Week: 9

Civic and Community Engagement

Development Theories

Introduction: What development theories are about

The word "development" in the English language connotes such ideas as "unfolding," "growth," "the fuller working out of the details of anything," and bringing out the potential that is latent in something (as in the case of an image that is latent within the chemicals coating a piece of old-fashioned film that must be "developed" in order to be revealed). All these ideas are relevant to the concept of development that has informed so much public policy over the last half-century and more, both in the "core" of industrialized countries and in the "periphery" of the erstwhile colonies that came to be described as the "less developed countries" (LDCs) of the "Third World."[1] This concept, too, embraces ideas of "change" but also of "progress"—an idea which, in European thought, goes back to the philosophers of the Enlightenment, who found in it a rational basis for ethical judgment. "Right action" may be understood as action that is conducive to the "progress" of people and society. The idea of "development," then, in relation to societies, implies a process of change to what is, in some sense, a more "advanced" state. Development theories, therefore, are about understanding how this process takes place.

Of course the idea of a process of change to a more advanced (or "progressed") state raises the question of what we understand by "advance" or "progress." The simplest way of understanding these ideas, and the one that has informed so much of what has been done in the interests of "international development" since about 1945, is in terms of "increasing wealth" or economic growth, which is measured in terms of changes in gross domestic product (GDP). Over the past half century, growth of GDP has become ever more of an obsession of nation states. A whole new branch of economics—development economics—was set up to explain how economic growth comes about,[2] and there is a great deal of both theoretical modeling and empirical analysis upon the subject (see Kenny and Williams 2001). Some economists, however, argue that there is no need for a distinct body of theory about "developing economies," since the general principles of economics apply universally—and one of them, Deepak Lal, wrote an influential pamphlet entitled *The Poverty of Development Economics* (1983), to which we will have occasion to refer again.

The notion that "development" is synonymous with "economic growth" has, however, been subjected to severe criticism. By far the most significant is that of Amartya Sen, who has argued that "commodities"—the production of which is a major part of economic growth—are only of value to us in terms of what they allow us actually to do. Sen advocates that we should think about development rather in terms of people's capability to achieve those things that they have reason to value: "The focus here is on the freedom that a person actually has to *do* this or *be* that—things that he or she may value doing or being" (Sen 2009: 231, emphasis added). It is inherent in this approach that freedoms, both the "negative" freedoms—being free from unjustified coercion, and freedoms of speech and expression, of association, and of movement— and the "positive" freedoms, which have to do with what makes it possible for people actually to enjoy their freedom (including the material [commodity] means for this), are of fundamental importance. According to this view, therefore, development "can be seen as a process of expanding the real freedoms that people enjoy" (Sen 1999: 3).

In the remainder of this chapter I will explain the development of development theories historically, emphasizing what I see—following Edwin Brett (2009)—as the big cleavage between a range of "structuralist" theories, which in one way or another stress the role of the state, and liberal and recently neo-liberal theories that give priority to the role of the market. Latterly there are indications of the resolution of the long-standing tensions between these great meta-theories, in the form of pluralist institutional theories that pay more attention to context, and that at least promise to advance the objective of "development as freedom."

Development Discourse
Overview of the four theories of development

1. Modernization Theory

Modernisation Theory has been defined as a theory (Reyes, 2001a) that uses a systematic process to move underdeveloped countries to a more sophisticated level of development. It is a US and European-centric normative model of development. The focus of Modernization Theory is cultural change directed at institutional structures in non-industrialized countries. Modernization Theory explains inequality within or between states by identifying different values, systems and ideas held by different nation states (Martinussen 1997, pp. 61-66, 167- 172).

2. Dependency Theory

Dependency Theory has been presented as a theory of development that improves Modernization Theory (Reyes, 2001a). It combines elements from a neo-Marxist theory and adopts a "revolution of under developed nations model". The focus of this theory is the totality of society and social system periphery, which highlights the differences between imperialistic countries in the first world and underdeveloped countries. There are some common features in Modernization Theory and Dependency Theory despite their contrasts. Both theories basically focus on Third World development conditions. In both theories, the methodology emphasizes the development process and applies the major unit of nation-state for evaluation.

3. World Systems Theory

World Systems Theory argues that international trade specialization and transfer of resources from less developed countries to developed countries (known as a "core" countries) prevents development in less developed countries by making them rely on core countries and by encouraging peripheralization (Szymanski 1982). World Systems Theory therefore views the world economy as an international hierarchy of unequal relations. A country can change its position in the global hierarchy with changes controlled by the "World System". Relations between countries are similar to what developing theorists described (Szymanski 1982). In other words, wealth is taken from semi-periphery or periphery zones to economies in the core countries.

4. Globalization

Globalization is a theory of development (Reyes, 2001a) that uses a global mechanism of greater integration with particular emphasis on the sphere of economic transactions. It is a US- and Europe-centric positive model of development whose feature is the spread of capitalism around the globe. The focus of Globalization Theory is communications and international ties, with these ties directed at cultural and economic factors in communication systems. Globalization Theory explains inequality by identifying cultural and economic factors in global connection. Reyes (2001, p. 2) claimed there are two major meanings of the word "Globalization". One deals with the word as an event when a sense of interdependence occurs throughout different countries of the world in different aspects of communication, trade, and finance. The other meaning that has been applied to the concept of Globalization considers it as a theory of economic development with the supposition of widespread unification among different countries. This integration is believed to have an effective influence on the development of economies and on the improvement in social indicators.

Table 1: Comparison between four main Theories of Development

Dimension	Modernization	Dependency	World Systems	Globalization
Definition & background	Development as a systematic process.	Elements of neo-Marxist theory.	Capitalism as the dominant system.	Greater global integration of economic transactions.
Model	US & Europe-centric. A normative model.	Revolution of under-developed nations	World- centric.	US & Europe- centric, a positive model.
Focus	Political; Cultural changes; Imposition of western values and policies.	Totality of society. Social system periphery.	Relations between countries.	Communications and international ties
Main direction	Institutional structure. A phased process.	Differences between countries.	Culture.	Cultural and economic factors; communication; technology.
Problem of underdevelopment identified	Un-industrialized.	First World and Imperialism.	Social changes.	Communication systems need to adopt western-centric forms.
Key points in explaining inequality	Differing value systems and ideas. Immaturity of systems.	Regions and structural conditions.	Culture and the role of the state.	Cultural and economic factors
Scope-unit of analysis	Nation-State.	Nation-State.	International Connections.	Global Connection.
Positive Aspects	Takes modern technology into consideration (Chase-Dunn 2000).	Takes into account the differences between developed and developing countries (Reyes 2001a).	Takes culture and social change into account. Unites socialist countries (Wallerstein 1979)	Takes into account the global environment, and does not ignore the culture aspects of the developing nations. It can be adapted more easily to the needs of a developing nation in a global economy(Reyes 2001a).

Negative aspects	Completely ignores the particular concerns of developing countries (Rostow 1962).	Western, capitalist systems are viewed negatively, as inappropriate to publicly owned enterprises(Reyes 2001a)..	It perceives that there is only one world system which is capitalism(Reyes 2001a).	It does not take into account the dramatic growth rate of developing countries (Intriligator 2004).

State first: structuralist theories dominant

In the 1950s and '60s, however, the centrality of the role of the state and the need for the regulation of markets was hardly questioned. It was generally understood that economic development must involve industrialization, following the path beaten first by Great Britain and then by other Western European countries, Russia, and the United States.

Alexander Gerschenkron's reflections on this process in his essay "Economic Backwardness in Historical Perspective" (1962, original essay written 1951), in which he analyzed especially the experiences of France, Germany, and Russia in the wake of Britain, suggested, however, that the development of a backward economy might differ considerably from that of the now "advanced" economies. There could even be advantages for late industrializers because they might be able to leapfrog into more technologically advanced sectors, by learning from and imitating the pioneers. Gerschenkron, like other pioneers of development economics, emphasized the centrality of capital as the necessary means of overcoming the technological gap confronting the "backward" nations, and argued that state intervention compensated for inadequate supplies of capital, skilled labor, or entrepreneurship in the later developers. Indeed, in later elaborations of his thinking Gerschenkron argued that "the greater the degree of backwardness, the more intervention is required in the market economy to channel capital and entrepreneurial leadership to nascent industries" (Fishlow 2003)—and he thought, too, that this would probably involve higher levels of coercion.

In this period, therefore, as Colin Leys has argued, "the goal of development was growth: the agent of development was the state and the means of development were [national economic planning in the context of the macroeconomic policy instruments established at Bretton Woods]. These were the taken-for-granted presumptions of 'development theory' as it evolved from the 1950s onwards" (Leys 1995: 7). The growth models adopted by development economists assumed a central role for capital accumulation. This was the case, for example, in the model of "economic development with unlimited supplies of labor" developed by Arthur Lewis (1954), which also assumed that the opportunity cost of the shift of labor out of agriculture would be zero; in Ragnar Nurkse's balanced growth theory; in the Harrod—Domar model, which posited a linear relationship between investment levels and growth rates; and in Walt Rostow's theory of the stages of economic growth (1960), which was, for a time, probably the most influential single theory of development. In the context of the Cold War, it was significant that Rostow's book was sub-titled "an anti-communist manifesto:" his was emphatically a right-wing version of structuralist theory.

It was generally thought, too, in this period, as it was in the Economic Commission for Latin America, headed by Raul Prebisch, that development had to be based on what came to be known as "import substitution industrialization" (ISI). Towards the end of the 1940s, Prebisch and Hans Singer advanced similar theories that were critical of the economic orthodoxy of the time. What later became known as the Prebisch–Singer thesis holds that there is a tendency over the long-run for the terms of trade for primary commodities to fall. In other words, left to themselves, market forces would lead to ever greater inequity between the manufacturing economies of what Prebisch began to call the "core," and the primary commodity producers of the "periphery" within the international economy. The further implication was that developing countries would be advised to diversify their economies by developing their domestic markets, and through industrialization, by requiring that their states take on an activist role. Their infant industries had to be guided through licensing, promoted through subsidies and other industrial policy measures, and protected from important competition through tariff barriers and quantitative restrictions (quotas). Such import substitution policies were generally pursued in Latin America and in India, in particular, though the emphasis in the latter case—particularly in the period of the Second Five Year Plan (1956–61), also known as the "Mahalanobis Plan," from the name of the great statistician who was its principal architect—was somewhat different because of a focus on the development of heavy industry and the manufacture of machinery rather than on the production of consumer goods. It was widely thought that in Asia and Latin America agricultural productivity would be enhanced by redistributive land reform, that is, by taking land away from relatively inefficient landlords and giving it to more efficient small family farmers (Lipton 2009). But such reforms proved to be politically infeasible except in China, after the revolution there, and in South Korea and Taiwan, with support from the United States. Elsewhere, however, as in Guatemala in 1954, the United States opposed governments that Promised Land reform because they seemed to be left-leaning and too sympathetic to communism.

The arguments of the development economists came to be linked with social and political theories about the process of "modernization," which the Comparative Politics Committee of the American Social Sciences Research Council adopted as a strategic term—reflecting opposition to communism—in the context of the Cold War.. In essence, modernization theory held (as did Rostow in his model of the stages of economic growth) that societies must pass through similar stages to reach an end state not unlike the mid-twentieth century United States. This was a society of "high mass consumption" (in Rostow's terminology) that was politically liberal and economically efficient because it relied on principles of meritocracy, that is, on allowing people to achieve according to their abilities rather than compelling them to conform to "traditional" roles ascribed to them by virtue of their position in their family, tribe, or other kinship group.

These ideas were perhaps as much ideological as theoretical. Insofar as modernization theory postulated a causal mechanism that would drive the movement of societies through the various stages, it was the idea that it would come about through changing values—for example, from “ascription” to “achievement,” or values of entrepreneurship.

Development in the late 1960s, and established “dependency theory,” was Andre Gunder Frank’s *Capitalism and Underdevelopment in Latin America* (1967), an excoriating critique of modernization theory. The whole flimsy edifice rested, Frank argued, on ignorance of history and of how capitalism works on a world scale. The assumption that the past and present of the so-called “underdeveloped countries” are like earlier stages in the history of the now-developed countries is fundamentally wrong, and the latter never were *under*developed, even if they might once have been *un*developed. “Contemporary underdevelopment is in large part the historical product of past and continuing economic relations between the underdeveloped (*dependent*) satellite and the now developed metropolitan countries” (Frank 1967). And in the context of his understanding of international capitalism, Frank appeared pessimistic about the prospects for the poor countries. It seemed that the only hope for them would be to disengage from the international system and pursue a socialist path under conditions of autarky.

Even as Frank’s ideas were sweeping through universities elsewhere in the world,[6] however, they were being subjected to criticism within Latin America, as Gabriel Palma explained in what remains the best review of dependency theories (1978). Palma saw Frank’s conception of capitalism as unhistorical, and his theory mechanical. In the same year that Frank’s *Capitalism and Underdevelopment* was published, there appeared a book by the Brazilian sociologist.

Market first: neo-liberalism ascendant

“Events, dear boy,” was how British prime minister Harold Macmillan once described the progress of history. In the history of international development, two events of great importance took place in the 1970s: first, the decision by the Organization of Petroleum Countries (OPEC) to raise oil prices after the Arab–Israel war of

1973; second, the so-called “Volcker shock” of October 1979.

The first greatly increased the revenues of the petroleum-producing countries, and the recycling of their dollars made for a period of easy credit for developing countries. But then Paul Volcker, as Chairman of the U.S. Federal Reserve, brought about a major change in U.S. monetary policy by raising interest rates in an effort to tackle the long-running problems of the U.S. economy (Harvey 2005:1). This decision threatened to push some countries into default, and a major debt crisis was announced in Mexico’s default on its debts in 1982–84. In this context, in order to secure assistance with rescheduling their debts, countries were required by the international finance institutions to implement major reforms of economic policy, involving cuts in public expenditure, liberalization, and privatization. The International Monetary Fund and the World Bank embarked on a new approach to economic development with the introduction of programs for economic stabilization and structural adjustment, intended to reduce the role of the state and ensure the implementation of liberal policy.

The role of the state was also recognized in the work carried out under the aegis of the United Nations Development Program (UNDP) in calculating an index of “human development,” starting in 1990 with the first of what is now a long series of *Human Development Reports*. The index, which takes account of life expectancy and basic education as well as income per head, is a crude but robust reflection of Sen’s capabilities approach, and it was devised explicitly as a counter to GDP as a measure of development (Sen 2006). It was also part of a counter-move to the Washington Consensus by a group of economists who sought, at least, to give adjustment “a human face” (Cornia, Jolly, and Stewart 1989). Their influence may have been reflected in the shift away from adjustment programs by the World Bank to a renewed focus on poverty reduction and then to the introduction of the instrument of poverty reduction strategy papers (PRSPs) by the end of the 1990s.

Criticism from the left and the faltering of structuralism

Modernization theory came to be subjected to withering criticism, especially from scholars who, influenced in part by the work of Prebisch’s Economic Commission for Latin America, argued that the relationships in the international economy between the centre and the periphery led to the systematic underdevelopment of the latter. The book that most strongly influenced studies of development in the late 1960s, and established "dependency theory," was Andre Gunder Frank's *Capitalism and Underdevelopment in Latin America* (1967), an excoriating critique of modernization theory. The whole flimsy edifice rested, Frank argued, on ignorance of history and of how capitalism works on a world scale. The assumption that the past and present of the so-called "underdeveloped countries" are like earlier stages in the history of the now-developed countries is fundamentally wrong, and the latter never were *under*developed, even if they might once have been *un*developed. "Contemporary underdevelopment is in large part the historical product of past and continuing economic relations between the underdeveloped (*dependent*) satellite and the now developed metropolitan countries" (Frank 1967). And in the context of his understanding of international capitalism, Frank appeared pessimistic about the prospects for the poor countries. It seemed that the only hope for them would be to disengage from the international system and pursue a socialist path under conditions of autarky.

Concept of the Welfare State

Definition

The welfare state refers to a government system that provides various social services to its citizens, aimed at ensuring a basic standard of living, social security, and protection against economic risks. This concept is rooted in the idea that the state has a responsibility to promote the well-being of its citizens, particularly the vulnerable and disadvantaged.

a system that allows the government oa country to provide social services such healthcare, unemploy ment benefit, etc. to people who need them, paid for by taxes.
Source: Cambridge dictionary

Characteristics

1. **Universal Coverage**: Welfare states typically provide universal access to health care, education, and social security benefits.

2. **Redistributive Policies**: They often implement tax and transfer systems to redistribute wealth and reduce inequality.
3. **Public Services**: A significant portion of public services is funded and provided by the government.
4. **Social Insurance**: Systems are in place to protect individuals from economic risks such as unemployment, disability, and old age.
5. **Active Labor Market Policies**: These include training and job placement programs to help unemployed individuals re-enter the workforce.

Types of Welfare States

1. **Liberal Welfare States**:
   - **Examples**: United States, Canada
   - Characteristics: Limited welfare provisions, means-tested assistance, and a strong reliance on market solutions.
2. **Conservative Welfare States**:
   - **Examples**: Germany, France
   - Characteristics: Emphasis on maintaining traditional family structures, social insurance tied to employment, and more extensive benefits than liberal states.
3. **Social-Democratic Welfare States**:
   - **Examples**: Sweden, Denmark, Norway
   - Characteristics: Comprehensive welfare provisions, universal benefits, and a strong commitment to equality and social justice.

Political and Economic Systems

- **Political Systems**: Welfare states can exist within various political frameworks, including democracies and constitutional monarchies. The level of social spending and the type of welfare model adopted often depend on the political ideology of governing parties.
- **Economic Systems**: Welfare states are typically found in mixed economies where both private enterprise and public sector interventions coexist. The degree of state involvement can vary widely.

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