

Sustainable Development and Economic Freedom



Source: www.umanitoba.ca

An exploration of contrasting ideas for economic sustainability

By Emmanuelle Sylvain

ACKNOWLEDGEMENTS

I would like to thank JAK Bank for believing in my ideas and awarding me with a substantial grant in order to pursue my research. I am inspired by JAK's ideology and consider the bank's work to be an important contribution to the field of local as well as global development.

I would also like to thank my professor and thesis advisor Lennart Wohlgemuth for his patience and ability to kindly bring me back to reality when he thinks that my ideas are too grand. He is a skilled academician with many years of experience in the field and I hope to have the privilege of working with him some day.

There are no words to describe the gratitude I feel towards my family for supporting me in all my endeavours and especially in my studies. I am lucky to be a part of a family who believes in changing the world and actively take a part in this process.

Last, but not least, I would like to thank Dr. Stellan Vinthagen who saw my potential and introduced me into the world of social movements. Having him as my teacher and my friend has had a large impact on the way I look at the world and what I choose to do with my life.

Thank you.

ABSTRACT

This paper is based on my Master's thesis "Economic Alternatives for Sustainable Development – an exploration of contrasting ideas and strategies for development" (2007) written for, and published by the University of Gothenburg, Sweden. This version has been formulated for the Swedish JAK Bank that has financed and supported my research.

The paper is a critical discourse analysis of some of the theories driving development work today. The purpose of this study is to uncover the dominant discourse on development and then to position so-called counterpoint theories in relation to the dominant discourse.

The paper presents and discusses theories advocating economic growth, representing the mainstream discourse. Microcredit for the alleviation of global poverty is taken up as a theory standing in between the mainstream, top-down approach and the grassroots community-based approach. Finally, counterpoint theories advocating the circulation of free money and community exchange networks are introduced and discussed.

The methodological approach chosen to carry out this study is Critical Discourse Analysis (CDA), which has the objective of placing the author as well as the readers in a position to resist social inequality and strive for social change. One of the methods used to achieve this goal is to critically analyse text or talk and attempt to understand the underlying meaning.

In order to narrow down the scope of the subject, the analysis of the theories focuses on a few key concepts that are often mentioned in development literature. These concepts are *sustainable development, empowerment, ownership and coherence*.

While the immediate aim of this paper is to present and analyse the chosen theories, the higher goal of the study is to challenge the dominating views on development by discovering and encouraging other ways of seeing the issue of sustainable global development.

Due to practical constraints, this paper is purely theoretical, not involving any fieldwork.

TABLE OF CONTENTS

ACKNOWLEDGEMENTS	1
ABSTRACT	2
ABBREVIATIONS AND DEFINITIONS	4
1. INTRODUCTION	5
1.1 BACKGROUND	5
1.2 PROBLEM	6
1.3 AIM AND QUESTIONS.....	9
1.4 DELIMITATIONS	10
2. METHODOLOGY	11
2.1 METHODOLOGICAL FRAMEWORK: CRITICAL DISCOURSE ANALYSIS	11
2.2 METHODOLOGICAL TECHNIQUE	14
2.2 MATERIAL	15
3. THEORIES ON SUSTAINABLE DEVELOPMENT	16
3.1 OUR COMMON AIM: THE MILLENNIUM DEVELOPMENT GOALS	17
3.2 MAINSTREAM DEVELOPMENT DISCOURSE.....	19
3.2.1 <i>Economic Growth, Development and Welfare</i>	20
3.2.2 <i>The World Bank and sustainable development</i>	22
3.2.3 <i>The Swedish Government’s Policy for Global Development</i>	25
3.3 MICROCREDIT	27
3.3.1 <i>Group lending: Grameen, Acción International & Village banking</i>	30
3.4 INTEREST-FREE MONEY & COMMUNITY EXCHANGE	34
3.4.1 <i>The JAK Bank Model</i>	38
3.4.2 <i>The LETS model</i>	41
4. ANALYSIS AND DISCUSSION	42
4.1 THE DOMINANT DISCOURSE ON DEVELOPMENT	43
4.2 MICROCREDIT AND THE DOMINANT DISCOURSE.....	44
4.3 INTEREST-FREE ECONOMIES AND COMMUNITY EXCHANGE IN RELATION TO OTHER DISCOURSES	46
4.4 DISCUSSION	47
5. CONCLUSION	49
6. IDEAS FOR THE FUTURE	51
SOURCES	53

Abbreviations and definitions

JAK: Swedish cooperative bank

LETS: Local Exchange Trading System

MDG: Millennium Development Goal

MFI: Microfinance Institution

Sida: Swedish International Development Cooperation Agency

WDR: World Development Report

Empowerment: Can be seen as a process and/or a result, whereby people gain control of their lives in the social, economical and political sense. When used from a gender perspective, empowerment entails that girls and women free themselves from the socially constructed roles that limit their potential and combat discrimination that robs them of their power to make decisions, to earn a living and to be free from violence.¹

Microfinance: The provision of different financial services to the poor: savings, insurance, money transfers, and credit.

Microcredit: The provision of credit to the poor. This can be in the form of money or life/health insurance on credit.

Ownership: Partner countries or individuals exercise leadership over their development policies and co-ordinate development projects.

Sustainable development: A development path along which the maximisation of human well-being for today's generations does not lead to declines in future well-being.²

¹ <http://www.unicef.org>

² <http://www.oecd.org/glossary>

1. Introduction

1.1 Background

Over the past four decades, Sub-Saharan Africa (SSA) has been the recipient of numerous development initiatives led by local and international actors alike. The strategies that have been chosen for Africa's development have changed form depending on the global political scene and the differing opinions of development experts. According to several development analysts, these initiatives have unfortunately led to many of the problems that Africa is experiencing today, such as the debt crisis, extreme poverty and political instability to name a few.

The mainstream development discourse advocated by the major donors in the international community has focused on the need for economic growth in order to reach sustainable development. While there are different ideas and theories on the concept of economic development, the main consensus is that the emphasis should be placed on development strategies that lead to a rise in a country's or a region's gross domestic product through structural adjustment of the economy.

Over the last decade, a new trend has gained credence in the development world, namely microcredit schemes. Although microcredit was presented as an alternative to mainstream development ideas, the validity of the concept has been acknowledged by the wider international development community as a positive approach to tackling poverty in low-income countries. The Grameen Bank in Bangladesh has been rewarded with the Nobel Peace Prize in recognition of its successful work with the marginalized poor, especially women. Today, there are several institutions that work with different forms of microfinancing to the benefit of poor societies and they claim that their strategies have had a big impact not only on a practical level, by raising real income levels, but also on a social and political level, by empowering people who previously have not had any significant power to influence their own destinies.

From the perspective of the donor countries and organisations working with development issues, there have also been important advances since the days of structural adjustment policies in the 1980s. One of these has been the emergence of the term "policy coherence for development" which is meant to ensure that national policies on various issues support the attainment of development objectives. The basis for this idea is that when policies contradict

each other (or do not complement each other), the country's development efforts are undermined and the aid does not have the desired impact on the intended recipients. Achieving coherence in development policies is an important step towards achieving the Millennium Development Goals (MDGs).

Despite these positive developments, global poverty and inequality are still at critically high levels. In the developing world, Africa is the region that is the most burdened by extreme poverty, HIV/AIDS and other diseases, and child mortality among other ills.

Some experts say that the new ideas that have emerged are the promise for the future. Yet others criticise the leading development agencies and experts, claiming that this trend is but a new spin on the same old theories that have not, as of now, produced the desired results. Among this group are persons who oppose interest-based economies, saying that this is compounding the problem all the while ensuring that the rich get richer and the poor get poorer.

Considering this situation, I came to reflect upon some of the ideas that are being formulated and implemented in poor communities all over the world and that are seldom mentioned in discussions on sustainable development on a global level. Certain ideas have been accepted as "good ones", such as microcredits for the poor, whereas others are left in the background, despite evidence that they have produced positive results in many communities of the world. Examples of these are so-called saving clubs and community exchange networks, which have been started in poor communities in India, South Africa and Brazil, among others.

This thesis aims to analyse how the concept of sustainable development is presented by the dominant development discourse and the counterpoint theories that challenge the dominant discourse. Using a critical discourse analysis approach, I would like to uncover the discourses behind development theories that give rise to various development strategies.

The broader objective of this work is to uncover ideas that could potentially be used in development work, as well as challenging the reader's own views on the concept of sustainable development.

1.2 Problem

The theories found in the field of development today have historical roots dating back to colonialism and even to the slave trade. Although the practical implementations of different theories seem new, the ideological discourse from which they stem appears to be the same.

According to some development experts, the problem lies in the fact that the same ideology is being repeated over and over, albeit in different packaging, even when it is shown time and again that this particular ideology is not necessarily appropriate at the global level. Gilbert Rist makes the interesting point that the field of development can be compared to religion and not to science. Whereas scientists change their ideas constantly, religious people and 'development' experts continue to uphold systems, which fail time after time. "Truth cannot lie, so lies - or mistakes - are always attributed to faulty interpretation, human failings, or lack of information."³

In the 1950s and 60s, the idea of modernisation was the most popular one with western governments, international financial institutions and analysts who assumed that proper investments in physical capital and infrastructure would solve the problems of poverty and human development. When the substantial amounts of foreign aid that were injected into developing countries did not make much of a change to global poverty, the blame was placed on the shortcomings of the political leaders in developing countries as well as on various interest groups in the recipient societies that resisted this trend. In the 1970s and 80s, the focus turned to a "basic needs" strategy which involved ensuring that all people had access to the basic necessities such as clean water, primary health care and elementary education among other things. The 1980s were the era of development through structural adjustment programmes (SAPs), which entailed that the developmental role of the state was downsized and more faith was put into market forces and economic forces (i.e. through private capitalists and entrepreneurs). This ideological shift was in line with the neo-liberalism of the time, an economic and political ideology held by the most influential leaders (i.e. Margaret Thatcher and Ronald Reagan). Under pressure from western governments and International Finance Institutions (IFIs) such as the World Bank and the IMF, governments in developing countries were encouraged to adopt neo-liberal policies. With the end of the Cold War in the early 1990s, liberal democracy and capitalism rose to the forefront and pro-market forces under the banner of the Washington Consensus were allowed free reign in developing countries. The shortcomings of this trend led to the idea that governments should be brought back into the picture and that the focus should be put on institution-building in order to ensure that the resources on the market be allocated fairly. The new development strategy of the 1990s suggested by the 1990 World Development Report was the "promotion of labour-intensive growth through economic openness and investment in infrastructure" and the

³ Rist G (2002) *The History of Development. From Western Origins to Global Faith*.

“general provision of basic services, especially basic health and education”.⁴

The failure of the various development strategies over the past four decades have brought us to the modern day development theory based on poverty alleviation as expressed by the MDGs and the concept of policy coherence for development. One of the key concepts permeating development thinking today is globalisation resting on two main pillars: the economic in the form of liberalisation and the political in the form of democratisation.

Over the past four decades, groups challenging the mainstream theories have brought forward alternative theories. Very few of these ideas have been incorporated into the development work funded by the major donors in the international community. The counterpoint theories that have been accepted and implemented have, to a certain extent, been compatible with the already existing theories. The idea of microcredit, advocated by the Grameen Bank and Acción International, among others, is one such theory. Microcredit is presented as a small-scale, community centred and sustainable development strategy, which not only aims to bring large numbers of people out of the clutches of poverty but also to empower the poorest of the poor, especially women. The strategy has so far given many positive results but critics are objecting to the idea that this is the way towards sustainable development for the poorest communities and individuals.

Other counterpoint theories have not generally been included in development work possibly because they diverge too much from the theories that development work has been based upon since decolonisation. If the goal of development work is to alleviate poverty and lessen the divide between the countries and regions of the world, it is hard to understand why challenging theories are not tried and tested by development organisations. This is especially worrisome since the introduction of the concept of policy coherence for development, which includes the recommendation that non-aid policies for development should be incorporated into development policies if these could be beneficial to the attainment of the MDGs.⁵ Ideas that advocate rethinking the value of interest in the local economy and abolishing speculation on land are not included in the literature on development issued by the main donor organisations and states, despite evidence that these ideas have been successfully implemented in parts of the western world. Examples of these are the Danish and Swedish JAK microlending and saving system, the Canadian LETS model and the Swiss WIR-Wirtschaftsring (Economic Cooperative). Similar ideas are in place in developing countries,

⁴ World Bank (1991) *World Development Report 1990: Poverty*

⁵ See chapter 3.1.1 for the definition on coherence.

namely LETS community exchange networks and savings clubs.

1.3 Aim and questions

With this thesis, I aim to present and critically analyse some of the mainstream and counterpoint theories on sustainable development. The theories I have chosen to present offer different economic strategies to combat global and/or local poverty and they all lay claim to the concept of *sustainable* development. On the one hand I will present aspects of the mainstream development discourse, which, broadly speaking, focuses on economic growth and structural transformation. On the other hand, I will present a few of the many theories that challenge the mainstream, predominant discourse on economic and social development, namely theories advocating small-scale, ecologically sound and community-centred models of development. In between these two discourses, there is what I call the middle range theories, which try to have one foot in each camp: in other words, they claim to be grassroots movements at the same time as they are compatible with the mainstream discourse, at least to a certain extent.

My intention with this thesis is not to criticise or dismiss the credibility of existing development theories and efforts but to understand from a critical standpoint the discourses that are driving development strategies in certain directions rather than in others. As mentioned above, if the point of development work is to eradicate or at least alleviate global poverty, development actors have a moral obligation to consider all the options that are been presented. If this is not being done, is there another agenda driving development work?

The overriding goal of this project is for the reader to consider the options offered by non-aid institutions, either to be seen as alternatives or as complements to the existing development work. The counterpoint theories presented in this thesis could possibly cover other aspects of development than those targeted by economic growth and structural transformation theories or microcredit schemes. Specifically how this can be done is not within the scope of the main part of this paper but I will elaborate on my personal ideas in the final section, “Ideas for the future”.

I will focus on the following questions:

1. In what ways is the dominant development discourse compatible with the concept of sustainable development?
2. Is microcredit a part of the mainstream discourse or is it a counterpoint theory?
3. What is the discourse of interest-free and community exchange models? Are these theories more compatible with the concept of sustainable development?

1.4 Delimitations

Due to practical constraints, this paper will, unfortunately, be a theoretical study, not involving any fieldwork. The reason for this is that I was living in New Zealand while writing this paper and was unable to travel to East Africa where I would have liked to conduct a field study. I wrote this paper during the spring and summer terms 2007 and it was presented at Gothenburg University in August 2007.

The literature on this field is extensive and while I have tried to choose sources that give objective perspectives on the issues at hand, there is always a certain bias depending on the authors' (including myself) own backgrounds, thoughts and political ideologies.

As with all studies in the field of peace and development studies, this paper is merely an attempt to understand and suggest ways to improve a global system, which is often inadequate. The methodological approach that I have chosen is specifically formed to challenge generally accepted ideas and views.

During a seminar at the School of Global Studies, Gothenburg, a classmate of mine brought up an interesting critique of my thesis draft (namely the final chapter, "Ideas for the future"). She pointed out that there is no guarantee that a whole community would accept to shoulder the responsibility for repaying a collective loan in the long run if the benefits were not seen in the short run. I have pondered this aspect of long-term loans to large groups of people and come to the realisation that this particular analysis is not in the scope of my essay. There are no set formulas and no guarantees that people are going to react positively to new development ideas. However, this is the case in all countries that have had a change in politics through popular pressure. In some cases, the results have been negative, which in turn has led to other developments. In other cases, the results have been met positively and become the mainstream discourse. Two examples of this are the Swedish welfare system and the successful communist system in Kerala, both of which evolved from the work of social

movements. Since I am not undertaking a case study based on fieldwork, I cannot make unrealistic claims as to the potential popularity of different economic strategies in previously untested target groups.

I have received a grant from JAK Bank in Sweden to write this paper. I am a member of JAK, and I understand that this colours my view to a certain extent. For this reason, I have decided to only make suggestions from a personal perspective in the final section of this paper. The final chapter, “Ideas for the future” will focus specifically on how the JAK model could be applied in development work.

My personal goal with this thesis is to gain insight into the driving forces behind development work. Hopefully, this insight will help me in my future work, whether that will entail presenting new ideas or challenging existing ones. I sincerely hope that the final result will be met with positive anticipation and serious consideration from actors active or interested in the field of global sustainable development.

2. Methodology

2.1 Methodological framework: Critical Discourse Analysis

Critical discourse analysis (CDA) is a multidisciplinary discourse-analytical practice, which critically explores the relation between discourse and social inequality. The scope of this approach is broad and covers both the domestic as well as the global stage. Researchers who choose this approach hope to place themselves and their readers in a position to resist social inequality and strive for social change by uncovering the ways in which inequality is enacted or realised through discourse.⁶

Critical discourse analysis (CDA) is a type of discourse analytical research that primarily studies the way social power abuse, dominance, and inequality are enacted, reproduced, and resisted by text and talk in the social and political context. With such dissident research, critical discourse analysts take explicit

⁶ Hart, C.: “Meaning Construction in Political Texts: A Cognitive-Pragmatic Approach to Critical Discourse Analysis” p.1 (<http://www.hartcda.org.uk/workinprogress.html>)

position, and thus want to understand, expose, and ultimately resist social inequality.

(van Dijk 2001a:352)⁷

The use of the word *critical* in CDA is not due to a technical or methodological difference in this approach in relation to other discourse analytical approaches. CDA is critical because it is based on a radical critique of social relations, a stand taken by the researcher who explicitly objects to inequality in social relations.

CDA is inspired by critical social theory and one of the most influential scholars in this field is the French post-structuralist philosopher Foucault, upon which the critical discourse analyst Norman Fairclough bases a large part of his work. Another important school of thought that has inspired CDA is the Marxist-influenced Critical Theory of the Frankfurt School (i.e. Adorno, Horkheimer and Habermas).

CDA itself is not a single school of thought but is a term that covers a number of distinct but related approaches to the analysis of social or political talk and text. In this thesis I have chosen one of the five main approaches, namely sociocultural CDA, which is mainly associated with Fairclough. According to Fairclough, each discursive event has three different dimensions or facets, which also means that the chosen method of analysis is dependent upon the object of research.

The method of discourse analysis includes linguistic description of the language text, interpretation of the relationship between the (productive and interpretative) discursive processes and the text, and explanation of the relationship between the discursive processes and the social processes.

(Fairclough 1995a:97)⁸

Fairclough's own work encompasses different versions of CDA in terms of theory, methodology and types of research issues. In the 1995 publication, "Critical Discourse Analysis", Fairclough is concerned with contemporary processes of social transformation (identified by themes such as neo-liberalism, globalisation and transition among others) and formulates a version of CDA specialised for these themes. For Fairclough, the overriding goal

⁷ Hart p.1

⁸ Hart, C. (2006) "Socio-cultural analysis" (<http://www.cadaad.org/glossary>)

of this version of CDA is to give precise accounts of “the ways in which and extent to which social changes are changes in discourse”.⁹ Fairclough writes about the order of discourse as a particular social structuring or ordering, one aspect of which is dominance. “Some ways of making meaning are dominant or mainstream in a particular order of discourse, others are marginal, oppositional, or ‘alternative’.”¹⁰ There are various ways in between the two extremes, which may be developed alongside or in opposition to the dominant way, to different extents. The nature of an order of discourse entails that it is not a closed inflexible system, but is open and can be changed depending on what happens in actual interactions with other views.

Theoretically, Fairclough’s CDA is based on a realist social ontology that sees social structures and social events as parts of social reality. In a critical realist approach, social events are made up of the meeting between social practices (resulting from social structures) and social agents. In other words, social agents draw on existing social structures and practices to reproduce, and sometimes produce, orders of discourse. Thus, social change entails change in social practices and in the relation between social fields, institutions and organisations, including changes in orders of discourse and in relations between orders of discourse. Changes at the most fundamental level, orders of discourses, are necessary for social change at a higher or wider level (i.e. global). Fairclough argues that wider processes of social change can be seen as starting from change in discourse.

“Discourses include representations of how things are and have been, as well as imaginaries – representations of how things might or could or should be.”¹¹ Within the concept of social practice, discourses are projections of “possible worlds”, as Fairclough expresses it, which may be operationalised as actual practices. In the field of development, for example, economic discourses may be materialised in the instruments or the methods of economic production. Discourses as imagined possibilities might also manifest themselves as new identities or new ways of being for the workers, a complex process through which people start off self-consciously changing their identities and end up un-self-consciously positioning themselves within a discourse. In this sense, discourses are highly effective in that social entities are constructed through social processes and are, in a sense, effects of discourses. In social research, one needs to take into account, on a case-by-case basis, “the circumstances and factors which condition the allowances and resistances of social entities to particular

⁹ Fairclough, N. (1995): “Critical Discourse Analysis” p.1

¹⁰ Fairclough (1995) p.4

¹¹ Fairclough (1995) p.6

discourse-led changes”¹². Furthermore, one must look at the social conditions, such as circumstances of crisis or instability, which push social agents into developing different strategies for change that, in themselves, include discourses entailing yet other imagined possibilities for new forms of life based on what has happened in the past and what might happen in the future. “Which strategies (and discourses) succeed, become hegemonic, and become operationalized in new realities depends upon a variety of conditions”¹³.

2.2 Methodological technique

I have chosen to analyse some of the discourses that inspire different economic strategies used in development work using CDA. Since the scope of this thesis does not leave enough room for me to present full texts and project documents, I have decided instead to present the discourses in a summarised form, albeit as they are explained by the various actors in the field. In each chapter on the various theories, I will present a general view followed by two examples of institutions working with ideas from the related discourse.

In the first theoretical chapter, “Mainstream discourse on development”, I have chosen to present the World Bank and the Swedish Government as representatives of what I consider to be the dominant discourse in the field of development cooperation. While these institutions have important differences in the way they explain and work with development, I believe that they are largely a part of the same global discourse.

In the second theoretical chapter, “Microcredit”, I have chosen microcredit institutions that are well known in the field as well as being sufficiently well-established for there to be enough research material on their activities.

In the third theoretical chapter, “Interest-free money & Community exchange”, I have chosen to present the two main alternative models that are in use today. The choice of case studies is based partly on their success and partly on their geographic location in order for them to be relevant to my studies. In this case, I am concentrating on alternative models that are being used in Africa and in Sweden.

In each chapter, I include excerpts from the chosen institutions’ mission statements in order to show their view on development in their own words.

¹² Fairclough (1995) p.7

¹³ Fairclough (1995) p.8

In the analysis, I will attempt to uncover the discourses behind the different economic strategies that are claiming to be counterpoint theories in relation to the dominant discourse on development. My objective with this method is to position the theories and/or strategies either within the dominant discourse or as a possible counterpoint view. As mentioned above, the incorporation of discourses into successful strategies is highly dependent upon a number of conditions, such as social stability versus crisis, so it is only possible to surmise which emergent strategies and discourses might succeed and become hegemonic on a case-by-case basis. For this reason, this thesis is not an attempt to praise a certain strategy for economic development over another but merely to try and uncover the discourses behind the chosen strategies.

2.2 Material

This paper is based on primary and secondary information taken from literature and Internet sources. As the field of development is dynamic and global in its nature, there are many opposing views on the same subjects. This makes it sometimes difficult to select sources while maintaining as much objectivity as is necessary for academic research. Furthermore, as mentioned above, there is always a certain measure of bias involved in such research as the formulation of the problem and the selected methodology is coloured by the author's as well as by the sources' personal background and opinions. Moreover, since a large part of this research pertains to theories and movements that have not yet become part of the mainstream discourse presented in traditional literature, it is necessary for me to rely to a great extent upon information that I have found on the Internet. While this means that I gain access to more data than I would have done by relying solely on available books, it also means that I have to verify the validity and authenticity of the various sites. As expected, this has been a very tedious job and I am pressed to take a lot of information from a few trusted sites.

3. Theories on Sustainable Development

According to Björn Hettne, the idea of development stems from the “ideological tradition of seeing society as an object to be changed by rational, purposive human action” and, throughout history, the concept has been adapted and incorporated into the modern project.¹⁴

The progression of the concept of development is linked to historical events and societal reactions that challenge the dominant theories thereby paving the way for counterpoint ideas. In other words, the concept of development changes over time as counterpoint ideas challenge the mainstream ideas on development, thereby leading to a shift in discourse.

Like Hettne, Gilbert Rist argues that ideas on development change as a result of societal reactions to the consequences of different aid strategies and development plans. As people’s perceptions and needs change over time, so do political, economic and social theories. The increasing number of global networks, which Rist refers to as catalysts for change, is a consequence of globalization and whether they are positive or negative in their intentions or effects, they can undoubtedly lead to important changes in world politics.¹⁵

Based on these perspectives, theories on development can be divided into *mainstream* and *counterpoint* theories, representing contrasting positions within a particular development discourse. Mainstream theories represent the predominant view within development discourse (i.e. modernisation and economic growth from a state or market perspective) whereas counterpoint theories represent oppositional or anti-modern ideas formulated by the civil society, ideas which are struggling to enter the discourse supported by the politically recognised agenda. These ideas usually advocate “small-scale, decentralised, ecologically sound, community-centred, human and stable models of societal development”.¹⁶

In this chapter, I will present the modern development discourse as formulated by different development actors. On one hand, we have the mainstream development discourse dominated by the actors arguing for economic growth as the main factor in development. On the other hand we have the counterpoint theories which range broadly from microcredits to other models, such as the JAK Bank model or the LETS model, which call for drastically different measures (compared to the mainstream and MFI strategies) to solve the global poverty problem and reach sustainable development. The latter theories presented here belong within

¹⁴ Haynes, J. (ed.) (2005) *Palgrave Advances in Development Studies* p.12

¹⁵ Rist, G. (2002) *The History of Development: From Western Origins to Global Faith*

¹⁶ Haynes (2005) p.13

the field of alternative economics and advocate *interest-free* economic policies in both high and low-income societies.

3.1 Our common aim: The Millennium Development Goals

Regardless of which theory or strategy is put forward, development actors are in agreement upon the main goal of their work, even though their motives might differ. Political correctness prevents organisations and state representatives to claim outright that they are “in it for the money” or for the power although many people still refer to their development work as the “business of development”.¹⁷ Some are altruistic and want to make the world a better place while others are practical and believe that their own lives, security and general wellbeing are being threatened by the fact that others are miserable, hence the need to make the world a better place for everyone.

In 2000, the world’s governments made a historical promise at a meeting of the United Nations and called it the Millennium Declaration. In their words, this is a solemn pledge “to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty”. The basis of this promise is “a shared commitment to universal human rights and social justice” backed by specific, time-bound targets.¹⁸

The eight Millennium Development Goals (MDGs)¹⁹, with the year 2015 as the deadline, are as follows:

- 1) Eradicate extreme poverty and hunger
- 2) Achieve universal primary education
- 3) Promote gender equality and empower women
- 4) Reduce child mortality
- 5) Improve maternal health
- 6) Combat HIV/AIDS, malaria and other diseases
- 7) Ensure environmental sustainability
- 8) Develop a global partnership for development

¹⁷ Andersson, P. Lecture at the School of Global Studies, Gothenburg University. November 2006

¹⁸ Resolution adopted by the General Assembly 2000: “United Nations Millennium Declaration” (<http://www.un.org/millennium/declaration/ares552e.htm>)

¹⁹ UN Millennium Development Goals (<http://www.un.org/millenniumgoals/>)

According to the Human Development Report 2005, this promise is not being kept. Development indicators today show that the goals outlined in the Millennium Declaration are not going to be met by the set deadline and one of the main reasons for this is the international aid system which is badly in need of reformation. However, considering the effectiveness of the aid that went to help the victims of the Tsunami catastrophe in Thailand in December 2004, one wonders if the problem doesn't lie in the moral motivation, or lack thereof, of the donors. As the authors of the Human Development Report point out, the tsunami, which was one of the worst natural disasters in recent history, gave rise to the world's greatest international relief effort, despite it being a highly unpredictable and largely unpreventable tragedy. Global poverty and its consequences, on the other hand, are monotonously predictable and readily preventable. The international response to the tsunami shows what can be achieved through global solidarity but, unfortunately, it also shows where the international community's priorities lie.²⁰

Another important addition to the field of development co-operation is the concept of policy coherence for development. The following definition, provided by the British Government's Department for International Development (DFID), includes two perspectives of coherence:

“Policy coherence for development is achieved when policies across a range of issues (for example trade, migration, security) support, or at least do not undermine, the attainment of development objectives. Policy incoherence weakens the efficiency and impact of aid. This occurs through lost opportunities for complementarity and when policies contradict each other. Harnessing the benefits of non-aid policies for development would substantially improve progress towards the Millennium Development Goals.”

[\(http://www.dfid.gov.uk/\)](http://www.dfid.gov.uk/)

On one hand, policy coherence for development is described as the need to harmonise policies across a range of issues in order for development objectives to be attained. The other part of this definition, which is equally important, refers to the problem of lost opportunities when non-aid policies for development are not incorporated into development strategies.

²⁰ UNDP (2005) *Human Development Report 2005* p.1

There are theories formulated by non-aid actors that could be useful in developing fresh theories on international co-operation. The goal of policy coherence for development is not being attained if good ideas and initiatives originating from actors and institutions not traditionally working in the field of international development are not being used to their full potential.

The Swedish government puts a lot of emphasis on policy coherence for development in its statements on development co-operation and Sweden was the first country in the world to establish a policy for harmonising policies in all areas, in order to achieve the goal of sustainable global development.²¹

3.2 Mainstream development discourse

According to Rist, the western concept of development has been shaped throughout history starting in Ancient Greece. However, the period between colonization and the formation of the League of Nations (late 1800s until 1919) was especially instrumental in forming the way development is seen and implemented today. Rist points out that many of the ideas for development co-operation that are presented as new today were actually thought up long ago. Rist shows striking similarities between colonial policy and modern development policy of which the following are especially interesting in the context of economic development:

- 1) The Colonial School set up for colonial studies at the Sorbonne correspond to the modern-day institutes of development studies. Administrative personnel recruited for colonial work/development work come from these institutes.
- 2) The establishment of village credit banks (today's microcredit programmes).
- 3) Highlighting the importance of making the colonies financially and economically self-supporting (today's SAPs).²²

While colonisation's arguments were used to justify intervention for the national interest, the League of Nations legitimised internationalised intervention in the name of civilisation. In this way, interventions that were actually serving western political and economical interests were masked with talk of "universal values" in the same way that many interventions today are justified with talk of "humanitarian aid" and "development". After the Second World

²¹ Swedish Government Ministry for Foreign Affairs "Global development and development cooperation" (<http://www.sweden.gov.se>)

²² Rist, G. (2002) *The History of Development: From Western Origins to Global Faith*

War, the US rose to power and introduced the concept of development and “underdevelopment” (incomplete development). The latter concept was to change the field of international relations dramatically because it implied that not only could regions develop along a certain predetermined course but that they could be developed by an outside agent. This idea has led the way for the development agencies that we see today.

3.2.1 Economic Growth, Development and Welfare.

The terms sustainable development, economic growth and economic development are often used interchangeably and it is important to make a distinction between the three before embarking upon a discussion of different strategies for development. Economic growth refers specifically to the increase in an economy’s real GDP (total output of goods and services) and income over time. Economic growth is dependent on “the human resource acquisition of the economy, technological improvement, amount of capital investment, natural resource endowment and degree of its exploitation, and the managerial know-how existing in the economy.”²³ Economic development, on the other hand, is a concept that is defined differently depending on the theory. The mainstream theory, which is the focus of this chapter, is that economic development is defined by economic growth in terms of increases in per capita real output or per capita income (PCI). In other words, economic growth simply shows numbers and statistics for a period of time, usually one year, whereas economic development encompasses the “process through which societies, or nations, or regions, raise their per capita output and income by improvements and increases in productivity, and how these translate into per capita economic well-being in the society.”²⁴ Economic development involves not only economic growth but also structural changes in the economy. According to the challenging theories, presented in the following chapters, economic development might encompass other processes and have other goals.

Although GDP and PCI are so far the most appropriate measure of economic growth and performance, at least for short-term purposes, they have important limitations that render them unsuitable as tools for measuring economic development, especially in the case of low-income countries.

²³ Ezeala-Harrison, F. (1996): *Economic Development: Theory and Policy Applications* p.3

²⁴ *ibid*

First, GDP calculations are based on the output of market goods and services only and exclude non-market production, or the unreported output and earnings of the illegal underground economy or the informal sector economy, both of which are important in poor countries. Earnings generated by activities such as smuggling, prostitution, gambling, tax evasion and service-in-kind are not included in GDP calculations. Neither is any production that never enters the market such as household and subsistence agriculture productions, handicraft activities and local services. For this reason, the growth rate of the GDP is at best only a partial indication of national economic growth.

PCI (GDP/population) is commonly used to compare welfare levels between countries or regions. This is an unsuitable measure of international economic performance for several reasons, the main one being that calculations of PCI do not take into account external costs (negative externalities) and external benefits (positive externalities), which affect the social and economic well-being of a country's citizens. For example, modern economic activities (i.e. industrial production and mass consumption) lead to an increase in negative externalities such as environmental pollution, which in turn, lowers the standards of living for the citizens of a country despite an increase in PCI. Another difficulty with using PCI as a measure of welfare is that welfare has varying definitions in different societies. While economically developed societies tend to define wellbeing in terms of economic parameters (i.e. material consumption levels of goods and services), most LDCs tend to include social indicators in their definition of wellbeing (e.g. degree of social harmony relative to the level of crime or civil strife, family size etc). The point here is that while calculations of PCI would be a good indicator of the level of wellbeing in economical developed societies, it does not necessarily reflect the factors considered important in many LDCs.²⁵

The most important problem associated with calculations of PCI, regardless of the definitions of welfare in every culture, is that they do not reflect the distribution of income in a country's population. While this is true of all countries, rich and poor, it is especially relevant in LDCs where gross income inequities are rife. Positive growth in GDP and PCI need not imply individual economic improvement, particularly where there are high levels of corruption, and can actually come hand in hand with increased social and political tension.

The term economic development should not be confused with the concept of economic growth explained above. As Ezeala-Harrison explains, "economic development involves the *process* through which a country or region achieves economic growth in addition to

²⁵ *ibid* p.9

structural transformation of its economy.”²⁶ Whereas economic growth can be measured quantitatively, economic development “reflects the underlying qualitative, structural, and institutional changes that are needed to expand a nation’s potentials and capabilities in the utilization of scarce economic resources. Whereas economic growth represents the necessary condition, structural transformation provides the sufficiency condition for economic development.”²⁷ According to Ezeala-Harrison, the process of economic development is made up of a series of interconnected events, the successful outcome of which can only be reached if there are no attempts made to jump over or bypass any stage of the process. As mentioned above, this process leading to economic growth was the main goal of development work until the 1990s.

Despite increases in GDP in many developing nations during the 1950s and 1960s, the unchanged levels of living for the masses signalled that there was a problem with the definition of development. This definition was changed during the 1970s and came to include the “reduction or elimination of poverty, inequality and unemployment within the context of a growing economy.”²⁸ Nevertheless, development and aid policies still focused primarily on structural adjustment and it wasn’t until the early 1990s that the connection between economic growth and overall development was truly reconsidered by the major donors. In 1991, the World Development Report asserted: “The challenge of development... is to improve the quality of life... It encompasses as ends in themselves better education, higher standards of health and nutrition, less poverty, a cleaner environment, more equality of opportunity, greater individual freedom, and a richer cultural life.”²⁹

3.2.2 The World Bank and sustainable development

Traditionally, development has been seen in strictly economic terms meaning that development policies and evaluations have focused primarily on economic growth based on the planned alteration of the structure of production and employment. Until the early 1990s, the main development organisations such as the World Bank, the IMF and affiliated organisations clung to the idea that development is, to a large extent, equal to economic

²⁶ Ezeala-Harrison (1996) p.10

²⁷ *ibid* p.11

²⁸ Todaro, M. & Smith, S. (2003): Economic Development (8th edition) p.16

²⁹ *ibid* p.17

development (structural transformation and economic growth). The Structural Adjustment Policies (SAPs) of the 1980s and 1990s aimed to change the structure of a country's or a region's economy based on the following premises³⁰:

Table 1

Low level of development	High level of development
Low degree of industrialisation	High degree of industrialisation
High % of GDP from primary production (agriculture) ³¹	High % of GDP from secondary (industry) ³² and tertiary (services) ³³ production
Labour intensive production	Mechanisation
High % of labour force in primary sector	High % of labour force in secondary and tertiary sectors
High % of labour force living and working in rural areas	High % of labour force living and working in urban areas

Since the days of failed SAPs, the World Bank has changed some of its perspectives and adapted its strategies to the new development discourse emphasising the MDGs. On the organisation's website, www.worldbank.org, the World Bank describes its view and mission as follows:

At the World Bank we have made the world's challenge – to reduce global poverty – our challenge. Our work focuses on achievement of the Millennium Development Goals that call for the elimination of poverty and sustained development. The goals provide us with targets and yardsticks for measuring results. Our mission is to help developing countries and their people reach the goals by working with our partners to alleviate poverty. To do that we concentrate on building climate for investment, jobs and sustainable growth, so that economies will grow, and by investing in and empowering poor people to participate in development.

³⁰ Ezeala-Harrison (1996) p.11-12

³¹ Farming, fishing, hunting, handicraft, and petty trade and local commerce

³² Manufacturing and processing industrialisation

³³ Services (including distribution) and infrastructural utilities (including communication, banking and finance, education, health services, and entertainment).

“Challenge” (www.worldbank.org)

Below this statement, the World Bank presents its strategies for reaching sustainable development, pointing out that it is the developing countries themselves that have come to the conclusion that these goals and methods are the right ones.

Developing countries have determined themselves that for their economies to grow and to attract business and jobs they must:

1. Build capacity...

strengthen their governments and educate their government officials

2. Create infrastructure...

implement legal and judicial systems that encourage business, protect individual and property rights, and honor contracts

3. Develop financial systems...

robust enough to support endeavors from microcredit to financing larger corporate venues

4. Combat corruption...

or there is not much that can be done that is effective.

“Challenge” (www.worldbank.org)

The World Bank asserts that reconstruction is an important part of the organisation’s work in countries afflicted by natural disasters or in a post-conflict rehabilitation stage. Moreover, the organisation has broadened its focus to include social sector lending projects, poverty alleviation, debt relief and good governance. Since the Millennium Declaration in 2000, the World Bank has made poverty reduction its main focus and states that this is to be the main goal of all of the organisation’s policies.

The World Bank’s annual World Development Report (WDR) released in 2000 presented the organisation’s main focus in the wake of the new millennium and in the context of the evolving discourse on poverty alleviation. Accordingly, it was entitled “Attacking Poverty”. According to the WDR, the organisation has gone from viewing poverty in terms of income and consumption and placing the blame on unemployment and/or lack of access to land, capital, health or education to seeing poverty as a function of structural/economic and non-economic factors. The report focuses on three key themes (security, empowerment and

opportunity) and discusses the importance of institutions in meeting the needs of the poor. More specifically, it calls for “making state institutions pro-poor and removing social barriers to poverty reduction, helping the poor to manage the risks they face and expanding economic opportunities for the poor by building their assets (and increasing the return on these assets) through a combination of market-oriented and non-market actions”.³⁴ The report continues with the arguments that the World Bank and other international development institutions need to focus more on creating better governing institutions in developing countries and that it may be preferable for developing countries to implement policies liberalising free trade and investment gradually. The report does not discuss whether or not such policies are conducive to sustainable development, as this seems to be taken for granted.

Generally, the 2000 WDR is seen as responding to the critique directed against the organisation by introducing a more comprehensive and balanced understanding of poverty and human development in comparison to previous years. Nevertheless, despite the World Bank’s wider view on the challenge of poverty alleviation, the central focus of its work is still on economic growth and there is no clear explanation in the WDR as to how market-oriented economic reforms to stimulate growth can be made more beneficial to the poor or lead to sustainability.³⁵

3.2.3 The Swedish Government’s Policy for Global Development

Despite important changes in the world since decolonisation, Swedish development policies have not changed very much since the government began with development aid work in the 1960s. The focus since then has been on poverty alleviation, supporting justice and emphasising the responsibility of the aid recipients.

Swedish development co-operation is closely linked in history to the work of missionaries and voluntary organisations working in developing countries. Often, the popular movements, which arose in protest to the religious, economic, political and social conditions in Sweden, were the same ones who were engaged in development cooperation before the government’s official international development work began. The Swedish popular movements were instrumental in the social and political changes in Sweden including the creation of the

³⁴ Furtado, X. (2000) “The World Bank’s 2000/01 World Development Report, “Attacking Poverty” – A Critique” (www.cancaps.ca)

³⁵ *ibid*

welfare state, and they applied the same logic in their international development work.³⁶ Due to this historical background, the Swedish government's development discourse has always differed to a certain extent from the one expressed by other major donor countries and institutions. Swedish development co-operation, like the Swedish welfare state, is based on the ideas of moral duty and solidarity and the basic objective of Swedish aid is to raise the living standard of the poor. Geopolitical concerns, such as security, are considered to be secondary to the primary aim of alleviating poverty.

The Swedish government's Policy for Global Development (PGD) adopted in 2003, explains Sweden's take of the new global development discourse based on achieving the MDGs and policy coherence for development. The overarching goals of the PGD are that it should contribute to just and sustainable global development and that this goal should be pursued in all policy areas.³⁷ In the government's latest communication on the PGD, the objective of development co-operation is described as follows:

The overall objective – which applies to all policy areas – is that of contributing to equitable and sustainable global development, and the policy is to be characterised by two perspectives: a rights perspective and the perspectives of poor people on development. To make the fight against poverty more effective, greater coherence is necessary between different policy areas and actors (...) The central component elements of the policy have been grouped under the following headings:

- a) Fundamental values: respect for human rights, democracy and good governance, and gender equality.
- b) Sustainable development: sustainable use of natural resources and protection of the environment, economic growth and social development and security.
- c) Conflict management and security.
- d) Global public goods and global challenges: transboundary issues requiring joint decisions and action on the part of the international community.

(Government Communication 2005/06:204 Sweden's Global Development Policy)³⁸

As mentioned above, the Swedish government's development aid policies are closely linked to domestic policies, from a political standpoint. For this reason, Sweden has a tendency to

³⁶ Onsander, S. "Draft Perspective nr.7: Swedish Development Cooperation through Swedish NGOs"

³⁷ Odén, B. & Wohlgemuth, L. : *Perspectives No. 1 Svenskt biståndspolitik i ett internationellt perspektiv*. p. 20

³⁸ <http://www.sweden.gov.se>

co-operate more with developing countries that embrace similar political views such as Mozambique and Tanzania. From a political perspective, the Swedish government is very different from other donor countries, such as the United States, but from an economic perspective, Sweden is generally in line with other major donor nations.³⁹ Thus, the values that Swedish development co-operation is based on are expressed in different ways as are the government's motives for giving aid (i.e. moral duty and solidarity). However, the strategies that Swedish development agencies (i.e. Sida) employ target more or less the same issues in developing countries. Like the World Bank, the Swedish PGD includes concepts such as governance and economic growth, even though the emphasis on these issues is not put in the same order of importance.

3.3 Microcredit

The traditional banking system does not cater to the poor. Not only do the poor not have access to credit, they do not have the opportunity to take out insurance, have a deposit account or save money for their futures. The bottom line is that poor people do not have collateral and banks are not willing to invest in such high-risk clients.

In the 1970s, it was discovered that the poor will repay small loans if given the opportunity and the microfinance movement was born. The most popular figure of this movement is Muhammad Yunus, founder of the Grameen Bank in Bangladesh. However there are many other grassroots organisations that work with the same idea (e.g. Acción International in Brazil, Opportunity International in Colombia and BancoSol in Bolivia). According to an article in the Economist “there are now some 10,000 microfinance institutions (MFIs) lending an average of less than \$300 to 40 million borrowers worldwide”.⁴⁰ Microfinance institutions (MFIs) have found that the poor do indeed have a capacity to save and a great need to borrow. Financial services can help the poor to fill in the mismatches between income and consumption needs when their incomes are tight and volatile as well as providing them with credit to invest in small businesses.⁴¹

The term microfinance includes the provision of many different financial services to the poor: savings, insurance, money transfers, and credit. However, microcredit has by far been the

³⁹ Odén, B. & Wohlgemuth, L. p.20

⁴⁰ “Time to take the credit”, The Economist, March 15th 2007
(http://www.economist.com/opinion/displaystory.cfm?story_id=8853734)

⁴¹ Roodman, D. & Qureshi, U. (2006): “Microfinance as Business” p.10

most popular microfinance service even though, from a development perspective, there is no reasonable explanation for this. Savings generate income and do not impose the same risks as credit. In an environment where people are extremely poor and highly vulnerable financially due to the volatile nature of their incomes, emphasising savings and deposit would seem to be more conducive to development. An explanation for this, given by Roodman and Qureshi, is that the historical emphasis among MFIs on credit rather than on saving seems to have evolved for practical business reasons rather than because it has been shown that credit helps the clients more.⁴²

There are many different microcredit schemes: the lending sums range from \$50 to over \$1,000 and they are used for everything from buying food to purchasing equipment to start a small business (sewing tools, cups and pitchers to sell lemonade at the market etc). On a global basis, MFIs actually account for a minority of the financial services being offered to the poor (government programs still being the largest), but their popularity over the past couple of decades can be partly explained by the strong role that foreigners are allowed to play in MFI activities. Foreigners from high-income countries are advisers and investors, providing grants and loans, thereby rendering this activity more prominent in development literature in the west. MFIs are regarded as altruistic endeavours based solely upon the concept of solidarity and helping the poor out of their misery. However, in order to be able to properly analyse the effectivity of MFIs, we must regard them from the same perspective as we do any other commercial institution working with development. This does not at all mean that MFIs focus only on commercial success - this is not at all the case - but there is nevertheless a commercial and business aspect to be considered. MFIs such as ProMujer and Crecer in Bolivia offer their clients packages including education and health services along with the credit, and have chosen to keep up with this despite the higher costs. According to these MFIs, these services are necessary to the poorest of the poor and cutting them would undermine the organisations' social mission. Nevertheless, while keeping these services, even these more socially oriented MFIs have moved towards a more commercial mode of operation (in other areas) in order to survive as a business. "As Pankaj Jain and Mick Moore write, "To properly appreciate the great achievements of the microcredit movement, one has to be more sceptical of its self-image than is normally considered polite or respectful.""⁴³

MFIs, like all service institutions, provide products or services as solutions to specific

⁴² *ibid* p. 11

⁴³ *Ibid* p.12

problems. In order to do so, MFIs have had to develop management techniques that are used to build and run effective organisations that can deliver these products and services on a large scale. Depending on the environment in which the MFIs work, the plans have been more or less successful. So far, microfinance schemes have been very successful in Bangladesh, Indonesia and Bolivia but not so successful in Sub-Saharan Africa. All in all, microfinance has flourished in very few places and on a low-scale: statistics from 2000 show that only 3% of MFIs (73 of them) held 80% of microloan accounts (40 million) worldwide and only ten countries had had more than 3 microfinance accounts per 100 people.⁴⁴ Roodman and Qureshi come to the conclusion that environmental factors such as government policies and economic circumstances must be at play. They also point to other factors such as wage rates for loan officers relative to income of clients, competition from the non-MFI sector, competition from subsidised government credit, macroeconomic stability and the regulatory environment. There are many coexisting factors in SSA that narrow the scope for microfinance, such as high wages for skilled labour relative to the incomes of the poor, macroeconomic instability, and high levels of corruption. This latter point does not explain, however, why microfinance has worked so well in Bangladesh, a country that has among the highest levels of corruption in the world.

The data on MFIs suggests that microfinance programs are designed to maximise the impact on clients as well as to maximise profit and maintain sustainability for the institution. The choice between solidarity group lending, village banking or individual lending is made by assessing the business environment and evaluating how much cost the clients are reasonably able to bear. In SSA, the cost that the potential clients could bear often falls far below the minimum limit that MFIs are able to accept, which might be one explanation as to why alternative economic strategies have so far been more popular in this region.

Regardless of where they operate, MFIs face the very real challenges in difficult business environments. Roodman and Qureshi point to the following challenges⁴⁵:

1. Building volume by spreading the fixed costs of lending operations over a large portfolio in order to reduce MFIs' operating costs as a percentage of assets (outstanding loans).
2. Keeping loan repayment rates high.
3. Retaining customers. Since even the most efficient MFIs have a hard time covering costs on small loans, they are forced to progressively move towards larger accounts thereby

⁴⁴ Ibid p.10

⁴⁵ Ibid p. 21

leaving the poorest behind in the long run.

4. Compliance with prudential regulation. Banking regulations decide for the most part what MFIs can and cannot do. One downside of this is seen in savings whereby most MFIs are only allowed to take deposits from people who are borrowing even more than they are depositing at the same time.

5. Minimising scope for fraud. This is especially problematic in the countries in which MFIs operate, where weak transportation and communications infrastructure as well as corruption in business and government undermine organisational activities.

3.3.1 Group lending: Grameen, Acción International & Village banking

There are two main types of group lending: solidarity group lending and village banking.

In 1976, Muhammad Yunus started the Grameen Bank in Bangladesh, an institution whose aim was to empower the rural poor by providing them with microcredits to start small businesses. The Grameen Foundation presents its mission statement as follows:

Grameen Foundation's mission is to empower the world's poorest people to lift themselves out of poverty with dignity through access to financial services and to information. With tiny loans, financial services and technology, we help the poor, mostly women, start self-sustaining businesses to escape poverty.

“Who we are” (www.grameenfoundation.org)

Along with other pioneers in the field, Grameen has made important contributions to development thinking. One of these is the recognition that access to financial services is an important resource for the poor. Another is targeting women as loan recipients as a way of empowering them within their families and communities. Grameen and Acción International developed an alternative to traditional collateral as a basis for lending, thereby enabling the poor to borrow money to start up businesses. The Bank creates borrowing groups, typically of five women, two of who receive a first loan. When they begin to repay their loans, two more women in the group are allowed to get a loan and then the fifth. All of the members of the borrowing group are jointly and severally liable for all the loans taken out and they must each ensure that every member of the group pays back her individual loan on a weekly basis.

When one member manages to pay back her entire loan, she becomes eligible for a larger one as long as the other borrowers in her group are making their payments and approve the individual loan request.⁴⁶

The other main type of group lending is called village banking and was developed in Bolivia in 1984 by John Hatch, founder of FINCA International. The idea here is that village banks give a single loan to a group of 15 to 30 people. The borrowing group then has the authority to on-lend parts of this loan to individual members. The individual loans can differ in size but they all have the same repayment and interest rate terms. In order to reduce the risks involved in large spreads in loan size within the jointly liable group, village banking MFIs try to keep the loan ratio within the group to below 10. In other words, if a few members within the borrowing group have extremely large loans, this can expose the poorest members to unreasonably high risks. The problem is solved by having a maximum-to-minimum loan ratio below 10 (e.g. if the lowest loan is \$150, the highest loan is maximum \$1400).⁴⁷

There are two main differences between village banking and other forms of microfinance: 1) the authority to disburse the loans is delegated to the members and 2) the members elect the office holders of the village bank. The village bank members act as co-guarantors and help decide how much each individual is allowed to borrow.

Group lending methods work in two ways: by promoting mutual support among group members as well as peer pressure to keep up with payments. Both forms have compulsory meetings, either weekly or biweekly, where the members repay their loans or present their savings to the loan officer. Both methods also work with joint liability, which reduces the level of risk for the lenders. The success of joint liability was a puzzle to economists initially since it was not understood why people did not default more often on their loans knowing that someone else in the group would always pay the outstanding amount (i.e. free-riding). However, it became clear that that peer pressure is very powerful in closed community groups as well as the importance of reputation, honour and shame. MFIs that require joint liability rarely need to enforce it because the borrowing members would rather find any other method to be able to make the repayments rather than to shame themselves or their families at the group meetings. Often this means that distressed borrowers are encouraged to acquire the default amount from acquaintances outside the solidarity group (secondary groups).⁴⁸

⁴⁶ Roodman, D. & Qureshi, U. (2006) p.2

⁴⁷ Roodman, D. & Qureshi, U. (2006) p.13

⁴⁸ *ibid* p.15

“Secondary groups play a more specific role in facilitating loan repayment in the initial phase of some programs. When a member can neither meet loan repayment schedules nor source other money for this purpose, field workers encourage her to take a short-term, interest free and typically informal (but publicly known) loan from other member(s) of the secondary group (not especially the primary group) and agree to repay installments in parallel with the program loan... In the longer established MFIs and secondary groups, willingness to provide such temporary loans has declined over time. In such cases ... potential defaulters are expected to find alternate loan sources outside of the secondary group, and prior to the weekly group meeting to avoid disrupting it.” (Jain and Moore)⁴⁹

The social pressure involved in defaulting has different effects. On one hand it can mean that borrowers repay their loans on a timely basis, thereby improving their reputation and making themselves eligible for larger loans. On the other hand, it has also resulted in many clients dropping out of the group lending programs to avoid being shamed if they would happen to default. It appears that the public nature of group lending plays a larger role in timely repayments than formal joint liability. One can say that MFIs substitute reputation for conventional collateral, or “collateralising reputation” as labelled by Roodman and Qureshi.

The success of the Grameen Bank and other initiatives has been noted and similar schemes have been implemented by major organisations such as the World Bank and other development agencies. Microcredit schemes have now become an integrated part of modern development initiatives.

Nevertheless, critics point out that Grameen style initiatives have limited capacity to fight global poverty. In the article “Microcredit: False Hopes and Real Possibilities”⁵⁰, Robert Pollin argues that the effective scope of microcredits is limited by the fact that they are being implemented in a policy setting dominated by neoliberalism, the main principles of which counteract the efforts of the Grameen Bank and similar institutions. A large part of the critique against the Grameen Bank and other MFIs points to the average lending rates, which are much higher than traditional bank rates. Real annual interest rates on group loans are between 30-50%, which, despite being far lower than what local moneylenders typically

⁴⁹ *ibid* p. 15

⁵⁰ Pollin, R. "Microcredit: False Hopes and Real Possibilities," (Washington, DC: Foreign Policy In Focus, June 21, 2007).

charge, are much higher than borrowers in high-income countries would pay. Microfinance defenders argue that these rates are appropriate as well as necessary to account for the high risks to the lenders and the relatively higher costs on the part of the MFIs. Another defence is that MFIs are dependent on attracting profit-seeking bankers (not just aid agencies and private altruists) into the business if they are to reach their goal of lifting the more than 1 billion people living on about \$1 a day out of poverty, and profit seekers would not be willing to invest if the rates were lowered.

Another important critique points to the accuracy of the Grameen Bank's claims that repayment rates are as high as 95%. Instead of declaring borrowers in default when they are unable to make their payments, Grameen chooses the more humane approach of allowing them to skip over or stretch out their repayments. Alternatively, distressed borrowers are encouraged to find funding outside the core solidarity group in order to make their payments on time. While these options may be more effective for the sake of maintaining the quality of the bank's portfolio, critics accuse Grameen of adjusting their statistics in order to continue attracting investors, a practice which is clearly not in line with transparent reporting.

Even if the credit terms would be lowered, Pollin points out that microenterprises run by poor people cannot be successful simply because people have the opportunity to borrow money. The domestic context in which these enterprises function must be improved in order for the schemes to have the desired effect. Societies need a decent transportation infrastructure in order for people to move their products to the market place, marketing support so that business people can reach customers, a high level of domestic demand (i.e. enough people with enough money to buy what these enterprises have to sell) and an abundance of wage-earning jobs in the local economy so that the number of people trying to survive as microentrepreneurs falls, thereby reducing competition and ensuring that existing microbusinesses thrive. In other words, as it is today, there are too many microentrepreneurs working in a non business-friendly environment, trying to sell goods to people who cannot afford to buy them. The measures that need to be undertaken in order for microenterprises to succeed in the long term are closely associated to what used to be known as the "developmental state economic model" before neoliberalism took over in the 1970s. The developmental state economic model included versions such as state socialism, import-substitution industrialisation, and the East Asian state-directed economies, which were all successful in promoting economic growth and greater equality. The state-directed development bank, which was one of the central parts of the developmental state model,

provided cheap, long-term credits for domestic businesses in much the same way as MFIs do today. Although the credit provided by the state development banks focused on bringing large-scale domestic enterprises into the export market, Pollin argues that the basic idea could also be used to expend affordable credits to small and micro enterprises producing primarily for the domestic market.⁵¹

3.4 Interest-free money & Community exchange

In the book “Interest and Inflation Free Money”, Margrit Kennedy explores how money works, how it “makes the world go round” and also wrecks it in the process.⁵²

According to Kennedy, “the huge debt accumulated by Third World countries, unemployment, environmental degradation, the arms build-up and proliferation of nuclear power plants, are related to a mechanism which keeps money in circulation: interest and compound interest”.⁵³ Money is undoubtedly one of the most ingenious inventions of mankind in that it helps the exchange of goods and services, without the limitations of direct exchange (barter system). On the other hand, money can also hinder the exchange of goods and services by being kept in the hands of those who have more than necessary. The way money works in the modern world is that those who have less than they need pay a fee to those who have more in order to gain access to goods and services. According to Kennedy, this could be seen as “unconstitutional” in a democratic context... One of the reasons why this system is allowed to continue is that the average citizen does not really understand how money works. The first misconception that Kennedy points to is the idea that there is only one type of growth, namely physical growth in which the body in question grows to an optimal size. This is applicable in nature (human bodies, plants etc) as well as to systems (e.g. organisations, institutions). This type of idealised growth is fast at first and then gradually slows down until it comes to a stop. Growth can then continue from a qualitative perspective (i.e. we get wiser with age) but not quantitatively. Kennedy argues that there are two other types of growth: mechanical or linear growth and exponential growth. Mechanical or linear growth is constant as long as the input is constant (e.g. machines produce goods or

⁵¹ Pollin, R. "Microcredit: False Hopes and Real Possibilities," (Washington, DC: Foreign Policy In Focus, June 21, 2007).

⁵² Kennedy, M. (1995): “Interest and Inflation Free Money”

⁵³ *ibid* p. 13

coal produces energy as long as the machines are running or coal is added). The third type of growth, exponential, is the exact opposite to the first type of growth in that it starts off slowly, picks up speed and continues faster and faster until the growth pattern is almost vertical. In nature, cancer follows this growth pattern: it accelerates to the point that it can no longer be stopped, often ending with the death of the host organism. Kennedy likens this growth pattern to the interest-based monetary system that we have today: the growth is beneficial to a minority and is lethal to the majority. In her own words, “Interest, in fact, acts like cancer in our social structure”.⁵⁴

The way that interest acts like a cancer is explained by Kennedy’s refutation of the misconception that we are all equally affected by interest in the present monetary system. In other words, people who borrow money think that interest rates are an unfortunate part of the financial agreement but that everyone suffers equally. The reality is that the majority of the population pays more interest than it receives whereas the wealthiest minority receives more than it pays. The absolute wealthiest elite receives about twice as much interest as it pays, which is the equivalent to the interest that the majority has lost. The rich get richer and the poor get poorer due to this hidden redistribution mechanism which constantly moves money away from those who have less towards those who have more.

“The interest and compound interest mechanism not only creates an impetus for pathological economic growth but ... it works against the constitutional rights of the individual in most countries. If a constitution guarantees equal access by every individual to government services – and the money system may be defined as such – then it is illegal to have a system in which 10% of the people continually receive more than they pay for that service at the expense of 80% of the people who receive less than they pay.”⁵⁵

Another important misconception that Kennedy addresses is the idea that inflation is an integral and almost “natural” part of free market economies, since there is currently no capitalist country in the world without inflation. However, the tendency towards inflation that is causing interest payments to rise exponentially in relation to the lesser growth in governmental income, GNP and the salaries of the average income earner is clearly unnatural

⁵⁴ *ibid* p. 25

⁵⁵ Kennedy, M. (1995): “Interest and Inflation Free Money”, p. 25

and unhealthy according to Kennedy. Sooner or later government debts will outgrow government income, even in industrialised nations. She draws the analogy of a child growing three times his size while his feet grow to eleven times their size at the same time. Such unequal growth in a human body would be considered to be a serious illness, and yet it is commonly considered to be natural in the monetary system. Kennedy argues that inflation is simply another form of taxation through which governments try to overcome the worst problems of increasing debt.⁵⁶

Considering the effects that the interest-based economy are having on society, whether one looks at inflation, social equity, or environmental consequences of exponential economic growth, Kennedy suggests that it would be sensible to replace the “mindless financial obsession” with a more adequate mechanism to keep money in circulation.⁵⁷

The idea that money needs to be kept in circulation through another mechanism (that does not involve interest) is the basis of several economic models that are being implemented today in different countries. In Kennedy’s book, the central message is that money should be put on an equal footing with all other goods and services by charging an annual maintenance costs, thereby freeing the economy from the ups and downs of economic speculation. In other words, money-owners should not profit from holding on to their money when the interest rate is low and then lending it out to those in need when the interest rate is high. The result of this is that the economy continuously swings between halting investments, bankruptcies and a decreasing number of jobs to inflation and back to a “strike” of capital again.

In 1890, Silvio Gesell, a merchant who observed the “money phenomenon”, formulated a theory of money and a “natural economic order” through which he suggested securing the money flow by making money a government service subject to a use fee. The central idea with Gesell’s argument is that instead of paying interest to people who have more money than they need and in order to keep money in circulation, people should pay a small fee if they keep the money out of circulation. Instead of interest being a private gain as it is today, the fee on the use of money would be a public gain, returning into circulation in order to maintain the balance between the volumes of money and economic activity.⁵⁸

The actual method by which this theory has been put into practice differs from organisation to organisation but the basic idea is the same: money should be free and should circulate freely through the society, towards those who have less than they need. The first model

⁵⁶ *ibid* p.29

⁵⁷ *Ibid.* p.29

⁵⁸ *Ibid* p.36

experiments in the 1930s, carried out by the *Freiwirtschaft* (free economy) followers of Gesell's theory, were successful in that they challenged the mainstream economic order. In Austria, the experiment was so successful and popular that the Austrian National bank saw its monopoly endangered and prohibited the printing of this free money. Since then, no other community in Europe has been able to successfully repeat the experiment, despite a long-lasting judicial battle that went right up to the Austrian Supreme Court.⁵⁹

A more detailed technical explanation of the failures of the present monetary system and of how a new global monetary system would look according to Kennedy and other counterpoint economic theorists is not within the scope of this paper. In the following sections, I will focus on the discourse that has inspired the various thoughts and experiments on interest-free systems and present examples of counterpoint economic models that have been implemented in different parts of the world. These models differ greatly in their objectives and function, from savings and loans on one side to exchange of goods and services on the other, and from local institutions to nationwide ones. Nevertheless, they all have the same founding ideology, explained by concepts such as sustainability, community, solidarity, justice, freedom, emancipation, many of which are also used in the dominant development discourses, albeit with different goals and working methods.

Margrit Kennedy argues that monetary reform is one important aspect of the total global transformation and expresses surprise that experts occupying themselves with alternatives to the present economic system fail to address the issue of money, how it works and what it does to society. The focus is put onto other development areas but the concept of how we deal with money is not questioned or criticised by most people working in the field. In a sense, it is taken for granted that the present monetary system is natural and fixed, and it is other aspects (economic, social and political) that have to be changed. Kennedy does not presume to say that monetary reform is more important than any other aspect but that it warrants the same level of attention. In the chapter, "Replacing revolution with evolution" Kennedy states:

While the three reforms – in money, land and tax systems – proposed in this book constitute only a small part of the overall changes that are necessary for survival on this planet, they may fit readily into many attempts to create a new relationship between human beings and nature - and human beings and their fellow human

⁵⁹ *ibid* p.38

beings. Social justice, ecological survival and freedom are threatened where we allow the proliferation of societal structures which in themselves tend to work against these goals.”⁶⁰

The following two chapters present two models of monetary reform. The first one is a bank system (money) and the second is a community exchange program (goods and services).

3.4.1 The JAK Bank Model

The social movement JAK⁶¹ was started in Denmark in the 1930s, by farmers who could not hold on to their properties due to being in debt, despite their farms being productive. Together with traders and producers, the farmers developed their own interest-free currency and banking system. The Danish system prohibited the new currency when it started to be successful and bring profit to the farmers and the system was shut down between 1934 and 1938. In the 1960s and 70s, the schemes started again, this time in both Denmark and Sweden.

In the “JAK Book on Interest-Free Economy and Economic Emancipation”⁶², the author starts off by describing the values that are the foundation for the bank’s economic actions and decisions. These are:

Holistic perspective: all human beings should be treated as free and equal individuals. We should strive for diversity and cooperation. Ethical considerations are more important than selfish profit motivations.

Justice: money should be an interest-free exchange good and not a tool for speculation. The economy should work to erase the inequalities between rich and poor. The interest system is unjust because it redistributes money from those who have little towards those who have a lot.

⁶⁰ *ibid* p.98

⁶¹ The initials J.A.K. stand for Jord (land), Arbete/Arbejde (work) and Kapital (capital) in Swedish and Danish.

⁶² “JAKBoken om räntefri ekonomi och ekonomisk frigörelse” (2005)

Ecology: the economic reality should be inferior to the need for ecological sustainability. Livelihood should not jeopardise our ecosystems, hence the bank's objection to constant economic growth. Interest-free financing encourages long-term investments, which is a condition for sustainable development.

Democracy: a just economy entails a democratic system in which everyone's opinions and ideas are equally important. Everyone should have access to the information necessary to make decisions.

Local and global perspective: sound local economies form the basis of sound globalisation. Money should be used locally where people live and for real needs.⁶³

JAK is a cooperative bank founded on the concept of solidarity, a concept that is an integral part of the Swedish welfare system. All JAK members have the same possibility and right to open accounts and to borrow money. All members get the same conditions and no one can acquire better treatment or conditions based on their social, political or economic power in the society. JAK members "turn their backs" on the generally accepted idea that it is acceptable to receive payment in return for lending out one's money. Through the saving/loan system, JAK's objective is to show that solidarity to the benefit of everyone is not only possible but also desirable if we are to achieve sustainable development. The long-term socio-political aim of JAK, according to Kennedy, is "to make interest unnecessary so that an economy can exist in balance with nature, without inflation or unemployment".⁶⁴

JAK is successful in Sweden with 33,000 members and an annual growth of 7%. Members' savings finance all loans and the total savings of the bank (€87 million) are much higher than the total loans (€ 76 million). Since members must save as much as or more than they borrow, the system maintains a balance. The bank's administrative and development costs are covered by the members' annual membership fees and loan fees, which equals approximately 2.5% effective rate of interest.

The bank offers three financial services to its members:

1) Interest-free savings accounts

⁶³ JAKBoken (2005) p.8 My translation

⁶⁴ Kennedy, M. (1995) p. 122

2) Balanced Savings Loans

3) Support Savings & Loan Instrument

The savings loans system entails that members must save as much as they borrow. The solidarity aspect of the bank lies in this equation: everybody saves so that everybody can borrow. Some save before borrowing and others, generally those who are not so well off or who need an immediate loan without having had the chance to save up enough, save after borrowing. Nevertheless, everyone is equal in that the savings are equal to or higher than the loans.

Regular interest-free savings finance loans for other individual members, families and small businesses. However, the support savings system enables members to direct their savings towards a specific social cause. In other words, the member specifies that the savings in his or her account should be loaned out to finance certain projects. Often, this form of saving finances larger local projects such as development work in a community, building a school or starting a newspaper, for example. This does not mean that the saving member gives away any money to the project, it simply means that the member shows support for the project by directing his or her “saving points” towards this cause.⁶⁵

There is very little critique to be found against JAK Bank mainly because it is very successful in Sweden and very appreciated by its members. The concept of solidarity is well integrated into the Swedish social and political system, and many policies and institutions are the result of solidarity driven social movements starting up in the 1960s and 70s or even earlier as in the case of the building of the welfare system or the beginnings of Swedish international development work.

Nevertheless, one critique of JAK is possibly that it is not widespread enough in the world for people to analyse whether or not it is a viable system for sustainable development in lower income countries. The system is after all being implemented in a wealthy society, in a country that has low levels of corruption, high levels of judicial regulation and a sound infrastructure.

There are equivalent, albeit informal, systems in developing countries, mostly in SSA, called savings clubs. The idea is that the members help each other to save (in a collective “pot”) and each member is given the opportunity to borrow from the pot. Since these clubs are small and the income levels of the members are low, only one member is allowed to borrow at any

⁶⁵ For more specific information on how the different saving loan systems work, see www.jak.se

given time. The loans are used to finance important events (e.g. weddings, funerals) or emergency situations, which are not covered by regular incomes. In certain groups, the savings are not in the form of money but of predetermined amounts of coffee, flour or other such goods. In this way, the savings club is protected from the effects of inflation. This system is also based on solidarity and trust. However, due to the informal nature of a savings club and the low incomes of the members, they can never grow to the point of involving many members or financing large development projects.

3.4.2 The LETS model

The LETS (Local Exchange Trading System) model is an alternative community exchange program, which makes possible the exchange of goods, services and skills without the use of cash. The idea behind LETS is that everyone has something to offer, even the poorest, and that everyone has needs. LETS allows all its members to trade on an equal footing, thereby enhancing the distribution of existing resources and empowering people who have previously been given the message that they are not useful in the economy.⁶⁶

Money is actually an immaterial measure, like a centimeter, a liter, a kilogram or a degree. Whereas there is a definite limit to real resources (only so many tons of wheat, only so many meters of cloth, only so many hours in a day), it is not possible to be lacking in means of measurement. "No, you can not have any centimeters today, they are all being used to build the office tower downtown". Until today, it is precisely this attitude in which we persist regarding money. Money is thus nothing other than a symbol, generally recognized as valuable in the society by those who use it. Why do we have to be short of symbols to keep track of what one offers to someone else?

Michael Linton

Founder of the first Local Exchange Trading System (LETS)⁶⁷

LETS networks have their own unit of exchange, chosen by the members, which they use to

⁶⁶ DeMeulenaere, S. "Doole – The Strength of Union" ENDA GRAF. p.4

⁶⁷ *ibid*

“purchase” goods and services from each other.

LETS has grown in different areas of Africa to a greater extent than microcredit institutions. One reason for this is possibly that the poverty levels in many parts of Africa are so overwhelmingly high that microcredit schemes are not viable there.

One of the most successful examples of LETS circles in Africa is the Doole network (meaning “the strength of the union” or “force” in Wolof) in Dakar, Senegal. The members of this network minimise their use of the national currency. Rather than spending the few West African Francs that they earn, they use the Doole currency (“Bon D’Echange” or simply “Bon”) to acquire what they need. Each Bon is valued in hours and can purchase goods and services at the monthly markets and the Doole boutique (food, clothes), pay for services provide by another member of the network (electricity, education, embroidery, woodwork etc) and learn skills at the Doole University (courses in literacy, languages, computer work, business management).⁶⁸ The foundation of this network is solidarity and community spirit and the objective is to help each other and alleviate poverty. In the spirit of community, the members of the network also work in the collective interest performing activities such as working in the community gardens. For this, they are paid in Bons by the association.

For example, if a member spends eight hours working in the community garden planting vegetables, which the association can sell, she is paid 8 Bons (1 Bon=1 hour). With this she can buy food, take a course at the university, have her leaking roof fixed. If she then wants to do something that is not offered by the network, she can use her Francs.⁶⁹

Other examples of LETS networks in SSA are the ILASA LETS in Lagos, Nigeria, the SANE (South African New Economics Network) Community Exchange System and community exchange programs in Kenya and Cameroon.

4. Analysis and discussion

In this chapter I will analyse the discourses presented in the different theories on development above in order to answer the research questions I posed in the beginning. My objective here is to see the chosen discourses from a CDA perspective and to discuss whether the theories I have discussed above that claim to be counterpoint theories actually challenge

⁶⁸ *ibid* p.5

⁶⁹ *ibid* p.5

the dominant discourse or if they are actually a part of the same discourse. In answering my research questions from a CDA perspective, I would like to challenge the commonly accepted definition of the concept *sustainable development* and invite the reader to consider whether the presented discourses are conducive to long-term, sustainable global development.

In the conclusion chapter, I will present the main results of this research and see if I have fulfilled my initial research aim. I would like the conclusion to clarify my final analysis to the reader as well as creating a bridge to possible future research.

4.1 The dominant discourse on development

The dominant discourse on development uses the term sustainable as often as it can, partly in order to give credibility to the development policies supported by aid agencies. At the same time, the idea of sustainability is presented in connection to economic growth and material gains as if there is an obvious correlation between the elements. In this discourse, economic development is taken to be a process leading to economic growth via an adjustment process in which political, social and economic institutions are created or adapted to suit modern (western) standards. The MDGs introduce a humane face to the global problem of extreme poverty and its related ills but these are a statement of the problem and not a specific method to be employed. The development policies and strategies that are then implemented by aid agencies have the same short and long-term goals in mind: economic growth and structural adjustment of the economy as the path to poverty alleviation and sustainability. The dominant discourse does not have cultural or social differences as a central theme in the formulation of development policies. The goals presented are based on values that are taken to be universal and attractive to all.

Another central theme in the dominant discourse is the trickle-down effect, although this is not explicitly stated. Development is seen as a job for the experts, and a process that the poor of the world will benefit from, without having to be overly involved in the decision-making process. In this discourse, the idea of community and the exchange of ideas on an equal footing is toned down or not mentioned at all.

The World Bank defines the challenge of development as the reduction of poverty. The method that the organisation chooses to do this is building a climate for investment, jobs and

sustained growth. The view on development here is largely economic with an emphasis on market forces, creating a business environment and encouraging good governance, all of which point to a top-down approach rather than a local, community-based approach. The WDR from 2000 focuses on rehabilitating state institutions to meet the needs of the poor and expanding economic opportunities for the poor among other things. The language of the text emphasises the dominating role of the donors and state institutions, but not of the people at the grassroots level. Local initiatives for development are not mentioned despite the mention of the concept of empowerment. Instead, the World Bank shows how much it is changing its own strategies and perspectives in order to better meet the goals of the Millennium Declaration. Empowerment appears to be another part of the aid package that is handed to the poor.

The Swedish development discourse differs from the World Bank discourse in that it places a lot of responsibility onto the recipients. However, it is similar to the former in that it also emphasises economic growth, albeit not to the same extent. In the case of the Swedish PGD, a lot of emphasis is put onto solidarity and coherence and yet there is no actual mention of ideas presented by non-aid actors. The harmonisation of policies is limited to those coming from similar institutions and not social movements that challenge the dominant discourse. In the dominant discourse, the term sustainable development is often mentioned but there is no clear explanation (that I can see) as to how economic growth can be sustainable in the long run or how this growth meets the needs of the poorest members of the developing societies.

4.2 Microcredit and the dominant discourse

The Grameen Bank and similar institutions present an interesting challenge in discourse analysis. Grameen is originally a grassroots initiative, targeting the poorest people in the society. Thus, the microcredit revolution presents itself as a counterpoint theory in a field where development policies are formulated at the top of the political chain and implemented from the top down, with the grassroots level as the (passive) recipient. In analysing microcredit as a tool for sustainable development, we must look at the different aspects of the system, namely the system's view on the concept of sustainable development, the goals articulated by microcredit institutions and the methods employed to reach these goals.

According to Yunus, the goal of microcredit is to bring, and keep, as many people as possible out of poverty. The fact that giving credit to entrepreneurs is seen as the way to do this is an indication of the institution's view on the concept of sustainable development. These two aspects do not challenge the mainstream discourse since both see economic growth as the way to long-term development.

The discrepancies arise when one looks at the specific methods used to bring credit to entrepreneurs. The credit is microcredit and the entrepreneurs are poor people who do not have the collateral to secure loans from traditional financial institutions. Furthermore, the bank is owned by its members which somewhat limits the control that foreign organisations can have over the activities of the local bank. In this sense, the microcredit initiative seriously challenges the mainstream discourse that upholds a strict power hierarchy with the donors and state institutions at the top, and the poor people and grassroots movements at the bottom. Seen from a broader perspective, microcredits focus on bringing individuals or limited groups of individuals out of poverty rather than advancing entire communities. According to Yunus, extending credit to groups of individuals will have an effect on entire communities, an idea which sounds suspiciously like the trickle-down theory, thus placing microcredit back in line with the dominant discourse.

The methods employed to bring credit to the poor represent one of the counterpoint aspects of the microcredit initiative, mainly because they are implemented in a policy setting dominated by neoliberalism, which is generally opposed to credit subsidies and related systems of support for domestic businesses such as microbusinesses. Although microcredit has been accepted and even praised by dominant development actors and organisations, microcredit institutions have been forced to change many of their initial practices in order to survive. In this sense, one could say that the discourse of microcredit has been incorporated into the mainstream discourse by changing certain counterpoint aspects of the former in order to adapt it to the latter. Nevertheless, the discrepancies between the different aspects of microcredit institutions limit the capacity of this strategy to alleviate global poverty. On one hand, it could be seen as a positive development that microcredit institutions adapt themselves to the dominant discourse in order to be able to survive in a world ruled by western neoliberal policies (i.e. it is better to survive and make any difference possible than to be rigid and not survive at all). On the other hand, microcredit critics might see this development as an indication that the dominant discourse is slowly but surely suffocating grassroots initiatives to the point that development work will once again be completely in the

hands of donors.

The other form of group lending presented above, village banking, is situated further away from the dominant discourse mainly because it focuses its efforts on large groups rather than on individuals or small groups. In this model, the focus is on placed equally on empowerment and solidarity. The empowerment aspect manifests itself in two ways: one, that the members elect their bank representatives and two, that the members receive the credit in a lump sum and decide themselves who to distribute the money to and what this money is going to be used for. The responsibility is in the members' hands and the bank is simply there to help them with the practical accounting and administrative details. The solidarity aspect is evidenced by the fact that a large group of individuals, each with varying income levels, decide to trust each other enough to take a loan together and shoulder the responsibility for this loan together.

Nevertheless, the village banking model is also based on the idea that economic growth and business are the way to sustainable development, thus putting them in line with microcredit and the dominant discourse in certain key aspects.

4.3 Interest-free economies and community exchange in relation to other discourses

The interest-free and community exchange models presented above differ drastically from the other discourses in their view of society, nature and the relation between the two. In this discourse, sustainability is a central theme, just as it is in the dominant discourse. However, it is only here that one can see a link between the definition of sustainability and the methods employed with that objective in mind. One of the main factors that separate this discourse from the other two is the emphasis on the constant circulation of resources as opposed to economic growth. In the dominant discourse, the term sustainable development is used but there is no evidence to show that the development strategies that have been implemented to date will lead to long-term sustainable changes. On the contrary, development efforts have often been frustrated by social indicators falling despite economic growth and conflicts re-erupting after having been settled. In Sub-Saharan Africa especially, poverty has not been alleviated by development strategies and today, the crisis is as great as or greater than it has been over the past four decades. The counterpoint theories presented here, on the other hand,

show a clear connection between their models and long-term sustainability. This is also proven by the success of their institutions such as JAK and the various LETS networks. From an economic standpoint, there is no reason to think that these models would not be sustainable since they do not encourage growth but are based on the constant circulation of existing resources. However, problems with these models could arise if the members would no longer be interested in simply keeping the same standard of living but would want more. In other words, this discourse is dependent on everyone being satisfied with what they have and constantly keeping the wellbeing of others in mind, which is not always realistic.

Another important aspect of the interest-free and community exchange theories is that they are started and sustained at the local, grassroots level. They do not formulate far-reaching global strategies and their targets are themselves. In other words, communities formulate their own views on their own development and implement it in a way and at a level that correspond to their particular social and cultural realities. Each of the interest-free/community exchange systems presented above are local and the methods are specific to their societies. The members of the networks all have equal rights to the systems and they all benefit equally from them. The concept of ownership is much more incorporated into these systems than in other systems based upon the dominant discourse, where ownership has to be added to development projects so that the recipients can adopt the foreign policies as their own.

The dominant discourse theories and the microcredit theories make global claims whereas the interest-free and community exchange theories emphasise the importance of local systems. Nevertheless, all theories present values as being universal. This is perhaps human nature in the sense that we think that our ethical framework is the “right” one. The difference in the theories is that whereas the dominant discourse presents universal values and enforces them using the carrot and stick approach, counterpoint theories do not have the capacity to force themselves onto the global stage even if their advocates would be so inclined. Counterpoint theory advocates tend instead to suggest strategies that could be adapted to different local settings, as is the case with LETS advocates.

4.4 Discussion

The concept of sustainable development is the basis of all modern development work.

However, there are many different ideas about what that means and how it should be achieved. I do not have a clear idea about what sustainable development means in the dominant discourse whereas I think that it is explained quite well in the counterpoint ideas. The international aid system, as part of the hegemonic discourse, implements policies and projects that emphasise economic growth as the basis for development. Although this idea has been adapted over the decades since neo-liberalism became the leading economic model, the underlying discourse is still the same.

In the world of development cooperation, it is taken for granted that development should be sustainable and that all development policies and strategies should inevitably lead to long-term changes. However, the aid and development packages that have been offered to developing countries, especially those in Sub-Saharan Africa, have rarely led to long-term changes, even where there has been a certain measure of development. Perhaps one of the reasons for this has been the lack of cultural understanding on the part of the donors implementing the development projects in the receiving countries. The different policies that have been formulated over the years have had the same underlying cultural or political bias, which has meant that they have not been suited to the local social and cultural conditions. As mentioned in the chapter on economic growth and welfare, the needs expressed by people in the western world are not necessarily the same as those expressed by people in developing countries. For this reason, development policies should be based on local perceptions of welfare and development. Despite this fact being brought up in a vast amount of literature, development policies are still very much based on western standards of welfare and western economic and social practices.

The concept of policy coherence for development is meant to harmonise policies so that development goals are not undermined. Another important part of this concept is that ideas from non-aid institutions should be used to improve upon existing development policies or to aid in the formulation of new ones. Why then are counterpoint theories such as JAK's collective savings idea not being taken into consideration? It might not be realistic to switch to an interest-free economy for the time being (or maybe never) but considering the problems that poor countries are faced with today, governments adopting coherence as an integral part of their development policy have a duty to test other development ideas than the ones already in place.

5. Conclusion

In this paper I have argued that the dominant discourse on development is based on values and lifestyles that are not necessarily compatible with the social realities of developing countries, especially in Sub-Saharan Africa where countries are experiencing higher levels of poverty and conflict than in any other area of the world. Furthermore, there is little if any evidence that the strategies adopted by advocates of the dominant discourse lead to sustainable development. Despite increases in GDP, many countries in Sub-Saharan Africa have shown a decrease in development indicators such as overall poverty levels, health and nutrition and infant mortality.

Secondly, I have argued that microcredit is not completely a counterpoint theory even if the methods employed to give credit to the poor are not fully in line with mainstream neoliberal economic theory. Although microcredit has had great successes and has changed the lives of great numbers of people, it is not the answer to global poverty by itself mainly because it focuses on individuals or small groups of individuals and not entire communities. Moreover, microcredit targets individuals who claim to want to invest in small businesses (even though they might actually use the money for consumption needs), and this excludes other non-economic development needs. Although MFIs claim to have a social mission including health and education services at a communal level, very few of them give credit solely for this purpose as it is not profitable.

The context (i.e. infrastructure, judicial and political systems) in which microcredit is implemented is very important to the outcome of the system. Furthermore, there is no evidence that microcredit systems are sustainable. On one hand, if they continue to focus on the poorest people, MFIs are not likely to survive due to the saturation of the market for microentrepreneurs and the lack of profit. On the other hand, if MFIs give larger loans to people with slightly more income, they move away from their goal of alleviating poverty for the masses. In the absence of other complementary development strategies, microcredits by themselves do not appear to be a sustainable option.

Thirdly, I have presented counterpoint theories that challenge the dominant development discourse as well as the microcredit discourse. The validity of these counterpoint theories is demonstrated by the fact that they have been successfully implemented in different parts of the world, in high as well as in low-income countries. The values that these counterpoint theories base themselves on stem from a fundamentally different discourse, which sees

sustainable development as a constant redistribution and circulation of resources as opposed to exponential economic growth.

My final aim with this paper was to present the reader with ideas on how the different discourses could meet to achieve our common goal of alleviating global poverty. A possibility that would be in line with policy coherence for development would be to test different ideas from aid as well as non-aid institutions, social movements and individuals, to see if there are any models that could complement each other. Combining global policies from international organisations and states with local community based initiatives might be more conducive to sustainable development rather than keeping up a constant conflict between dominant actors and grassroots movements. Sharing the burden could also mean that each institution or actor can use its particular skills or resources to the fullest extent in the common battle against poverty and social inequality. Microcredit could possibly be more effective if the recipients did not use the credit for consumption needs. The system could also greatly benefit from people being educated and taken care of in other ways by community exchange networks. Also, community exchange programs could thrive more if their members could secure credit to start businesses that would help their communities.

Encouraging and supporting local initiatives would also empower individuals and reduce developing countries' dependency on wealthy countries, in the sense that communities would be meeting their own needs to a larger extent than they are today.

In line with my chosen methodological approach, critical discourse analysis, this paper is simply an attempt to uncover and challenge commonly accepted dominant views in the hope of placing the readers in a position to resist social inequality and strive for social change. I hope that you, the reader, feel inspired.

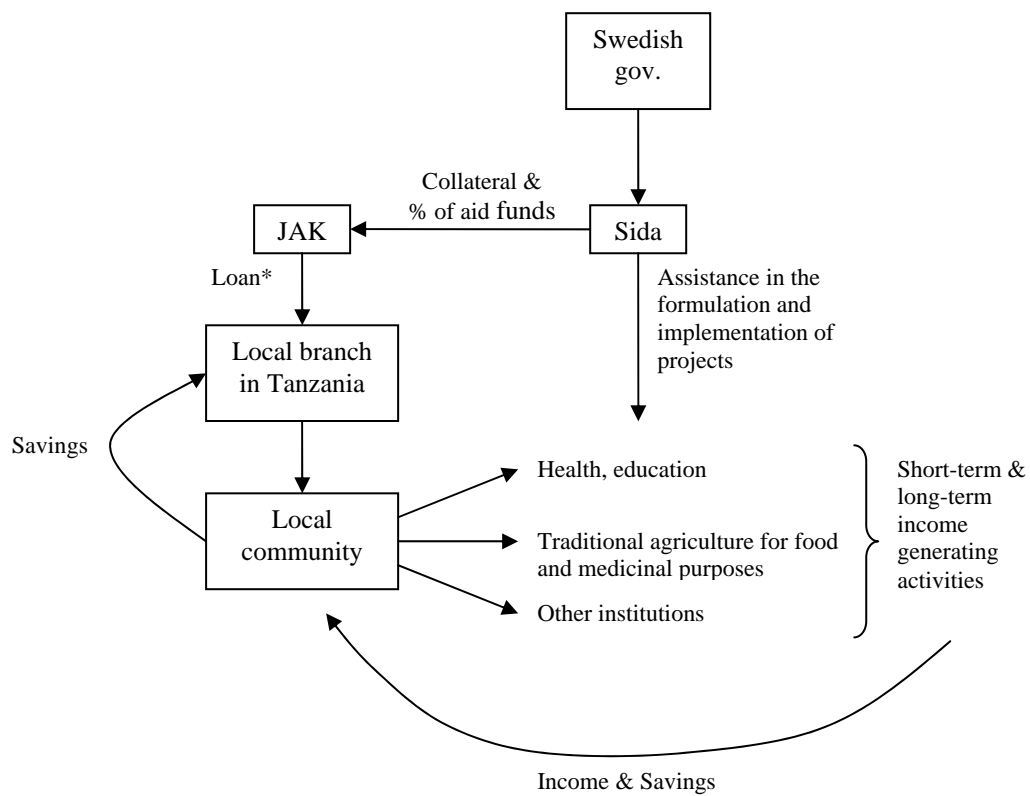
6. Ideas for the future

In the future, I would like to formulate a project proposal that would entail a form of cooperation between JAK and a development agency whereby a percentage of government aid funds would be reallocated to:

1. Create a local branch operating under the JAK concept in a chosen development country
2. Provide an interest-free loan, through the local bank, to a certain low-income community in the chosen country.

The loan from JAK Bank would be repaid by the development agency (eg. Sida) and would be used by the community to promote local institutions that satisfy basic needs, such as education and health care. This loan would also finance empowerment projects (eg. training workshops) that would enable the members of the community to continue running their institutions independently of donor countries. Once the community's basic needs are covered, the members can start income generating activities, a percentage of which would be allocated to saving, which is also a part of the JAK concept.

Below is an illustration of this proposal.



* The JAK loan is in two parts: the lender must repay the loan (interest-free) and save the same amount. When the loan and the saving is completed, the client can then borrow based on accumulated “loan points”, without having to save any money. Ex: if a new client, with no prior savings in the bank, receives 1000kr, he must repay 2000kr, of which 1000kr will be his savings once the repayment period is over. He can then borrow another 1000kr without having to save any more money. Alternatively, he can borrow a higher amount and save the difference (ex: borrow 1500, repay 1500 and save 500. Result: 1500 saved)

SOURCES

Books:

- © Ezeala-Harrison, F. (1996): *Economic Development: Theory and Policy Applications*
- © Haynes, J. (ed.) (2005): *Palgrave Advances in Development Studies*
- © JAK (2005): *JAKBoken om räntefri ekonomi och ekonomisk frigörelse*
- © Kennedy, M. (1995): *Interest and Inflation Free Money*
- © Rist G (2002): *The History of Development. From Western Origins to Global Faith.*
- © Roodman, D. & Qureshi, U. (2006): *Microfinance as Business*
- © Todaro, M. & Smith, S. (2003): *Economic Development* (8th edition)

Reports:

- © UNDP (2005): *Human Development Report 2005*
- © World Bank (1991): *World Development Report 1990: Poverty*

Articles:

- © Furtado, X. (2000) "The World Bank's 2000/01 World Development Report, "Attacking Poverty" – A Critique" (www.cancaps.ca)
- © Pollin, R. "Microcredit: False Hopes and Real Possibilities," (Washington, DC: Foreign Policy In Focus, June 21, 2007).
- © "Time to take the credit", *The Economist*, March 15th 2007

Working papers and essays:

- © DeMeulenaere, S. (1999) "Doole – The Strength of Union" (report written for ENDA-GRAF)
- © Fairclough, N. (1995): "Critical Discourse Analysis"
- © Hart, C.: "Meaning Construction in Political Texts: A Cognitive-Pragmatic Approach to Critical Discourse Analysis" (<http://www.hartcda.org.uk/workinprogress.html>)
- © Odén, B. & Wohlgemuth, L.: *Perspectives No. 1 Svenskt biståndspolitik i ett internationellt perspektiv.*
- © Onsander, S.: *Draft Perspectives nr.7: Swedish Development Cooperation through Swedish NGOs.*

- © Sylvain, E. (2007) “Economic Alternatives for Sustainable Development – an exploration of contrasting ideas and strategies for development”, University of Gothenburg.

Internet sources:

- © Hart, C. (2006) “Socio-cultural analysis” (<http://www.cadaad.org/glossary>)
- © Resolution adopted by the General Assembly 2000: “United Nations Millennium Declaration” (<http://www.un.org/millennium/declaration>)
- © Swedish Government Ministry for Foreign Affairs “Global development and development cooperation” (<http://www.sweden.gov.se>)
- © The Grameen Foundation (<http://www.grameenfoundation.org>)
- © The World Bank (<http://www.worldbank.org>)
- © UN Millennium Development Goals (<http://www.un.org/millenniumgoals/>)
- © Unicef (<http://www.unicef.org>)
- © OECD (<http://www.oecd.org/glossary>)

Lecture:

- © Andersson, P. Lecture at the School of Global Studies, Gothenburg University. November 2006