

## Contemporary conditions and debates on development and the global system

A survey and critical analysis of the way in which the development discourse has been shaped by power relations within the global system

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- **Global System** ( globalised configuration of capitalism: economic, political and cultural dominance. It took 500 years to build a global network of capitalist cities and a global network of capitalist power elites. A **corporate globalisation** )
- **Debates on Development** ( theories justifying or challenging the capitalist global system )
- **Contemporary Conditions** ( can we change the status quo? )

Waves of Globalisation led by Western Europe, Japan and United States

Periods	Means of domination	Main effects
1492 – 1800	1. Military conquest mainly by Western European powers . –Creation of colonies.	1. Economic pillage of Africa, Asia and the Americas <u>via genocide and enslavement of the aboriginal population</u> , particularly in Africa and the Americas.
1800 – 1870	2. Dramatic increase of international flows of goods, capital and labour.	2. <b>Huge environmental damage</b>
1870 - 1914	3. United States join the colonizers.	3. <b>60 million people from Europe migrate to North America, Australia and Africa.</b>
	4. <b>Colonizers specialize the colonies economic structures for producing raw materials and cash crops for export.</b>	4. Strong economic and political inequality between “colonizers” and “colonized”.

Waves of Globalisation led by Western Europe, Japan and United States

Periods	Means of domination	Main effects
1914 - 1950	<ol style="list-style-type: none"><li>1. Military /economic domination by W.E., Japan and the U.S.A. – Colonies transformed on vassal “free” nations.</li><li>2. “Colonizers” engage in savage wars among themselves in European and Asiatic territory for economic gains.</li></ol>	<ol style="list-style-type: none"><li>1. <b>Economic pillage</b> and/or exploitation, political domination, and military action as a last resort.</li><li>2. <b>Huge environmental damage</b></li><li>3. <b>More than 30 million people slaughtered, half of them civilian, mainly children, women and old people.</b></li></ol>

Waves of Globalisation led by Western Europe, Japan and United States

Periods	Means of domination	Main effects
1950-2000s	<ol style="list-style-type: none"> <li>1. U.S.A, Western Europe and Japan carve the world up into spheres of economic and political influence.</li> <li>2. <b>New economic geography:</b> global chains of production with cities becoming the nodes of a network managed by <b>transnational capital. Financial capital</b> becomes extremely powerful generating dramatic business cycles.</li> <li>3. China joins the ranks of old colonizers.</li> <li>4. Economic/military pressure to force vassal nations to adopt capitalist system as a tool for “modernization”. The age of “neocolonization/ globalisation”</li> </ol>	<ol style="list-style-type: none"> <li>1. <b>Power elites in rich and poor countries become “partners” in the exploitation of the majority of the world population.*</b></li> <li>2. <b>Increased economic and political inequality among and within countries.</b></li> <li>3. Economic exploitation <b>via financial and technological dependency</b> ensuring capital flows from poor countries to rich countries.</li> <li>4. <b>Catastrophic environmental damage.</b></li> </ol>

\*See **Elise S. Brezis** , “[Globalization and the Emergence of a Transnational Oligarchy](#)“, UNU, 2010

## Waves of Globalisation led by Western Europe, Japan and United States

By the year 2010 five main **corporate globalisation** features were identifiable:\*

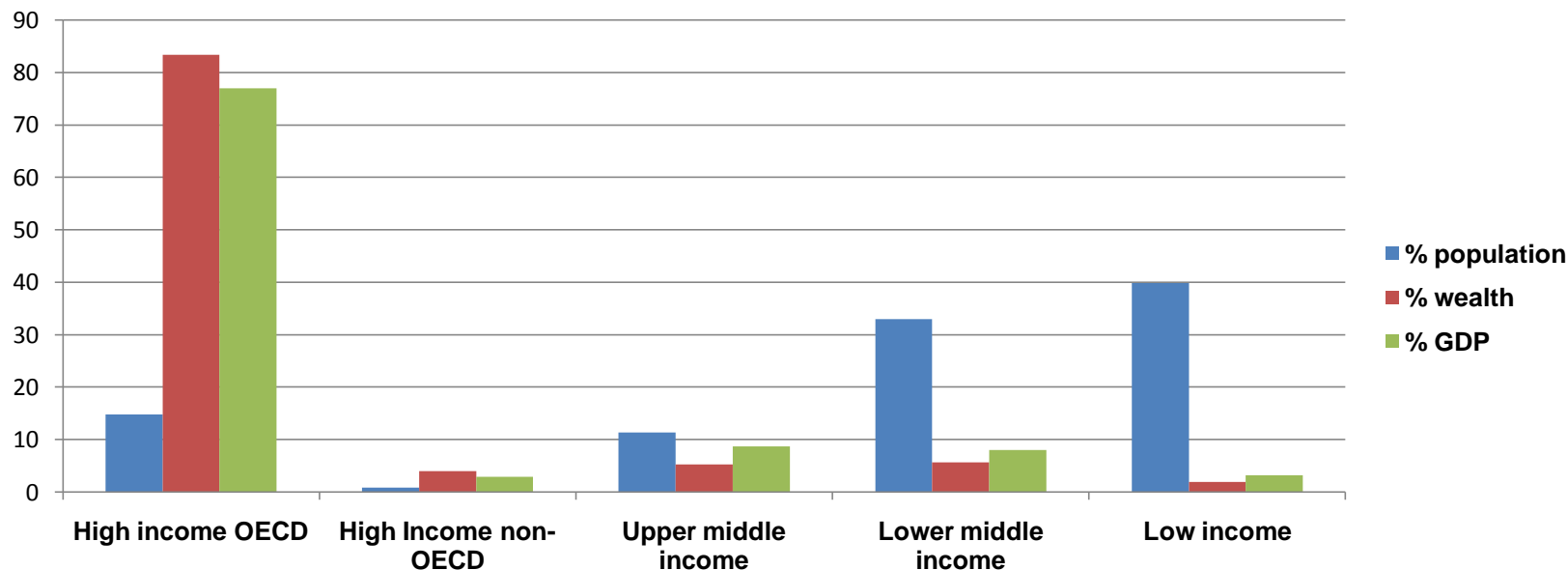
1. Private market place was becoming dominated by large transnational corporations.
2. Accumulation of capital was increasingly in the hands of a small group of economic actors, both public and private.
3. The divide between the rich and poor ( individuals, states or companies ) was growing both within and between states.
4. The divisions of labour and multi-centred production were heavily contributing to growing differences of experiences and opportunities.
5. The political, social and cultural influences of the corporate sector were increasing in line with their economic influences

\* See R. Smith et al, “**International political economy in the 21<sup>st</sup> Century. Contemporary issues and analyses**”, Pearson, Harlow, Essex, 2011, page 73.

**Global Ownership Of Capital** – Source: J.B. Davies, S. Sandstrom, A. Shorrocks, And E. N. Wolff (2006), “**The World Distribution Of Household Wealth**”, UNU

Capital (wealth) defined as financial and non financial assets

year 2000 - 228 cts	% population	% capital	% GDP
High income OECD	14.81	83.29	76.92
High Income non-OECD	0.93	3.99	2.95
Upper middle income	11.37	5.33	8.74
Lower middle income	33.01	5.74	8.02
Low income	39.87	1.97	3.24



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### In support of capitalist development:

**A) From 1850s to 1930s (Latin America).** Export-oriented economic modernization with unregulated markets implemented by liberal states. This style collapsed because of the 1930s Great Depression in the US.

**B) From late 1930s to late 1970s (Latin America, Africa and Asia ).** Mainly characterised by import-substitution industrialisation (ISI) implemented via developmental state and strong public administration institutions, including institutions for rural land reform especially in Latin America and Asia. Regulated markets. **Structuralism.**

**C) From the early 1980s to 2011 (Latin America, Africa and Asia).** Export-oriented industrialization with unregulated markets, implemented by neo-liberal states in a globalised economy. **Modernization theory**

### Challenging capitalist development:

**From the 1960s. Dependency theory (Latin America).** Participatory democratic system, collective ownership of capital, and protective measures against international capitalist system.

**Structuralism emerged in the late 1940s from the work of Raúl Prebisch and members of the Economic Commission for Latin America created by the UN in 1948. This theory is also known as the Centre-Periphery theory.**

**Structuralism main tenets:**

- 1. All major industrialised countries (especially U.S.A. and Japan) had industrialised behind protective policies, i.e., tariffs and subsidies;**
- 2. A country needed to develop a strong industrial structure before it could become involved in free trading of manufactured goods;**
- 3. Protective policies should promote a wide rather than a specialized range of rural and urban industries;**
- 4. Protective policies will create more opportunities for employment at a time of supply of labour growing very fast.**

Since the late 1940s the process of ISI in Latin America was engineered via a “triple alliance” between: **state owned firms, national private enterprises, and transnational corporations.**

[See ”[The Latin American Periphery in the Global System of Capitalism](#)“, Raúl Prebisch , 1981, and “[Latin American structuralism and economic theory](#)“, A. Di Filippo, CEPAL Review 98, August 2009 ]



**Structuralist planning for development with developmental state was changing the social structure in the continent:**

A class of owners of capital and a class of urban waged workers began to take the central stage in politics, creating dramatic social conflicts.


USA and Soviet Union were involved in a “Cold War” for dominating the world.

The class struggle in Latin America was menacing the stability of United States’ control of its “backyard”.


In the late 1950s a new theory for development appeared, this time originated in United States universities. From 1960 onwards it was going to be known as “[modernization theory](#)”.

**In the 1970s, Latin American and US power elites unleashed a brutal chain of military coup d’etat to impose modernization theory approach to development, creating neo-liberal states**

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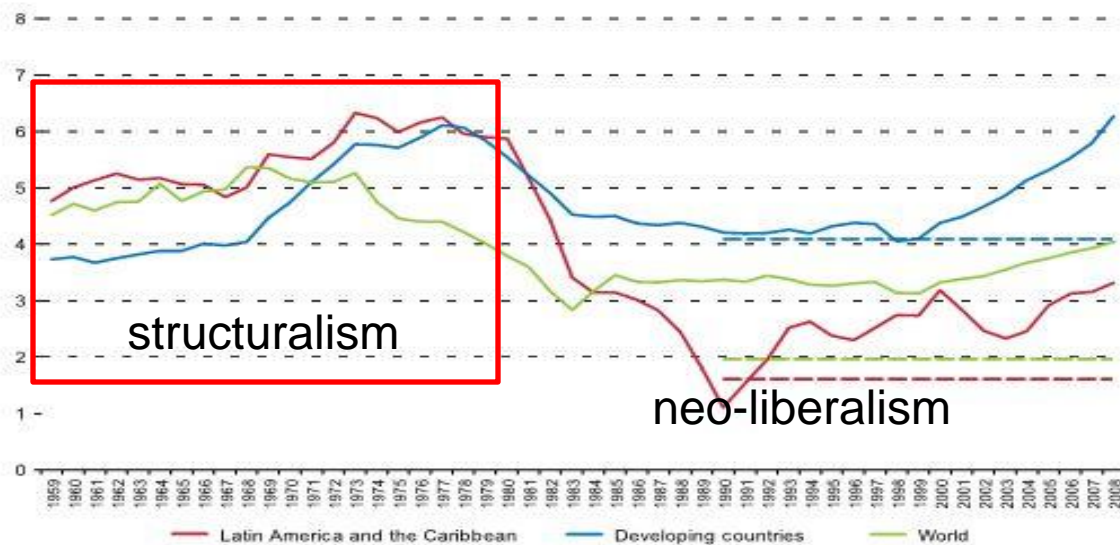
Thirty-third  
Session  
of ECLAC  
Brasilia, 30 May to  
1 June 2010



ECLAC

## The policies pursued since the 1980s did not produce the rapid, sustained economic growth that was expected

**LATIN AMERICA AND THE CARIBBEAN: GDP GROWTH COMPARED WITH TOTAL GDP OF DEVELOPING COUNTRIES AND THE WORLD**  
*(Annual rates of variation)*



**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and World Bank, World Development Indicators [online database].

In the early 1960s, in Santiago, Chile, a group of Latin American (especially economists and sociologists), developed an overall critique of modernization and structuralist theories. This was the basis for formulating the **dependency theory**.

The overall critique was based on the principle that there is an antagonistic contradiction between **capitalist economic efficiency** and **ethical social justice**. Therefore capitalist development in industrialized countries was leading to a world economy dominated by monopoly capital (in the form of transnational corporations mainly based in the United States in the 1960s) in which social justice does not have a place.

From above, if developing countries embarked in capitalist modernisation/industrialisation, they would end up as **dependent capitalist economies** producing to meet the needs of industrialised countries' big corporations in a monopolist world market.

The dynamics of the capitalist markets will create extreme income inequalities, higher dependency on the CENTRE capital and technologies, and **increased urban and rural social and environmental pollution**.

## Debates on Development 5

### On dependency theory:

Dependency theorists (O. Sunkel, E. Faletto, T. Dos Santos, A. Quijano, F.H. Cardoso, A. G. Frank, J. Ramos, R. Rojas, et al, which are associated with different shades of dependency theory) argued that

- import-substitution strategies, implemented in conditions of capitalist relations of production dominated by the economic empire led by US' big corporations was a recipe for further "colonization", "domination" and "dependency"; a dependent capitalist development will appear in the "periphery";**
- export-led strategies will have the same result, though faster;**
- development state in conditions of capitalist relations of production will play the role of ensuring international monopoly capital dominance, and the same will be true for laissez-faire (neoliberal) states.**

On dependency theory:

**Dependency theory suggested a methodology for advancing in the proposal of an alternative system to both capitalism and bureaucratic socialism, based on**

**-an analysis of social processes, mechanisms of exploitation and the dynamics of social stratification;**

**-an analysis of imperialist relations among countries, and regions within countries;**

**-an analysis of the asymmetric relations between social classes;**

**-an analysis of the relationship (as business partners) of the ruling elites and high rank civil servants in developing countries with the ruling elites and high rank civil servants in industrialised countries**

[ See F. H. Cardoso & E. Faletto, “**Dependencia y desarrollo en América Latina**”, Siglo XXI , 1969, Mexico, and R. Rojas, “[Notes on ECLAC's structuralism and dependency theory](#) “, 1992]

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## 1. Contemporary conditions

The Global System: its structure

The **Centre (power elites of industrialised countries)** control global production, global markets and global finance

The **Periphery (power elites of developing countries)** depend on the **Centre's power elites** for finance, technology and style of production

The Global System creates a constant **flow of capital from developing countries to industrialised countries**

**Poor people financing rich people**

Again, CRUSHING HUMAN BEINGS INTO MONEY

**Share of employers, wage and salaried, own-account and contributing family workers and members of producers' cooperatives (% of total employment).**

Sources: ILO, LABORSTAT database; and UNCTAD secretariat

Year 2008	<b>Employers</b>	Wage and salaried	Own-account	Contributing family / or in cooperatives
<b>Industrial countries</b>	<b>2.8</b>	87.0	8.7	1.5
<b>Eastern Europe &amp; Central Asia</b>	<b>2.2</b>	83.8	12.1	1.9
<b>Middle East</b>	<b>5.6</b>	61.7	20.9	11.8
<b>East Asia</b>	<b>2.8</b>	38.6	52.6	6.0
<b>Southeast Asia and the Pacific</b>	<b>2.6</b>	37.7	39.7	20.0
<b>South Asia</b>	<b>1.6</b>	31.1	46.1	21.2
<b>Latin America &amp; the Caribbean</b>	<b>4.2</b>	62.1	25.1	8.6
<b>North Africa</b>	<b>8.7</b>	55.8	20.3	15.2
<b>Sub-Saharan Africa</b>	<b>3.0</b>	22.9	48.7	25.4
World	<b>2.9</b>	46.9	33.0	17.2

## **Net transfer of financial resources\*\* to developing economies and economies of transition ( US\$ 2005 million).**

Source: World Bank, World Development Indicators various years.

	1960-75	1976-92	1993-2000	2001-2008
<b>% of GDP per year</b>	<b>-3.0</b>	<b>-2.6</b>	<b>-2.9</b>	<b>-5.3</b>
<b>US\$ millions per year</b>	<b>-63,018</b>	<b>-127,976</b>	<b>-227,171</b>	<b>-644,609</b>
<b>US\$ millions per day</b>	<b>-173</b>	<b>-351</b>	<b>-622</b>	<b>-1766</b>
<b>US\$ millions per hour</b>	<b>-7.2</b>	<b>-15.0</b>	<b>-25.9</b>	<b>-73.6</b>

<b>Developing countries average GDP growth 1960-2008</b>	<b>4.1%</b>
<b>Financial transfer to developed countries (avg. growth)</b>	<b>5.0%</b>

**\*\*Net financial transfers are defined as net capital inflows less interest and other investment income payments abroad**



## Value added per worker.

From “World Development Indicators 2011”, World Bank

2009	Gross Domestic Product (US\$ millions)		People employed (millions)		Value Added per worker (US\$)
East Asia & Pacific	(10.9%)	6,353,790	(34.3%)	1,090.7	5,825.4
Europe & Central Asia	(4.4%)	2,591,705	(5.9%)	187.2	13,844.5
Latin America & Carib.	(6.9%)	4,017,912	(8.5%)	269.3	14,919.8
Middle East & N. Africa	(1.8%)	1,062,419	(3.6%)	115.2	9,222.4
South Asia	(2.9%)	1,700,339	(19.7%)	625.9	2,716.6
Sub-Saharan Africa	(1.6%)	945,923	(10.7%)	341.0	2,773.9
High Income	(71.4%)	41,607,730	(17.2%)	546.6	76,120.9
<b>TOTAL</b>		<b>58,279,818</b>		<b>3,175.9</b>	<b>18,350.6</b>
United States	(24.2%)	14,119,000	(5.0%)	159.0	88,798.7
China	( 8.6%)	4,985,461	(24.7%)	783.2	6,365.5

## Military Expenditure.

From [Stockholm International Peace Research Institute](#) (SIPRI) Yearbook 2010

	US\$ bill	% of GDP	% of world military expenditure
World mil. expenditure	1,630,000		
United States	698,000	4.8	42.8
China	119,000	2.1	7.3
United Kingdom	59,600	2.7	3.7
France	59,300	2.3	3.6
Russia	58,700	4.0	3.6
Japan	54,500	1.0	3.3
Germany	45,200	1.3	2.8
Total 7 countries	1094,300		67.1

## 2. Contemporary conditions

From our 500 years journey we can clearly see that the prevailing cultural, ethnic, religious and economic injustices can be defeated only with a complex set of actions:

1. **“the interconnections among economic development, social policy and politics is crucial”**
2. **“poverty and inequality cannot be addressed by narrow approaches to social protection, or faith in the by-now-discredited notion that the benefits of economic growth will sufficiently trickle down to the poor.”**
3. **“democracy needs not just free and fair elections, but also organized citizens, special types of state-citizen relations and social pacts to deliver on distribution”**

See UNRISD (2010), [“Combating poverty and inequality. Structural change, social policy and politics”](#)

Modernization theory and structuralism and all its variations within the economic framework of capitalist markets – regulated and unregulated – have been unable to defeat poverty, economic inequality, gender inequality, religious inequality and ethnic inequality in both rich and poor capitalist and semi-capitalist societies.

### .3. Contemporary conditions

**From the above it follows that a better conceptualization of development is necessary.**

**Development for the people, by the people, not for capital, by capitalists.**

Development must include the concepts of political empowerment of the whole society, and that universal political empowerment is reachable only through universal access to education, health, shelter, food and individual freedom, seen as a social commitment.

And, of course, we must achieve all the above goals preserving our planet eco-systems.

**If we don't preserve our planet eco-systems we will crush biological life into oblivion.**

## 4. Contemporary conditions

**The actors in the global system – corporate globalisation.**

**Political empowerment of the whole society must be included in every actor in the global system**

Actor type	Total number (2009 approximates)
States	200
Transnational corporations (TNCs)	60000
Single-state NGOs	10000
International NGOs	5800
Intergovernmental organizations	2500+
Social movements (single-state and international)	n.a.

Based in Table 5.2, page 88, in See R. Smith et al, “**International political economy in the 21<sup>st</sup> Century. Contemporary issues and analyses**”, Pearson, Harlow, Essex, 2011

**Share of employers, wage and salaried, own-account and contributing family workers and members of producers' cooperatives (% of total employment).**

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TASK

What should be the characteristics of a new development approach which takes as its starting point the interests of the peoples of developing countries?

**Drawing on your worldview, personal and professional experience, reflect on the above question**

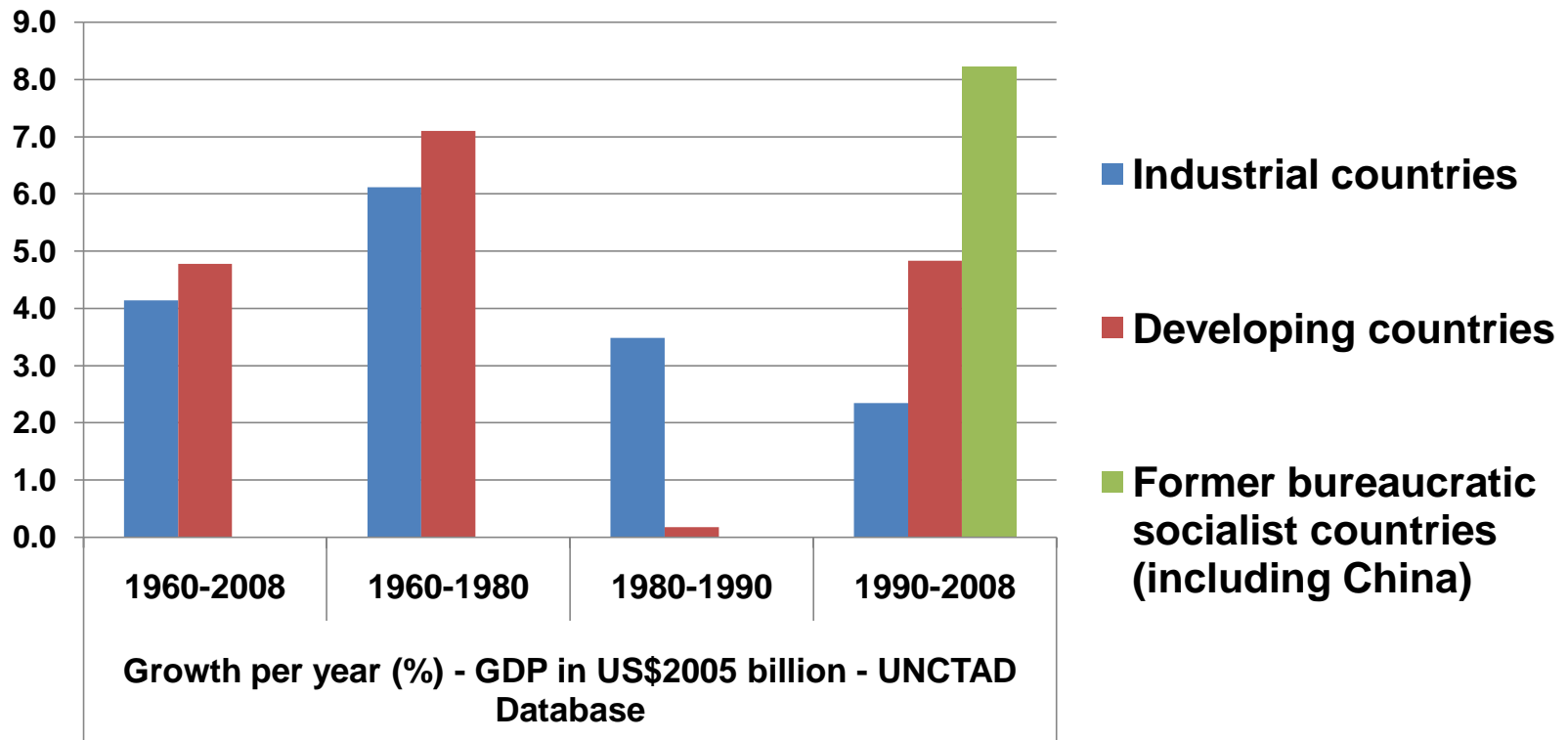
**Your discussion should consider how the contradictions and claims of the present development discourse would need to be challenged**



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# GDP 1960-2008 – growth per year (%)

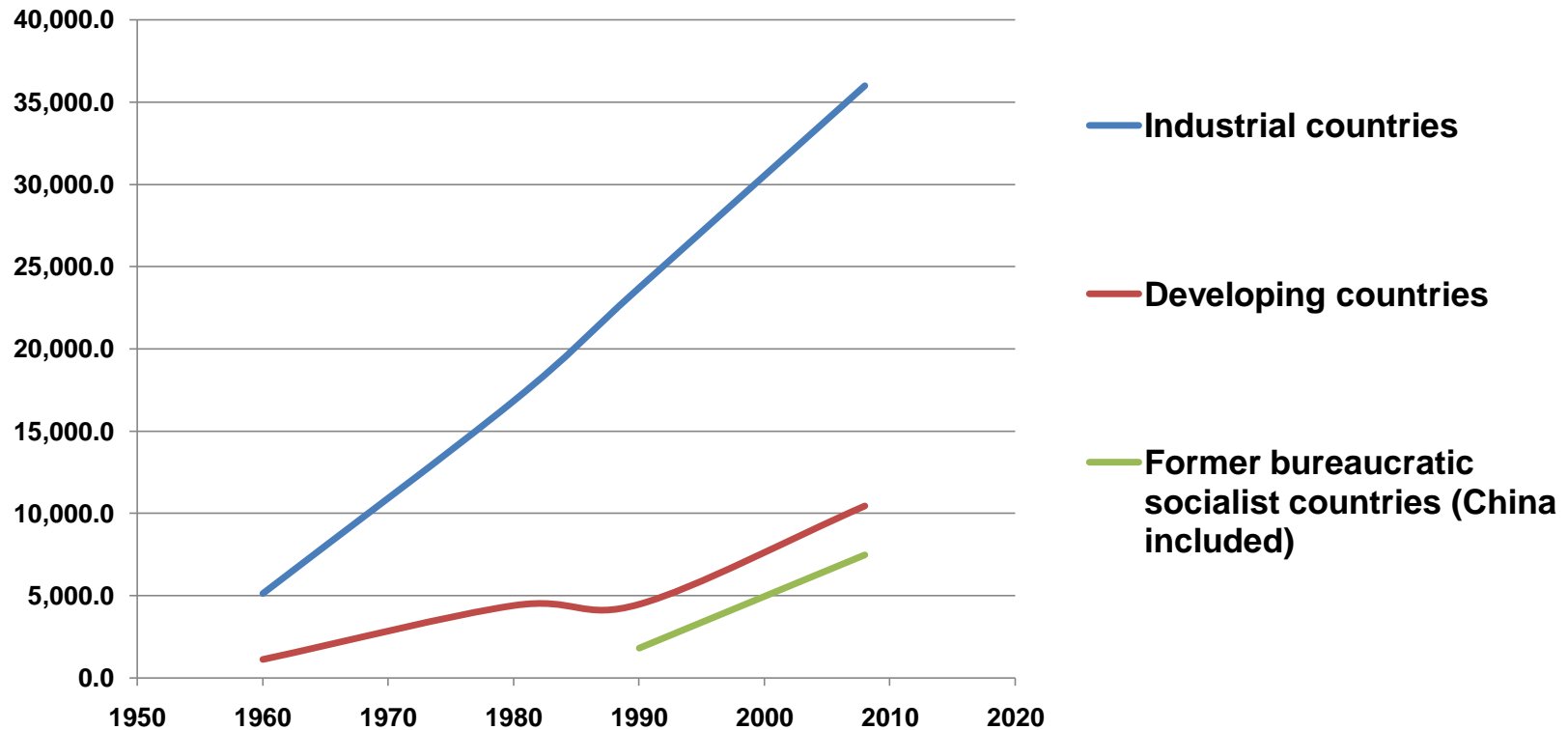
Source: UNCTAD Database (time series)



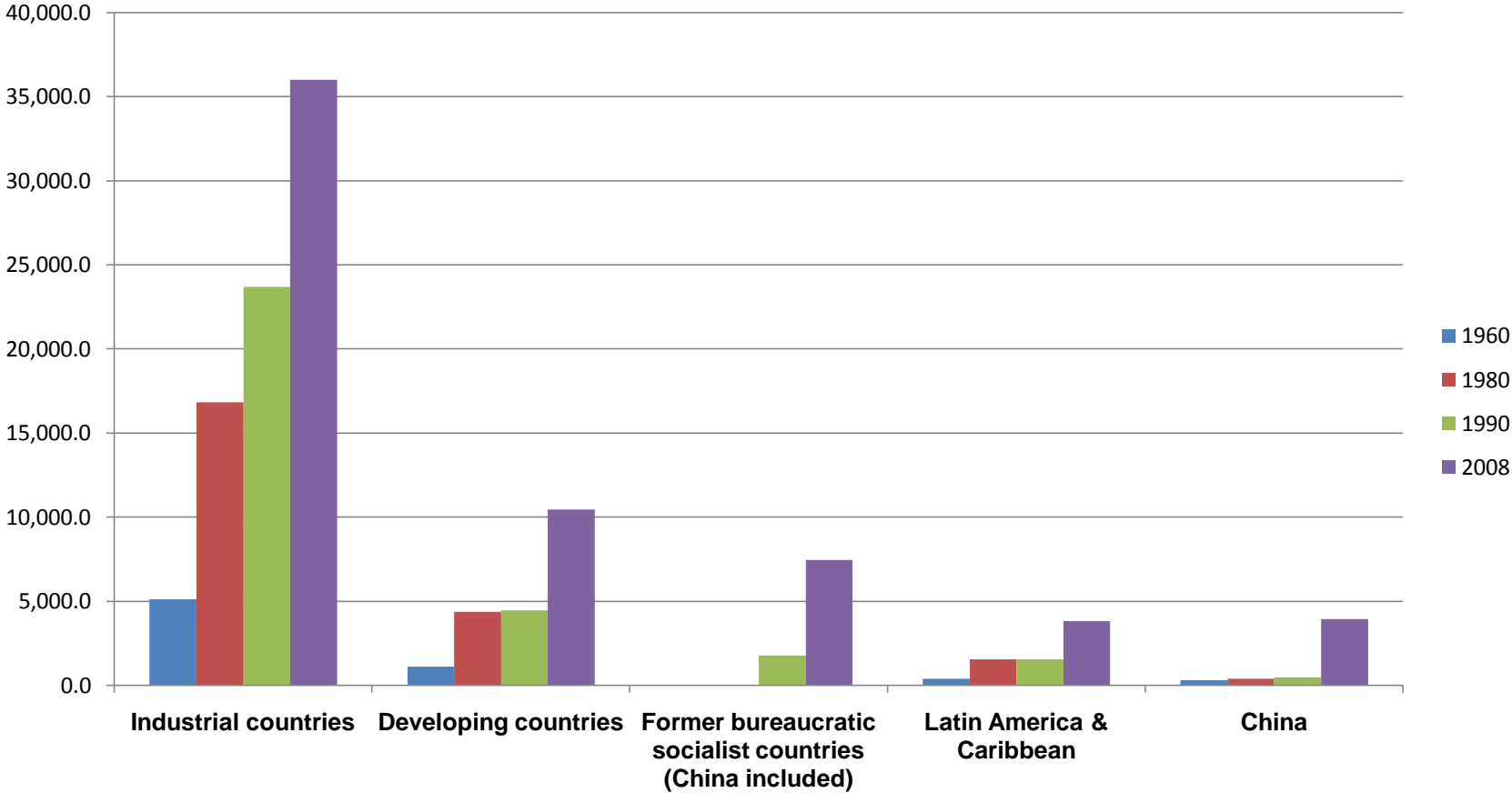


# GDP 1960-2008 in US\$2005 billion

Source: UNCTAD Database (time series)



# Total GDP for groups of countries for years 1960, 1980, 1990 and 2008. (US\$ 2005)



# Waves of Globalization led by Western Europe, Japan and United States

[The making of the British Empire](#) – 1600 to 1800s

## **The slave trade = human beings crushed into money**

For centuries it provided substantial quantities of **capital for the industrial revolution and the development of the Western European economy.**

Millions of African, Asian and Americans were crushed into money by the ruling elites of Spain, Portugal, England, Holland, Germany, et al

## **The Transatlantic Slave Trade consisted of three journeys:**

1. The outward passage from Europe to Africa carrying manufactured goods.
2. The middle passage from Africa to the Americas or the Caribbean carrying African captives and other 'commodities'.
3. The homeward passage carrying sugar, tobacco, rum, rice, cotton and other goods back to Europe.

**It is estimated that 11-12 million Africans were transported across the Atlantic into slavery. Many more had died during capture and transportation.**



**On modernization theory:**

Main concept: **all societies progress to modernization passing through five stages in accordance with the dynamics of the capitalist mode of production:**

**1<sup>st</sup> stage: traditional society** (rural).

**2<sup>nd</sup> stage: The preconditions for take-off.** New levels of education, entrepreneurship, and institutions capable of mobilizing capital.

**3<sup>rd</sup> stage: the take-off.** Agriculture is commercialised, there is a growth in productivity to meet the demand emanating from expanding urban centres.

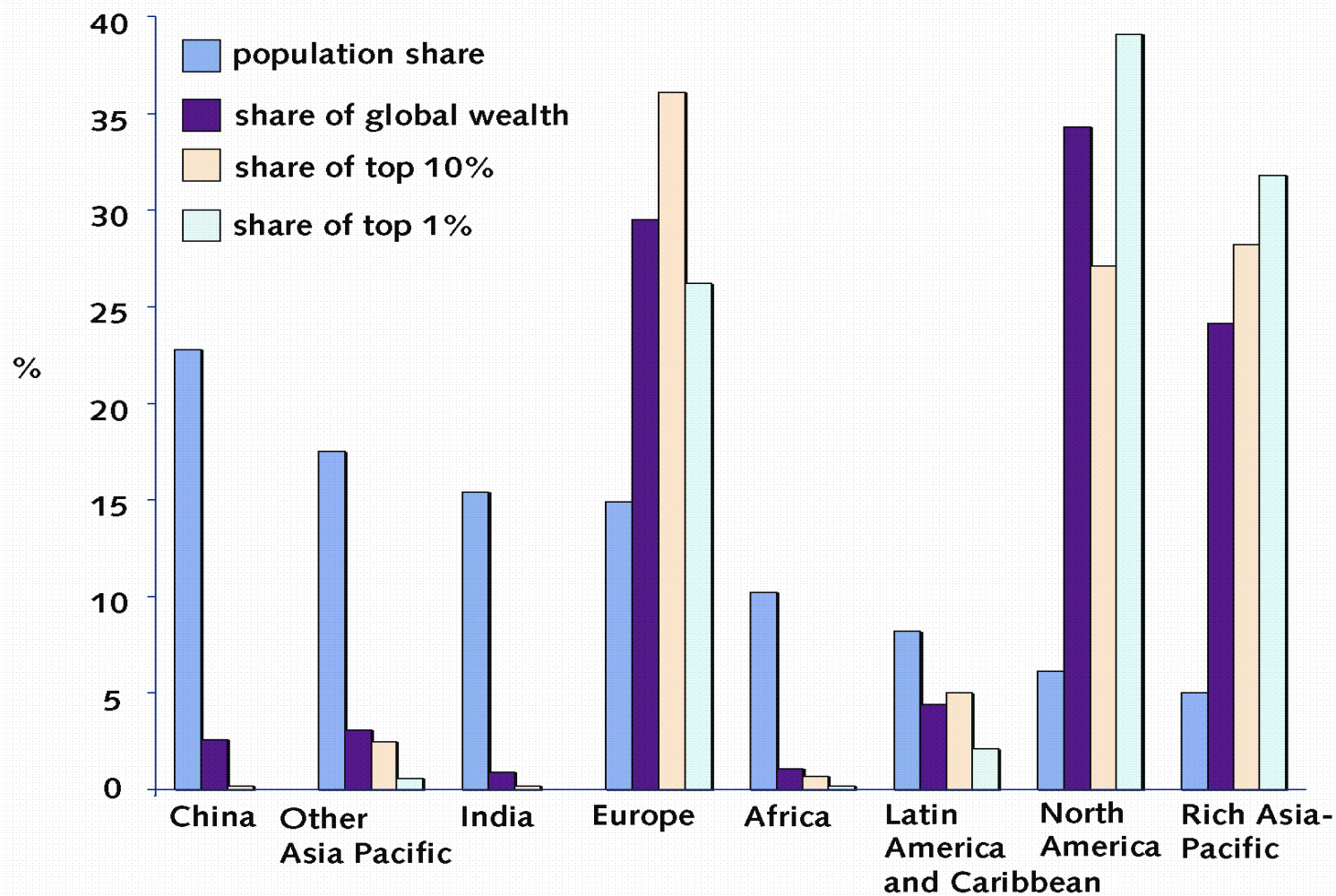
**4<sup>th</sup> stage: the drive to maturity.** 10 to 20 per cent of GDP is invested and the economy "takes its place in the international order." Now production is not the outcome of social necessity but of the need of maximizing profits.

**5<sup>th</sup> stage: mass consumption.** At this stage, economic growth makes sure that basic needs are satisfied, and the economic focus changes to social welfare and security.

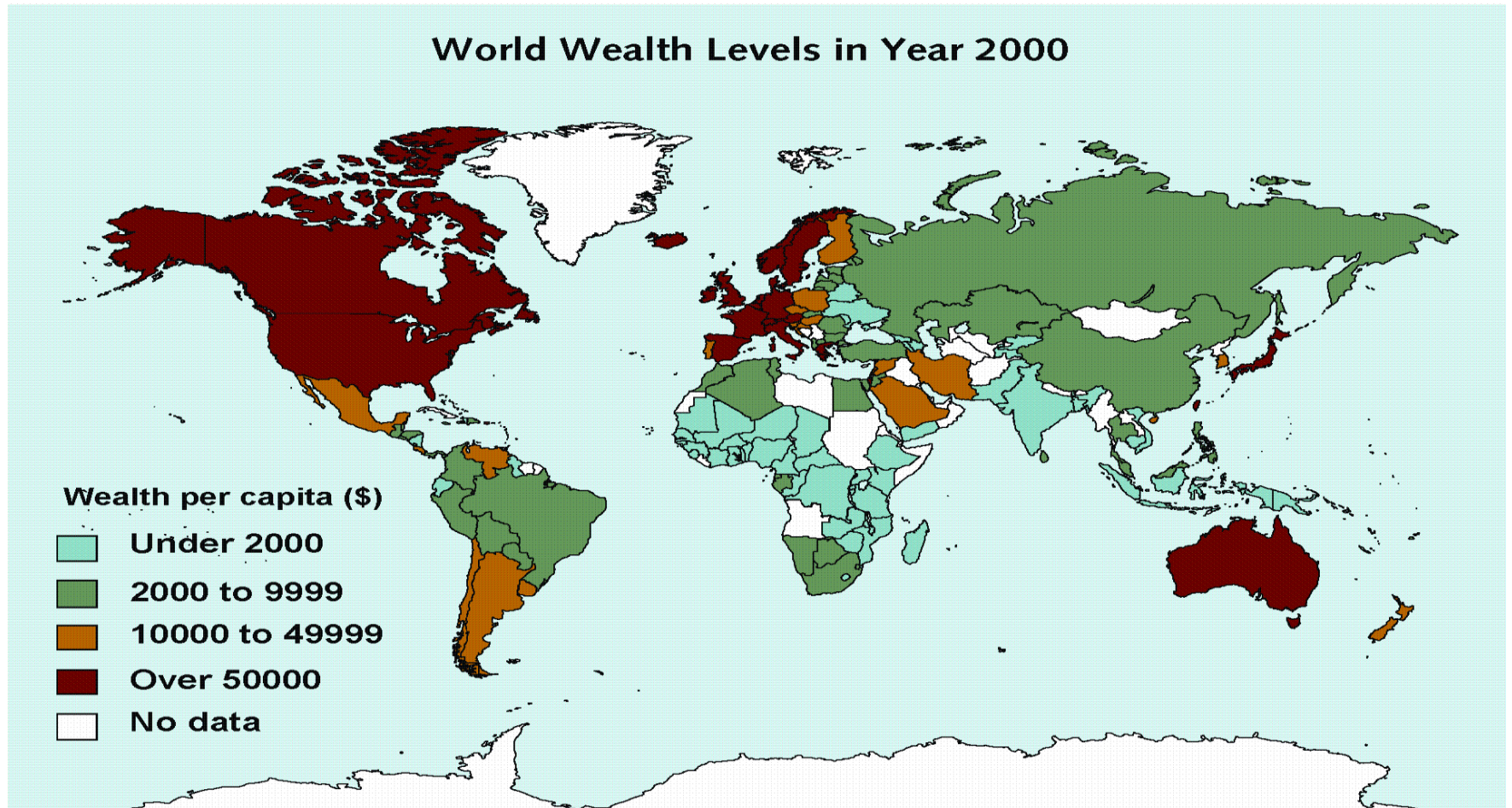
[See W. Rostow , "[The Stages of Economic Growth: A Non-Communist Manifest](#)", CU P, 1960, and E. Thorbecke , "[The evolution of the development doctrine 1950-2005](#)", UNU, 2006 ]

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## Population and Wealth Shares by Region

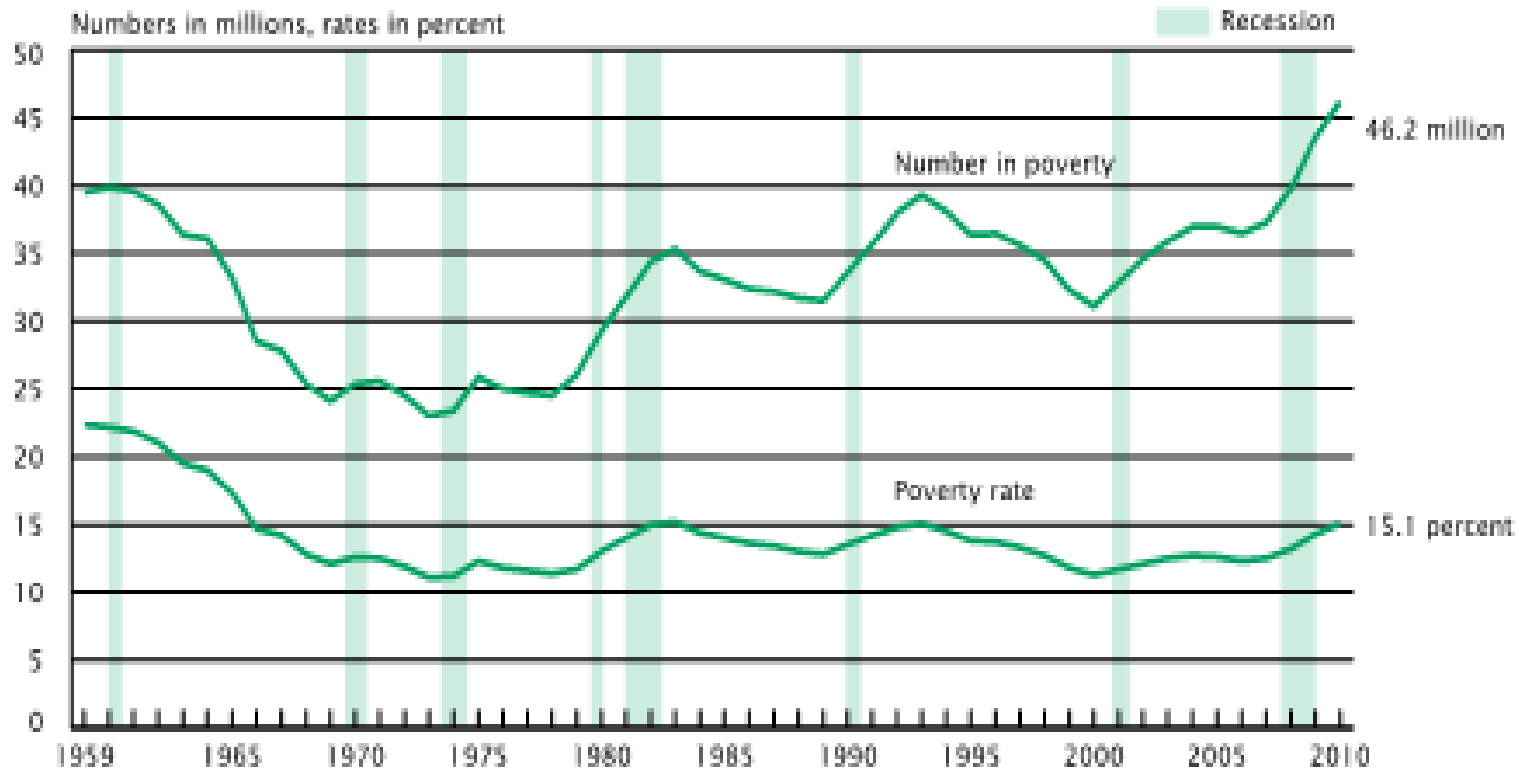


Global Ownership of capital – Source: J.B. Davies, S. Sandstrom, A. Shorrocks, and E. N. Wolff (2006), “The World Distribution of Household Wealth”, UNU

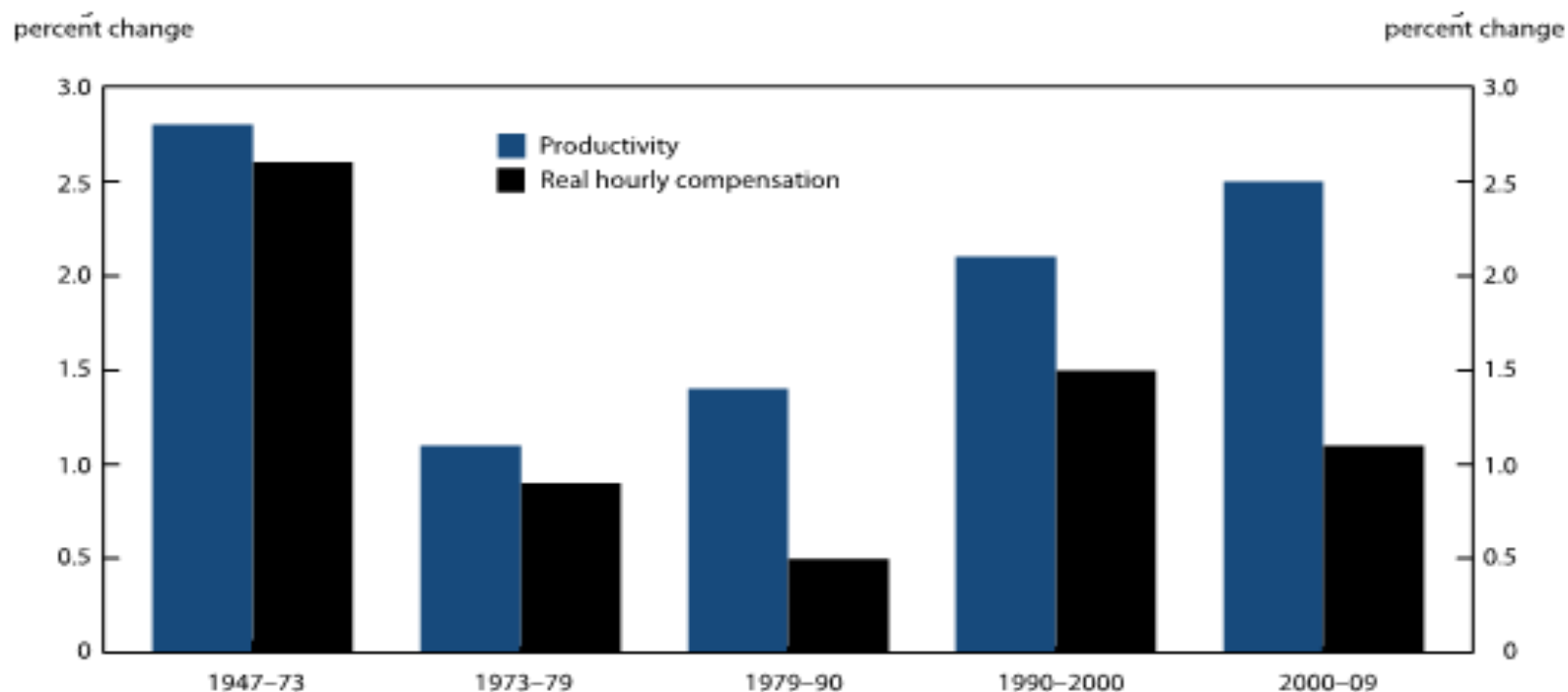


**Capital (wealth) defined as financial and non financial assets**

**Figure 4.**  
**Number in Poverty and Poverty Rate: 1959 to 2010**



Note: The data points are placed at the midpoints of the respective years. For information on recessions, see Appendix A.  
 Source: U.S. Census Bureau, Current Population Survey, 1960 to 2011 Annual Social and Economic Supplements.



- Growth of productivity and real hourly compensation was robust until 1973, at which time growth slowed for both.
- Real hourly compensation growth failed to keep pace with accelerating productivity growth over the past three decades, and the gap between productivity growth and compensation growth widened.