envisaged a process of enlightenment, of becoming more modern and less traditional, and saw a group of enlightened Western scientists 'guiding' the paths to progress of distant others. Arturo Escobar (1995: 2–4) has even argued that the post-1945 development project is 'the last and failed attempt to complete the Enlightenment in Asia, Africa and Latin America'. 'Development' represents more than a singular post-war historical experience, however, and has complex roots in the emergence of 'the Enlightenment' at the dawn of European industrial capitalism, and in the rise and formation(s) of European modernity. It is also important to remember that European and Western identities have been formed by contrasting modernity with the tradition and backwardness of the 'Third World' as 'other'.

Even today, the work of enlightenment thinkers like Adam Smith (with his free-market economics) remains very relevant to 'international development' for some observers. Examples of this can be found in some of the key global development institutions, such as the World Bank, which see their (neoclassical) knowledges as potentially enlightening. Consider the following quotation from a speech given by the World Bank President James Wolfensohn in 1996: 'Knowledge is like light. Weightless and intangible, it can easily travel the world, enlightening the lives of people everywhere. Yet billions of people still live in the darkness of poverty – unnecessarily' (quoted in Patel 2001: 2). Thus the knowledge and expertise of contemporary development practitioners is seen as something almost universal that easily traverses borders, extinguishing the darkness of poverty wherever it shines. For some theorists and practitioners of development today, people and places can become 'developed' simply though acquiring scientific and technical knowledges about the 'normal' or correct series of developmental stages. If only it were that simple.

GUIDE TO FURTHER READING

For an excellent introduction and overview to early development discourses and ideas, see Rist, T. (1997) *History of Development*, London: Routledge.

Cowen, M.P. and Shenton, R.W. (1996) *Doctrines of Development*, London: Routledge. Provides an accessible discussion of enlightenment ideas, exploring their bearing on the construction of particular development approaches and doctrines.

Doherty, T. (ed.) (1993) *Modernism/Postmodernism*, Hemel Hempstead: Harvester Wheatsheaf. Offers clear and accessible definitions of modernism in the Introduction.

Hall, S. and Gieben, B. (1992) *Formations of Modernity*, Cambridge: Open University/Polity. Focuses on the making of modernity in the non-Western world.

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2.3 Smith, Ricardo and the world marketplace, 1776–2007: Back to the future?

David Sapsford

Introduction

Why do countries trade with one another? What determines the terms on which trade between countries is conducted in the world marketplace? These two questions are perhaps the most fundamental to be considered in any analysis of international trade, be it trade *between* developed and developing countries or trade *among* countries in either the developing or the developed world. These questions are of special importance in the context of economic development, since if there are 'gains from trade' to be had, the distribution of such gains between trading partners carries important implications for living standards and economic welfare within the participating countries.

The classical economists, most notably Adam Smith (1723–90) and David Ricardo (1772–1823) considered these two questions, and their analyses are outlined in the following section. Subsequent sections consider the available evidence regarding the changes that have occurred over the long run in the terms on which trade between developed and developing nations has been conducted, exploring the implications of this for economic development in the developing world.

Absolute and comparative advantage

The foundations of the economic theory of international trade were laid by Adam Smith in *The Wealth of Nations* (1776). Smith's analysis of the division of labour is well known, and to a large extent he saw the phenomenon of international trade as a logical extension of this process, with particular regions or countries (rather than particular individuals) specializing in the production of particular commodities. Smith's view is clearly demonstrated by the following quotation:

> It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than buy... What is prudence in the conduct of every private family, can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy of them with some part of the produce of our own industry, employed in a way in which we have some advantage (Smith 1776: 424).

Thus, according to Smith, countries engage in trade with one another in order to acquire goods more cheaply than they could produce them domestically, paying for them with some proportion of the output that they produce domestically by specializing according to their own 'advantage'. Central to this view is the notion that relative prices determine trade patterns, with countries buying abroad when foreign prices are below domestic ones. In addition, Smith argued that by expanding the size of the market, international trade permits greater specialization and division of labour than would otherwise have been possible. This is perhaps one of the earliest arguments in favour of globalization as a process by which the size of the world marketplace is increased.

Economics textbooks abound with simple two-country/two-good examples that illustrate Smith's argument. Suppose that the world consists of only two countries (say, the UK and the USA) and only two goods (say, food and clothing). Within this (over)simplified framework, let us assume that the USA is more efficient than the UK at producing food (in the sense that fewer resources are needed to produce a unit of food in the USA than in the UK) and (in the same least resource-cost sense) that the UK is more efficient than the USA at producing clothing. In economists' terminology, this example represents the case where the UK possesses *absolute advantage* in the production of clothing, while the USA possesses absolute advantage in the production of food. To further simplify, let us assume that labour is the only factor of production and that within each country it is mobile between the two industries. Assume also that wages are the same in both countries and that transport costs are zero. On the basis of this battery of assumptions, the USA will be the cheaper source of food and the UK of clothing. It is a matter of simple arithmetic to show that if both countries are initially producing some of each good, it is always possible to increase output of both goods if each country specializes in the production of that good for which it possesses absolute advantage. It also follows that by trading, each country can consume the bundle of clothing and food that it consumed in the absence of trade (that is, under *autarky*), while still leaving some of each product over! Each country thus has the potential to increase its consumption of both goods and, assuming that more of each good is preferable to less, in principle, trade can allow both trading partners to increase their *economic welfare*. As already noted, the distribution of this surplus (that is, the distribution of the *gains from trade*) between the two countries is an important matter, especially in the context of economic development. We return to this issue in the following section.

The case analysed by Adam Smith considered, quite naturally at the time he was writing, the situation where one country possesses absolute advantage in the production of one good, while the other country possesses it in the production of the other good. Writing four decades later, David Ricardo considered the rather more tricky analytical case in which one of the two countries (say, the UK) is more efficient at producing *both* goods. According to Adam Smith's absolute advantage argument, both goods should be produced by the UK. However, this situation can clearly not represent a feasible state of affairs in the long run since although the USA will seek to purchase both goods from the UK, the UK will not wish to buy anything from the USA in return. Ricardo (1817) was the first economist to provide a formal analysis of this case, and by so doing he derived his famous *Law of Comparative Advantage*.

According to Ricardo's Law of Comparative Advantage, which encompasses Adam Smith's analysis of absolute advantage as a special case, world output, and therefore (on the basis of the assumption discussed above) world economic welfare, will be increased if each country specializes in the production of that good for which it possesses *comparative* advantage. The concept of comparative advantage is basically concerned with comparative efficiency, and Ricardo's law follows from recognizing the fact that differences in the relative prices of the two goods as between the two countries opens up the possibility of mutually beneficial trade. To take a concrete example, suppose that the labour required to produce 1 unit of each good in each country is as set out in Table 1. Notice that the UK requires less labour than the USA in both industries.

On the basis of these figures (and assuming that labour productivity in each industry does not alter with the level of output) we can see that in the absence of trade, each unit of food within the UK trades for 2.5 units of clothing, since each is equivalent to the output of five people. Likewise, in the USA, 1 unit of food trades for 0.5 unit of clothing, each being the output of six people. It is the difference between these two relative prices (or internal terms of trade) that opens up the possibility for mutually beneficial trade. For example, if US prices prevail in the world outside the UK, a UK citizen in possession of 1 unit of food can exchange this within the UK for 2.5 units of clothing, which could then be sold in the USA for 5 units of food; thereby providing a gain equal to 4 units of food. Likewise, if UK relative prices prevail, a US producer employing 12 people to make 1 unit of clothing could switch to the food industry and thereby produce 2 units of food, which could then be sold in the UK for 5 units of clothing, thus realizing a gain of 4 units of clothing. At intermediate relative prices (or terms of trade), both countries can gain from trade, although not to the extent shown in the respective examples given above.

In a nutshell, according to Ricardo's analysis, each country shifts its production mix towards the good for which it possesses comparative advantage. In our example, the UK has comparative advantage in the production of clothing, whereas the USA's comparative advantage is in food, where it is *less inefficient*. Reading across the rows in Table 1, we see that this follows because the UK requires five-sixths of US unit inputs in food, but only one-sixth in clothing.

Table 1 Labour requirements matrix

	Labour per unit of output UK	USA
Food	5	6
Clothing	2	12

Who gains from trade?

While the elegance of Ricardo's analysis and its correctness within the confines of its own assumptions cannot be faulted, it does beg a question that is vitally important in the context of trade that takes place between countries of the developed/industrialized world and countries of the developing world. While the analysis demonstrates quite clearly the *potential* benefits to trading partners from engaging in international trade in the world marketplace, it has nothing whatsoever to say about the division of these potential gains between them. As we saw in the preceding example, if relative prices in the world marketplace were equal to US relative prices, the UK would effectively appropriate all the gains from trade for herself, whereas, at the opposite end of the spectrum, the USA would scoop all the gains if UK relative prices prevailed.

In order to focus our ideas, let us consider trade between the countries of the developed/industrialized world and those of the developing world, and, for simplicity, assume that the former produce manufactured goods while the latter produce primary commodities. The fact that Ricardo's analysis did not shed any light on the issue of how the potential gains from trade are shared out in practice did not seem to constitute a problem in the minds of classical economists, since in a related context, Ricardo, like Smith before him, had argued that as an inevitable consequence of the twin forces of diminishing returns in the production of primary commodities from a fixed stock of land (including mineral resources) as population increased, and the downward pressures on production costs in manufacturing generated by the moderating influences of surplus population and urbanization on wages, the price of primary products would rise over the long run in relation to the price of manufactured goods, thereby giving rise to an upward drift in the net barter terms of trade between primary commodities and manufactured goods.[1] On the above assumptions, this movement will translate into an improvement in the terms of trade of developing countries vis-à-vis the developed countries. On the basis of this argument, there was little, if any, reason to be concerned about the plight of developing countries in the context of their trading relations with the industrialized world, since it predicted that over the long run, the terms of trade would shift steadily in their favour, with the result that they would enjoy an increasing proportion of the potential gains from trade.

However, in the early 1950s, the classical prediction of a secular improvement was challenged by both Prebisch (1950) and Singer (1950). Both argued forcefully that in direct contravention of the then still prevailing classical prediction, the terms of trade had actually, as a matter of statistical fact, been historically subject to (and could be expected to continue to be subject to) a declining trend. Both analyses therefore implied that, contrary to the classical view, developing countries were actually obtaining a falling proportion of the potential gains from their trade with the countries of the developed world.

A number of theoretical explanations have been put forward in the literature to account for the observed downward trend in the terms of trade of developing countries, relative to developed countries, and these can be conveniently summarized under the following four headings:

1 *differing elasticities of demand for primary commodities and manufactured goods* (with the inelastic nature of the former resulting in a tendency for increases in the conditions of commodity supply to be felt more strongly in price decreases than in quantity increases);
2 *differing rates of growth in the demands for primary commodities and manufactured goods* (with the demand for primaries expanding less rapidly than the demand for manufactures due to their lower income elasticity of demand – especially so in the case of agricultural commodities due to the operation of Engel's Law – plus the development of synthetic substitutes and the occurrence in manufacturing of technical progress of the raw materials-saving sort);
3 *technological superiority* (the argument being that the prices of manufactured goods rise relative to those of primaries because they embody both a so-called Schumpeterian rent element for innovation, plus an element of monopolistic profit arising from the monopoly power of multinational producers);
4 *asymmetries in market structure* (the argument here is that differences in market structure – with primary commodities typically being produced and sold under competitive conditions, while manufacturing in industrialized countries is often characterized by a high degree of monopoly by organized labour and monopoly producers – mean that while technical progress in the production of primary commodities results in lower prices, technical progress in manufacturing leads to increased factor incomes as opposed to lower prices).

Policy implications

Although space constraints do not allow the discussion in any detail of the policy implications of the observed worsening trend in the terms on which trade is conducted in the world marketplace between primary commodity-producing countries and manufacturing countries, it is important to note that the Prebisch–Singer hypothesis is sometimes advanced as one argument in favour of development policies of the import-substituting industrialization as opposed to export promotion variety (Sapsford and Balasubramanyam 1994). However, the policy issues here are not clear-cut, and the fact that all four of the above explanations relate as much, if not more, to the characteristics of different types of countries as to the characteristics of different types of traded goods, highlights the need to devise and implement policies that address differences and imbalances of the former as opposed to the latter sort.

1 For brevity, I refer hereafter to the net barter terms of trade between primary commodities and manufactured goods (i.e. the ratio of the price of primary commodities to the price of manufactured goods) as simply their terms of trade.

It is now the case that at least some of the international agencies involved in the world trading system have come to accept that primary commodity producers in developing countries do face real and significant uncertainties and risks regarding the prices that they will actually receive for their products when they come to the world market. At the time of writing, a task force set up under the auspices of the World Bank is investigating a range of possible 'market-based' approaches for dealing with the price risks faced by primary commodity producers in developing countries. As pointed out by Morgan (2001), these approaches appear to represent an attempt to confront price risk by modifying the financial environment within which primary producers in less developed countries operate. However, it remains to be seen whether such approaches will prove any more, or less, successful than the various policies which have preceded them.

1776–2007: Back to the future?

Some 231 years have elapsed since Adam Smith laid the initial foundations of trade theory as we know it today. It is testament to the logical correctness of his analysis, especially as extended by Ricardo, that this theoretical framework is still pivotal to twenty-first-century thinking in both trade theory and policy formulation. As we have seen, the central prediction of this approach is that provided the world terms of trade lie within the limits imposed by domestic opportunity cost ratios, international specialization and exchange via trade provides an opportunity for both trading partners to benefit from increased output (and therefore economic welfare) with given resource/factor endowments. However, we have also seen that that there is a school of thought surrounding the Prebisch-Singer hypothesis suggesting that, in practice, the actual terms of trade have drifted, within the range delineated by the Ricardian analysis, in favour of the industrialized (manufacturing) nations to such an extent that these nations have appropriated for themselves the lion's share of the gains from trade, leaving only small pickings for the (primary-commodity-dependent) poorer countries of the developing world.

What does current experience tell us in relation to the fundamental question of who has gained what from participating in international trade? The basic structure of international institutions that currently oversee/govern the day-to-day conduct of international trade and commerce were laid down in 1944 at the famous Bretton-Woods Conference. Prominent among these institutions is what is now known as the World Trade Organization[2] (WTO) whose mission, in a nutshell, is to provide an arena and set of processes and rules designed to achieve multilateral reductions in trade barriers. The underlying philosophy here, squarely in the spirits of both Smith and Ricardo, is to maximize the potential global gains from trade by minimizing (if not completely eliminating) impediments to free trade, such as import tariffs, quotas, and so on.

We have now accumulated more than 60 years of experience of the operation of this process of tariff reduction via multilateral trade negotiations under the auspices of the WTO and its predecessors. Although advocates of free trade see the WTO as having achieved considerable success in its mission to reduce average tariff levels, experience since the mid-1990s might be interpreted as suggesting an altogether less rosy picture when one comes to ask the important question as to who has actually harvested the global gains generated by this move closer to free trade in the sense understood by Smith and Ricardo. Although a detailed discussion of the operation of the WTO is

2 Previously known as the General Agreement on Tariffs and Trade (GATT), although originally named (by Keynes as the principal architect of the Bretton-Woods system) the International Trade Organization (ITO). See Chen and Sapsford (2005).

beyond the scope of the current chapter, it should be noted that it seeks to achieve multilateral reductions in tariff (and other non-tariff) barriers via a series of negotiating rounds. In 1994, the trade deal that came out of the so called Uruguay Round of negotiations was signed, although the negotiations had appeared to be on the verge of collapse as late as 1990. One major factor that surfaced during the Uruguay Round was the view of poor, primary-commodity-dependent countries that the proposed package would bestow substantial benefits on the industrialized countries, while offering them very little. In 1999, pressure to offer a better deal to poor counties led to a summit meeting in Seattle, which ended in failure (accompanied by public disorder). In 2001, in an attempt to reinvigorate the process of multilateral tariff reductions, WTO members agreed to launch fresh talks, known as the Doha Development Round. Despite this initiative, however, the 2003 ministerial summit in Cancun, Mexico, collapsed in acrimony over the developed countries' intransigency over the issue of removal of subsidies paid to their farmers. In response to this, the 2004 deadline for agreement was pushed back in an attempt to inject new life into the Doha Round. In 2005, the latest ministerial summit in Hong Kong just about managed to keep the process alive. However, in June 2006, the WTO director general, Pascal Lamy, publicly declared the whole process of multilateral negotiations in crisis, while at the subsequent G8 summit, representatives of these major industrial nations called on countries to return to the negotiating table. In July 2006, representatives of six key member countries met at the WTO's offices in Geneva for what was envisaged as the first of a series of meetings designed to get the process back on the road. However, talks finally broke down after 14 hours, with no (obvious) common ground having been established.

What is to be made of this tale? At the time of writing (December 2006) the picture is clearly one where the very continued existence of the process of tariff reductions via multilateral negotiations is hanging by little more than a thread. The current stumbling block from the perspective of the poor countries is the refusal of the major developed countries (including the EU and USA) to remove the trade barrier imposed by the still substantial subsidies paid to their farmers. However, there is a wider view, according to which this particular issue is but a symptom of a more fundamental problem: namely, that after participating in the process of multilateral tariff reduction for at least half a century, the poor countries of the world have continually seen the gains from the trade being appropriated by their richer trading partners. Indeed, some commentators are predicting that such is their degree of dissatisfaction with a process which has delivered so little to them relative to their richer trading partners, that group(s) of poor countries are on the verge of withdrawing altogether from the process, in favour of going it alone.

Whether the thread eventually breaks remains to be seen. I wonder what Adam Smith and David Ricardo would make of this twenty-first-century situation!

GUIDE TO FURTHER READING

Detailed discussion of both the theoretical arguments and statistical evidence underlying the declining trend in terms of trade hypothesis can be found in the following texts.

Sapsford, D., Sarkar, P. and Singer, H. (1992) 'The Prebisch–Singer terms of trade controversy revisited', *Journal of International Development* 4(3): 315–32.

Sapsford, D. (2007) 'Terms of trade and economic development', in A. Dutt and J. Ros (eds) *International Handbook of Development Economics*, Cheltenham: Edward Elgar.

Singer, H. (1987) 'Terms of trade and economic development', in J. Eatwell, M. Milgate and P. Newman (eds) *The New Palgrave: A Dictionary of Economics*, London: Macmillan, pp. 626–8.

Spraos, J. (1983) *Inequalizing Trade?* Oxford: Oxford University Press.

Comprehensive discussion of a wide range of issues relating to the relationship between economic development and international trade may be found in the following text.

Greenaway, D. (ed.) (1988) *Economic Development and International Trade*, London: Macmillan.

Highly accesible discussion of the main issues involved in the globalization debate, seen from either side of the fence, can be found in the following two references.

Bhagwati, J. (2004) *In Defense of Globalization*, New York: Oxford University Press.

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2.4 Dualistic and unilinear concepts of development

Tony Binns

The development imperative

After the Second World War, Europe embarked on a massive programme of reconstruction, instrumental to which was the Marshall Plan, launched by the US Government on 5 June 1947. While the Marshall Plan was heralded as US financial help to the devastated economies and infrastructures of Western Europe, this 'goodwill gesture' was also designed to stimulate markets for America's burgeoning manufacturing sector. The Marshall Plan, which injected US$17 billion mainly into the UK, France, West Germany and Italy between 1948 and 1952, generated much confidence in the role of overseas economic aid (Hunt 1989; Rapley 1996). Another landmark in the recognition of the need for richer countries to play an active role in the development of poorer countries came less than two years later, on 20 January 1949, when US President Truman, in 'Point Four' of his Inaugural Address, proclaimed:

> we must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas. More than half the people of the world are living in conditions approaching misery. Their food is inadequate. They are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat both to them and to more prosperous areas. For the first time in history, humanity possesses the knowledge and skill to relieve the suffering of these people... I believe that we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life (Public Papers of the Presidents of the United States 1964: 114–15).

'Point Four' probably inaugurated the 'development age', and 'represents a minor masterpiece...in that it puts forward a new way of conceiving international relations' (Rist 1997: 71–2).

The neoclassical paradigm

The so-called neoclassical paradigm dominated much thinking about development in the two or three decades after the Second World War. Adam Smith, the founding father of the classical school, writing in his *Wealth of Nations* (1776) in the early years of the Industrial Revolution, saw manufacturing as capable of achieving greater increases in productivity than agriculture. He emphasized the expansion of markets as an inducement for greater productivity, which he believed would lead to greater labour specialization and productivity. More than a century later, in 1890, Alfred Marshall, in his influential book, *Principles of Economics*, spelt out the neoclassical perspective, emphasizing the desirability of maximizing aggregate economic welfare, while recognizing that this was dependent on maximizing the value of production and raising labour productivity. Technological change was recognized as being vital to raising productivity and meeting the demands for food and raw materials from a growing population. There was also a strong belief that free trade and the unimpeded operation of the market were necessary for maximizing efficiency and economic welfare (Hunt 1989).

Dualism

Another theme that emerged in the post-war period was that underdeveloped economies were characterized by a 'dichotomous' or 'dualistic' nature, where advanced and modern sectors of the economy coexisted alongside traditional and backward sectors. A strong proponent of the dualistic structure of underdeveloped economies was the West Indian economist Arthur Lewis, whose seminal paper 'Economic development with unlimited supplies of labour' was published in 1954. Like others who followed him, Lewis did not differentiate between economic growth and development. The paper, which, significantly, opens with the statement, 'This essay is written in the classical tradition', envisages a division of the economic system into two distinct sectors – capitalist and subsistence. The subsistence sector, according to Lewis, consists predominantly of small-scale family agriculture, and has a much lower per-capita output than the capitalist sector, where manufacturing industry and estate agriculture, either private or state-owned, are important elements. The process of development, Lewis suggested, involves an increase in the capitalists' share of the national income due to growth of the capitalist sector at the expense of the subsistence sector, with the ultimate goal of absorption of the latter by the former. Since most labour for the capitalist sector would come from underemployed labour in subsistence agriculture, changes within the latter sector were seen as essential for the process of overall economic development.

The Lewis model had a significant influence on development thinking in the 1950s and 1960s, but it has been criticized for failing to appreciate the positive role of small-scale agriculture in the development process. With such agronomic successes as the Green Revolution, it was realized that raising the productivity of the rural subsistence sector could actually be an important objective rather than a constraint in development policy.

The concept of dualism is also apparent in some early spatial development models, focusing on the different qualities and potential of contrasting regions, rather than economic sectors as in the Lewis model. While some would argue that the development of certain areas at the expense of others is likely to inhibit the growth of the economy as a whole, others regarded initial regional inequality as a prerequisite for eventual overall development. Both Gunnar Myrdal and Albert Hirschman, for example, advocated strategies of 'unbalanced growth'. Myrdal's (1957) 'cumulative causation' principle suggested that once particular regions have, by virtue of some initial advantage, moved ahead of others, new increments of activity and growth will tend to be concentrated in already expanding regions because of their derived advantages, rather than in other areas of the country. Thus, labour, capital and commodities move to growing regions, setting up so-called 'backwash effects' in the remaining regions, which may lose their skilled and enterprising workers and much of their locally generated capital. However, Myrdal recognized that such less dynamic areas may benefit from centrifugal 'spread effects', in that by stimulating demand in other, particularly neighbouring regions, expansion in the growing areas may initiate economic growth elsewhere.

Hirschman (1958), working independently of Myrdal, followed similar thinking, proposing a strategy of 'unbalanced growth', and suggesting that the development of one or more regional centres of economic strength is essential for an economy to lift itself to higher income levels. He envisaged spatial interaction between growing 'Northern' and lagging 'Southern' regions in the shape of 'trickle-down' and 'polarization' effects, similar to Myrdal's spread and backwash effects. Keeble (1967) argued that Hirschman's model,

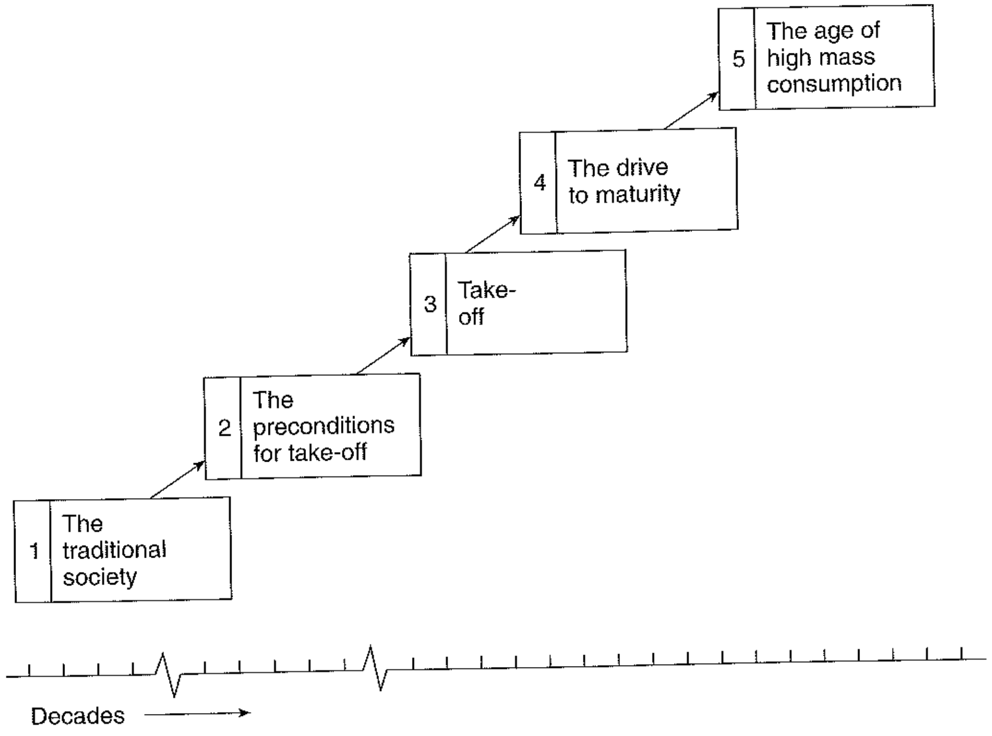
> far from assuming a cumulative causation mechanism, implies that if an imbalance between regions resulting from the dominance of polarization effects develops during earlier stages of growth, counter-balancing forces will in time come into operation to restore the situation to an equilibrium position. Such forces, chief of which is government economic policy, are not to be thought of as intensified trickling-down effects, but as a new element in the model, arising only at a late stage in development. Their inclusion, together with the exclusion of any cumulative mechanism, represents the model's chief structural differences from that of Myrdal (Keeble 1967: 260).

A significant policy implication of Hirschman's unbalanced growth model is that governments should not necessarily intervene to reduce inequalities, since the inevitable search for greater profits will lead to 'a spontaneous spin-off of growth-inducing industries to backward regions' (Potter et al. 2004: 84).

The spatial models of Myrdal and Hirschman have strong parallels with the work of François Perroux and other French economists in the 1940s and 1950s, who pointed out that growth did not appear everywhere simultaneously, but instead is frequently located in a 'growth centre or pole' (*pôle de croissance*). In essence, the growth centre model depicts the transmission of economic prosperity from a centre, most commonly an urban-industrial area, as a result of the interplay of spread and backwash effects. The model singles out crucial variables in the development of spatial variation in economic prosperity within a region and specifies how they operate. A particular 'growth industry', such as motor manufacturing, is likely to attract other linked industries, such as those which supply it with inputs and/or derive their inputs from it. Other agglomeration economies may encourage further growth, while technological change is encouraged through close proximity and interaction between the various industrial enterprises.

Unilinear models

Much post-war development thinking was strongly 'Eurocentric' in that, often inappropriately, 'theories and models [were] rooted in Western economic history and consequently structured by that unique, although historically important, experience' (Hettne 1995: 21). Walt Rostow's (1960) 'unilinear' model (see figure) is probably the best-known attempt to show how a country's economy and society progress through a series of stages, and is firmly based on the Euro-American experience. It was undoubtedly the most influential modernization theory to emerge in the early 1960s. It is interesting to note that Rostow entitled his book *The Stages of Economic Growth: A Non-communist Manifesto*, and, '[his] perception of the purpose of the United States' promotion of economic development in the Third World was governed by a strongly anti-communist stance' (Hunt 1989: 96). Indeed, early in his book, Rostow asserts that he is aiming to provide 'an alternative to



Rostow's unilinear model

Karl Marx's theory of modern history' (Rostow 1960: 2). The key element in Rostow's thinking was the process of capital formation, represented by five stages through which all countries pass in the process of economic growth.

- *Stage 1 – Traditional society*: Characterized by primitive technology, hierarchical social structures, production and trade based on custom and barter, as in pre-seventeenth-century Britain.
- *Stage 2 – Preconditions for take-off*: With improved technology and transport, and increased trade and investment, economically based elites and more centralized national states gradually emerged. Economic progress was assisted by education, entrepreneurship and institutions capable of mobilizing capital. Often traditional society persisted side by side with modern economic activities, as in seventeenth- and eighteenth-century Britain, when the so-called 'agricultural revolution' and world exploration (leading to increased trade) were gaining momentum. While the preconditions for take-off were actually endogenous in Britain, elsewhere they were probably the result of 'external intrusion by more advanced societies' (Rostow 1960: 6).
- *Stage 3 – Take-off*: The most important stage, covering a few decades, when the last obstacles to economic growth are removed. 'Take-off' is characterized by rapid economic growth, more sophisticated technology and considerable investment, particularly in manufacturing industry. The share of net investment and saving in national income rise from 5 per cent to 10 per cent or more, resulting in a process of industrialization, as in early nineteenth-century Britain. Agriculture becomes increasingly commercialized and more productive with increasing demand from growing urban centres.
- *Stage 4 – Drive to maturity*: A period of self-sustaining growth, with increasing investment of between 10 and 20 per cent of national income. Technology becomes more sophisticated, there is greater diversification in the industrial and agricultural sectors and falling imports, as in late nineteenth- and early twentieth-century Britain.
- *Stage 5 – Age of high mass consumption*: The final stage, characterized by the increasing importance of consumer goods and services, and the rise of the welfare state. In Britain and Western Europe, this stage was not reached until after the Second World War (post-1945), but in the USA, mass production and consumption of consumer goods, such as cars, fridges and washing machines, came earlier, during the 1920s and 1930s.

Despite its considerable influence on development planning at the time, Rostow's model has been strongly criticized for a number of reasons. First, it is a 'unilinear' model, implying that 'things get better' over time, which is by no means always true, as, for example, the experience of many sub-Saharan countries indicates. Increases in per-capita income have scarcely kept pace with world trends and the AIDS pandemic has had a devastating effect on mortality and life expectancy rates. Most sub-Saharan countries are relatively worse off in the early twenty-first century than in the 1960s, when many gained their independence. Second, it is a 'Eurocentric' model, suggesting that all countries will imitate the experience of Europe and America. It is quite inappropriate to apply such a model to countries which have been subjected to colonial rule and whose economies (and societies) have been manipulated to serve the demand for agricultural and mineral resources from the growing manufacturing sectors in the metropolitan countries. Third, the model suggests that all countries progress through these stages in the same sequence as happened in Europe and North America. But in some developing countries the sequence of events has not been so straightforward, with rapid change in the agricultural, industrial and service sectors, for example, happening at the same time, rather than sequentially. While modern consumer goods, schools and hospitals may be present in towns and cities, in remote rural areas these facilities are frequently absent, and poor farmers still use simple technology to produce food for their families. Finally, it is often wrongly seen as a 'development' model, whereas it is actually an 'economic growth' model. Rostow was concerned more with economic progress and increasing industrial investment, rather than human welfare and other non-economic indicators of development. Some countries have experienced periods of rapid economic growth, yet much of the population has felt little benefit from this – what might be called 'growth without development' (Binns 1994). The real significance of the Rostow model was that it seemed to offer every country an equal chance to develop.

From dualism to basic needs

The lack of distinction and explanation drawn by Rostow and others between the processes of 'growth' and 'development' led some writers to try to clarify the situation. There was also growing concern that economic growth, which had been the main preoccupation of Lewis, Hirschman, Myrdal and Rostow, did not necessarily eliminate poverty, and that the so-called 'trickle-down' effects of growth generally failed to benefit the poor in both spatial and social terms. Dudley Seers provided much-needed clarification on the meaning of development, suggesting that poverty, unemployment and inequality should be key foci in the development debate, and that there should be greater concern for the fulfilment of basic needs (notably food, health and education) through the development process (Seers 1969, 1972). The basic needs approach gained momentum in the mid-1970s. The International Labour Organization's 1976 conference on World Employment adopted the Declaration of Principles and Programme of Action for a Basic Needs Strategy of Development, highlighting poverty alleviation as a key objective for all countries in the period up to the year 2000. Possibly the main weakness of the basic needs strategy was its top-down approach, 'which made it vulnerable to changing fashions in the international aid bureaucracy' (Hettne 1995: 180). In spite of such limitations, the debates surrounding the meaning and process of development and the question of basic needs did much to move development thinking and policy away from the dualistic, unilinear and essentially Eurocentric approaches of the 1950s and 1960s.

GUIDE TO FURTHER READING

For detailed consideration of development theory, see Hettne (1995) and Hunt (1989). Keeble's (1967) chapter in Chorley and Haggett's *Socio-economic Models in Geography*, though written nearly half a century ago, is still helpful. A more recently written overview is provided in Chapter 3 of Potter et al.'s *Geographies of Development* (2004). Hirschman (1958), Lewis (1954), Rostow (1960) and Smith (1776) are justifiably regarded as 'classic' texts, while Alfred Marshall's (1890) *Principles of Economics* was a key undergraduate textbook for more than 50 years.

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2.5 Neoliberalism, structural adjustment and poverty reduction strategies

David Simon

The rise of neoliberalism

The dramatic oil price increases of 1973 and 1979 triggered a slowdown and then a severe recession in the North and the world economy as a whole, and precipitated the so-called 'debt crisis' in the South in 1981–82.

Profound disillusionment in the North with the record of state involvement in economic and social life led to a simplistic and rather naive belief in 'the magic of the market' as the most efficient economic regulator. Keynesian-style state involvement in the economy was held to be inefficient, bureaucratic and an unnecessary drain on public coffers. Hence, by selling off loss-making and inefficient public enterprises and parastatal corporations, and restricting the role of the state to regulation and economic facilitation, taxes could be cut substantially.

This is the essence of neoliberalism, an economic creed that seeks to deregulate markets as much as possible to promote 'free' trade. It harks back to the ideas of Adam Smith and David Ricardo, in other words, to the very historical roots of neoclassical economics – hence neo(new)liberalism. This ideology rapidly became the economic orthodoxy in the North and was exported to the global South via aid policies and the measures formulated to address the debt crisis.

Structural adjustment and economic recovery programmes

Initial responses to the debt crisis

In late 1981, Brazil and Mexico – soon followed by Poland – announced that they could no longer service their official debts, triggering panic among Northern creditor governments and the transnational banks that had advanced enormous commercial loans to the debtor countries. They feared that if rapid countermeasures were not taken and strict penalties imposed, there could be a domino effect among debt-ridden countries that would drive individual banks into bankruptcy and undermine the entire international financial system.

The International Monetary Fund (IMF) assumed the lead role in addressing the debt crisis. Its analysis – which was echoed by the multilateral banks and leading creditor governments – hinged on Northern self-interest and a determination to protect the international financial system. The problem of default was diagnosed as entirely the fault of the debtor countries, on account of their governments being corrupt, interventionist, bloated by bureaucracy and weighed down by inefficient, often loss-making state enterprises; they had also pursued inappropriate policies. The dramatic interest rate increase was noted, but was not regarded as sufficient explanation; nor was the fact that the loans in question had been willingly contracted by both parties. The banks, which had actively sought to lend out their surplus petrodollars, were not in any sense held liable for their own misfortune or lack of foresight. They were even able to write off their losses of up to £1 billion annually against tax.

Moreover, the IMF's policy response was geared to maximizing the prospects for, and amounts of repayment by, debtor countries. For many years there was, accordingly, an almost total unwillingness to consider writing off the debts of even the most impoverished and debt-ridden countries for fear of evoking a chorus of 'can't pay, won't pay'.

The anatomy of structural adjustment programmes

These new policies, known as structural adjustment programmes (SAPs), were designed to cut government expenditure, reduce the extent of state intervention in the economy, and promote liberalization and international trade. SAPs were explicit about the necessity of export promotion based on the Ricardian notion of comparative advantage. Accordingly, each country should specialize in and export those commodities that it can produce more cheaply in real terms than its competitors. However, international trade is often unbalanced and inequitable in its impacts; this depends on many factors, not least market share and power, and the terms of trade.

SAPs comprised four main elements:

1. the mobilization of domestic resources;
2. policy reforms to increase economic efficiency;
3. the generation of foreign exchange revenue from non-traditional sources through diversification, as well as through increased exports of traditional commodities;
4. reducing the active economic role of the state and ensuring that this is non-inflationary.

The instruments designed to achieve these objectives were generally divided into two categories (Simon 1995: 5), as follows.

Stabilization measures: these were immediate, short-term steps designed to arrest the deterioration in conditions and to provide a foundation on which longer-term measures could act:

- a public-sector wage freeze – to reduce wage inflation and the government's salary bill;
- reduced subsidies on basic foods and other commodities, and on health and education – to reduce government expenditure;
- currency devaluation – to make exports cheaper and hence more competitive, and to deter imports.

Adjustment measures: these were generally to be implemented as a subsequent, second phase, designed to promote economic structural adjustment (restructuring) and economic competitiveness:

- export promotion – through incentives (including easier access to foreign exchange and retention of some of the hard currency obtained from export revenues) and diversification;
- downsizing the civil service – through retrenchments following a consolidation and rationalization of the public sector, in order to reduce 'overstaffing', duplication, inefficiency and cronyism in job allocation;
- economic liberalization – relaxing and eventually removing many regulations and restrictions on economic activity, both domestic and international, in the name of efficiency; examples include import quotas and tariffs, import licences, state monopolies, price fixing, implicit or hidden subsidies, restrictions on the repatriation of profits by foreign-owned firms;
- privatization – selling off state enterprises and parastatal corporations, especially loss-making ones, in order to reduce direct economic activity and resource use by the state, and to reduce the size of the civil service;
- tax reductions – to create incentives for individuals and businesses (both local and foreign) to save and invest.

Adoption and implementation of an IMF-approved SAP became a prerequisite for obtaining financial support. The World Bank (WB), regional development banks and most major Northern bilateral donors followed suit. This *economic conditionality* was complemented in 1990 by *political conditionality*, the prerequisite imposed by the British and other donor governments for so-called 'good governance' as well as approved economic policies.

Refining SAPs and economic recovery programmes

SAPs were refined in the late 1980s and 1990s, taking better account of local circumstances and social development needs, seeking to soften the negative impacts of specific measures and supporting continuity of policies and funding. To this end, a distinction emerged between SAPs, which became the initial programme implemented by a country over three to four years, and follow-up economic recovery programmes (ERPs) of similar duration, which were designed to promote broader economic restructuring. The principal funding mechanism became the Enhanced Structural Adjustment Facility (ESAF) (Wood 1997).

Some countries have sought, often with only short-lived success, to avoid the pain of formal SAPs and to retain more sovereignty over economic policy by implementing home-grown equivalents. South Africa remains exceptional in not having any structural adjustment loans.

Particularly with respect to South East Asia, the analyses offered by the international financial institutions (IFIs) have changed contradictorily: during the economic boom, the rapidly industrializing countries were held up as models of market-led development; as soon as the crisis of 1997

struck, the problems were blamed on interventionist states, cronyism and inappropriate policies (Dixon 1999; Mohan et al. 1999).

The take-up of SAPs and ERPs

Despite their unpopularity with debtor countries, the rapid take-up rate of SAPs reflected the dire straits in which an increasing number of countries found themselves, as well as the perceived (and often real) lack of alternatives. By 1987 the World Bank had approved 52 structural adjustment loans and 70 sectoral adjustment loans. During the period 1980–89, 171 SAPs were introduced in sub-Saharan Africa; a further 57 had been initiated by the end of 1996.

Evaluating SAPs and ERPs

The impacts of SAPs were frequently harsh. Many ordinary people, rather than the elites or the state, bore the brunt of the adjustment burden, although some did benefit. Even the IMF has acknowledged that the early SAPs were excessively economistic and neglected or retarded social development. Initially, packages of palliative measures were hastily created (for example, the Ghanaian Programme of Actions to Mitigate the Social Costs of Adjustment (PAMSCAD) in the mid-1980s), and later SAPs were redesigned to contain a social development component.

The initial presumption, which provided a powerful lever for the IFIs, was that successful adjustment would lead to rapidly increasing foreign direct investment; this has not occurred in most countries (Simon 1995; Wood 1997).

Many of the adjustment measures took far longer to have a tangible impact, whereas the pain of stabilization measures, often implemented too hastily and in one fell swoop rather than in stages, was immediate. One indirect – and arguably desirable – effect was to adjust the rural–urban terms of trade substantially, by eliminating much of the urban bias implicit in traditional policies of infrastructural provision and price subsidization.

Among the worst-affected groups were the urban poor and – predominantly – urban-based civil servants, who have lost jobs, suffered severe salary erosion and faced steep commodity price increases as commodity subsidies have been slashed, and transport fares and utility prices have been commercialized. Conversely, the principal beneficiaries have been large traders and import–export merchants (as a result of liberalization and improved foreign exchange availability), and rural agricultural producers, including peasants who have a saleable surplus, on account of higher producer prices for their crops.

Economists evaluated SAPs and ERPs almost exclusively on a sector-by-sector basis at the national scale. However, this is inadequate and precludes assessment of the impacts on different social groups and subnational spaces (urban, rural, regional) in a situation where there is no reason to believe the effects to be socially and geographically neutral (Simon 1995; Bracking 1999; Mohan et al. 1999).

However, in some countries, food security was undermined by IMF insistence that food crop production be switched to cash crops for export if comparative advantage existed. For example, Zimbabwe was pressurized into selling its maize surplus from the bumper 1991–92 harvest rather than retaining it as a buffer stock. When the rains failed over the following two years, massive maize imports became necessary at a price far higher than that obtained for exporting the previous surplus. Zimbabweans, not the IMF, bore the cost.

The environment suffered in different ways, as a result of marginal land being brought into cultivation or fallow periods being squeezed in order to grow more food to compensate for lost subsidies or to yield a surplus for export. Tropical forests were logged at a faster rate to generate export earnings (Reed 1992).

Finally, economic and political conditionalities attached to SAPs and ERPs represented an unprecedented invasion of the hitherto sacrosanct right of sovereign states to determine their own economic and political policies (Bracking 1999; Mohan et al. 1999). This argument was exploited by many government leaders seeking to deflect the hostility of protesters against food price increases and other measures.

Poverty reduction strategies: Substantive change or business as usual?

During 1999, image management and changing fashion led to the introduction of a new vocabulary and objective. SAPs and ERPs were summarily superseded by an apparently more positive and cooperative approach known as poverty reduction strategies (PRSs). This fits well with the major donors' reinvention of development assistance (previously aid) as 'partnerships' since the late 1990s (Kifle et al. 1997; Närman 1999), and also the adoption of poverty reduction or elimination as the *leitmotiv* of development policies by several donors, most notably the British 'New' Labour Party Government that took office in 1997 (Burnell 1998).

Inevitably under such circumstances, poverty reduction means different things in different contexts. However, the IMF and WB adopted PRSs as the successor to SAPs, and the ESAF was renamed the Poverty Reduction and Growth Facility. Continuity of underlying donor policy, however, is strong. For instance, lending remains conditional on adoption and approval of a Poverty Reduction Strategy Paper (PRSP).

However, in contrast to SAPs and ERPs, PRSPs must prioritize antipoverty expenditures and are supposed to be prepared through a wide-ranging and deep process of consultation with civil society. The extent to which this has occurred varies considerably, and there are numerous examples of superficial or minimalist 'consultation' designed to enable the government to claim compliance and legitimacy.

Many parts of civil society remain cynical, not least because the underlying approach and agenda (including conditionality) have changed too little, and on account of perceived fickleness by the IFIs. For instance, during preparation of the PRSP's predecessor in Kenya, the National Poverty Eradication Plan for 1999–2000, civil society NGOs lobbied hard for an approach in which poverty reduction would get priority, in turn promoting economic development. The WB failed to support it.

The rather tenuous assumption underlying PRSs is that neoliberal macroeconomic reform will promote a reduction in poverty as a result of leaner, fitter and more efficient economic management and political governance. However, improvements have been made to the process since the early 2000s (Booth 2005; Driscoll with Evans 2005), and some assessments are more positive (e.g. Craig and Porter 2003), but others (e.g. Fraser 2005; Larmer 2005) see them as a form of social control by IFIs and the participatory process as a Trojan Horse.

Conclusion

The resurgence of the conservative doctrine of neoliberalism at the end of the 1970s was rapidly translated into development and aid policies by the Northern donors and IFIs at the onset of the debt crisis. This required debtor countries to bear the full costs of adjustment and recovery. These market-oriented and trade-integrationist policies were embodied in SAPs and then ERPs, comprising a mixture of short-term stabilization and longer-term adjustment measures. Much hardship was caused, often to some of the most vulnerable people, although many rural producers have benefited from agricultural and marketing reforms. The environmental costs were sometimes substantial too. Urban bias was reduced, however, and, for a short period in the mid- to late 1980s, apparently even reversed in some African countries. The initially crude and economistic policies were gradually refined and more carefully targeted. Since 1999/2000, the language and presentation of macroeconomic reform programmes have been transformed under the guise of PRSs, but despite some positive changes, including having antipoverty measures at the heart of public

expenditure plans, the underlying doctrines and conditionalities remain in place, while the degree of civil society consultation and 'buy-in' varies substantially (Paloni and Zanardi 2006).

GUIDE TO FURTHER READING

The following texts represent a selection of useful surveys of particular issues or perspectives.

Booth, D. (2005) *Missing Links in the Politics of Development: Learning from the PRSP Experiment*, Working Paper 256, London: Overseas Development Institute (available at http://www.odi.org.uk/publications/working_papers/wp256.pdf).

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Mohan, G., Brown, E., Millward, B. and Zack-Williams, A. (eds) (1999) *Structural Adjustment: Theory, Practice and Impacts*, London: Routledge. A recent collection addressing the origins, evolution and especially the negative impacts of SAPs; provides examples, careful critiques and suggested alternatives.

Paloni, A. and Zanardi, M. (eds) (2006) *The IMF, the World Bank and Policy Reform*. London and New York: Routledge. A useful collection of assessments of the Bretton Woods Institutions' role.

Reed, D. (ed.) (1992) *Structural Adjustment and the Environment*, London: Earthscan. This is probably still the only book-length treatment of the environmental consequences of SAPs.

Simon, D., Van Spengen, W., Dixon, C. and Närman, A. (eds) (1995) *Structurally Adjusted Africa: Poverty, Debt and Basic Needs*, London and Boulder, CO: Pluto Press. Studies the implications of SAPs on different parts of Africa at different scales, from the supranational to the regional and local.

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2.6 Dependency theories: From ECLA to André Gunder Frank and beyond

Dennis Conway and Nikolas Heynen

Dependency theory, more than a theoretical construct, is a way of understanding historically embedded, political-economic relations of peripheral capitalist countries, especially Latin American countries, within the broader context of the global economy. It is, essentially, a critique of the development paths, policies and strategies followed in Latin America, and elsewhere in the periphery (Amin 1976, 1992 argues the African case). Dependency theory emerged as a critical lens through which the history of Latin American development, marginalized as it was by Western hegemony, could be better understood; the 'development of underdevelopment', no less. The initial theorization was a *structuralist* perspective by economists who were associated with the United Nations Economic Commission for Latin America (ECLA). This was soon transformed, and informed, by more critical *dependency* notions and the spread of Marxist and neo-Marxist critiques of imperialism (Palma 1978).

Perhaps one of dependency theory's most important characteristics is that it was a product of Latin American scholarship (much of it written in Spanish) rather than Western scholars. These authorities theorized on the Latin American condition as 'insiders', as erstwhile, often passionate, native sons. This gave rise to a more informed, and more involved, appreciation of the reasons for Latin American underdevelopment, as *dependistas* dealt with the context of various countries' specific national circumstances, and theorized about Latin America's structures of social organization and localized behaviours. For Caribbean (and English-speaking) readers, Norman Girvan edited a special edition of *Social and Economic Studies* in 1973, with contributions translated from the Spanish. More widely, it was the publication of the writings of André Gunder Frank (and the collection and translation of other Latin American original contributions by North American Latin Americanists) which brought the dependency school's ideas to the notice of North American and European development studies (Chilcote 1984).

Prior to the Second World War, Latin American countries' economic strategies primarily followed a development path based on the export of natural resources and primary commodities to core countries. Many, including Argentinian Raúl Prebisch, Brazilians Paul Singer and Celso Furtado, and Chilean Osvaldo Sunkel, felt that Latin America's historical marginalization and resultant underdevelopment was perpetuated by such unequal commercial arrangements. While free market notions of 'comparative advantage' suggested that Latin America should benefit from their export strategies, ECLA economists argued otherwise. Their structuralist assessments had core countries, particularly Britain and the United States, benefiting at Latin America's expense.

Consequently, Prebisch and other ECLA structuralists insisted that major structural changes in development policy would be necessary to improve Latin America's economic situation. They proposed structural changes which favoured switching to more domestic production under tariff protection as a means of replacing industrial imports. In line with this strategy, capital goods, intermediate products and energy would be purchased with national income revenues from primary exports, and technology transfer would be negotiated with transnational corporations. This development strategy – often referred to as import substitution industrialization (ISI) – became widely practised throughout Latin America and the Third World/global South in general.

Although ECLA structuralist analyses recognized some of the problems underlying Latin American underdevelopment, the proposed ISI remedies brought other, more problematic, forms of dependency. Multinational corporate power and authority over technology transfer and capital investment emerged as a new form of dependency. Fernando Henrique Cardoso (1973) pointed this out in his assessments of power and authority in Brazil, and characterized the situation in such peripheral economies as 'associated dependent development'. Indeed, Cardoso felt that the dependent capitalist process of 'import substitution industrialization' occurred mostly under authoritarian regimes, and further, that state policies would favour multinational capital at the expense of labour.

Prebisch's (1950) identification of core–periphery relations as the global historical heritage behind unequal development meant that Latin America faced a formidable structural reality. Imperialism, colonialism and neocolonialism needed to be challenged more rigorously, because peripheral capitalism was not the answer for Latin American development. Accordingly, alternative critical commentary more deeply rooted within Marxist and neo-Marxist ideologies emerged, to better explain Latin America's subordinate place within the global economy, and to better understand the processes that led to such exploitive and dependent relations. ECLA structuralism was recast in *dependencia* terms.

Baran's influential (1957) *Political Economy of Growth* described the reasons for Latin America's underdevelopment within a Marxist framework as being a consequence of advanced nations' forming special partnerships with powerful elite classes in less developed countries, which benefited the minority class of Latin American elites rather than economic development more generally. Baran felt that such 'partnerships' perpetuated core countries' maintenance of traditional systems of surplus extraction, thereby making domestic resources continuously available to them, while rendering the economic development of Latin American countries unlikely, because any surplus generated was appropriated by the power-elites. Accordingly, Latin American countries remained subordinate and the core's monopoly power grew from the unequal commodity exchanges.

André Gunder Frank (1967, 1979) further developed Baran's ideas, by focusing on the dependent character of peripheral Latin American economies. In Frank's prognosis, '*the development of underdevelopment*' was the concept which best characterized the capitalist dynamics that both developed the core countries and caused greater levels of underdevelopment and dependency within Latin American countries. Frank used this conceptual framework to explain the dualistic capitalist relations which had occurred, and which would continue to occur between Latin American and core countries, as a result of the latter's continued political-economic domination.

Although there was a popular perception that Third World countries regained some sense of self-determination following decolonization, Frank argued that this was a fallacy. Rather, exploitation of many Third World countries by colonial and neocolonial core countries intensified following their achievement of political 'independence', further contributing to greater unequal relations. Thus, given the class-based stratification of Latin American society, which Baran blamed for the development of ties between Latin American elites and capitalist and political leaders from core countries, revolutionary action to remove such elites from power would be needed to forge a reformulation of international capitalist relations.

Besides arguing that the dependent core–periphery relationship was best articulated at the national scale, Frank also posited that a similar metropolis–satellite relationship occurred at smaller (regional) scales. In particular, he described similar dependent circumstances occurring between cities in Latin American countries and their peripheral hinterlands. Within this more localized scenario, the city and its periphery becomes increasingly polarized as a result of the capitalist relations between them, namely the metropolis exploiting its satellites. Dense networks of metropolis-satellite combinations formed what Frank referred to as 'constellations across national space' (Frank 1967).

Frank's notions of *dependencia*, which are perpetuated through global capitalism, ran counter to dualist notions that sought to explain Latin America's peripheral position in terms of modern versus traditional structures. Frank contended that by conceptualizing Latin America's underdevelopment as a function of feudal, or traditional, structures, the dualist perspective failed to truly comprehend the historical significance and transformative impact of capitalism's penetration of the continent's economic, political and social structures. This dependent relationship that Frank posited drew sharp criticism from many, however. Laclau's (1971) analysis is perhaps the most notable.

Laclau asserted that Frank's analytical method has significant shortcomings because it is based on an erroneous characterization of Marx's notion of modes of production. Instead of basing the construction of a mode of production on social or class relations, as Marx did, Laclau claims that Frank's reliance on market relations as the defining quality of the processes under which production occurs is inherently flawed. As a consequence, Laclau concludes that Frank's analysis offers little more than an account of a history that is well reported; in effect, he contributes nothing to theoretical explanation in terms of determining conditions.

The resultant tensions within Frank's analytical framework as a result of arguably incorrect, or less than accurate, usage of Marxist ideology, led the way to other neo-Marxist investigations of the linkages and possible reconciliation between dependency theory and Marxism. One was Ruy Mauro Marini's fundamental thesis in *Dialéctica de la Dependencia* (1973), which concerned the 'super-exploitation' of labour in dependent countries as a necessary strategy for capitalists to partially compensate for the falling rates of profit arising out of unequal exchange. Seeking to 'end the debate', Chilcote (1984) effectively situated the various capitalist and socialist approaches to the 'development of underdevelopment' – structuralism, dependencia, internal colonialism, neo-Marxism, even Trotskyism – as a full set of alternative theories and perspectives on development and underdevelopment. He also finds a place for Wallerstein's more worldly focus in the collection of alternatives. Wallerstein (1974, 1980) adapted dependency notions not only to comment on the commercial relations between the core countries and Latin America, but also to examine world historiography in terms of the dominant and subordinate relations that successive emerging cores, their peripheries and semi-peripheries have experienced, from the long sixteenth century, through eras of capitalism to the present globalizing era (the post-1980s).

Following Chilcote's (1984) insightful synthesis, Ghosh (2001) has further updated the record and provided us with a contemporary critical appraisal and overview of contemporary thoughts on the full set of alternative dependency theories and their 'development of underdevelopment' underpinnings. Agreeing with Ghosh, we feel that the dependency paradigm is still relevant as a partial explanation of the paths to development and underdevelopment that the core and peripheral Latin American nations followed. Furthermore, there are significant 'inter-temporal paradigm shifts' in the theory's wider application in our rapidly globalizing world. As Ghosh reminds us: 'There are indeed many issues and areas of development where dependency plays a major role. Some of these are: aid dependency, technological dependency, dependency for foreign capital investment, trade dependency, dependency for better human capital formation and so forth' (Ghosh 2001: 133).

Ghosh then points out the all-too-obvious connections between the divergent trajectories of capitalism's expansion in the global North as opposed to the global South, with the equally obvious assessment that 'unequal competition' remains an extremely powerful dependency relationship in globalization's transformative, disciplinary and destructive influences (Conway and Heynen 2006). Just as the imperialism of old imposed colonial regimes that fostered dependency and underdevelopment, modern globalization of the post-1980s has several salient features that are de facto successors to these imperial mechanisms:

- a programme of binding individuals, institutions and nations into a common set of market relationships;
- a calculated economic strategy of the capitalist economies, corporations and international financial institutional systems to encourage and stimulate capitalist growth for 'winners' – core and emerging markets – not the 'losers', with no comparative advantages, weak or failed states or the corruption-weakened;
- a means of extracting surplus through the exploitation of the cheap labour, high-quality manpower and resources of the global South (Ghosh 2001: 158).

Both Ghosh (2001) and Taylor (1996) argue convincingly that the evolving world system of core–periphery relationships has entered its postmodern phase of new dependency relationships, ecological uncertainty, rapid technological change, and a multiplicity of cross-cutting flows of information, cultural messages and knowledge exchange, at multiple scales and scopes of influential power and authority – ranging from the global to the local, from the exceptional to the ordinary, and from the elites to the bourgeoisie and working classes. Taylor (1996) draws parallels from the experiences and characteristics of earlier Dutch, British and American hegemonic cycles to chronicle the transition of the world's modern core–periphery system to a new postmodern (and globalized) 'world impasse', where 'all we can be sure of is that there will be many surprises for humanity' (Taylor 1996: 224).

Dependency thinking has come a long way since its initial Latin American interpretations, but even in today's globalizing world, the geopolitical and geo-economic struggles under way in Latin America are anything but predictable, and can no longer be framed so easily in the structural terms of core US hegemony and Latin American dependency. Furthermore, and as a concluding recommendation on how dependency theory might best be reread and refashioned, dependency thinking today requires us to confront the power hierarchies of the recent past (and present), using much more informed critical perspectives on the gendered roles of women, as well as men, in the development process. The primacy of capitalism's system of production and class struggle, which for so long anchored dependency theory's macro-level explanations of inequality and underdevelopment in the global South, needs to be further rethought and scaled down to incorporate micro- and meso-level assessments and examinations of class-based and gendered agency at the household, community and regional levels (Scott 1995). This way, the 'real-life economics' of more than half the globe's six billion people who are dependent and underdeveloped can be more effectively understood and evaluated in terms of their sustainability, democratic participation and accountability, their social power and authority (Ekins and Max-Neef 1992).

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2.7 The New World Group of dependency scholars: reflections on a Caribbean avant-garde movement

Don D. Marshall

This chapter does not aspire to a chronology or a historical sequencing of events. Instead it examines retrospectively the rise and demise of an intellectual movement in the anglophone Caribbean under the animating force of decolonization. Allowance is made for a foray into the reasons behind the thwarted impulses of that age and the present decline of radical critique in the modern neoliberal period.

Introduction: Post-New World intellectual currents

Since the emergence of the New World movement in the early 1960s, it might be reasonable to expect that gathering forces in the international system – shaped by the imperatives of globalization – would present the spectre of the emergence once more of vital new political forces. Then, as now, the region was thrown back into contemplation on the relevance of its development strategy. With the benefit of the backward glance, 'New World' was first founded in Georgetown towards the end of 1962, against the backdrop of a long general strike and growing racial conflict between African-Guyanese and Indian-Guyanese. The early founders aspired to invent an indigenous view of the region, convinced that the modernization ideologies very much in vogue embraced neither a strategy for real, independent development, nor an understanding of the political-economic legacy of the Caribbean, of which more later.

In the first decade of the twenty-first century, Caribbean intellectuals in the main, particularly social scientists, take on the colour of their historical environs: if neoliberal capitalism cannot be challenged successfully, then to all intents and purposes it does not exist; all that remains is the challenge of massaging a link between market liberalization and populist statism. To be sure, this concern among Caribbean scholars and commentators does not preclude expression of despair in some quarters over the sustainability of the island-national project of the Caribbean. This forecast is based on an understanding of the export impetus girding contemporary capitalism, and the difficulties associated with making the transition in political economies dominated by merchant capital.

Decolonization and the rise of New World

The New World movement in the anglophone Caribbean was marked by an optimism of will and intellect. Newly independent governments were seen to be in pursuit of development guideposts to chart a self-reliant future. At the popular level, claims for social equality through redistribution became intensely salient as an expression of justice. And knowledge producers within both the academic and the literary community, no longer under the heel of colonial power, focused their energies on either transformative or ameliorative development agendas. Social dialogue and action seemed governed by an impulse towards West Indian self-definition, manifested in discussions on race, class, culture and the question of ownership and control of the region's resources. The general decolonization horizon within which such mood and thought moved was also marked by raging debates occurring in the academic world between modernization theorists and neo-Marxist scholars. The New World group – largely comprising historians and social scientists – would come to draw from, and intervene in, these debates, combining serious enquiry into the development possibilities under capitalism, with integrative, normative and programmatic thinking on nation building.

Considered by their pragmatic counterparts in government, media and academy as 'radicals', this cluster of writers and commentators across the Caribbean came to be known as the New World Group (NWG). Their thoughts and ideas on socialism, national self-determination and the delimiting horizons of capitalism reached a West Indian mass audience through public lecture series, various national fora, and newspapers and newsletters of their creation. *New World*, a Jamaica-based magazine, first appeared in 1963 and was published fortnightly under the editorship of Lloyd Best, with assistance from a host of University of the West Indies (UWI, Mona Campus) scholars – George Beckford, Owen Jefferson, Roy Augier, Derek Gordon, Don Robotham and Trevor Munroe, to list a few. From 1965, *New World* was published as a quarterly. Bearing the imprint of the UWI, the 'New World' would serve as a loose association attaching its name to anti-imperialist, consciousness-raising activity across the region. Indeed, NWGs were said to be formed in St Vincent, St Lucia, Washington, DC, Montreal, St Kitts, Trinidad, Barbados, Anguilla, Jamaica and Guyana. Other publications that appeared either as complements to or refinements of *New World*'s mission included *Moko* and *Tapia*, Trinidad-based, weekly newspapers appearing in 1969, *Abeng*, a Jamaican newsletter launched in the same year, and the 1970 St Lucia-based *Forum*.

The first issue of *New World* focused on Guyana's development dilemma. The analysis moved beyond conventional state-centric explanations about the country's savings gap, low technologies, unskilled, undifferentiated labour markets and inadequate infrastructure. Guyana's, and indeed the Caribbean's, limited development, it was argued, was a function of the region's structural dependent linkages with Europe in terms of its value system and its economic relations. This point of view resonated with the dependency perspective first advanced by Paul Baran and subsequently extended by others who specialised in Latin American area studies. It was certainly a more assimilable 'angle' for Norman Girvan and Owen Jefferson to deploy in their doctoral theses explaining Jamaican underdevelopment (circa 1972), than the market-deficiency arguments of neoclassical proponents. As Girvan and Jefferson saw it, the move towards self-government and independence could not arrest the process of underdevelopment so long as the domestic economies remained dependent on foreign capital and terms of trade set under colonial rule.

Principally, the path of resistance for New World associates was forged out of opposition to Arthur Lewis's (1955) import substitution industrialization (ISI) model, favoured by Caribbean governments in the 1960s and 1970s. Briefly, the ISI programme required state provision of incentives to transnational enterprises in order to attract offshore industrial operations. The various budgetary and fiscal preparatory statements placed emphasis on the prospects for increased employment, technology transfer and stimulated markets for local inputs.

Beckford (1972) and Best and Levitt (1968) levelled a critique of Lewis's model that was representative of the dominant positions New World associates adopted on the question of Caribbean capitalist development. With epistemic insights drawn from orthodox Marxists and Latin American structuralists, their research fitted the growing canon of work seeking to establish dependency as the source of persistent underdevelopment. Beckford and others in the NWG would enrich this stock argument by anchoring the dependency concept within the plantation experience of Caribbean societies.

Dependency theory and plantation economy

Beckford's (1972) *Persistent Poverty* defined the historic plantation slave economy as a quintessentially dependent economy, the units of which included Caribbean land, African unfree labour and European capital. This is Best and Levitt's (1968) 'pure plantation economy', as no other economic activity occurred outside the sugar plantation. Beckford's work was as much a repudiation of Caribbean development strategies as it was a paradigmatic challenge to the liberal fallacy of 'progress'. For him, the mode of accumulation in the region remained a modified plantation economy variant, as dependent investment and aid ties with London and other metropolitan cities persisted. After lamenting the disarticulation between branch-plant production and the rest of the host economy, and the general mono-product character of local economies, Beckford (and, later, Best and Levitt) outlined other structural features of the plantation economy which generated underdevelopment:

- land requirements of plantation production tended to restrict domestic food production;
- terms of trade often deteriorated as rising food and other imports presented balance of payments difficulties;
- stagnant educational levels tended to foreclose on product diversification options and improvements.

Havelock Brewster (1973), seized by the plantation economy argument, argued that foreign capital could not possibly champion industrialization in accordance with common needs and the

utilization of the internal market. This was so, he surmised, because the gridlocked nature of a plantation economy, with its lack of an internal dynamic, its reliance on outdated technologies and hierarchical management practices, guaranteed for the region a subordinate role in its relationships with core firms and countries.

From all this we may gather that, unlike their dependency counterparts in Latin America, most New World associates relied less on external-determinist explanations to explain Caribbean underdevelopment, than on the *internal* workings of Caribbean economies to account for the region's structural dependency, even as they were careful to note that the characteristics of these economies extended back to colonial relations between Britain and the West Indies. *Dependistas* and structuralists, on the other hand, placed the centre–periphery relations they depict within the context of macro-historical forces, intent on locking peripheral societies into an unyielding spiral of exploitation and poverty.

Interestingly enough, Walter Rodney, a Guyanese historian, and Jamaican political scientist, Trevor Munroe, could be said to have framed Caribbean development in such deterministic terms, except that they singled out the social legacy of the plantation experience as especially debilitating for non-white races. Both were inspired by Marx's historical materialist method, but Rodney was inclined to argue that nation building in the region had to be about renewing spirits, constructing grounds for black liberation and pursuing self-reliance. Trevor Munroe's perspective was expressed in more classical but nuanced terms, as he was mindful of the plantation slavery experience. As he would frame it, underdevelopment in the region was the predictable outcome of undeveloped class formation – itself partly perpetuated by that mix of domestic policies which threw the territories back on traditional activity and on traditional metropolitan dependence. The extent of the lag in technological, market, infrastructural and resource development will pose a challenge to aspirant Caribbean societies committed to constructing a capitalist economy.

Of the NWG, however, Best's dependency perspective evinced a deep-seated ambivalence towards Western discourses on development. Perhaps he was self-conscious of the post-colonial scholar's place in such literary transactions, of the dangers of succumbing to the neoclassical association between open economies and automatic economic growth. In the context of plantation economies, such assumptions muddled an already complex situation, Best argued. His dependency perspective was consistently embedded in extended and detailed analyses of ruling circles. Apart from addressing the aforementioned features of neocolonial dependency in the region, he singled out the shared outlook of Caribbean elites and Western development planners as a major brake on effecting meaningful socio-economic transformation. Not surprisingly, his appeal was for a shift in the register of social consciousness on the part of the ruling elite. The colonial hangover apart, Best failed to draw sufficient attention to the degree of class conflict inherent in decolonization as new class forces move to reorient the social system and the values which define that system.

The demise of New World

As the 1970s dawned, the New World movement shuffled to a halt as division arose over strategies, tactics and modes of resistance to neocolonialism. By this time, Best was especially critical of the group, decrying what he saw as New World's fatal attraction for governments, and a tendency to substitute policy-oriented research for contemplative scholarship. Increasingly, such knowledge products, he argued, amounted to exercises in self-justification, and as such were quite explicit disclosures of governmental discourse in action. He was also resistant to the idea that the NWG could move towards the formation of a political party or organization contending for power. In a polemic entitled 'Whither New World', Best (1968: 2) spoke of the tensions of the group, offering the following observation: 'There is among us, much unwitting intolerance, little cool formulation, hardly any attentive listening and even less effective communication.' Munroe would come to lament their facetious pursuit of class unity and vowed to distance himself from what he termed the 'bourgeois idealism' of New World.

The disintegration of the NWG was in part a result of the attention given by many to the immediate realms of the policy process. Mona-based economists, in particular, played key advisory roles in the Michael Manley administration of the 1970s, while others across the region responded to appeals from governments for technical and project management assistance. But there are some scholars who instead place emphasis on the internal arguments between Best and others on the question of New World's relevance and its activist orientation. Their analysis, in my view, falls short precisely because they do not recognize sufficiently that New World, like any avant-garde movement, became compromised not so much by bourgeois acceptance as by *absorption into the intelligentsia*. Attendance to career, administration and public service would spawn a culture marked by keynote address, cocktail attendance and doctoral authority. Consequently, the new radicals were to be found on the outskirts of black power movements, drawn less to its ideology than to the struggle for worker freedom and justice.

On a wider intellectual plane, New World could be said to suffer the slump it did largely because the dependency concept itself lacked lasting explanatory power. Overall, there was a circularity in the dependency argument: dependent countries are those which lack the capacity for autonomous growth, and they lack this because their structures are dependent ones. Other scholars have also made the point about development in the world economy being, in fact, *dependent* development, pointing to foreign investment relationships between core states and firms. By the late 1970s, the emphasis among neo-Marxists shifted away from an independent weight placed on 'dependency' as undesirable, towards either a normative condemnation of state capitalism or an appeal to Third World states to *negotiate* the scope of their dependency.

Summary: Back to the future

If we posit that openings for dissent are as necessary to democracy as securing consent, then Caribbean civil and uncivil society can continue to offer sites for objection and challenge. But there has been no New World equivalent emerging out of the tensions of the present neoliberal period. True the rise and influence of non-governmental organizations (NGOs), particularly women's organizations, trades unions and the galvanizing work of the Caribbean Policy Development Centre, along with that of critical scholars, have served to exert pressure on increasing public transparency and inclusion. To be sure it is not at all clear that NGOs constitute an intrinsically virtuous force for the collective good. These can run a similar course to that of the New World. Beyond a certain point, NGOs may lose the critical element that caused them to come into existence, as they render services to governance agencies, take funds from them or 'cross over' to work for government institutions and organizations which they previously challenged. Market mentalities predominate in government bureaucracies, business firms and academy in the early twenty-first century. Academicians from the UWI, particularly social scientists, are exhorted by media, business and government commentators to give advice and attention to the technicality of social control or constitutional and other reforms. In most issue spaces, ruling discourses of technocratic expertise seem to suppress alternative perspectives arbitrarily. The UWI's role in this is not entirely surprising, as the University's struggle for relevance and its sensitivity to budget efficiency do make for a climate where conformity to the prevailing common sense seems the best course for research programming. Hegemony-affirming research thus continues to triumph. Political and intellectual challenges are foreclosed in the prevailing environment, where priority of survival continues to be asserted both as an operating principle and as a rationale for the absence of radical critique. This is the 'bourgeois villainy' Best would speak of when the case was hardly self-evident among intellectuals of New World. The associates then at least managed a discussion of Caribbean dependency that was enriched by site characteristics of plantation production relations. This added colour to parallel debates in Latin America. For New World associates, the dependency concept had operative power; it encouraged an interesting entry point for challenging the colonial mode of accumulation. It also fashioned an intellectual cachet of dissent in the region, illuminating history and social fact as economic paradigms came under challenge.

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2.8 World-systems theory: Cores, peripheries and semi-peripheries

Thomas Klak

Definition

World-systems theory (WST) argues that any country's development conditions and prospects are shaped primarily by economic processes, commodities chains, divisions of labour and geopolitical relationships operating at the global scale. World-systems theorists posit the existence of a single global economic system since at least the start of European industrialization around 1780–90. According to WST doyen Immanuel Wallerstein, and others, the global system dates back even further, to at least 1450, when international trade began to grow, and when Europe embarked on the 'age of discovery' and colonization (Frank and Gills 1993). Contrary to much social science thinking, WST stresses the futility of a 'statist orientation' – that is, the attempt to analyse or generate development by focusing at the level of individual countries, each of which is profoundly shaped by world-system opportunities and constraints (Bair 2005).

WST has identified a number of regularly occurring historical cycles associated with the level and quality of business activity. These cycles account for economic booms and busts of various durations. The main economic periods for WST are *Kondratieff cycles*, named after the Russian economist who discovered them in the 1920s. Each cycle, or *long wave*, lasts about 50 to 60 years and represents a qualitatively different phase of global capitalism, not just a modification of the previous cycle. Kondratieff cycles are themselves divided into a period of expansion and stagnation. There is first an A-phase of upswing, economic expansion and quasi-monopolistic profitability, fuelled by technological innovations and organized by new assymetrical institutional rules. Price inflation increases during the A-phase. This then leads into a B-phase of increased competition, profit decline, economic slowdown and price deflation. The profit squeeze towards the end of the B-phase motivates capitalists and policymakers to create new and innovative ways to accumulate capital. They work to shift investment out of established economic sectors, regulated environments and production locations, and thereby create the conditions for a new Kondratieff cycle (Knox et al. 2003).

The previous Kondratieff cycle began in the 1940s, expanded until 1967–73 (A-phase), and then contracted through the 1980s (B-phase). Each cycle's organizing institutions and rules are both economic and political. For this cold war cycle, key economic rules and structures included the US dollar as the global currency, and supranational bodies such as the World Bank, the IMF and the G7. Political structures included the UN and the geopolitical divisions brokered at the Yalta conference. This divided Europe into US- and Russian-dominated zones, pitted global capitalism against Russian-led state socialism (communism), and presented the developing world as ideologically contested turf. The dawn of the twenty-first century finds the world in a new cycle. New institutions and rules, such as the World Trade Organization (WTO), neoliberal free trade and global financial liberalization, aim to stabilize and ensure quasi-monopolistic profitability and global power for core countries. As in the cold war cycle, the United States remains the pre-eminent core (and thus global) power, but its hegemony is now contested by other strenghtening core countries and semi-peripheral countries, notably China.

Scholars and disciplines influencing, and influenced by, WST

WST is almost synonymous with its principal architect, Immanuel Wallerstein. Indeed, few influential theoretical perspectives are so closely linked to one contemporary scholar. WST's conceptual roots are largely in Marxism. Wallerstein (1979) says that WST follows 'the spirit of Marx if not the letter'. Evidence of Marx's spirit includes WST's emphasis on class, the state, imperialism and control over the means of production and labour power. WST's objections to classical Marxism include concern over a theoretical component known as *developmentalism*. This is the idea that societies move sequentially through feudalism, capitalism and socialism to communism, and that they can be analysed and transformed individually and separately from the world system. WST's alternative view – that there has been for centuries but one world economy, driven by capital accumulation – employs a concept of mode of production closer to that of Karl Polanyi than that of Marx.

WST has much interdisciplinary relevance, and has therefore attracted both supporters and detractors from across the social sciences. WST complements political-economic analysis rooted in the traditions of *dependency theory* (Cardoso and Faletto 1979), *uneven development* (Smith 1984) and *dependent development* (Evans 1979). A conceptually overlapping, but perhaps less economistic, and highly influential alternative to WST is the *regulation school*. Usually applied at a more local level than WST (i.e. to national or subnational systems), regulation theory seeks to identify phases of capitalism of variable length, based on relations between a particular prevailing method of accumulating capital and an associated 'mode of regulation', that is, a set of state regulations and behavioural norms (O'Hara 2003).

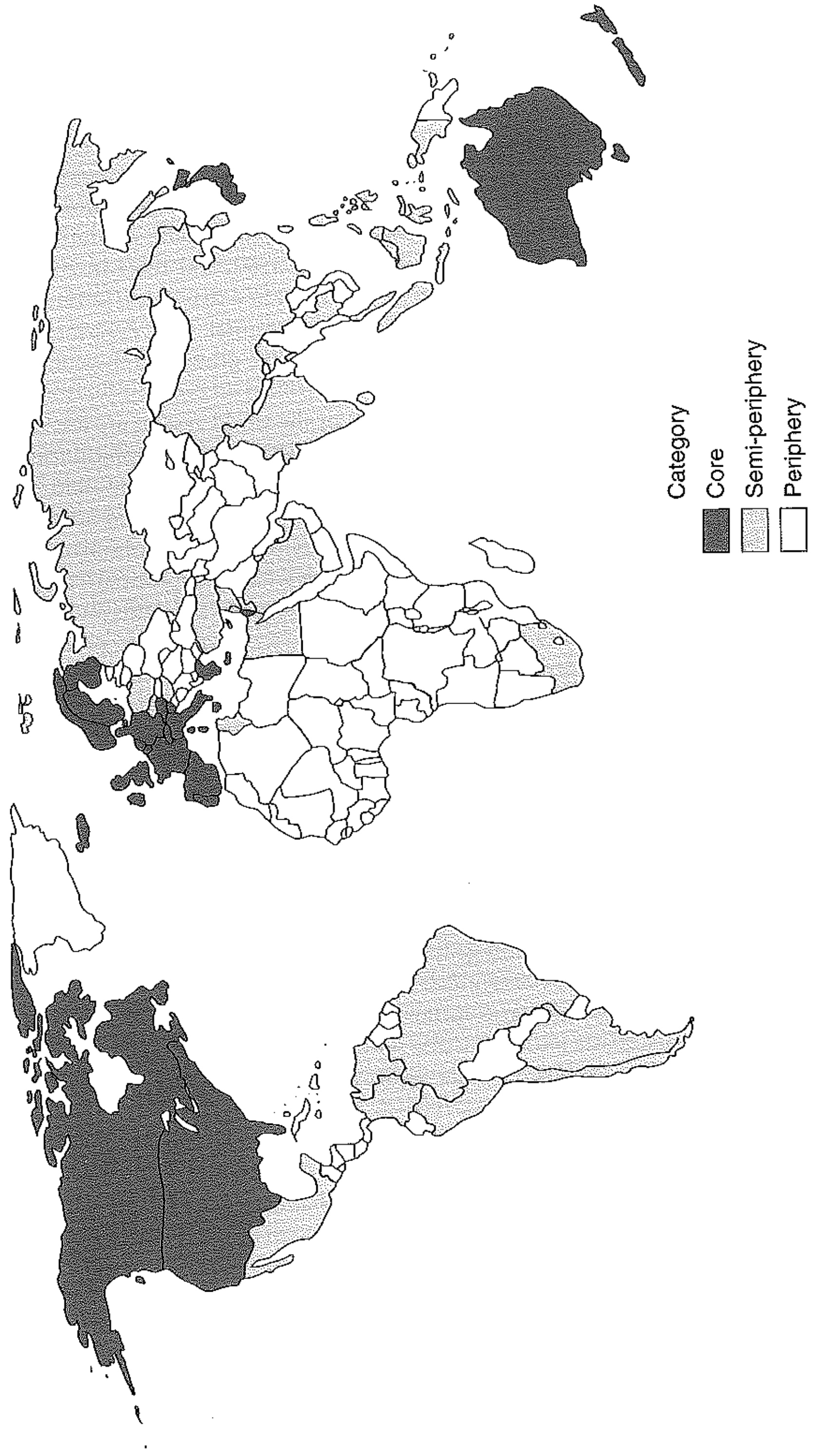
The geography of WST: Three groups of nation states

WST's temporal cycles of systemic integration, order, turbulence, transition and reconstitution of the global economy play out variably across geographical space. The world-system is very unequal. Despite (or, world-system theorists argue, *because of*) several centuries of worldwide economic integration and trade, and more than a half-century of World Bank-led international development, global inequalities continue to rise. The difference in per-capita income separating the richest and poorest countries was 3:1 in 1820, 35:1 in 1950, 72:1 in 1992, and 108:1 in 2004 (UNDP 1999, 2006). Within this highly unequal world order are place-specific dynamics. At times, regions can rise and fall in terms of power, development and economic potential. WST describes this globally differentiated space with reference to nation states and regional groupings thereof. These fall into three categories (see figure).

Compared to long waves, the geographical components of the world system are less conceptually refined and empirically specified. With this caveat in mind, general geographical features can be described. Countries of the *core*, or *centre*, are the sites of global economic (and especially industrial) power and wealth, and the associated political and military strength and influence. Core countries feature higher-skill, capital-intensive production. Politically, they collectively establish and enforce the rules of the global order and, through these advantages, appropriate surplus from non-core countries. The *semi-periphery* is positioned between the core's strengths and the periphery's weaknesses. It mixes characteristics of the core (e.g. industry, export power, prosperity) and the periphery (e.g. poverty, primary product reliance, vulnerability to core decision making). The semi-periphery is the most turbulent category, in that its members most frequently rise or fall in the global hierarchy. In semi-peripheral countries, there is much hope for development and joining the core countries, and narrow windows of opportunity to do so. But there are also intense interactions, with core countries bent on fostering their own capital accumulation by maintaining the hierarchical status quo. The *periphery* is the backwater of the world system. It provides low-skill production and raw materials for industries elsewhere. It has poor living conditions and bleak development prospects. The semi-periphery versus periphery distinction for non-core regions is important. It avoids grouping such a heterogeneous set of countries with respect to development, industrialization, trade, resource control and geopolitics. Still, putting the world's 200 countries into just three groups inevitably glosses over much intra-group heterogeneity. Note the regional clustering of countries in the three categories in the figure. At present the core is mainly North America, Western Europe, Australasia and Japan. The semi-periphery is essentially East Asia, Latin America's larger countries and most of the former Soviet realm. The periphery is everything else, particularly Africa.

A nation state's position in the world system is historically *path-dependent*, but not deterministically so. Nation states can move between categories over time, depending on their accumulation regimes, development strategies and international aid and alliances. Indeed, WST is quite useful for analysing the upward and downward movement of countries over time. There is not agreement over each country's categorization, depending on the defining characteristics and their interpretation. In addition, relative positions *within* each of the three categories can also shift over time.

East Asia illustrates the semi-periphery's potential and turbulence (Gwynne et al. 2003). Following massive US aid and industrial export growth in recent decades, South Korea has recently been knocking on the core's gate, although it was set back considerably by the 1997 Asian financial crisis. Indonesia has traditionally been peripheral, but in recent decades it has arguably joined the semi-periphery. Its increased clout derives from economic growth based on industrial exports for Nike and others, large resource endowments, including oil exports, and its status as the world's



The world-system at the dawn of the twenty-first century

Notes: For an explanation of the country-level classification system shown in this figure, please see Gwynne et al. 2003.

fourth most populous country (see figure). China's industrial export boom and associated capital accumulation since the 1980s drove it into the semi-periphery. Now many Japanese and US leaders fear China's global resource hunger and ambitions as a soon-to-be core country (Zweig and Jianhai 2005).

Criticisms of WST

One capitalist world economy, divided by Kondratieff cycles, since at least 1450?

Need we subscribe to WST's totalizing global history to employ it effectively to understand recent development? Compared to Wallerstein, few writers employing a WST framework are as deeply historical, and few treat economic activities during previous centuries in such a globally holistic way. Much work, for example, has been done to identify the evolving features of capitalism associated with five Kondratieff cycles extending back only to 1789. Many other WST-influenced scholars focus on the dynamics of contemporary capitalism. WST purists may reject these approaches as insufficiently historical.

While Kondratieff cycles have considerable historical and empirical support (Mandel 1980), they remain controversial. Others have assembled evidence to cast doubt on the existence and significance of long waves, and to suggest instead that capitalism moves through phases of differing lengths, problems and features (e.g. Maddison 1991). As mentioned earlier, the regulation school is one alternative conceptualization of contemporary capitalist dynamics.

Metatheory?

Beyond the considerable empirical analysis of Kondratieff cycles and their associated production and technological features, many WST claims remain untested and are perhaps untestable. Most WST-influenced scholarship focuses on the contemporary global political economy, and the lack of time series data limits testing. Further, how could the simple three-category spatial division of the world system be tested? WST-inspired writing tends to read like an open-ended analysis of unfolding world events. Critics can claim that this method allows one to find and fit the data anecdotally to the theory. Better to think of a world-system *approach*, *analysis* or *perspective* than a world-system *theory*.

Neglect of the local?

Operating at the global level and concerned with economic cycles over decades, if not centuries, WST is too holistic to account for local dynamics. Indeed, WST underplays the generative role of local activities, initiatives, social movements and people.

Conclusion

World-systems theory, with its keen sense of historical, cyclical, technological and geographical patterns, has undoubtedly deepened our understanding of the global political economy. It is a satisfying antidote to the reductionism, ahistoricism and superficiality in most popular interpretations of economic change. WST's historical and holistic perspective and level-headedness serves to counter the recent hyperbole about the uniqueness of globalization and the inevitability of neoliberalism.

In practice, many scholars employing a WST perspective downplay the details and measurement of the cycles of upswing and downswing in the global economy. They focus instead primarily on contemporary trends, and adopt a qualitative approach to understanding business cycles,