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The Motivation Factor in Recovery Strategy

Zoia Sokolova
Institute of the International Relations at the National Aviation University, Kiev
Ukraine
Tel: +380 67 274 8589, +380 50 442 4837
Email: zoya_sokolova@yahoo.fr,

Abstract

With the aim to underline prominent aspects in recovery strategies for developing countries the author refers to experience of implementation results from existing economic development models for these countries. Analyzing various factors of this process, the author allocates the motivation factor to economic activities. According to the author, ignoring this factor in economic development models which were worked out before beginning of 1990th years was one of the main reasons of their failures. Relying on the micro crediting project's positive results for poor farms in Bangladesh, the author comes to the conclusion that it is necessary to take into account the factor motivation by working out any development and recovery strategy for developing countries.

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Today scientific economists of the whole world are anxious by working out recovery strategies for national economies after global financial crisis 2008. In our opinion, to solve this problem it is expedient to remember existing experience of developing countries development, considering the fact that after getting the independence mostly the economies of these countries were in a state of crisis. To overcome this condition after the end of colonialism for developing countries various economic development models were implemented, however varying widely in the focus on different factors of this process.

The main problem of these countries during the post-war period – economic undevelopment and dependence on external financing – were the basic obstacle for them on the way to self-supported growth. Therefore the main purpose of the worked out economic development models for developing countries consisted in overcoming these obstacles on a way to self-supported growth. Its achievement was expected to provide these countries a new quality of economic development.

It is necessary to emphasize that some developing countries, namely new industrial countries (NIC), after implementation of certain development models could break through the barrier of undevelopment and arrive at a level of self-supported growth. For a long time these countries already keep the leading positions in world economy. At the same time there is also another type of countries united in the group least developed countries (LDC) who remained on a low level of economic development.

Evolution of economic development models passed through approbation of various theories. Often the implementation of these models did not give the results which were expected or even led to negative consequences for the countries where these models were implemented, (e.g. increase of external debt, etc.) [1]. In our opinion, the main reason for this was that a complex approach to the problem of economic development of developing countries were missing and that the important factors of this process were largely ignored. However, as the practical experience has shown, factors which were at the beginning lost out of sight proved to be as important as the researched factors on the development of these countries.

First economic development models for developing countries (1950-1960) were worked out on the base of the *stages of economic growth theory* of W.W. Rostow [2]. His main idea was to compensate the capital deficiency of these countries (for example: Harrod–Domar model). Implementation results of this model were negative. On this base the conclusion has been drawn that an elevation in savings and investments was necessary, but not a sufficient condition for economic growth of economically underdeveloped countries.

Taking into account negative results from *capital deficiency compensation models* in 1960 – 1970th years, models of *structural reorganisations* and model of *external dependence of developing countries* were developed in parallel, which as well as the previous models have not provided economic break for the developing countries [1].

In 1980th years the most popular economic development model for developing countries became the neoclassical *basis of the free market* model (Lal D. and others). This model united the mechanism of capital deficiency compensation with the idea of the structural reorganisations model oriented on market relations. This model has yielded positive result only in NIC. Generally among the developing countries which mainly consist of LDC, this model has generated many negative tendencies. Additionally to a deepening of an external debt and difference between the countries in development rates, this model has led to such new negative phenomenon, as capital outflow from developing countries abroad.

The analysis of implementation's results of neoclassical model has led to the conclusion that it works most effectively in already developed market environment. Rational distribution of resources which was defined as the purpose in this model should be already provided. Contrary to it, the main characteristics of developing countries were the market fragmentation, absence of competition, natural or semi natural economy. All these factors have led to an understanding, that it is necessary to take into account the characteristics of institutional structures, organizational principles of economy and social condition of the population in the countries where economic development models were implemented [1].

Generalising received results from implementation of economic development models in the developing countries from 1950th till the end of 1980th years we can make the conclusion that among different factors of this process the human capital slipped the focus of attention. Subsequently it

became obvious that leaving out the human capital factor was a severe omission in these models because in the practical application the human capital is essential to bring the projects to life.

For the first time the human capital as one of primary development factors was allocated in the late 1980th – beginning 1990th in the economic development models for developing countries worked out on the base of the *endogenous growth concept* (X. Sala-i-Martin, E. Helpman, P. Romer, R. Lukas etc.). The main purpose of this model was the research of human capital's influence on the development rates of national economies. As well as in the previous models the practical use of this model has revealed errors in its design. The main flaw in this model was not paying sufficient attention to the importance of institutional structures, underdevelopment of an infrastructure and market [1].

In our opinion, the *endogenous growth model*, due to studying the human capital as factor of economic development, can be considered an important contribution to the economic development theory for developing countries. Here it is necessary to emphasize that the human capital consists of different components, namely: knowledge, abilities, skills, also here sometimes motivation is included and energy used for production. Among these elements it would be preferable to concentrate more on knowledge and skills that define the workers skill level in the developing countries, respectively also their productivity.

The American expert for development problems for LDC, Jeffrey Sachs, asserts that one of the reasons for their poverty is the low level of productivity [3]. However without special financing it is impossible to boost this level. Taking into account the finance deficiency of LDC their government should stimulate foreign investors by attracting investments in order to promote the increase of human capital productivity.

In practice the solution for such a problem is to train local workers in industrial skills on the basis of the investor's enterprises, relying on the "*Learning by doing*" effect in the spirit of Arrow (1962) Romer (1986). According to this model the result from local workers training during labor activity will be a certain additional positive effect on the level of production. Under the condition that other factors will be improved as well, positive external effects will promote a more effective use of natural resources and preservation of a higher employment rate. Finally, it should make it possible to improve social condition of the population in the countries-recipient.

Another important aspect, which was left out in the development models, but has, in our opinion, crucial importance in this process, has to do with one of human capital's components as well: The motivation of the local population to implement these models, namely the motivation of the population to use foreign capitals, to accept and implement structural changes, to increase the productivity, etc. It is vital to take into account the mentality of people who mostly live on the conditions of bare survival, and to find corresponding ways to stimulate them to improve living conditions, while supporting them in this process.

While paying special attention to the value of motivation of the population, in economic development models for developing countries on the one hand, it would be also desirable to pay attention to the idea of capitals deficiency compensation in these countries on the other hand. Despite the evidence of necessity of such approach in the first economic development models, the task to provide the efficiency of foreign capitals in the countries, where these capitals went, was lost out of sight.

The analyses of the use of foreign capitals lead to the conclusion that this capital will only be effective if it goes into the development of the industrial sector, agriculture and infrastructure, which are all directly related with production. Especially these mechanisms were proven by the results from researches of the American economists Radelet Steven Charles, Clemens Michael and Bhavnani Rikhil [4]. Thus, for the LDC it is necessary to stimulate the employment of foreign capital in the production of those spheres of economy which act for them as development catalysts. These spheres should lay in the best field of expertise in these countries and where a considerable amount of local workers can be employed. For developing countries, with low level of development, such guidance will be most effective, first of all, in various products of the agricultural sector.

Thus, putting together all the analysed factors, mentioned above, we can state that the motivation factor of local population to actions should lead to a gain in productivity of spheres-catalysts. This process has to be supported by corresponding scientific researches, which should focus on the economic development and recovery strategies for developing countries. Thus, local residents

will see practical advantage for their personal life, and it will also stimulate them to improve the living conditions in their countries in a whole.

As a positive example of an effective use of external capitals supporting growth on the basis of the motivation factor can be taken the project of micro crediting for poor farms. This project has been implemented by M. Yunus, a professor from Bangladesh through Grameen Bank created by him in 1983 [5]. Annual incomes growth of farms which used micro credits of this bank amounted up to 18%. This project confirms especially the big importance of the motivation factor of local population to use foreign capitals in order to increase productivity. It demonstrated the necessity of carrying out a corresponding preparatory work among the population by implementation of development programs.

At this point I would like to underline the importance of scientific researches for productivity increase in agriculture. To achieve this aim it is important that local farmers comprehend the possibility of positive effects from research results on volumes of their productions and to improve work management, e.g. the implementation of technologies to control quality and to treat the water [6, p. 213]. It will be the base for their motivation to such activity and readiness to finance it.

The successful project “New rice for Africa” (NERICA), which has been developed within the frame of the program “Rice Green revolution”, has proven the importance of the motivation factor of the African farmers. As well it has demonstrated the usefulness to implement scientific researches and to improve technologies in agricultural production, in particular to control quality and supply of water. The main focus of this project was to improve rice grades for bigger volume and better quality on the basis of scientific researches and improvement of new technologies for the control of rice irrigation in Africa [7], [8].

The employment of motivation factor corresponds with essence of “*the economic person*” (Latin – “Homo economicus”), created by Adam Smith in its basic research “An Inquiry into the Nature and Causes of the Wealth of Nations” [9]. In particular, A. Smith underlined that market laws can influence the economy when private interest rises above public because the interest of a society as a whole consist of interests of individuals who are the base of society. Thus, caring about his own interests, the person serves in a more effective way for society interests, than trying artificially to care about society.

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