

PSCI 116

Political Change in the Third World

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How have theories of post-colonial state economic development changed over time?

Brohman: Growth Theory

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- Development is a process of capital formation
- Unilinear process which endures once momentum is gained
- Income \rightarrow propensity to save \rightarrow further investment \rightarrow self-sustaining model
- Modernization was extension of growth theory (added society and culture)
- Rostow's 5 stages of growth

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- ⑤ **Age of mass consumption:** high value consumer goods, high disposable income, urban life

Myrdal: Circular Cumulative Causation

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- Vicious circle of backwash effects and spread effects
- Rise in inequality: haves and have nots (brain drain)
- Many of the 3rd world countries have moved backwards in average income
- No automatic self-stabilization, not a linear process
- Spread effects are weaker for 3rd world than West
- Bottom line: free trade + open markets will not get rid of deep-rooted inequalities
- Link to Migdal, Price, Huntington

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History:

- Economic growth in the advanced countries \neq growth in the poorer countries (Latin America)
- Possibility not predicted by neoclassical theory (assumption that economic growth is beneficial to all)
- Neoclassical approach: assertion that the poorer countries were late in coming to solid economic practices; as soon as they learned techniques of modern economics, then poverty would begin to subside
- Dependency proposed as possible explanation to persistent poverty of the poorer countries
- Persistent poverty = consequence of capitalist exploitation

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- ③ **Relations b/w dominant and dependent states are dynamic** because the interactions between the two sets of states tend to not only reinforce but also intensify the unequal patterns.

Frank: Dependency Theory Summary

- Arose as a reaction to modernization theory (all societies progress through similar stages of dev)
 - Today's underdeveloped areas = past of now developed areas
 - Helping underdeveloped areas = accelerating them through this common development path
 - Integration into world market
- Dependency theory: rejected this view; underdeveloped countries are not merely primitive versions of developed countries, but have unique features and structures of their own. Underdevelopment fundamentally different from undevelopment
- Poor countries are not “behind” or “catching up” to the richer countries of the world. They are not poor because they lagged behind the scientific transformations; poor because they were coercively integrated into the European economic system

Implications?

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- Alternative uses of resources are preferable to the resource usage patterns imposed by dominant states (example, agriculture)
- Articulation of a common national interest for the poor
- Dependency relationship is voluntary, elites can and should choose to opt out
- Pursue policies of self-reliance; market integration not always good

Import Substitution Industrialization (Brohman)

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- Increasing production of manufactured goods for domestic consumption to nurture natl markets, decrease dependence on West
- Absorb surplus labor, especially from ag sector
- Foster industrialization; diversify economy internally
- Creation of state-owned enterprises

⇒ Less free trade, more protectionism

ISI: Critiques

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The most resounding death knell of all comes from Susan Strange, herself a radical commentator on international development issues:

It is no accident that the “dependency school” of writers of the 1970s have lost so much of their audience. In Latin America (where most of this writing was focused), politicians and professors were almost unanimous in the 1970s in castigating the multinationals as agents of American imperialism, but now they acknowledge them as potential allies in earning the foreign exchange badly needed for further development.⁹

Neoliberalism / Structural Adjustment (Brohman)

West

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West

- Laissez-faire economics: economic liberalization policies such as privatization, austerity, deregulation, free trade, and reductions in government spending in order to increase the role of the private sector in the economy and society.
- Deregulation of internal markets ? abolition of ag marketing boards and price subsidies for basic foodstuffs
- Trickle down economics
- Structural adjustment: required borrowing countries to implement certain policies in order to obtain new loans or to lower interest rates on existing ones (Brohman)
- SAP success in developed countries

Third World

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- Ideological commitment of SAPs: rich and powerful impose a set of values and rules of the game which reinforce inequality and injustice
- IMF/WB indirectly serve the interests of Northern-based transnationals in penetrating Southern markets
- Managing Director IMF = European; President of WB = American
- US uses its power to reduce or deny Fund/Bank assistance to countries at odd w/ American FP
- Each country is expected to implement a fixed set of policies (not tailored to different contexts)

West

- Abandon statist and inward-looking strategies advocated by development theory and open up national economies to the world market
- growth based on exports, closing the tech gap; govt took active role in managing the economy; made globalization work for them (Success examples: South Korea, Taiwan)
- Brings improved health, increased life expectancy

Third World

- Absence of any positive correlation between income and industrialization
- Results of industrialization fell short of the expectations
- Too much volatility with capital-market liberalization for developing markets
- Increased likelihood of recession and poverty
- High interest rates from IMF

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- ① Growth (Rostow, Brohman)
- ② Modernization (Huntington, Migdal, Price)
- ③ Dependency (Gundar)
- ④ Neoliberalism and Globalization (Brohman)

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How might the legacies of colonialism affect the prospects of economic development after decolonization? How do Frank and Myrdal challenge conventional expectations of linear development (e.g. Rostow)? Where do Frank and Myrdal diverge? How do their views relate to import-substitution industrialization (ISI)?