS crowd focused on such parameters as malnutrition, sanitation, education, and social equity to improve the lot of the "poor," without, however, raising them out of poverty.

In a speech in 1971, Haq declared that development goals should be defined as fighting malnutrition, disease, illiteracy, unemployment, and inequalities: "Consumption planning should move to the center of the stage, production planning should be geared to it." In 1972, at the height of the Maoist Cultural Revolution in the People's Republic of China, World Bank official Haq declared that the P.R.C. was a model for developing countries:

"The developing countries have no choice but to turn inwards, in much the same way as China did 23 years ago, and to adopt a different style of life, seeking a consumption pattern more consistent with their own poverty—pots and pans and bicycles and simple consumption habits—without being seduced by the lifestyles of the rich. . . .

"Capital should not be concentrated in a small modern sector, enjoying high productivity and savings, but spread thinly over a wide segment of the economy—through public works programs if necessary and even at the risk of lowering the average productivity of labor and lowering the future rate of growth."

Thanks in large part to McNamara as president of the World Bank and his policy reviewer Haq, this anti-development dogma was imposed as the ideology of the IMF, the World

Bank, and many development planners in Third World countries. The result was, as Haq himself had predicted, economic stagnation and then collapse of Third World economies.

Growing poverty results

Figure 1 shows the degree to which actual economic growth in the developing sector has been constricted since 1965. Despite their poverty, from 1965 through 1980, underdeveloped countries were able to make a surplus which could then be plowed back into the economy, as shown by the annual growth rate of gross domestic investment. In the last 10 years, however, the economies of the underdeveloped countries overall have been contracting with a −1.4% annual growth rate for gross domestic investment. For a country like Nigeria, the contraction is acute—from a 14.7% annual growth rate of gross domestic investment in 1965-80, to a −14.5% rate in 1988.

The commensurate growth in employment in the service sector (see **Figure 2**) gives the lie to the assumptions behind Haq's "human development index."

Does Mahbub ul Haq lie?

In 1988, when Benazir Bhutto became prime minister of Pakistan, Mahbub ul Haq, on his way out as finance minister in the previous caretaker government, reported that he had not signed any memorandum with the International Monetary Fund. Later, it was revealed that the IMF had provided Pakistan with a standby credit arrangement, and that a memorandum had been signed. Upon being exposed, Haq, known in Pakistan as "Mr. Pie in the Sky," said there was no conditionality attached to the IMF credit of $1 billion. As *The Muslim* reported on Oct. 3, 1988: "The experts expressed their surprise over the Finance Minister Mahbub ul Haq's recent reported claim in which he said the IMF-IBRD [International Bank for Reconstruction and Development—the World Bank] meeting assured Pakistan a credit of $1 billion without any conditionalities. It would be a great miracle of the century which Dr. Haq alone could perform."

In fact, conditionalities had been imposed and they were: a rise in the rate of utility services, reduction in the subsidy to agriculture, increase in irrigation charges, liberalization of import policy, and disinvestment of public sector units—hardly measures that would enhance Pakistan's "Human Development Index."

For all developing countries, the percentage of the labor force employed in agriculture decreased from 72.1% in 1965 to 61.2% in 1988. This decline should represent an increase in agricultural productivity. However, for the most part, the labor thereby freed from the land did not go to industry, but into the "service sector," which rose from employing 16.7% of the labor force in 1965 to 26.1% of the labor force in 1988. This "service sector" is, in reality, disguised unemployment. A street vendor sitting on the sidewalk with his 12 cucumbers to sell for the day is hardly productively employed, but is counted as a "sales laborer" of the services sector.

In the case of Nigeria, the labor force distribution shows that the country has been deindustrialized since 1965! Industry employed 10% of the labor force in 1965 and today employs only 4.2%, while services have leapt from 18% in 1965 to 51.2% in 1988. This collapse of productive employment also helps account for the 75% decrease in per capita income suffered by Nigeria since 1980.

Or take the case of Haq's own nation of Pakistan, where he served as finance minister during the 1980s under Martial Law Administrator Zia ul-Haq. Pakistan unfortunately scores very low on the Human Development Index, ranking 120 among 160 countries, placing it in the "low Human Development Group." Yet, employment in the services sector has jumped from 22% of the labor force in 1965, to 49% in 1988. "Services" employ nearly half the labor force; yet, Pakistan's infant mortality rate is 106 out of every 1,000 babies born, with an under-five mortality rate of 162. Its adult literacy rate is a paltry 31%. The mean years of schooling for the adults over 25 years of age is 1.7 years. The 50% of the labor force involved in services is not delivering medical services or education to the population (although a look at the growth of heroin addiction in Pakistan through the 1980s might indicate they are delivering drugs!).

As the Pakistani daily *The Muslim* indicated in November 1988, "The failure of the Plan [the Sixth Five-Year Plan chalked out by Mahbub ul Haq] in the social sector has been stunning. Instead of the promised literacy rate of 48% by 1988, the nominal literacy rate has just crossed 30% and effective literacy may be just above the 10% he had spoken of earlier. And public health facilities have improved marginally, while thousands of doctors remain unemployed. For all this, the debt burden of the country, external as well as internal, has increased enormously, and domestic loans have been obtained at a high interest rate of 15%."

In short, Mahbub ul Haq's Human Development Index is just another gimmick cooked up to convince governments of developing countries that they must forgo the "niceties" of science and technology, and the development of their nations. Without that development—through immediate technology transfer, infrastructure development, and debt moratoria as defined in the Schiller Institute's proposal for a "true Fourth Development Decade" (see *EIR*, Sept. 27), all chatter of "human development" is a cruel and genocidal hoax.