Theories of development in class

1). *We have discussed numerous theories of development in class: modernization, dependency, World Systems, neoliberalism, and post-development. Select three of these theories and compare them with reference to: a) the key features; b) explanations of under- and uneven development; c) types of development practices (i. e. how do you do development?); d) identify major criticisms of these approaches. Use plenty of examples to support your points.*

Development, as a multifaceted, complex issue, has been subject to several attempts to mold a common practice based on a definitive theory. One of the most historically prolific of these was Modernization theory. Modernization theory, as noted by Chant and McIlwaine (2009), is not exactly a singular theory in itself, and more of a complex range of approaches that follow a similar base pattern. An early iteration of this theory is known as " evolutionary theory". Evolutionary theory was developed in 19 th century Britain by prominent sociologists, who, after examining Darwin's theory of evolution, concluded that a pattern of development for various civilizations could be based in a set path evolution. This set path, based upon European civilizations as the final step in the development process, requires that " traditional" societies change their orientation away from family, community, and cultural religion in order to develop into a European-styled modern society that is based in rationalism and capitalistic gain(Chant and McIlwaine 2009). This " evolution" theory culminated into Modernization theory. Essentially, a developed society is defined by its use of modern technology to advance a Western export-focused industrialized economy(Chant and McIlwaine 2009). Walt Rostow, a main proponent of Modernization, expanded upon this idea by providing a series of natural steps that a society must go through in order to become fully developed, delineated as a “ unilinear model of development”(Chant and McIlwaine 2009). In the first stage of this model, a society simply exists in a primitive state, where trade is localized and based off a barter system, and religion drives cultural activity. The society then evolves in the second stage to a state of potential development, where capitalistic entrepreneurship and the formation of the state begins in their early stages(RGS 2017). The society then advances to the third step, noted by Rostow as “ Take-Off”. This “ take-off” stage is characterized by the society transitioning to a capitalist urban industrial economy, with development of state supported infrastructure and agricultural hinterlands. The society then develops to the fourth stage, characterized by diversified economic sectors and advanced transportation networks, as well as advanced educational institutions (RGS 2017). The fifth and final of Rostow’s steps is aptly titled “ age of mass consumption”, where the society becomes economically consumer based and a welfare system develops. These steps are the tenets of modernization theory, and were commonly thought of as the most effective path to development in the colonial West pre-1970(Chant and McIlwaine 2009). A society will remain impoverished and underdeveloped due to its failure to industrialize in the fashion of Western nation. For example, one could argue that the African nation of Botswana is finally developing and gaining wealth due to their evolution from a traditional tribal society into a nation-state that is rooted in global industrialism. One could then argue that Africa is characterized by uneven development due to the fact that not all nations have gone through the steps of Modernization (Chant and McIlwaine 2009). However, in the 1970’s, during the rise of communism and withdrawal of Western colonization, Dependency theory rose in prominence to counter Modernization.

Dependency theory is another attempt to explain the patterns of development in various global nations. Dependency theory is noted by Chant and McIlwaine (2009) as separated in three major schools of thought- Classical, Latin-American Structuralism, and Neo-Marxism. Classical Dependency theory, formulated by Paul Baran (1957), rests on the idea that capitalism explicitly hinders development in the Global South. He argues that the Western world relies on developing nations to remain impoverished and unstable as they are an " indispensable hinterland" of raw resources and manufacturing that the rich, consumerist economies of the West rely on (Baran 1957). Since the basis of capitalism is to generate profit, Western nations exploit underdeveloped nations in order to generate maximum profit. Hence, Global North continues the cycle of poverty in the Global South in order to cement a pattern of exploitation (Baran 1957). An offshoot of Classical Dependency Theory is Latin-American Structuralism-Dependency. This theory, presented by Chant and McIlwaine (2009), is based on the idea economic " structuralism", which is a strain of thought schools that claim that development processes must involve changes in underlying social and economic structures of a country. In the context of Latin America, their " structural disadvantage" in the global economy, beginning in the 1930s, was due to dependence on Western trade markets for exports and imports of goods, as well as competition with other primary raw resources exporting regions(Chant and McIlwaine 2009). What would happen, historically, is that Latin American countries would raise their prices for raw materials too high for Western trade markets. Hence, those markets would go elsewhere for Latin American raw goods such as coffee, bananas, agriculture, and more (Chant and McIlwaine 2009). This put Latin America in a postion of retaining their status of cheap exporters, unable to develop due to lack of substantial capital and reliance on expensive foreign imports. Chant and McIlwaine (2009) define this relationship as a “ core-periphery” model. The “ core” is the developed West, functioning as exporters of high quality consumer goods that developing “ periphery” nations import. The “ periphery” nations are underdeveloped exports of raw materials to the core countries (RGS 2017). It is by this model that core countries become incredibly rich, and become the controllers of the trade market with the periphery, which must remain in an exploited state to retain the wealth of the core(Chant and McIlwaine 2009). The relationship between the United States and Latin America exemplifies this. The United States, the wealthy core, exploits the periphery, Latin America, for chap raw materials in order to import expensive consumer goods and financial loans. The International Monetary Fund, IMF, made several loans to Latin American Nations, in exchange for the removal of import tariffs and structural social services(Potter et. al 2012). This has led such nations to rely on the United States for imported goods, and has contributed to the lack of development in Latin America(Potter et. al 2012). The neo-Marxist school of dependency theory attempts to provide a solution to this phenomenon. Chant and McIlwaine (2009) state that Neo-Marxist Dependency theory is based on the concept that Western imperialism that occurred in numerous regions of the global South laid the foundations for economic exploitation in the age of global capitalism. Neo-Marxists conclude that the only way for a developing nation to escape the core/periphery cycle of exploitation was to remove itself from the system of global capitalism by adopting communism as its primary economic system(Chant and McIlwaine 2009).

Dependency theory is incredibly different from Modernization in that it uses the West as a cause for underdevelopment instead of a model to emulate. Modernization uses Europe and United States as guides to facilitating similar development, while Development theory takes an approach that is from the perspective of the Global South(RGS 2017).

Another major theory in development is Neoliberalism. Based on the economic philosophy of Adam Smith and Milton Freidmann, neoliberal development theory states that free, unregulated trade between nations facilitates development and economic growth (RGS 2107). Neoliberalism also touts that large corporations and businesses can generate more profit without government regulation, thus generating more revenue in all countries they operate in. Eventually, any country can become wealthy and developed via open trade relations with numerous countries(Chant and McIlwaine 2009). The cause of uneven development is rooted in overextended regulatory governments that inhibit the market, breed corruption, and prevent transitions to consumerism. The inhibition of the free market is noted as the root cause of poverty in underdeveloped countries(Chant and McIlwaine 2009). This concept is strikingly different from Dependency theory. Dependency theory alludes that it is free, unregulated trade itself that causes exploitation and underdevelopment, while Neoliberalism offers it as a path to prosperity. Neoliberal development theory drives the actions and policy of major institutions such as the IMF and

World Bank(Potter et. al 2012). Ideally, a poor country would open its market to multinational corporations and nations, engaging in free trade and eventually retaining capital in order to develop.

While all of these development theories offer reasonable explanations for the state of global development, they are not without fault. Modernization theory, for example, is flawed as it is inherently Eurocentric. Modernization also promotes rapid industrialization, which could severely harm the environment(Chant and McIlwaine 2009). Dependency theory also has several criticisms. Dependency theorists often offer solutions to underdevelopment via methods such as trade barriers, communist revolution, and government regulation(Chant and McIlwaine 2009). Trade barriers often make the cost of living for a nation’s citizens higher, and government regulation can stifle the market. And, after the fall of the USSR and similar states in the 1990s, Marxist revolution in the Third World seems unlikely(Chant and McIlwaine 2009). Neoliberalism cannot offer a problem-free solution either thought. As noted by Chant and McIlwaine (2009), major criticisms of neoliberalism include exploitation by corporations, debt repayment, loss of food sovereignty, reliance on imports, and loss of social services due to lack of government spending(Potter et. al 2012). Overall, while these theories are by no means perfect, they offer robust and critical frameworks for understating the future paths of developing nations.

6. *Explain the evolution of the current global monetary and financial markets. Discuss the power and limitations of the nation-state to control money across borders. Consider how increased financialization has impacted development in the US and beyond.*

The modern global economy is more complex than ever, with a massive variety of theories as to how it has evolved to its current state. In order to understand the modern market, one first must understand the role of the state in the global economy. After the Treaty of Westphalia, the concept of sovereignty became fixed in the political psyche of the anarchic world system. The term “ anarchic world system” refers to the fact that the international political system of states, not ruled by a governing body, is inherently anarchic. It is in this anarchy that states define themselves as sovereign entities, and, thusly, exist(Lansing 1907). Sovereignty is a state’s possession of total authority within a geographic territory. There are two types of sovereignty in political theory-external and internal. External sovereignty concerns the relationship between a sovereign power and other states in the international community (Lansing 1907). States with external sovereignty are recognized by other states as being a sovereign entity in the international system. Internal sovereignty, defined by law theorist Robert Lansing, is “ that which is inherent in a people of any state, or vested by its ruler…in its fundamental laws” (Lansing 1907, 13). Simply put, internal sovereignty is simply the right of a state to govern itself and control its economy. So, with internal and external sovereignty of states established, an international economic system began to form under the theory of capitalism(Potter et. al 2012). Briefly described, capitalism is an economic system in which the means of production and distribution are privately owned by an individual entity, with economic growth proportionate to the accumulation and reinvestment of profits gained in a free market (Seo 2009). The global economy has functioned in a capitalistic sense since the eighteenth century, and has driven everything from Western imperialism to the economic restructuring of the 1940's. It is within this economic context that Seo (2009) offers a succinct examination of the modern financial market. Seo (2009) states that in the years following World War Two the Western world established an international monetary system based on the Bretton Woods Model, a fully negotiated monetary order intended to govern monetary relations among independent nation-states by basing currency exchange rates on gold(Seo 2009). Institutions were established to enforce and enhance this new economic system, such as the IMF, World Trade Organization, and World Bank. However, in the 1970's, the United States, the primary global power, moved it currency off the Bretton Woods System(Seo 2009). With the rise of globalism and the internet in to 1990s, the current world economy is run on neoliberal free trade based in major financial and multinational corporation hubs such as Wall Street, London, etc (Seo 2009). Another fact of the global economy is the financial power of the state. The modern nation-state receives capital via receiving loans from other states, as well as making loans in order to influence economies (Seo 2009). This system allows for a state to regain a small amount 0f economic control outside its sovereign border.

For the United States, economic growth is driven not just by industrial exports or consumer services. Krippner (2005) makes an interesting argument that the American economy is not only driven by finacialization, but that finacialization has altered the pattern of modern development. Financialization, defined by Krippner (2005), is a pattern of capital accumulation though which profits primarily accumulate via financial channels rather than trade and manufacturing channels. Krippner specifies financial channels as “ activities relating to the provision (or transfer) of liquid capital in expectation of future interest, dividends, or capital gains”(Kirppner 2005). Essentially, modern American economics are driven by profits made off financial activities. Krippner (2005) notes this trend increasing as manufacturing industry left America in the 1980s, depleting profits from exports. However, financialization has major implications for US and international development. Krippner (2005) notes that financialization raises two major issues-who controls the modern corporation, and could globalization aid in eroding the autonomy of the state’s control over their economy? When focusing on global financialization, Akerman et. al (2015) state that the global economy is controlled by corporate-state oligarchs. Historically, a group in power in a state tended to be in possession of the nation’s natural resources. This was usually the state government before the industrial revolution. As states industrialized their economies and grew a developed business sector, capitalist elites began to hold economic power on par with the state, as they controlled profits from manufacturing and processing natural resources(Akerman et. al 2015). With the emergence and rise of the multinational corporation, power has shifted again. Akerman et. al (2015) define these corporate/statesman cabals as capitalist oligarchies. These oligarchies are not bound by a state, and, hence, drive economics outside of the state through globalization. This is will often lead to the financialization of a state’s economy, as a state must allocate more labor as a country industrializes, this implies more capital per worker in the manufacturing sector and lowers profits (Akerman et. al 2015). Second, foreign export capital increases supply and conversely lowers the relative price of manufacturing goods. This incentivizes the economy to move away from manufacturing and into financialization(Krippner 2005). This has impacted development in a major way.

8. *You have just been elected prime minister of a newly independent country former colony. What strategies will you use for development? What dimensions of development will you deem most important and how can you measure changes? What theories will inform your practices? What issues and challenges might you face as a post-colonial area? Is it important to craft inclusive development projects in your country and if so, how would you create more inclusive policies (in terms of identity, geography, rural-urban etc.)?*

If I was the prime minster of a newly independent former colony, I would implement a variety of diverse, inclusive policies and theories in order to create a best-practice solution for how to facilitate development in this country. As a former colony, my nation would face some very unique challenges. As noted by Potter et. al (2012), countries occupied by imperialist powers were often controlled by foreign governments that not only forced Western cultural values upon their populace, but often exploited the labor and “ ignorance” of these peoples (Chant and McIlwaine 2009). When the imperialist power pulls out of an occupied state, they will often leave the country in the hands of a small native ruling class that continues trade with the former occupying power. Because of cultural suppression, tensions often then simmer over and the colonial country falls into economic and political instability(Chant and McIlwaine 2009). My first goal would be to avoid this common situation. In order to accomplish economic security and structural stability, I would draw on guiding principles from Neoliberal theory and Post-Development theory. Neoliberal theory encourages free market trade and industrialization, which I feel would be needed to establish my country in the global corporate hegemony. Free trade would encourage my nation to break out of locked trade relationship with the former colonial power and create markets with other nations. This would be done by drawing on the neoliberal “ multiplier effect”. Sao (2009) describes this this effect is a cycle that is started by reducing import tariffs and export taxes in order to introduce a wide range of global consumer goods into my economy at a low cost. This leads to consumption, which encourages the economy to grow. The growth the economy would attract multinational corporate investors and businesses, leading to reskilling of the workforce. As the workforce expands, immigration to my nation would rise, creating an even more diverse and larger labor pool. This encourages job creation, and promotes entrepreneurship and innovation in order to remain competitive(Sa0 2009 and RGS 2017). This is a positive feedback loop, which would bolster my economy in the short term. However, I would also incorporate elements of Post-Development theory as well. Potter et. al (2012) address that wealthy capitalists and investors cannot lift the poor out of poverty by virtue of their existence. Post-Development theory moves past Western ideals of development by focusing on local community knowledge and support to revitalize a depressed economy (Potter et. al 2012). Because my nation, as former colony, would likely be suffering from a severely fractured cultural identity, creating economic policy based on local needs would help facilitate the repair of cultural identity while focusing economics on s smaller-scale. This would be accomplished with the maintenance of government-supported social services and institutions. I would measure this economic dimension of development by monitoring my nation’s GDP, GNP, household income, and tax revenues.

While the economy is certainly an important dimension of new development, others are equally as important. A few that I would intensely and immediately focus on would be education, infrastructure, healthcare, and sustainable cities. I would utilize government spending and stable structure with proper representation from local citizens in order to create an education system and transportation/utility infrastructure. I would likely use taxes to fund these endeavors. I would measure the growth of these sectors by monitoring graduation statistics and public health and safety statistics (Stasczak 2015). Another important dimension of development in my new nation would be the creation of sustainable urban centers. With the impeding threat of climate change and urban migration rates, creating carefully planned, sustainable cities is incredibly important. I plan to measure the carbon output of my cities in order to gain an understanding of how sustainable and environmentally healthy they are. Healthcare is another dimension of development that is crucial to the success of my nation. A healthcare system must be inclusive of all populations and provide immediate access. I would create a single-payer healthcare system, which is currently used in Singapore. Single-Payer healthcare is a system in which the state, rather than private insurers, pays for all healthcare costs, and assess healthcare standards though federal regulations(Akerman et. al 2015). I feel this would be the most equal system of healthcare delivery, as it provides fair access to impoverished and rural communities. Another fact of my nation’s economic development that would need to immediately be addressed would be currency creation and exchange rates. Staszczak (2015) notes that politicalinstability in developing nations can often perpetuate for decades due to the fact that currency has very low value in global market. Therefore, my nation would need to enter to global market swiftly and establish itself in order to maintain a valuable, stable currency. This would be incredibly difficult to accomplish in tandem with every other immediate development factor I would need to address. However, with the creation of inclusive policy, my efforts would be more likely to succeed. Some inclusive projects I could incentivize could be local agriculture, education accessible to rural citizens, and facilitating local arts. This helps create a common national identity that is separate from a colonial identity, aiding in national unity.

CITATIONS OF NON-CLASS SOURCES:

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