

# Contemporary conditions and debates on Development in an Urban World

A brief critical analysis of the way in which the Development Discourse has been shaped by power relations within the global system

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**“...By 2030 the proportion of people living in cities globally is expected to reach 61%, with almost 80% of urban dwellers living in less developed countries.**

For the first time in history the world will tip from being predominantly rural to predominantly urban and virtually all projected world population growth will be absorbed by cities in the south over the next fifty years.

**We need to understand the implications of this tipping point for cities as well as the countries, regions, and international development systems of which they are a part. ”...**

From UNU-Wider (2008), Project on “Development in an Urban World” – see

[http://www.wider.unu.edu/research/projects-by-theme/poverty-inequality/en\\_GB/Development-in-an-Urban-World/](http://www.wider.unu.edu/research/projects-by-theme/poverty-inequality/en_GB/Development-in-an-Urban-World/)

**Urbanization** implies demographic growth, spatial expansion, economic differentiation, social complexity, cultural diversity, institutional fragmentation, improved rates of productivity leading to **externalities** such as poverty and inequality, alongside dangerous levels of pollution.

See M. Cohen (2001), “Urban assistance and the material world: learning by doing at the World Bank”, in *Environment and Urbanization* 2001; pp. 13-37.

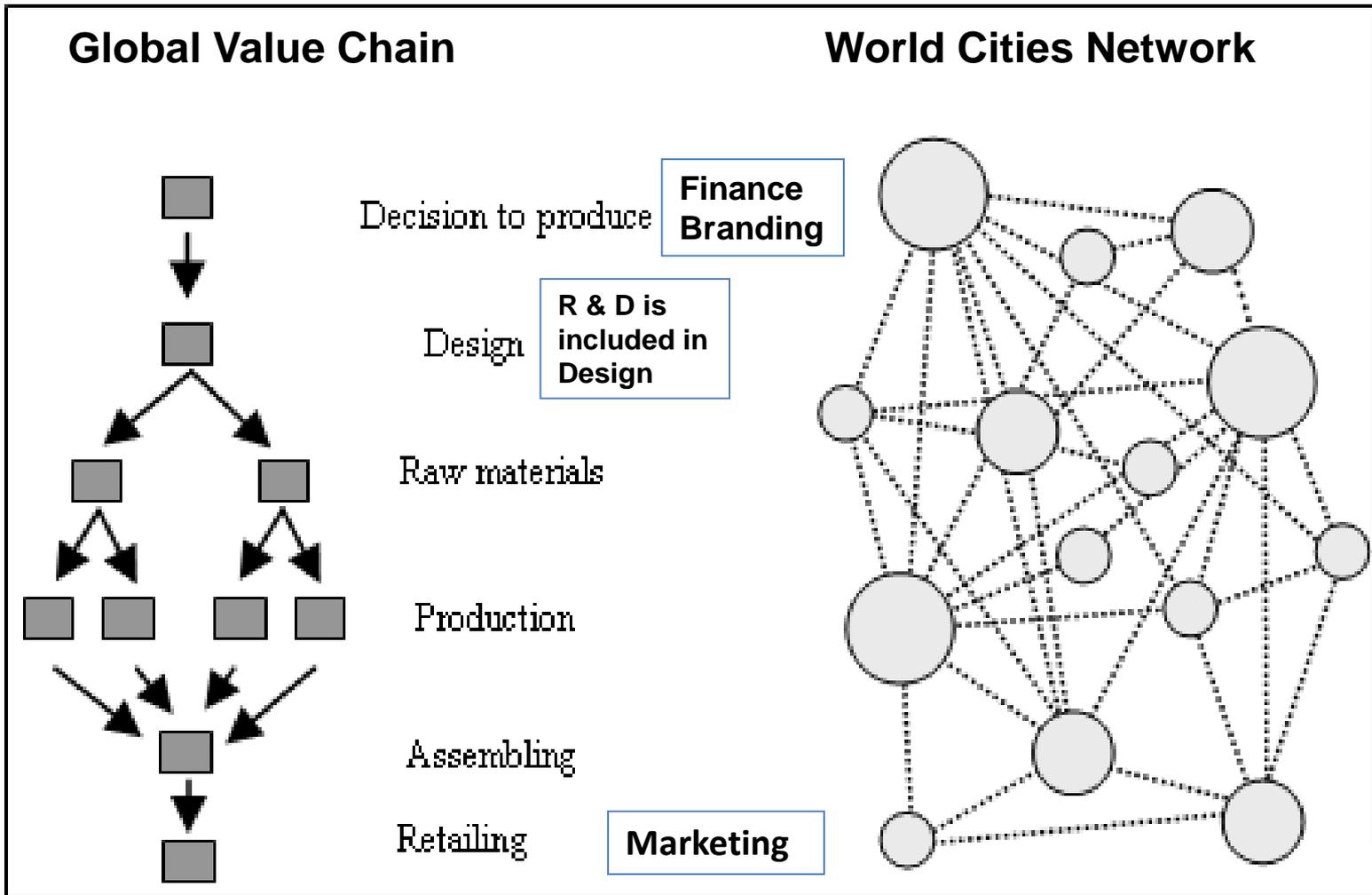


So, a reviewing of the main tenets of **planning for development** is required

“**regional systems theory** conceptualizes towns and cities as the **nodes** of local or regional **social and economic systems** that are nested in a more or less **integrated hierarchy.**”

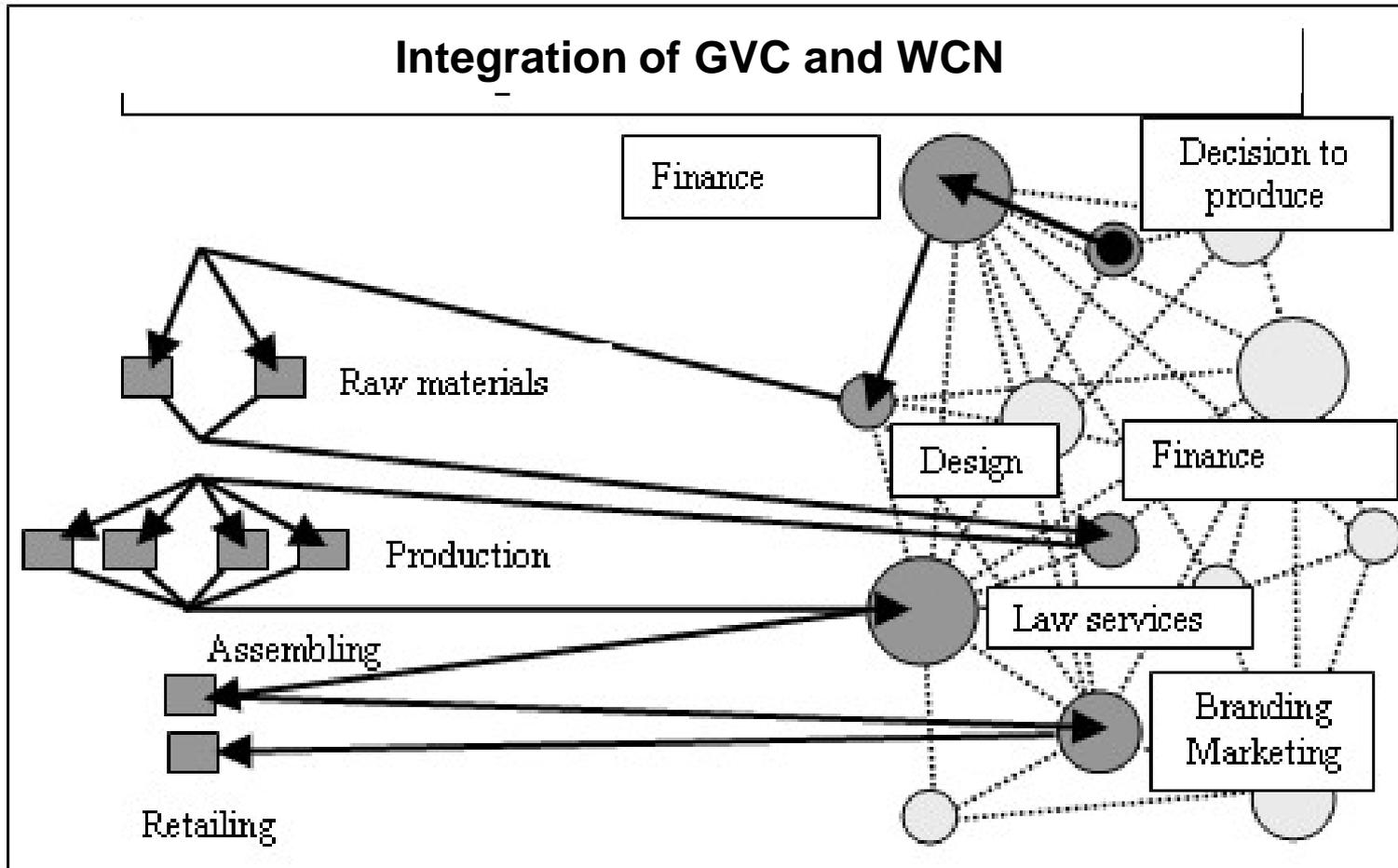
... **the social and economic systems** form an **international integrated system of production** managed by transnational corporations, where the upper strata is located in New York, London, Tokyo, Paris, Berlin, among other megacities...and based on **Global Value Chains** and **World Cities Networks**...

Source: G.W. Skinner and M. Henderson(1999), “A hierarchical regional space model for contemporary China – Analyzing the Urban Hierarchy”, University of California, Berkeley)



See H. G. Overman and A. J. Venables (2010), “**Evolving City Systems**”, Working Paper 2010/26, UNU- World Institute for Development Economics Research,

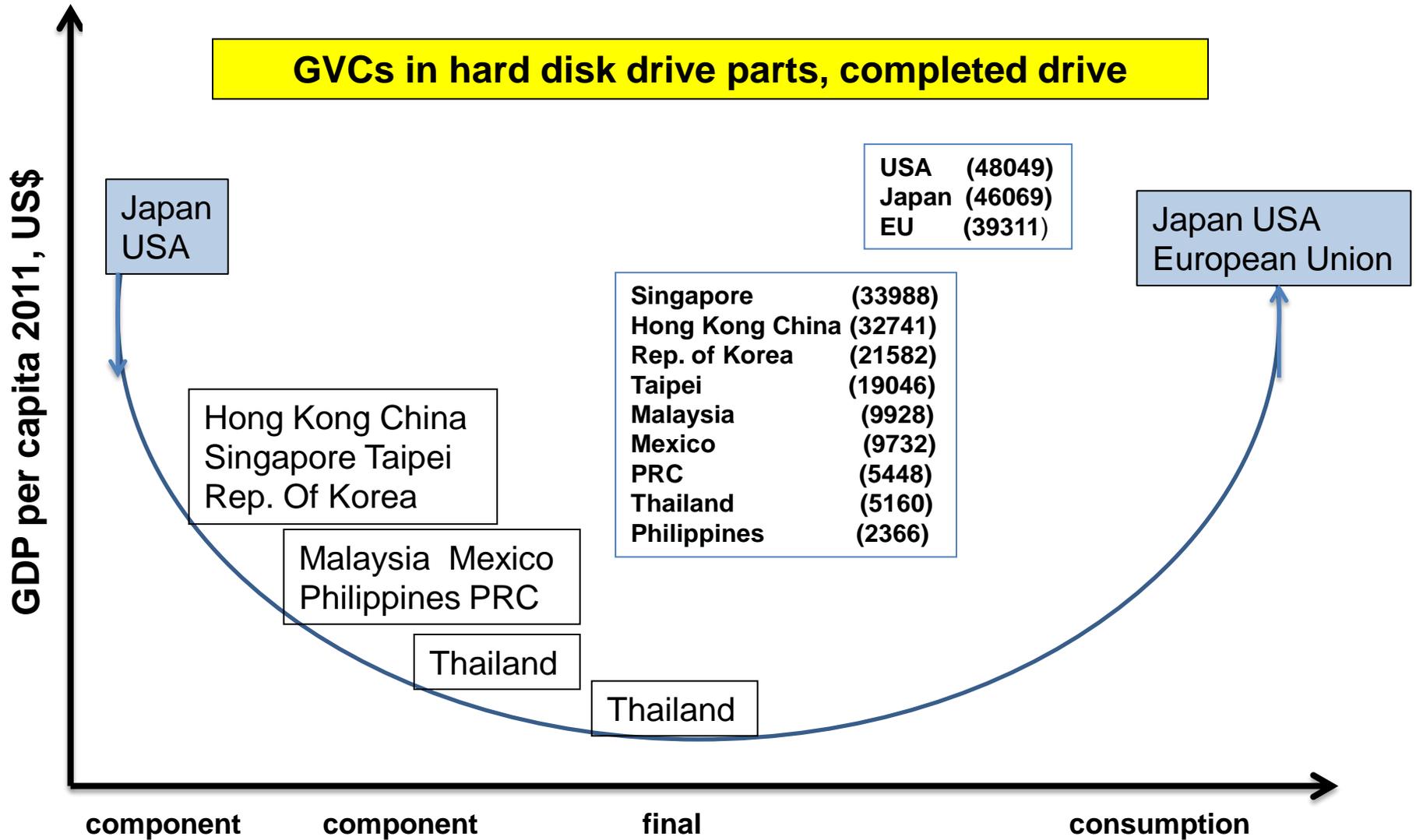
# The Global System: fragmented world production



See UNCTAD (2013), “World Investment Report 2013, Global Value Chains: Investments and Trade for Development”, Chapter 4.

# The Global System: fragmented world production

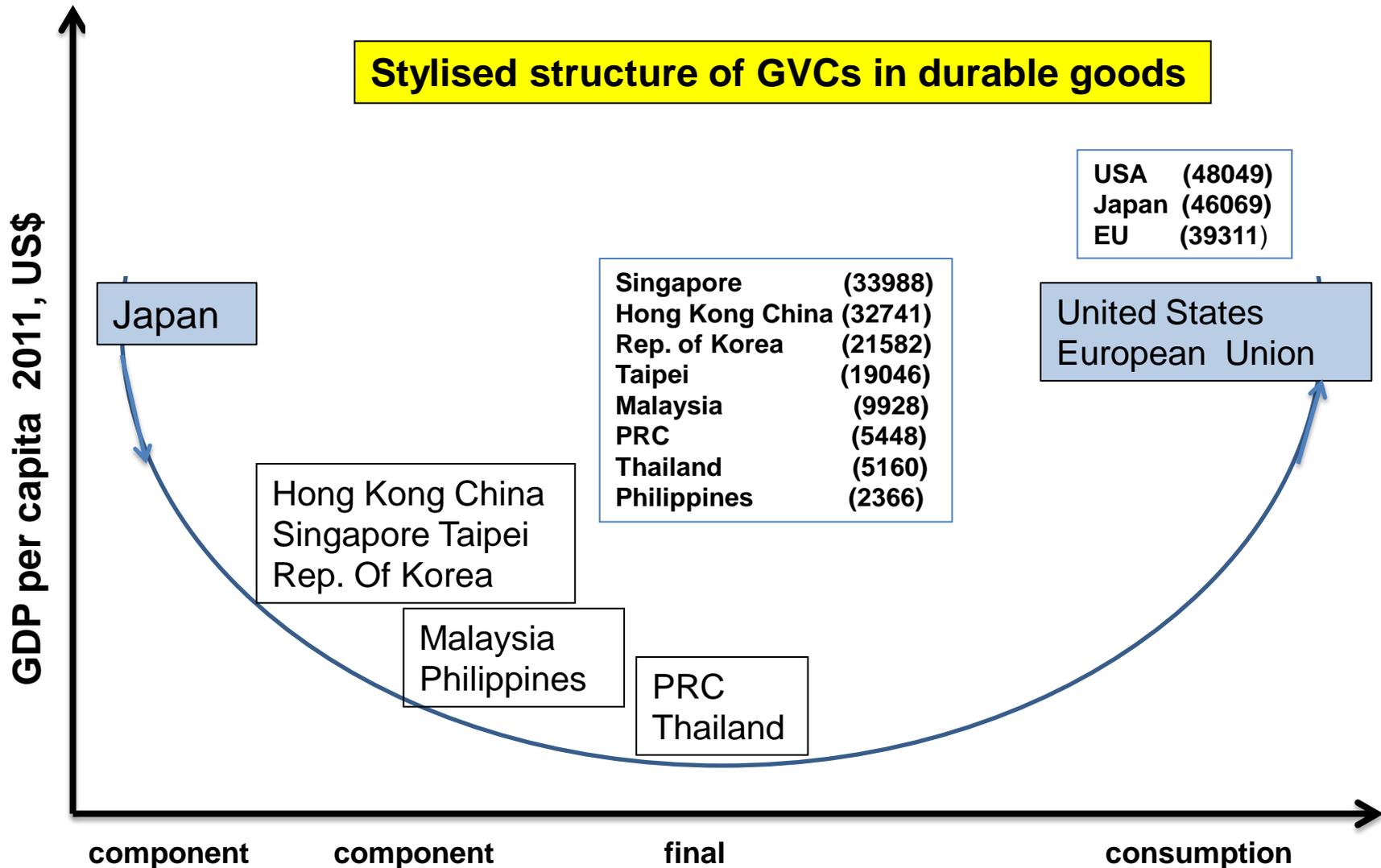
## GVCs in hard disk drive parts, completed drive



Source: Asian Development Bank (2012), "[Asian Development Outlook 2012: confronting rising inequality in Asia](#)", 2012, p. 21

# The Global System: fragmented world production

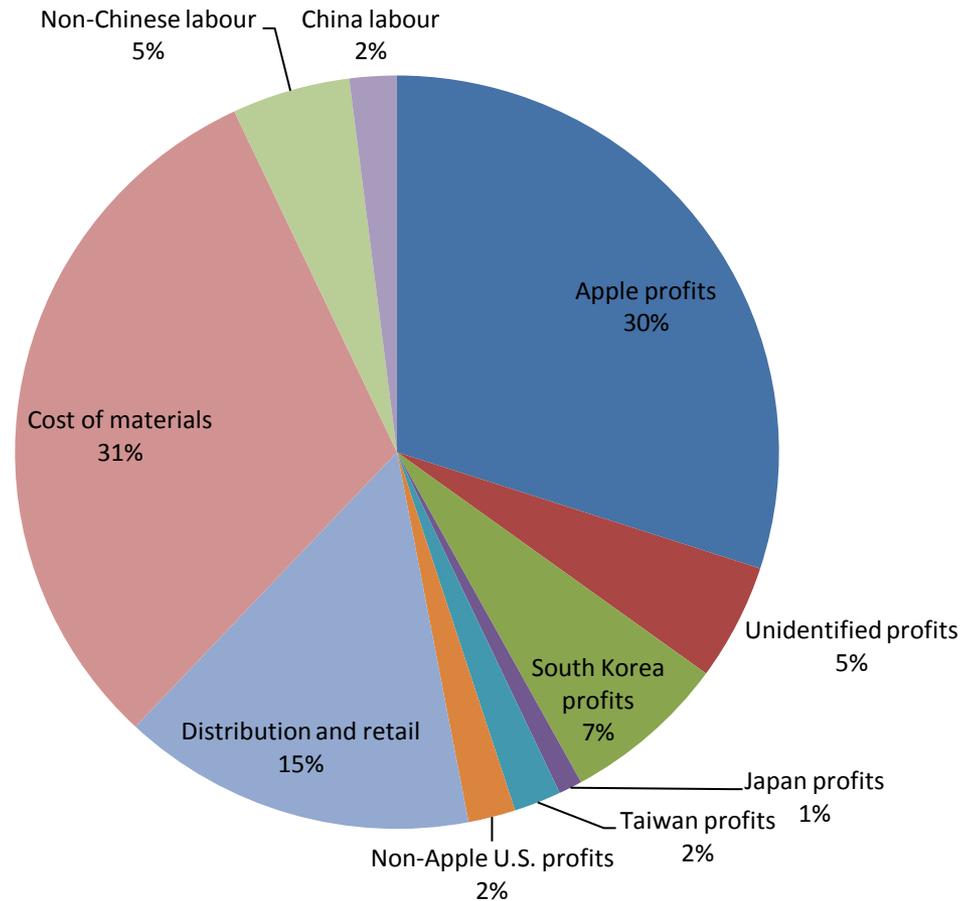
## Stylised structure of GVCs in durable goods



Sources: Asian Development Bank (2012), "[Asian Development Outlook 2012: confronting rising inequality in Asia](#)", and World Bank (2006) "[An East Asian Renaissance: ideas for Economic Growth](#)".

# The Global System: The case of the GVC for Apple's iPad

Distribution of value created for iPad in its GVC



Source: Worstall, T. (2011), "[China Makes Almost Nothing Out of Apple's iPads and iPhones](#)", in FORBES, 24 December 2011

## The Global System today

Globalised configuration of capitalism: economic, political and cultural relative dominance. It took 500 years to build a global network of capitalist cities and a global network of capitalist power elites.

**A corporate globalisation** in an urban world

## Contemporary Conditions of Development

**ECONOMIC:** International system of production owned/managed by TNCs from **USA, Japan and Western Europe** plus late presence of TNCs from **China and India**.

**POLITICAL:** geopolitical contradictions in the struggle for the control of natural resources and the markets for goods and services. Main battlefield in the UN Security Council : **USA, UK, France, Russia and China**.

## Debates on Development

Debates within the capitalist system around the notions of **market-led** or **state-led development** (non-regulated and regulated markets).

The contemporary debates on styles of development have been intense since the late 1940s until today, covering several stages.

# The Global System

## Structure:

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

The **Periphery (power elites in developing countries)** depend on the **Centre's power elites** for finance, technology and types of production ( this style of development is **dependent capitalist development**)

## Effects:

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

## Therefore:

**poor people financing rich people** and  
**rich people crushing human beings into money** resulting in  
**human activities crushing our planet eco-systems**

**which creates the need to stop this** criminal mode of development

## The Global System: a case of poor people financing rich people

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

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\$ billions per year</b>	<b>-63.02</b>	<b>-127.98</b>	<b>-227.17</b>	<b>-644.61</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**

## The Global System: a case of poor people financing rich people

Financial flows from developing countries to industrialised countries (current dollars)

Year 2006 (US\$ millions)	Inflow to dev. cts.	Outflow from dev. cts. (FPA) **	Net flow from dev. cts.	Net flow as % of dev. cts. GDP	US\$ mill. per hour
Foreign Direct Investment *	72403				
Aid	104421				
Other private flows (NGOs, etc)	70362				
<b>Total inflow/outflow</b>	<b>247186</b>	<b>-865175</b>	<b>-617989</b>	<b>-4.8</b>	<b>-70.5</b>

\*Total FDI is composed of 56% equity, 26% reinvested earnings and 18% loans from host country banks. Total = 129291, of which equity = 72403

\*\* FPA: factor payments to abroad

Source: World Bank, "World Development Indicators 2008" , table 6.12

Some theories utilized for justifying or challenging different styles of development:

- a) **market- led development** ( monetarist, neo-liberal, neo-classic, etc.) ( Mainly United States)
- b) **international Keynesianism** ( social market) ( Western Europe)
- c) **state-led development:** ( shades of state capitalism: from total state control to shared state/private market control) ( Latin America, Africa , India, and the former bureaucratic socialist regimes , including Russia and China)
- d) **critical view of a), b) and c)** using either Marxist or classical economic theories ( A. Smith et al ), and dependency theory (proposing alternatives economic regimes to the capitalist regime)

See R. Rojas, 1998, "Making sense of development studies (notes)", available at <http://www.rrojasdatabank.info/making.htm>

Development in Latin America and the Caribbean, Asia and Africa after 1945 has been a **process within another process:**

**the post-war economic-political battle for world control,**

which showed three main stages:

- 1.- **Cold War** (1948 – 1980s ) ( confrontation USA – Soviet Union)
- 2.- Speeding up of **Capitalist Globalization** ( 1980s – to date )
- 3.- Economic and political **capitalist challenge** to USA, Western Europe and Japan imperial dominance, led by China and Russian Federation ( 2000s to date )

**Economic and political agents** in industrialised and developing societies created "**triple alliances**" for consolidating their control over world social formations:

**international private monopoly capital (TNCs) - developing societies private monopoly capital – developed and developing societies states**

which dominated the economic and political development of both groups of economies

Three international organizations are the global financial and organizational tools for controlling the global system which makes **independent planning for development** very difficult:

**International Monetary Fund (IMF) – World Bank Group - World Trade Organization (WTO)**

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

Period	Means of domination	Main effects
1948-2000s	<ol style="list-style-type: none"> <li>1. U.S.A, Western Europe and Japan carve the world up into <b>spheres of economic and political influence</b>.</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</b>. <b>Financial capital</b> becomes extremely powerful generating dramatic <b>business cycles</b>.</li> <li>3. <b>China, India and Russia</b> join the ranks of old colonizers.</li> <li>4. <b>Economic/military pressure</b> 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

**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>	<b>Wage and salaried</b>	<b>Own-account</b>	<b>Contributing family / or in cooperatives</b>
<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
<b>World</b>	<b>2.9</b>	46.9	33.0	17.2

By the year 2010 five main **capitalist 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, (2011), "**International political economy in the 21<sup>st</sup> Century. Contemporary issues and analyses**", Pearson, Harlow, Essex, 2011, page 73.

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.**

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”**, Available at <http://www.rrojasdatabank.info/povrep2010.htm>

**Modernization theory and structuralism** and all its variations within the economic framework of capitalist markets – **regulated or 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.**

**"...The decadent international but individualistic capitalism, in the hands of which we found ourselves after the War, is not a success. It is not intelligent, it is not beautiful, it is not just, it is not virtuous - and it doesn't deliver the goods. In short, we dislike it and we are beginning to despise it. But when we wonder what to put in its place, we are extremely perplexed."...**

From **"National Self-Sufficiency" - by John Maynard Keynes (1933)**

**"Modern high-tech warfare is designed to remove physical contact: dropping bombs from 50,000 feet ensures that one does not "feel" what one does.**

**Modern economic management is similar:..from one's luxury hotel, one can callously impose policies about which one would think twice if one knew the people whose lives one was destroying."**

*Joseph E. Stiglitz (2002), **Globalization and its Discontents**, Norton, New York*

**“...the failure of financial markets has shattered the naïve belief that unfettered financial liberalization and deliberate non-intervention of Governments will maximize welfare...”**

“the crisis offers an opportunity to be seized. ..”

**“...governments, supervisory bodies and international institutions** have a vital role: to ensure that atomistic markets for goods and for services can function efficiently, **consistent and forceful intervention in financial markets is necessary by institutions with knowledge about systemic risk** that requires quite a different perspective than the assessment of an individual investor’s risk. “

**“Market fundamentalist *laissez-faire* of the last 20 years has dramatically failed the test...”**

From UNCTAD - 19 March 2009, “**The Global Economic Crisis: Systemic Failures and Multilateral Remedies**”, Executive Summary. [www.rrojasdatabank.info/gds09exec.pdf](http://www.rrojasdatabank.info/gds09exec.pdf)

**NOTE:** More on all the topics covered in this workshop in my Term 1 teaching in DAP and UED

## 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**

