

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 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

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.

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 (this style of development is called **dependent capitalist development**)

Effects:

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

**poor people financing rich people
or
crushing human beings into money**

The Global System

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
% of GDP per year	-3.0	-2.6	-2.9	-5.3
US\$ billions per year	-63.02	-127.98	-227.17	-644.61
US\$ millions per day	-173	-351	-622	-1766
US\$ millions per hour	-7.2	-15.0	-25.9	-73.6

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

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

The Global System

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				
Total inflow/outflow	247186	-865175	-617989	-4.8	-70.5

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

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 settlement**, which showed three main stages:

- 1.- **Cold War** (1948 – 1990) (confrontation USA – Soviet Union)
- 2.- Speeding up of **Capitalist Globalization** (1980s – to date)
- 3.- Economic and political challenge to USA, Western Europe and Japan imperial dominance, mainly by China, India and Russia (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 – 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 almost impossible:

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

*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	Employers	Wage and salaried	Own-account	Contributing family / or in cooperatives
Industrial countries	2.8	87.0	8.7	1.5
Eastern Europe & Central Asia	2.2	83.8	12.1	1.9
Middle East	5.6	61.7	20.9	11.8
East Asia	2.8	38.6	52.6	6.0
Southeast Asia and the Pacific	2.6	37.7	39.7	20.0
South Asia	1.6	31.1	46.1	21.2
Latin America & the Caribbean	4.2	62.1	25.1	8.6
North Africa	8.7	55.8	20.3	15.2
Sub-Saharan Africa	3.0	22.9	48.7	25.4
World	2.9	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, “**International political economy in the 21st Century. Contemporary issues and analyses**”, Pearson, Harlow, Essex, 2011, page 73.

State-led an Market-led development: a statistical assessment

A comparative evaluation of import-substitution industrialisation -

State-led development

and

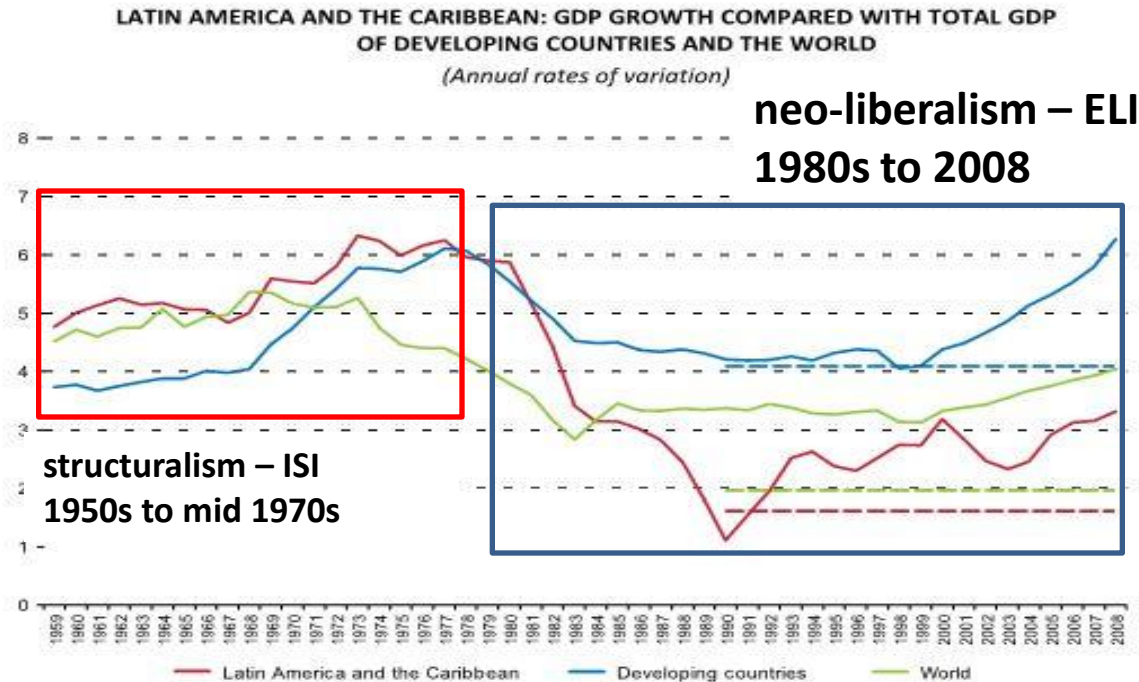
neo-liberal export-led industrialisation -

Market-led development

ISI =
Import substitution industrialization

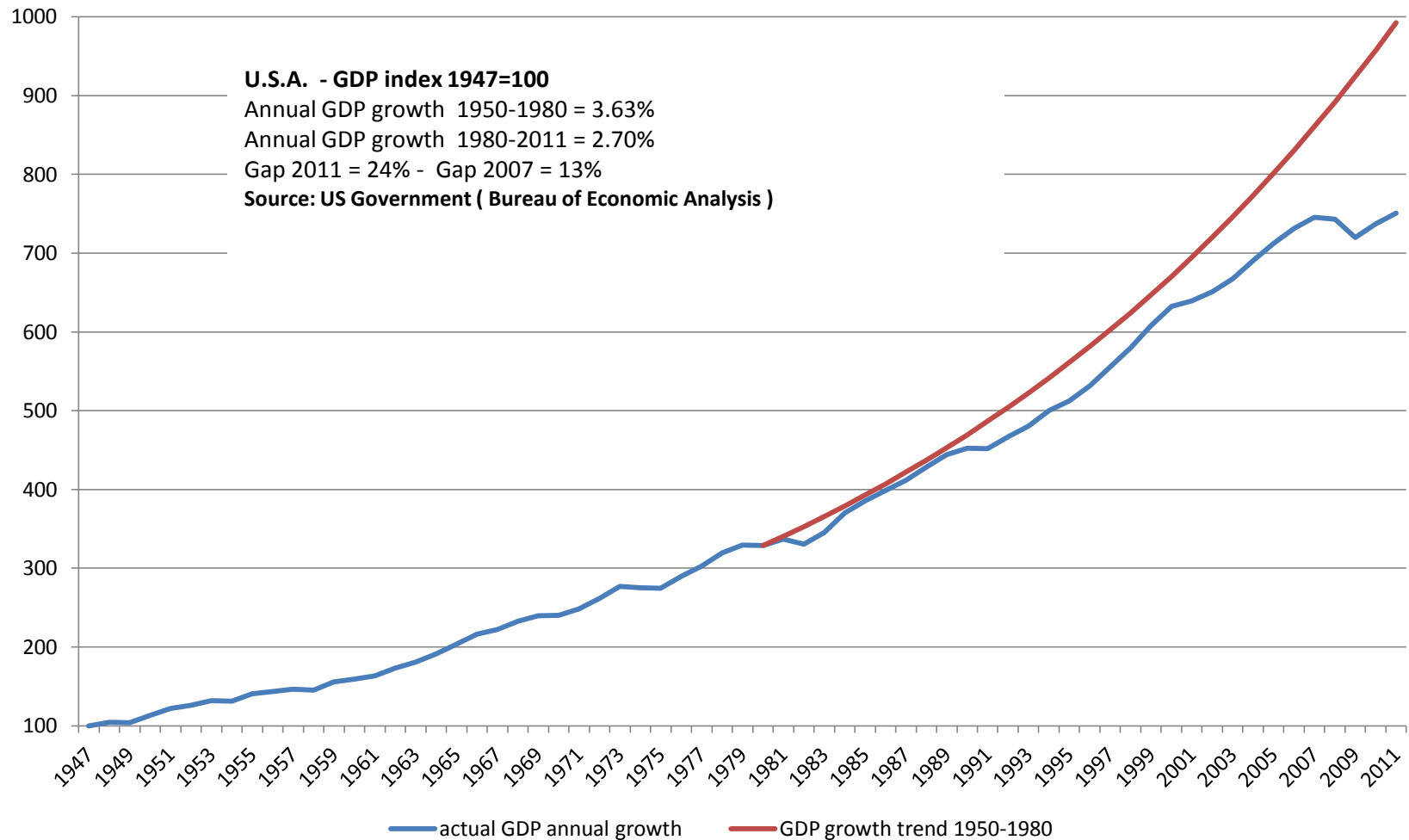
ELI –
Export led industrialization

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



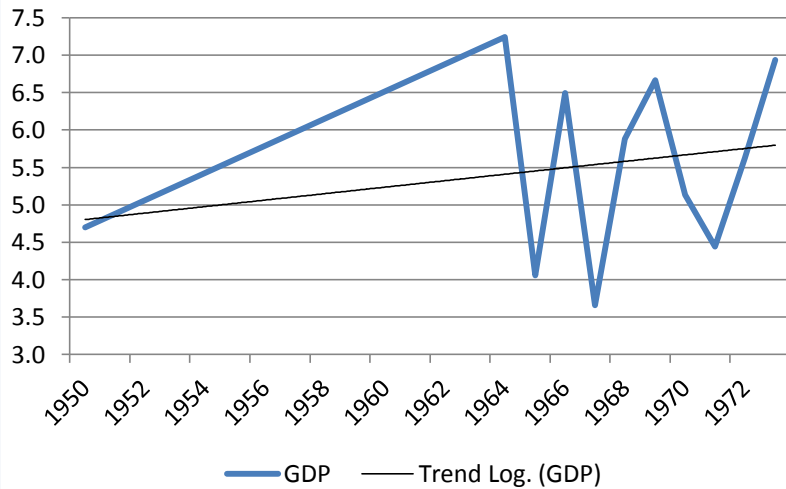
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and World Bank, World Development Indicators [online database].

State-led an Market-led development: a statistical assessment

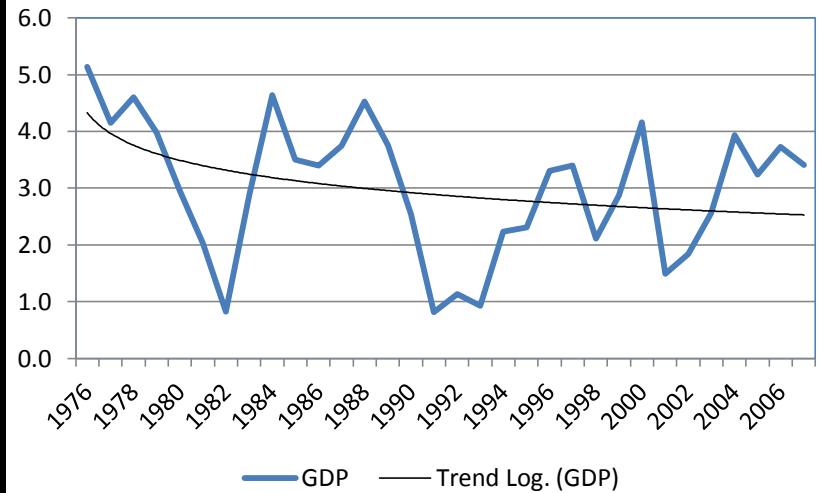


State-led an Market-led development: a statistical assessment

World GDP annual growth 1950-1973 Source: WTO



World GDP annual growth 1976-2007 Source: WTO



Some features of unregulated markets style of development

“Commodities, including those based on materials extracted from nature, do not come into existence automatically...”

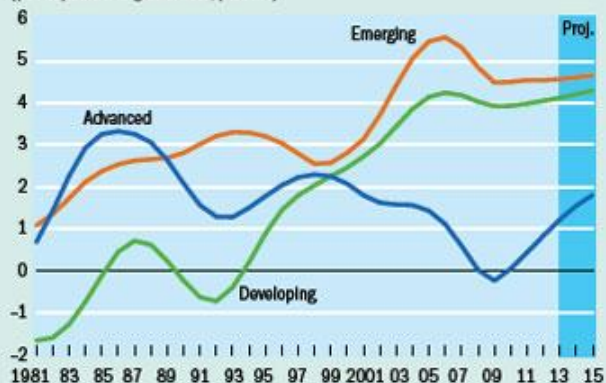
“within capitalism, the global pattern entails the establishment of hierarchical relations in production and consumption between dominant and subordinate nations and, within nations, between dominant and subordinate social classes...”
(M. Singer, 2010)

Chart 2

Sustained difference

Emerging and developing economies are enjoying much faster long-run trend growth than advanced economies, especially since the turn of the century.

(per capita trend growth rate, percent)



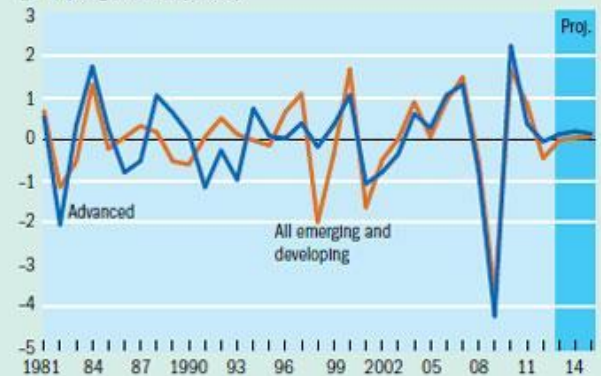
Source: Author's calculations based on data from the IMF's April 2012 World Economic Outlook.

Chart 3

Cyclical interdependence

Despite the delinking of long-run growth trends, there remains a strong cyclical link between advanced economies and developing economies.

(per capita growth rate, percent)



Source: Author's calculations based on data from the IMF's April 2012 World Economic Outlook.

K. Dervis, “Convergence, Interdependence, and Divergence”, Finance & Development, Sept. 2012, Vol. 49, No. 3

Some features of unregulated markets style of development

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

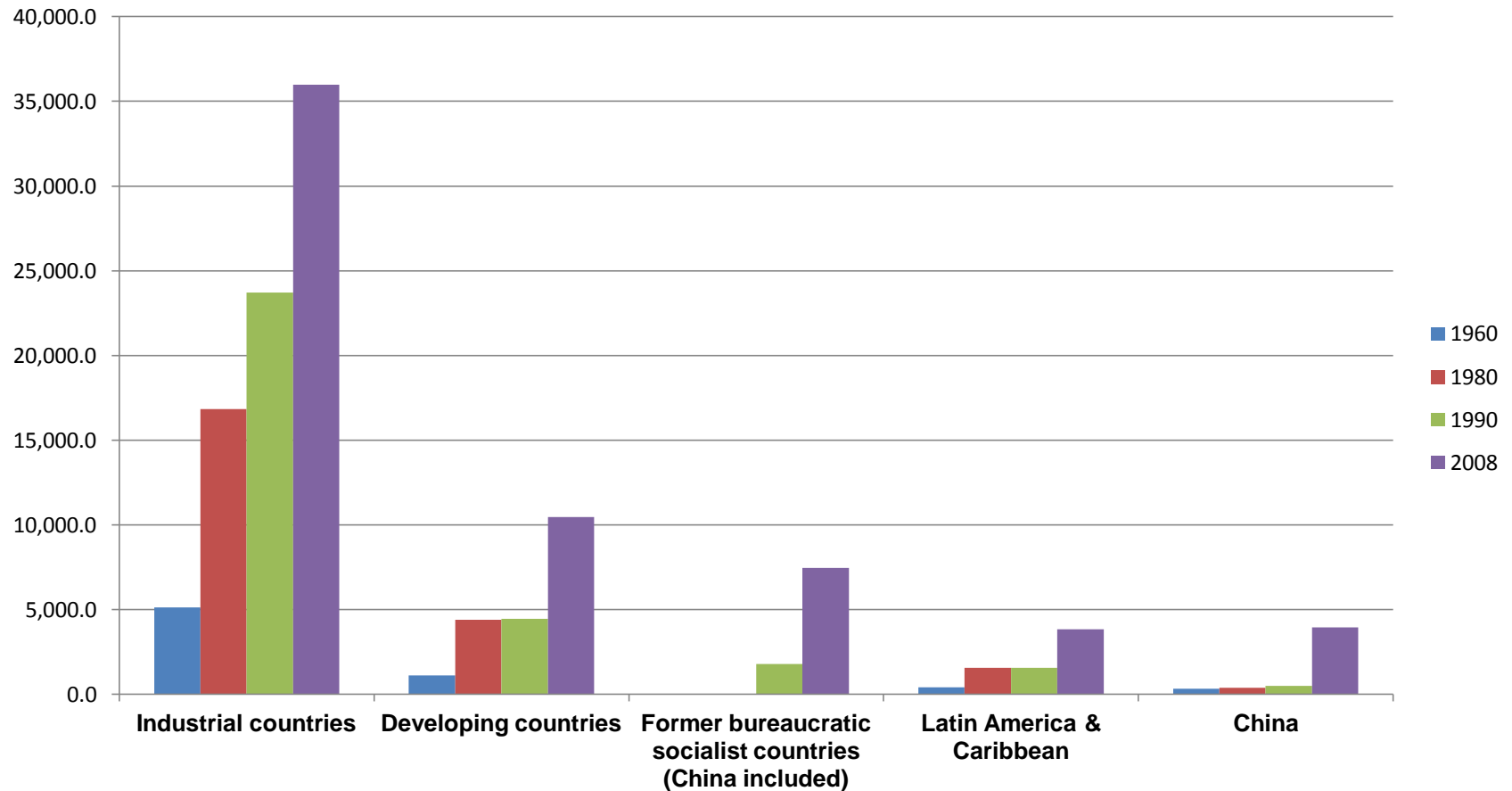


Chart 2

Elusive curves

Inequality has risen in most countries but only Brazil has seen the eventual fall in inequality predicted by the inverted-U-shaped Kuznets curve.

(Gini coefficient)

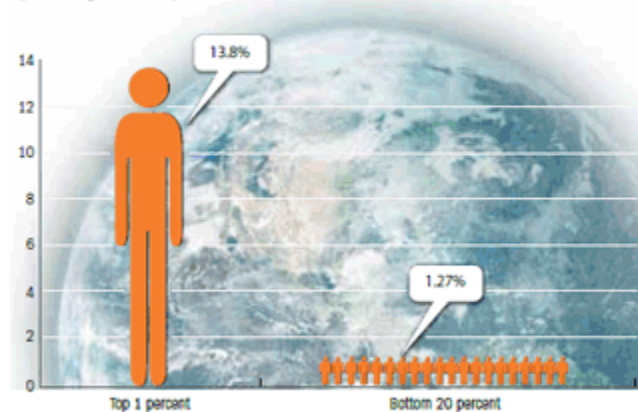


Source: World Income Distribution database.
 Note: China (1964-2005), United States (1950-2008), Brazil (1960-2007), Russia (1992-2005).

Chart 3

What a difference!

The richest 1 percent of people in the world receive nearly 14 percent of global income while the poorest 20 percent received just over 1 percent.
 (percent of global income)



Sources: World Income Distribution database; and author's calculations.
 Note: Data are for 2005.

Table 12. Gini Index Values by Region, 1990-2008 (or latest available)*
 (unweighted average values)

Region	1990	2000	2008	2008-1990 Change	2008-2000 Change
Asia	36.4	40.0	40.4	4.0	0.6
Eastern Europe and Central Asia	26.7	33.2	35.4	8.7	2.2
Latin America and the Caribbean	46.9	49.2	48.3	1.5	-1.3
Middle East and North Africa	39.2	39.2	39.2	0.0	0.0
Sub-Saharan Africa	49.1	46.1	44.2	-4.8	-1.8
High-income Countries	27.4	30.8	30.9	3.5	0.0
Number of Observations	137	140	141	132	132

Source: Authors' calculations using Solt (2009)

* Gini index values based on net income

Source: I. Ortiz and M. Cummin, 2011, "Global Inequality: Beyond the bottom billion. A rapid Review of Income Distribution in 141 countries", UNICEF, 2011

Some features of unregulated markets style of development

On equity and Development Income share in quintiles as percentage of Gross Domestic Product

WORLD Pop.: 6610 mill.	Bottom 20%	20%	20%	20%	Top 20%	Average in US\$ 2007
1970	1.4	2.8	5.9	19.9	69.9	
1980	1.3	2.6	5.3	18.9	71.8	
1990	1.4	3.0	5.6	16.6	73.3	
2000	1.5	3.5	6.3	14.6	74.1	
	0.075	0.175	0.315	0.730	3.705	1.000
US\$ p/capita	600	1399	2518	5836	29621	7995

76.9% of the population get less than the national average – The median is 31.5 % of the average.

(Based on Dikhanov, Y. , 2005, “**Trends in global income distribution, 1970-2000, and scenarios for 2015**”, UNDP)

...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

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 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.

“...there are essential features of capitalist modes of production, consumption, and waste dispersal in interaction with the environment and its built-in systemic features that contradict long-term sustainable development. These features include:

- (a) contradictions in the origin and meaning of sustainability;**
- (b) the central role of the productivity ethic in capitalism and its reproduction in emergent green capitalism;**
- (c) the commodification of nature and the continued promotion of expanding consumption;**
- (d) globalism and the contradictions of continued Western-style development; and**
- (e) the emergence of anthropogenic ecocrises and crises interaction.**

In light of these barriers to capitalist sustainability, an alternative social narrative is needed, one that embraces values, understandings, and relationships that promote ecological stability and justice.

From: M. Singer, 2010, **“Eco-nomics: Are the Planet-Unfriendly Features of Capitalism Barriers to Sustainability?”**, *Sustainability* 2010, 2, 127-144 www.rrojasdatabank.info/singer2010.pdf

Value added per worker.

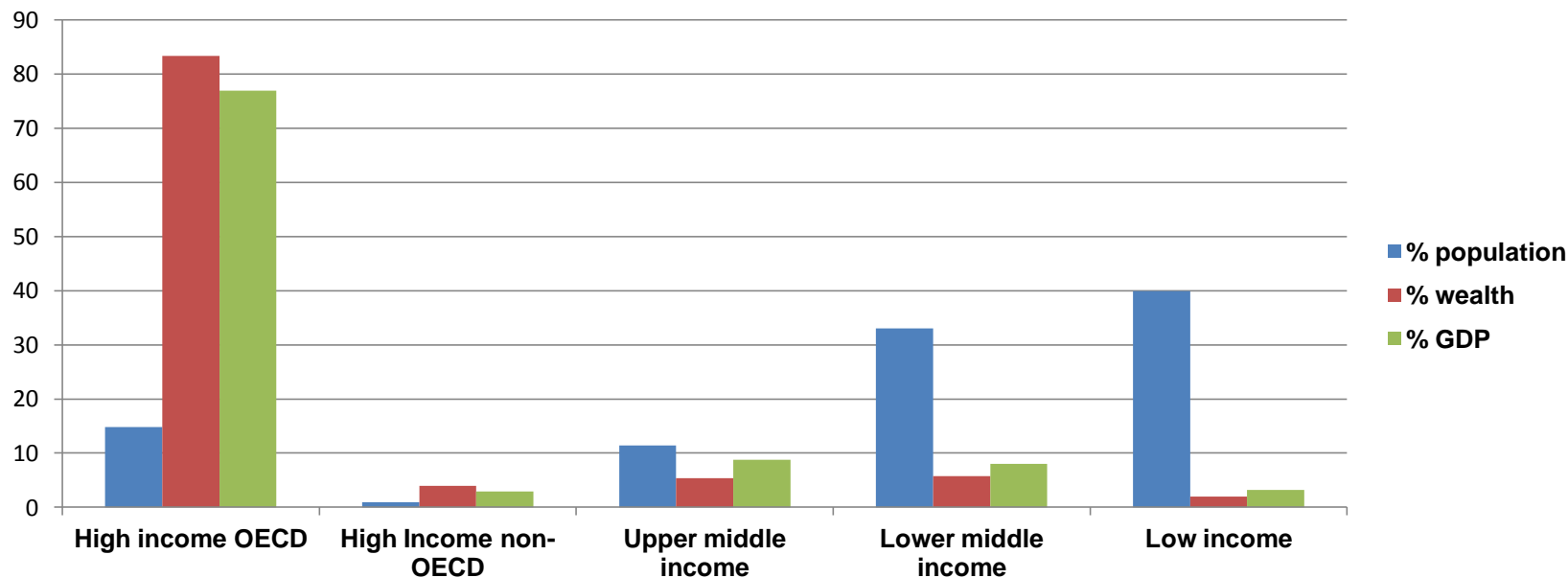
From “World Development Indicators 2011”, World Bank

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
TOTAL		58,279,818		3,175.9	18,350.6
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

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



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.

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



Joint session DA5/DA6 Tuesday 2nd October

Session 1 (Week 2): On ethics, economics and development

Lecture (combined session with DA6)

PART 1: Efficient but amoral markets and the implications for policy, planning and management;

PART 2: Planning as a political tool. The state as an agent for development.

Seminar workshop – Debate

Friedman, G., (2010), "**The Global Crisis of Legitimacy**", Stratfor Geopolitical Intelligence Report (4 May). - Available at

<http://www.rrojasdatabank.info/stratlegitimacy.htm>

Swaminathan M.S., Research Foundation, (2003), "**Ethical dimensions of economic development**" in *Ethics of economic development* by Swaminathan M.S., Research Foundation, UNESCO, pp. 119-142. - Available at

<http://www.rrojasdatabank.info/ethicsdevelopecon9-32.pdf>

Decolonization dates, available at <http://www.rrojasdatabank.info/lecnotes/3ws02.htm>

[www](#)