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# Sustainable Local Economic Development

*Conceptualizing local economic development studies*

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# Definitions of Development

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For almost every writer a different definition of development exists

Important to first distinguish between:

- a. Development as a state or condition-  
static
- b. Development as a process or course of  
change- dynamic

# Meaning of Development-Todaro

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Development is not purely an economic phenomenon but rather a multi-dimensional process involving reorganization and reorientation of entire economic **AND** social system

Development is process of improving the quality of all human lives with three equally important aspects. These are:

# Todaro's Three Objectives of Development

1. Raising peoples' living levels, i.e. incomes and consumption, levels of food, medical services, education through relevant growth processes
2. Creating conditions conducive to the growth of peoples' **self-esteem** through the establishment of social, political and economic systems and institutions which promote human dignity and respect
3. Increasing peoples' freedom to choose by enlarging the range of their choice variables, e.g. varieties of goods and services

# Alternative Interpretations of Development (Mabogunje)

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**Development as Economic Growth-** too often commodity output as opposed to people is emphasized-measures of growth in GNP. Note here the persistence of a **dual economy** where the **export sector** contains small number of workers but draws technology as opposed to **traditional sector** where most people work and is dominated by inefficient technology

# Alternative Interpretations of Development

**Development as Modernization-** emphasizes process of social change which is required to produce economic advancement; examines changes in social, psychological and political processes;

How to develop wealth oriented behavior and values in individuals; profit seeking rather than subsistence and self sufficiency

Shift from commodity to human approach with investment in education and skill training

# Alternative Interpretations of Development

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**Development as Distributive Justice-** view development as improving basic needs

Interest in social justice which has raised three issues:

1. Nature of goods and services provided by governments
2. Matter of access of these public goods to different social classes
3. How burden of development can be shared among these classes

Target groups include small farmers, landless, urban under-employed and unemployed

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# Marxist View of Development

Emphasizes **Mode of Production** - elements and activities necessary to produce and reproduce real, material life

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Capitalist (market economy) mode depends on wage labor whose labor power produces a **surplus** which is accumulated and appropriated by the employer- result is often class conflict in capitalist societies

# Neocolonial Dependence Model

## Outgrowth of Marxist thinking-Dos Santos

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Existence of underdevelopment due to historical evolution of an unequal international capitalist system of rich country-poor country relations

Sets up center (developed countries) versus periphery (developing countries) contrast

Attempts to become self-reliant and progressive are suppressed by this relationship

Moreover certain elites in the developing world (e.g landlords, entrepreneurs, merchants) enjoy high incomes, social status and political power and thus perpetuate inequality and conformity and are rewarded

They serve international power groups such as multi-national firms, assistance agencies (World Bank) and other agents

# Sustainable Development

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Defined as development that is likely to achieve lasting satisfaction of human needs and improvement of the quality of life and encompasses:

Help for the very poorest who are left with no option but to destroy their environment to survive

Idea of self-reliant development with natural resource constraints

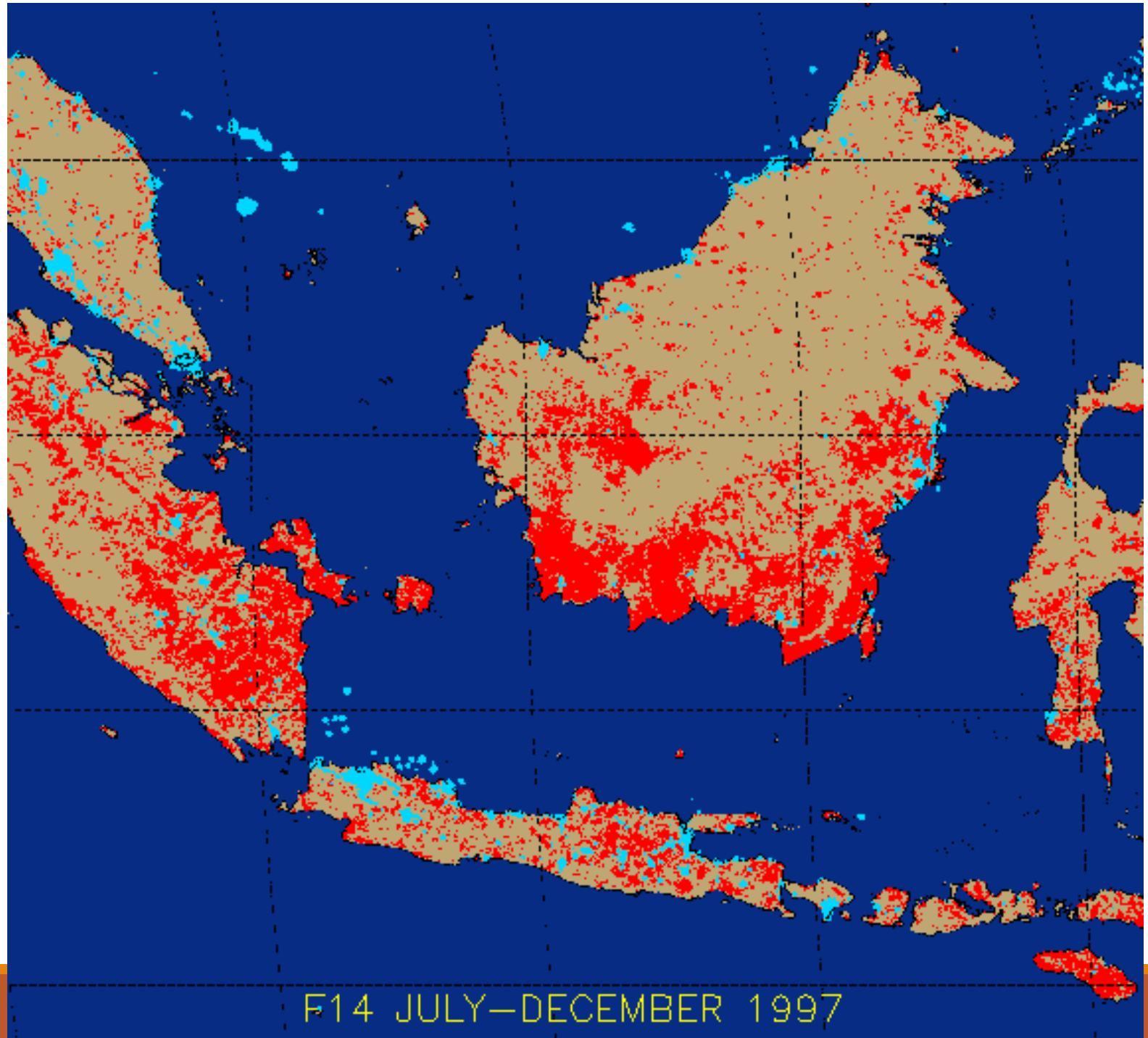
Cost effective development using different economic criteria to the traditional –i.e. development should not degrade environment

Important issues of health control, appropriate technologies, food self-reliance, clean water and shelter for all

People centered activities are necessary- human beings are the resources in the concept







F14 JULY-DECEMBER 1997



# Theories of Development

1940-50s- **Keynesian growth theory** -process of capital of formation is determined by savings and investment

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Domestic savings are channelled to productive investments such as manufacturing which result –usually-in high productivity

Growth is market driven as income levels rise, savings rises and frees capital for alternative investment

# Theories of Development

**Modernization Theory** -as noted previously this theory suggests that economic dimension alone is insufficient and adds theories on institutional and social change

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Incorporates non-economic elements such as social practices, beliefs, values and customs (McClelland, *Achieving Society*)

Diffusion and speed of change is critical as is removal of various cultural and social barriers

Backward internal structures-rather than external factors-cause underdevelopment

# Theories of Development

**Neoliberal Development Theory-** grew in the 1970s and designed to counteract impact of Keynesianism

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New emphasis on supply side factors in development- private initiatives and market led growth

Move away from demand stimulation (interest rate manipulation), import substitution, state intervention and centralized planning

Gradual industrialization with 'trickle down' of benefits to all social classes

# Theories of Development

## **Popular Development- what is it?**

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Avoids 'grand theories' and emphasizes solutions viewed in context of development which is part of historical process

Context of development is constantly changing in scale and time

Accommodates geographical and historical diversity

Theory of little use to practitioners of development

Stresses local diversity, human creativity, process of social change through pragmatism, flexibility and context

Not extent of state intervention but comparative advantages of public and private sectors and their complementarity

# Popular Development and Environment

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Recognizes high “opportunity costs” associated with irreversible environmental damage

Dealing with environmental problems requires solutions sensitive to local social and ecological conditions

Society and nature relations are affected by variations in class, gender and ethnicity

“Reproductive squeeze” forces peasants to intensify production in fragile environments

## Popular Development, Space and Place

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Bottom up approaches (as opposed to top-down) to peoples' participation are important in this view

How are various social groups and classes affected by rural-urban, core-periphery and other spatial interactions?

Growing importance of “decentralization” of decision-making and authority from center to periphery

# Popular Development and Power

How does the power structure affect development?

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Examine sources of empowerment, inequality and discrimination

Need to devise more people centered approaches which stress empowerment and participation

Empowerment as participatory development seeks to engender self-help and self-reliance but also effective collective decision-making

# What causes underdevelopment?

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Very easy to focus on characteristics of development

For example we know that underdevelopment is usually characterized by: low per capita incomes, low literacy and educational attainment, lack of basic services- water and power

But how do we EXPLAIN underdevelopment?

## Some Common ‘Theories’

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Old view that absence of development caused by certain physical environments, particular cultural traditions and value systems-environmental and cultural determinism

Lack of natural resources certainly impediment to development but not impossible- example of Japan

Why has Japan succeeded?

# Reasons for Japanese Success

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Strong cooperation between government and business

Able to adapt to spatial-physical situation and acquire a maritime prowess

Early development (Meiji restoration) of transport and banking systems

Highly literate population

Niche development- technology driven

## Other Common Explanations of Underdevelopment

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Instability and other adverse internal situations- political factors

Some truth to this as extended periods of turbulence are not conducive to development- central African nations with tribal rivalries and ethnic cleansing

Poor physical environment- lack of rainfall, poor soils also may pose barriers to development

# Vicious Circles- Gunnar Myrdal

Complex web of interlocking vicious circles each of which constitutes a chain of cause and effect relationships where one unfavorable circumstance leads to another and produces downward spiral

High Birth Rate > Large Families > Low PCI > Poverty > Low Output Per Worker >

Low PCI > Low Productivity > Poor Health > Inadequate Housing

Remedy > Downward spiral not reversible without massive aid

# Remedy for Vicious Circle

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Aid would stimulate growth in modern sector and reduce size of 'informal' or traditional sector

Thus eliminate dualism and the major causes of unequal distribution of wealth

Foreign aid would allow countries to increase low levels of productivity

# Another Common Explanation

## Colonialism As Scapegoat

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Attacking vicious circle proponents-do not explain how these magic circles come into existence

Need to view development in historical perspective as sequence of dynamic events-explore roots

Colonialism viewed as the cause of disintegration and decline- how?

# Colonialism as Scapegoat

## Indigenous population exploited

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Traditional way of life and self sufficient mode of production have been destroyed

Forced to pay taxes and conscripted labor practices

Social differentiation increased- disintegrating force

Fatal effects on secondary (manufacturing) and tertiary (service) sectors- import of cheap goods forced indigenous artisans out of work

Discouraged modern industrialization

Thus what occurred in these situations was dependent not autonomous development  
Colonialism as Scapegoat cont'd

Colonial powers extracted wealth for home country-Netherlands, France, Great Britain

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International division of labor (IDL) and western dominated trading structure was created to take advantage of colonial authority

IDL=allocation of tasks among laborers such that each one engages in tasks that he performs most efficiently and this promotes worker specialization and productivity

# What to Do With Development Theory ?

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Several theories have been advanced have been criticized and some also discredited—to be replaced by other theories

Third World is very heterogeneous-dissimilar in terms of population, resources, climates, culture , economic structure and location

Unlikely that one theory will be powerful enough to explain underdevelopment everywhere

# What to Say About Development Theory ?

Underdevelopment must be seen as a product of an array of complex and continuously changing interactions between:

1. Past and Present
2. Natural and Human Environments
3. External and Internal Conditions

Multitude of obstacles to development vary with place and time

Critical to remember that the above theoretical ideas aid us in asking pertinent questions

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