



The **United Nations Research Institute for Social Development (UNRISD)** is an autonomous agency engaging in multidisciplinary research on the social dimensions of contemporary problems affecting development. Its work is guided by the conviction that, for effective development policies to be formulated, an understanding of the social and political context is crucial. The Institute attempts to provide governments, development agencies, grassroots organizations and scholars with a better understanding of how development policies and processes of economic, social and environmental change affect different social groups. Working through an extensive network of national research centres, UNRISD aims to promote original research and strengthen research capacity in developing countries.

Current research programmes include: Civil Society and Social Movements; Democracy, Governance and Human Rights; Identities, Conflict and Cohesion; Social Policy and Development; and Technology, Business and Society.

A list of the Institute's free and priced publications can be obtained by contacting the Reference Centre.

UNRISD, Palais des Nations  
1211 Geneva 10, Switzerland

Tel: (41 22) 9173020  
Fax: (41 22) 9170650  
E-mail: [info@unrisd.org](mailto:info@unrisd.org)  
Web: <http://www.unrisd.org>

Copyright © United Nations Research Institute for Social Development.

This is not a formal UNRISD publication. The responsibility for opinions expressed in signed studies rests solely with their author(s), and availability on the UNRISD Web site (<http://www.unrisd.org>) does not constitute an endorsement by UNRISD of the opinions expressed in them.

# Reclaiming the Right to Development<sup>1</sup>

Kari POLANYI LEVITT

Draft paper prepared for the discussion at the UNRISD meeting on  
“**The Need to Rethink Development Economics**”,  
7-8 September 2001,  
Cape Town, South Africa.

---

## Introduction

In 1986 the United Nations adopted a declaration on "The Right To Development" as an inalienable human right, embracing "all civil, economic, social, cultural and other human rights enumerated in the Universal Declaration of Human Rights". Since this Declaration was adopted, "globalization" has devalued sovereign equality and stripped states of monetary, fiscal and administrative policy instruments essential to the formulation and implementation of pro-active strategies of economic and social development. .

The authority of the United Nations has declined. Private global capital flows have displaced official development assistance as a major source of external finance. Market criteria of profitability (cost-recovery) have prevailed over egalitarian social criteria in the provision of public goods directly affecting the well being of people. International inequalities have escalated. Domestic disparities have widened in most countries. Commodity prices continue to fall. Finance has been privileged at the expense of productive activity and countries open to capital flows have borne the full economic, social and human costs of adjustment to ever more frequent and damaging financial and economic crises. Primary commodity exporters have always been *price-takers*. They have always been forced to adjust to business cycles in the industrial centers by *pro-cyclical policies*. Thanks to twenty years of "structural adjustment", they have also become *policy takers*. Development as a national and social project supported by the international community is in suspense -. in large regions of the world in regression.

A rising tide of outrage at global inequities has attracted the attention of the world. There is a growing sense that "globalization" is a non territorial form of imperialism, imposed on developing countries by legally binding obligations of compliance with rules favouring capital, enforced by trade sanctions and denial of access to finance. Additional conditionalities relating to "governance", some at the insistence of influential international NGOs . further constrain policy autonomy. Scores of countries have been encouraged - sometimes bullied - into excessive dependence on export earnings and foreign credits by programmes designed by the staffs of the

Bretton Woods Institutions The International Monetary Fund has become a foreign policy instrument of the United States. Crises have been used as opportunities to radically restructure economies - most scandalously in the case of South Korea.

Since the end of the cold war, the only remaining super power has acted as self appointed global policeman. Military interventions targeted at physical and social infrastructure have punished civilian populations for the alleged misdeeds of their leaders. The George W Bush administration has flaunted an extreme posture of unilateralism, with disregard of the views of even the closest allies. The influence of financial and corporate power at the highest levels of government calls for new initiatives to protect populations and societies of the developing world from exploitation and societal collapse.

There is a crying need for creative thinking and new initiatives to protect the gains of development from devastation by financial hurricanes fed by institutional investors who freely move funds in and out of countries at the tap a keyboard. with no responsibility for the impact of their operations on 'host' countries. The IMF, BIS, G7, G 20 etc. are captive to the overriding interest of protecting the value of global financial investment; regardless of collateral damage to shattered lives and hopes of millions. Consensus of developing countries in international negotiations with the Bretton Woods institutions and the WTO, is hostage to policies which pit country against country in competition for export markets and foreign investment.

## **Reclaiming Policy Autonomy**

For the past twenty years, the developing world has been adjusting to the agendas of the IMF and the World Bank. It is time to reclaim the right of nations to policy autonomy, the right to "make the best use of ones own resources"(Lewis) , and the right "to engage in the international economy on one's own terms" (Rodrik). The Right to Development is a citizen right and its realization is a priority obligation of national governments. States - not the IMF or the World Bank - have the right and the duty to formulate appropriate national development policies.

The aspirations to equity and social justice which motivated the call for a new international economic order twenty five years ago, remain a fundamental motivation of all human rights claims, including the right to development. This requires an international rule based regime which permits space for developing countries to follow different and divergent paths to development, according to their own philosophies, institutions, cultures and societal priorities.

### **1) Subordinating Finance to Production**

Finance must be subordinate to the productive economy, globally and nationally. The productive economy must provide the basic needs of the entire population, in an integrated society where there is not one economy for the privileged - and another for the poor. *Poverty alleviation is no substitute for development as a social project of all citizens.* Economic growth must be subordinate to long term sustainable development. Private

profitability criteria are inappropriate for the provision of universally available educational, health and other essential public services. All modern economies are mixed economies, combining the private sector, state enterprise, self employment and diverse forms of cooperative and associational community economic organization. Democracy and pluralism implies diversity of social and economic organization of societies.

The first requirement to restoring the right to development is the establishment, within a reconstructed United Nations System, of a multilateral World Financial Authority to track, oversee and regulate global financial markets on principles which restore "market risk" to creditors and limit the "socialization" of private (unguaranteed) debt. Global capital markets cannot be permitted to capsize economies or override the social priorities of national societies. The rights of financial investors must be subordinated to the rights of citizens, nationally and internationally. Until such time, developing countries must reclaim policy autonomy yielded in unequal negotiations with official creditors.

## **2) Accountability of the IMF and the World Bank**

The International Monetary Fund should return to its original mandate to provide medium term finance for countries with temporary balance of payments problems to enable them to undertake adjustment without deepening a crisis by restrictive monetary and fiscal measures which have long term effects in eroding social infrastructure - as intended by the architects of the Bretton Woods institutions. The right to impose capital controls should be *re-affirmed* and initiatives to bind countries to capital account liberalization suspended.

All official debt to poor countries should be cancelled, and financial restitution made to Sub Sahara Africa for slavery, colonialism and the imposition of inappropriate programs and policies by the IMF and World Bank in the past two decades. Development assistance should not be conditional on trade and investment liberalization or privatization of state assets. It should be greatly increased and granted to poor countries on highly concessional terms for physical and social infrastructure, as was the practice prior to the 1980s. The World Bank should be brought under the direction of the Social and Economic Council of the United Nations. Development assistance should be governed by principles of parity between donors and recipients. International funding for "global public goods" and disaster relief should be increased. The United Nations must be strengthened and reformed to accord with the demographic realities of the 21<sup>st</sup> century, with no permanent seats on an elected Security Council. Nothing less can assure peace, which is the ultimate pre-requisite of development.

## **3) A Development Oriented WTO**

Developing countries must have an effective voice in the making and the implementation of the rules of the WTO, which should be restricted to cross border trade in its conventional sense, with no extension into "trade-related" matters which raise questions of the permissible limits of interference in domestic social and cultural norms and institutions. Policy options are reduced. *Indeed this is the explicit purpose.* The intention is to lock states into irreversible commitments to the sanctity of contract. Investor rights

prevail over fundamental human rights. Trade enforceable regulations concerning intellectual property right to pharmaceuticals must be amended to permit - and encourage - the production of generic drugs by and for developing countries. The right to health is a sacred right to life. The WTO should support, not frustrate development initiatives of member countries. It has been suggested that the WTO should embrace a development mission. (Helleiner 2000).

#### 4) Regional Co-operation of Developing Countries

Because it is obvious that small countries can only implement developmental policies in the context of larger regional entities, all barriers to regional economic integration of developing countries should be eliminated from the rules of the WTO. Developing countries should become *less* reliant on exports which impoverish the rural economy and the environment, or on destabilizing external financial flows. as a substitute for a high rate of domestic savings and progressive and equitable taxation. Regional monetary arrangements for mutual assistance should be encouraged. Indeed, strong regional institutions not only provide a degree of mutual support to countries with limited power in the international arena, but a network of regional institutions may serve to offset the gross imbalance of power in the international system.

## Economy and Democracy

The above is a *minimal agenda* of international reform to enable societies to determined their own economic, political and social goals in accordance with their specific needs and social priorities. It is also an agenda for *democratic accountability* and *popular voice*. Globalization of finance and trade has *reduced* the capacity of states to govern markets at the *national* level, but *enhanced* the capacity of the major capitalist powers to set the rules while govern markets at the *global* level. At the national level, governments are under pressure from productive enterprise, labour and civil society to respond to the real needs of the population - however reluctantly or incompletely. At the global level, capital is insulated from popular pressure and the constraints of democratic accountability.

The argument that popular voice (democracy) is incompatible with unlimited open-ness to global trade and finance has been presented by Rodrik (2000) in an elegant transposition of the familiar trilema. A similar view regarding respect for diversity, space for policy autonomy and democracy was expressed by the Executive Director of the United Nations Economic Commission for Latin America: "Weaker actors should continue to demand national autonomy in crucial areas . particularly in the choice of the social and economic development strategy. Moreover, national autonomy is the only system that is consistent with the promotion of democracy at the world level. There is indeed no sense in promoting democracy if the representative and participatory processes at the national level are given no role in determining economic and social development strategies. This is also consistent with the view that institution building, social cohesion, and the accumulation of human capital and technological capabilities (knowledge capital) are essentially *endogenous* processes. To borrow a term from Latin American structuralism, development can only come "from within"(Sunkel

1993)" Support for these endogenous processes , respect for diversity, and the design of rules that allow it to flourish are essential rules of a democratic, development-oriented world order." (Ocampo 2000)

For peoples and nations as for individuals, the right to development is ultimately the right to be autonomous, the right to be free, the right to the fruits of individual and collective work and the right to live in harmony in a society of peace and mutual support and respect . The revolution in communication and information has diminished distance and speeded time. We know more about what is happening to other people in other countries, In that sense "globalization" is not menacing. What is menacing is the tide of global finance which is sloshing in and out of currency and securities markets, in search of short term gains, with no responsibility for the fate of the majority of people who gain no benefits but pay the costs of this "casino capitalism". There is no limit to the damage that international finance can inflict on small - and not so small - economies. Even the most successful countries have been brought to their knees by changes in "market sentiment".

Global markets in bonds and equities are undermining "stakeholder" capitalism even in major capitalist countries of western Europe and Asia. Shareholder profitability trumps social security, social justice, redistributive equity and fundamental human rights. Exit trumps Voice. Global capital mobility is subverting democracy even where formal institutions of representative government are deeply rooted in the political culture. The provenance of this virulent style of predatory accumulation is Anglo-American, and the permissive condition was the destruction of an orderly international monetary system in the early 1970s, when Washington, New York and London co-operated in freeing capital from the constraints of the Bretton Woods System.

## Reclaiming Development Economics

Development economics emerged in the late 1940s and 1950s as a Third World was forming from the shambles of disintegrating European colonial empires. Its pioneers were independent scholars who addressed the problem of "underdevelopment" from their respective experiences, regions and intellectual formations. They came from India, Latin America, Asia, the Caribbean, and continental Europe and its diasporas in Britain and the United States. Keynes was an important influence, but so was Marx and other continental European schools of economics. The nineteenth century late industrializers, Soviet economic planning, and the management of the British war economy were among the historical experiences which informed their work. They addressed the central problem of the role of the state in economic development.

"Trade and Development" "Market and State"and "Growth and Equity" have been the three grand themes of development economics. For the peripheral export economies emerging from colonialism, and for the Latin American republics, "trade and development" have been primary issues. In these commodity exporting countries, which constituted the majority of post colonial states, industrialization did not progress from craft to modern production, but by the encouragement of import substitution and by

nationalizations and other measures to increase "national value added" from export activities. These developmental strategies were never accepted by mainstream trade theorists. Raul Prebisch was considered a dangerous heretic.

In the early 1960s development economics became institutionalized, giving rise to specialized journals, academic teaching programmes and textbooks. Research became increasingly empirical and quantitative, in the service of national development agencies and the international donor community. In the 1970s, the World Bank assumed increasing importance in policy analysis and prescription. Themes which occupied the attention of Bank researchers included "developmentalist" issues of structural transformation, income distribution, employment and unemployment, redistribution with growth, and basic human needs. Although conditions were favourable to high growth, income disparities widened and employment failed to increase as expected.- a condition known as "growth without development". In the 1970s, the bloc of developing countries within the UN (G 77) and the non aligned movement of Asian and African states raised the demand for a more equitable New International Economic Order.(NIEO). In retrospect, much energy was wasted in interminable negotiations with the North. The reaction of the United States to the upsurge of radicalism on a world scale was political intervention by counter insurgency, as in support of the military coup in Chile in 1973. The master minds of the neoliberal policies introduced by the Pinochet dictatorship were Milton Friedman and Friedrich Hayek.

It would be difficult to find a more striking illustration of the close relationship between economic theory and the policy prescriptions of the major powers than the concerted attack on development economics in the early 1980s. The ground work was laid earlier, by Little, Scitovsky and Scott (1970), who drew on mainstream trade theory to attack ."inward-oriented" development.. Balassa and Krueger are other names associated with the advocacy of "out-ward-oriented" development. But the axe directed against the entire body of development economics was first wielded by Deepak Lal, then occupying a senior position in the Bank. "The demise of development economics following its repeated trouncings is likely to be conducive to the health of both economics and the economies of developing countries" (Lal 1983). Respectability was enhanced by Little (1982) and Swedish economist Lindbeck , chair of the Nobel Prize committee on economics, , who was engaged as a consultant to prepare a new research agenda for the World Bank in 1984.

The pioneers of development economics were paraded before the court of 'mainstream economics' and charged with "structuralism". Little identified Ragnar Nurkse, Rosenstein Rodan, Arthur Lewis, Raul Prebisch, Hans Singer and Gunnar Myrdal as "formulators of the initial set of structuralist hypotheses " which sees the world as inhibited by bottlenecks and constraints requiring transformation of production structures by administrative means. The structuralists, , according to Little, shared with socialism a distrust of the market. To the above list of heretics and heresies, Lindbeck added Alexander Gerschenkron's "big spurt', Hirschman's "backward and forward linkages" and Chenery's " two gap theory of savings and balance of payments constraints" He pronounced that "standard economic theory as developed in the west over some two centuries is highly relevant to developing countries as well (1984). "Policy induced distortions

and incentives" were deemed to be responsible for the Latin American debt crisis. (Basic human needs were consigned to the back burner, or the trash can).

Underlying the attack on development economics was the attack on Keynesian theory, with its social democratic redistributionist implications. "In some senses Keynes was the real creator of development economics, in so far as he broke with "monoeconomics" (Singer, 1984). The 1970s spawned a counter-revolution in economic theory which continues to dominate university curricula. Economic history and the history of economic thought are no longer required subjects in most honours or graduate programs. Development economics survived as a special field of study - although impoverished by excessive econometric empiricism.

In the 1990s, issues pushed off the agenda in the 1980s, resurfaced, like archeological finds in the intellectual desert. Work on measurement of the "quality of life" and "basic human needs" was resumed by the authors of the Human Development Reports (UNDP 1990). At the initiative of Mabub Ul Haq, with help from Amartya Sen and others, a Human Development Indicator (HDI) based on social statistics was constructed as a measure of human welfare to challenge the productionist bias of GDP per capita. Critiques of "growth without development" and "growth without employment" raised by Myrdal, Seers and others in the mid 1960s, returned to the discourse (Copenhagen Social Summit, 1995). The World Bank initiated annual conferences on development economics and the World Development Report 1997 adopted a more socially and environmentally sensitive definition of development, and returned the state to the development discourse.

But the moment of truth came with the Asian Crisis of 1997 which capsized some of the most successful economies of East Asia and raised a storm of controversy about the competence and the motives of the IMF and the US Treasury. The chief economist of the World Bank broke protocol by a stinging public critique of ideological "market fundamentalism", including "shock therapy" and "asset stripping" in Russia. Debates concerning "miracle growth" and crisis in East Asia, and the consequences of financial and capital account liberalization raged in the corridors of power and the pages of journals and newspapers. For a while it appeared that the Asian Crisis could precipitate the first general world recession since the 1930s. Instead, it fed the stock market boom in the United States. But a creeping world recession is casting a long shadow over developing countries excessively dependent on export markets and external finance.

Although the lights went out at the Bank with the departure of Stiglitz, critiques of the IMF/Bank doctrine that "growth is goods for the poor and liberalization is good for growth" are gaining intellectual ground, as financial crisis jumps like wildfire from country to country - today Argentina and Turkey, tomorrow Brazil (?), and then back to south east Asia? Each crisis savages millions of lives as jobs are lost, businesses bankrupted, wages reduced and savings destroyed. Three years of talk about a "new financial architecture" has produced no significant progress (Culpeper 2000). The G7, IMF, BIS etc are intellectually bankrupt. Interestingly, these crisis have not hurt the United States, because trouble in any part of the world generates capital flight to safe haven in dollar deposits, while the flood of cheap tropical food and cheap manufactures



from crisis stricken economies contribute to sustaining the long, low inflation boom in the United States. When Britain was the top metropole, her imports were financed, in part, by backflow of interest and profits from overseas investment, while savings remained high and capital continued to be exported. In contrast, the United States savings are low and the huge American payments deficit is financed by large capital inflows from the four corners of the world. Artificially high yields which raise the supply price of funds for productive enterprise, encourages *speculative* investment in acquisitions, mergers and takeovers. Moreover, this perverse international financial system is chronically *deflationary*. Japan has been in chronic stagnation for over a decade and over all world growth slowed in the 1990s

## The Arthur Lewis Legacy

The imperial style of governance whereby some 15,000 assorted professionals employed by the IMF and the World Bank design economic and financial programmes and approve the budgets of scores of independent countries is an experiment destined to fail. For many countries it has been a disaster. Asian countries - including China - which succeeded in sustained decades of growth and escaped the debt crisis of the 1980s, managed their economies in their own way. They owed nothing to advice from the IMF or the World Bank. The crisis came when they opened their capital markets. Interestingly, when Malaysia re-imposed exchange control, the dire predictions of the world business press fizzled. It was reluctantly admitted that this measure had contributed to regional stability.

We believe that civil society and governments of the developing world will have to take the initiative in re-claiming the right to development in regional co-operation, on a scale eventually perhaps as large as all of Africa, all of Southern Cone America, or the Caribbean together with Central America and the Andean countries. Until the trend toward an extreme imbalance of power in the world is reversed, little can be expected from international negotiation. This was also the view expressed by Arthur Lewis and Raul Prebisch twenty five years ago. Nothing that has happened since that time suggests that the North is more inclined to make concessions. On the contrary. The international imbalance of power has greatly increased.

W. Arthur Lewis believed that the South has all the resources required for its own development. In his seminar article on "Economic Development with Unlimited Supplies of Labour" (1954) grounded development economics in a model which established the subject as a distinct branch of economics. In the Schumpeter memorial lecture delivered in Princeton in 1977 Lewis brilliantly summed up the results of decades of research on growth and fluctuation in the world economy. Here is the concluding sentence:

"The LDCs have within themselves all that is required for growth. They should not have to be producing primarily for developed country markets. International trade cannot substitute for technical change, so those who depend on it as their major hope are doomed to frustration. The most important item of the agenda of developing countries is to transform the food sector, create agricultural surpluses to feed the urban population, and thereby

create the domestic basis for industry and modern services. *If we can make this domestic change, we shall automatically have a new international order*"(Our emphasis)

These conclusions follow from the open version of the celebrated Lewis model. Simply put, wages in the export sector are not determined by the (sectoral) labour productivity but by the reserve price of labour in the labour market. This stays close to subsistence as long as labour can be drawn out of a non market reservoir of low productivity agriculture, (This is why the plantation owners restricted access of peasants to good land and to education, and why they imported indentured labour) . Wages will not rise until the reserve price of labour rises with increased productivity in the production of domestic food and other basic necessities. .Until such time, productivity gains in the export sector accrue to foreign countries in the form of cheap export commodities - whether agricultural, mineral or labour intensive manufactures.

Lewis was conservative and pragmatic in temperament, practical in delivering policy advice , but radically anti imperialist in his conviction that the peoples and societies of the South have the capacity to chart their own paths to development. In an autobiographical note written late in life he stated; "what matters most to growth is to make the best use of own's own resources , and exterior events are secondary" Trade plays a useful role in development, but 'countries that hitch their fate to trade are bound to be disappointed" Trade is useful, but export performance should not be the principal criterion of good developmental economic management. In the context of globalization, and unrelenting pressures for export competitiveness, the teachings of Arthur Lewis present a radical challenge to the developing world to reclaim the right to development - *the right to make the best use of one's own resources.*

## The Raul Prebisch Legacy

While a young Arthur Lewis witnessed the riots which swept through the West Indies in the 1930s and asked why workers cutting cane in the hot sun were paid so much less than industrial workers in England for equal - perhaps even harder - work, Raul Prebisch encountered the Great Depression as director general of Argentina's Central Bank. He tells us that he lost faith in the doctrines of neo-classical economics when the "great industrial centers" plunged the old economic order into crisis and chaos. He concluded that the 'peripheries", as he terms them, should no longer rely on the traditional export economy, but should actively seek to industrialize by replacing imports from the metropolises (ISI).

In 1949, as first Secretary General of the newly established United Nations Economic Commission for Latin America (CEPAL) Prebisch directed a team of Latin American economists in a path breaking report entitled "Latin America and Its Principal Problems (1950), and its companion "Survey of Economic Development in Latin America in the 1930s and 1940s"(1950) Using Keynesian constructs for the transmission of cycles to the periphery and structuralist assumptions concerning labour and commodity markets, he argued that the "fruits of technical progress" accrue to the centers, resulting in a cumulative bias against economic development in the peripheries, In

later versions Prebisch elaborated this theory, placing increasing emphasis on the wasteful consumption of the upper classes, and the detrimental effects of the unequal distribution of income in Latin America. More sophisticated and backed by historical data, the argument of the CEPAL Manifesto - as it was called by Hirschman - was similar to Lewis' proposition of unequal factorial terms of trade between centers and peripheries.

Implicit in the early CEPAL studies are the following characteristics of peripheral commodity exporting countries: 1) production structures are disarticulated (fragmented) and specialized with few internal linkages. 2) technologies are heterogeneous resulting in a wide range of productivities. 3) the spread between the highest and the lowest wages is wider than in the centers. 4) the centers generate and the peripheries receive technologies, consumption styles, and external shocks which they cannot absorb without instability and disequilibrium due to their fragile, vulnerable and over specialized production structures. Early debates on inflation in Latin America between "monetarists" and "structuralists" raised issues which have not lost their relevance.

As mentioned, in 1964 Prebisch became the first Secretary General of UNCTAD, whose action programmes and those of the NIEO were largely driven by the demands of peripheral exporting countries. In retrospect, Prebisch concluded that little was achieved in the ten years he spent in the service of international institutions: "nothing of importance was achieved then or later" From 1976 to his death in 1986 he restated and elaborated his critiques of peripheral capitalism, and restated his rejection of neo classical economics.

"In those far off days when I was a young man, I felt positive reverence for the economic theories of the centers. I began to lose this during the depression, however and I have continued to lose it, so that very little of it remains. On the contrary, I think I have acquired an acute critical sense regarding what they do and what they think, for the impressive advance registered in other scientific disciplines has not yet reached that of theories of economic development, caught as they are in the musty toils of over a century ago"(Cepal Review December 1982).

In the last years of his life, he warned younger generations against challenged the revival of monetarism and neo-classical economics, with explicit intent of stemming the galloping tide of the appeal of economic liberalism to younger generations of Latin American economists; He admonished them for their enthusiastic adoption of "lines of thought promoted from other latitudes" and warned of the consequences of "the flagrant manifestation of the hegemony of the centers: the intellectual dependence of the periphery" "The centers are simply not interested in our achieving a socially satisfactory form of development".

Prebisch castigated the intellectual high priests of neo liberalism in the following words; "Let Milton Friedman understand! Let Friedrich Hayek also understand! A genuine process of democratization was moving forward in our Latin America, with great difficulty, and frequent delays. But its incompatibility with a system of accumulation and distribution of income is leading toward crisis. And crisis brings about an interruption in the process and the suppression political freedom; just the right conditions for the

promotion of the unrestricted play of the laws of the market. What a paradox! You praise political freedom and individual rights. But you don't realize that in these lands of the periphery, your preaching can only bear fruit through the suppression of freedom and the violation of those rights? Because not only do the ideologies you preach perpetuate and aggravate social inequalities, they also conspire flagrantly against the efforts that must be made to reach new forms of understanding and articulation between North and South. The damage you are doing with your dogmas is immeasurable."

"Over thirty years ago we demonstrated the falseness of that long past scheme of the international division of labour to which neoclassical theoreticians would have us return. *And in the name of economic freedom they would justify sacrificing political freedom*" (Our emphasis)

These words were written in December 1981, a year before the start of the great Latin American debt crisis, and massive restructuring of economies by international creditors, which savaged living standards of the majority of the population, and intellectual initiative passed to the "neo-classical theoreticians" employed by powerful international institutions to legitimate policies which have sacrificed political freedom to the economic freedom of global international capital.

Prebisch and Cepal laid the foundations of a common discourse of Latin American (economics) structuralism, which gave rise to a rich critical literature of "dependency", more familiar to students of political science and sociology than to economists. During the "lost decade" of unilateral adjustment to the debt crisis, neoliberalism gained support among a younger generation of economists. The disappointing results of monetarism, budgetary contractions, deep liberalization and massive privatizations of state assets in Latin America, have turned the tide against the hegemony of neoliberalism. Intellectual independence is returning with a call to rethink the development agenda (O'Campo 2000).

## Regaining Intellectual Initiative in Development Theory

Following the victory of the west in the cold war, it was pronounced that 'globalization' has made it impossible for countries to replicate any of the development strategies which in the historical - or even in the recent- past, enabled "late industrializers" to transform and modernize their economies to give hope of a better life to the majority of the population.

A seductive new lexicon was invented - and brilliantly marketed - to displace an older discourse of the sovereignty of states, national economic development, and governments which make and enforce laws. In less than a decade, "globalization", "civil society" and "governance" have become common language of official reports and popular journalism. "Globalization" first appeared in the two volume Shorter Oxford English Dictionary in 1995! Associated with the internet and the revolution in communication, it has become a household word in less than a decade. Financial markets have indeed become global, but the proposition that two hundred years of history have come to an end, is manifestly absurd. The liberalization of finance was instituted by governments. It is unstable, socially irresponsible, and

ultimately politically unsustainable. "Globalization" is both a *description* of the increased inter dependence of economies, and a *prescriptive agenda* in the service of capital. It was in the latter sense that Stanley Fischer celebrated the survival of "globalization" in the aftermath of the Asian crisis, when he exclaimed "globalization has survived its first crisis"

The attack on "development" as a pro-active political and economic project has come from several quarters, including a post modern "post-development" critique which dismisses "development" together with industrialization and nation states as yesterday's story. As argued in this paper, if we accept "the end of history" of endogenously directed economic and social development, we effectively deliver fragile societies to domination by a non territorial imperialism, enforced by financial and economic sanctions, sweetened by a seductive discourse of micro-economic "grass roots" community development, but ultimately backed by rapid strike military capacity to extinguish dissent, protest and rebellion, anywhere in the world..

Because the systemic imbalance of power in the international system, reinforced by free trade and finance, and invasive policy "reforms" does not and will not for a long time present the possibility of democratic "global governance", the right to development must be defended, reclaimed, and advanced by cooperation of civil society and developing country states on a regional scale. Commitments made under duress to international creditors or in unequal trade negotiations will have to be abrogated or re-negotiated. In that struggle, international public opinion and advocacy NGOs can play an important role, as illustrated by the retreat forced on pharmaceutical companies in the matter of patent rights to aids medicines.

There is a new generation of young people out there, bright and serious and anxious to understand the causes of poverty and injustice in the world, wishing to know how they can contribute to the struggle for justice. We of an older generation have a responsibility to counter the pervasive influence of a de-humanized economics based on false premises of methodological individualism and divorced from the realities of life as it is lived by real people in real societies.

There is no better way to liberate students of economics from the sterile orthodoxies of "monoeconomics" than the study of economic development in all its dimensions. This must include the history of economic thought; the history of capitalism since its beginnings in the mercantilist era of conquest, European settlement and political colonialism; and the experiences of developing countries and regions since the end of the Second World War. Dissent from economic orthodoxy has a proud tradition. Lewis and Prebisch were the target of conservative - but also radical - critics in their day. Many of the latter opted for the privilege of high office and high remuneration of international clerkdom. But how many of these politicians and technocrats are now uncomfortable, because as "insiders", they know that the central bankers and ministries of finance of the major powers who dominate the Bretton Woods institutions, care little for the welfare of the populations of the developing world?

In recent years, the excesses of "globalization" have re-kindled a spirit of resistance reminiscent of the struggles of the 1970s. In the intellectual arena, outstanding economists have challenged prevailing orthodoxies. Fundamental issues of economy and democracy; economy and society;

market and the economy of care, and more generally the relation of economic and social policy are returning to "development economics" in its broadest sense. We need to open channels of dialogue and discussion, free from financial and intellectual dependence on 'the great industrial centers' Could we hope to see the establishment of an institute of development economics dedicated to research, publication and teaching programmes to serve the interests of the South?

## Reference Notes

Polanyi Levitt, Kari (2000), "The Right To Development" Fifth Sir Arthur Lewis Memorial Lecture Castries, St Lucia, (November)

Rodrik, Dani (2000), "How Far Will International Economic Integration Go?" in *The Journal of Economic Perspectives*, vol.14, n.1: pp.117-186, (Winter)

Ocampo, J.A (2000), "Rethinking the Development Agenda" in American Economics Association, (December).