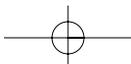
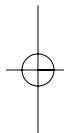
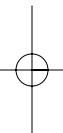
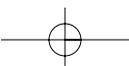
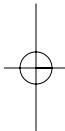
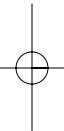
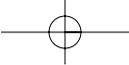


Overselling the Web?





Overselling the Web?

**Development and
the Internet**

Charles Kenny



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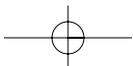
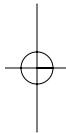
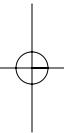
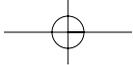


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Preface

The Nation is now in its 95th month of continuous economic advance. Both in strength and length, this prosperity is without parallel in our history. We have steered clear of the business-cycle recessions which for generations derailed us repeatedly from the path of growth and progress.

THE ABOVE QUOTE COMES from the Report of the US Council of Economic Advisers. It is, as it happens, not from a report to Bill Clinton toward the end of his term, but from one to Richard M. Nixon in 1969.¹ Many others were terribly optimistic regarding the effects of the 1946 Employment Act—the perhaps surprising object of the paen above.

In the 1970s, the term *New Economy* was coined to describe a dawning era of stable growth based on the emergence of a service economy, globalization, the rise of small companies, and corporate restructuring. In 1986, *Fortune* hailed “America’s New Economy,” and *Business Week* argued that the United States was “undergoing the most revolutionary economic change in a century.”² Sadly, as we now know, the predictions of an end to the cyclical economy in the late 1990s were as inaccurate as those in the mid-1980s and the early 1970s.

Confidence in the latest version of the new economy has been shaken in the United States by the deflation of the Internet bubble. However, in much of the rest of the world—and perhaps particularly in the developing world—the language of the Internet revolution is alive and well. For many in development circles, we are still, by and large, in the Internet bubble phase, and government programs designed to foster that revolution are ramping up.

These programs must be good ones, because governments in developing countries have very limited resources: little cash, few skilled personnel, and modest stocks of equipment. At the same time, they face enormous and urgent development challenges. Over 1 billion people subsist on less than a dollar a day, and nearly half of the world's population on less than \$2 a day. Twenty-seven percent of children under age five in the developing world are malnourished, and 20 million people have died of AIDS since 1986.³ If the Internet has a role to play in meeting those challenges, it needs to be elaborated. At the same time, if there are limits to that role, they need to be clarified as well.

In this book I argue that a process of rationalization regarding the use of the Internet may need to take place in the development field, akin to what took place in the late 1990s in the United States. Just as in the United States, companies and individuals in developing countries will find that, many times, investment in the Internet makes sense and the technology really is likely to be transformative. But just as US investors have begun asking where the revenues will come from to repay their investment, the development community should begin asking: Are the benefits of this particular Internet investment worth the costs?

It is vital to move the analysis onto that level before billions of aid dollars and government budgets in less developed countries (LDCs) are spent wiring remote villages. In the United States, when investors irrationally bid up stock prices before the bubble burst, most of those affected were, by global standards, the very rich. If Tanzania, or Bangladesh, or India starts misallocating resources by investing in the wrong technologies in the wrong place, those who suffer will be the global poor. Avoiding an Internet bubble in development investments matters far more than failed attempts to control the stock bubble in the United States.

The Internet presents real opportunities to people in developing countries. In this book I discuss some of those opportunities and how they are being grasped. Indeed, one of the incredibly impressive things about Internet diffusion in the developing world is its rapidity—how fast entrepreneurs in Africa, Asia, and Latin America have seen the potential of the new technology and exploited it. Already by 2005, there were more Internet users in the developing than in the developed world. It may be that a silent minority or majority of development thinkers—passive skeptics—actually underestimate the impact of the Internet on economic development. The social impact of the Internet has already been large (there are 5 million members of one Indian online match-making service alone, for example) and doubtless will get larger.⁴ That impact may well have dramatic economic consequences for developed and developing countries alike. Nonetheless, it is clear that the Internet cannot solve every problem, and there are significant downsides to the new technology from a developing country standpoint, which is the second focus of this book.

Various coauthors from previous collaborations supplied a number of the ideas and evidence that I appropriate in the book, including Richard Heeks, Christine Qiang, Juan Navas-Sabater, Carsten Fink, Emmanuel Forestier, Jeremy Grace, Rym Keremane, and Isabel Neto. (Of course, they may not necessarily agree with my arguments.) I would also like to thank the following journals as I reuse ideas and data that appeared as part of articles originally published by them: *International Journal of Educational Development*, *Oxford Development Studies*, *Telecommunications Policy*, *Development Policy Review*, *info*, and *Communications and Strategies*.⁵ I would like to thank Beth Partin, Bjorn Wellenius, Michael Best, and the anonymous reviewers for very helpful and constructive comments and editorial suggestions on earlier drafts. Any remaining errors and all views are, of course, those of the author alone. Thanks last to my wife, Pamela, who put up with many gripes and excuses based on editing and rewriting. The Internet in development was in some ways responsible for us meeting, and so, regardless of concerns raised in this book, I know it can be a force for very good things.

—Charles Kenny

Notes

1. Quoted in Galbraith 1989: 255.
2. Madrick 2001.
3. Figures from <http://www.developmentgoals.org/>.
4. Halewood and Kenny 2005.
5. Grace and Kenny 2003; Kenny 2003; Forestier, Grace, and Kenny 2001; Kenny 2002a; Kenny 2002b; and Kenny 2001.

