

## CHAPTER ONE

### INTRODUCTION

#### 1.1. Meaning and Definition of Development

**Dear students, what is the meaning of development?**

The definition of development has been a major area of controversy since there is no single definition that encompasses all the aspects of economic development. It is inescapably a normative term, which at various times has meant economic growth, structural economic change, autonomous industrialization, capitalism or socialism, self-actualization, and individual, national, regional and cultural self-reliance.

- For much of the post-World War II period development has been defined in terms of a long-term view with an emphasis on socio-economic structural transformation (for example the shift from an agrarian economy to an industrial economy). However, since the 1990s development has come to be defined with a shorter horizon related to policy objectives and performance indicators (such as growth of income per capita and poverty reduction). The United Nations poverty reduction goals for 2015, known as the MDGs, are prominent in this latter context amongst international agencies.
- The most comprehensive definition perhaps of economic development is the one given by Todaro: “Development is not purely an economic phenomenon but rather a multi-dimensional process involving reorganization and reorientation of entire economic **and** social system”.
- Development is process of improving the quality of all human lives with three equally important aspects. These are:
  1. Raising peoples’ living levels, i.e. incomes and consumption, levels of food, medical services, education through relevant growth processes
  2. Creating conditions conducive to the growth of peoples’ self-esteem through the establishment of social, political and economic systems and institutions which promote human dignity and respect

3. Increasing peoples' freedom to choose by enlarging the range of their choice variables, e.g. varieties of goods and services

In this course, we will explore the global outlook concerning the level of development of different countries in the world, and the reasons why some countries are developed and others underdeveloped.

## 1.2. Section two: Alternative Interpretations of Development

### A. Development as Economic Growth

Usually the words '*growth*', *performance and development* are preceded by the word economic. This implies that the indicators used to judge movement or used in comparison, are derived from data about the formal system which provides for the exchange of goods and services as recognized by economist.

Growth implies a change in the volume of goods and services produced, of purchasing power or similar general and usually value-neutral indicators. Performance implies the degree to which events, actions and processes maximize the satisfactions or objectives of people in question. Growth is not synonymous with an increase in performance. It is quite feasible to have tremendous growth according to all the current indicators, yet to argue that performance decreased.

Development represents an increase in the capacities of the society to organize for its own objectives and to carry out its programs more effectively. Sociologically speaking, one society is developed and another undeveloped, the former is by comparison with the latter able to make much more complicated decisions and to do more complicated things. This has nothing to do with the direct presence or absence of physical resources. Development is a universal problem which has drawn the attention of the third world or the developing countries to the twin problems of '*nation building*' '*socio-economic progress*'

**However**, in economic terms, development has traditionally meant the capacity of a national economy to generate and sustain an annual increase in its gross national product (GNP) or gross

domestic product (GDP). A common alternative index of development has been the use of growth rates of real per capital GDP to take into account the ability of a nation to expand its output at a rate faster than the growth rate of its population.

**GNP**: The value of goods and services produced in a country during a year by national resources located in the country and abroad. National resources located abroad would be part of the national income, while income generated by foreign resources located in the domestic economy is not part of GNP.

**GDP**: The value of goods and services produced in the country during a year by both national and foreign resources located in the country.

$$\text{GNP} = \text{GDP} + \text{income earned from national resources located abroad} - \text{income earned by foreign resources located in the country.}$$

**Real**: GDP/GNP estimated each year at current prices is not real; because of inflation prices tend to move up.

So, in order to know the growth of goods and services in physical terms disregarding the growth of prices, some adjustments should be done. For this effect, we should maintain constant prices to avoid the effect of price changes.

**Real per capita GNP/GDP**: Per capita, per head, per person. It is preferable to look at the real per capital GNP/GDP for a country to be better off as a whole, GNP figure must grow faster than the population.

$$\text{Real per capita GNP/GDP} = \frac{\text{value of real GNP/GDP}}{\text{Total Population}}$$

**E.g. for Country X in 2016:**

Population: 100 million

GNP/GDP = \$ 45 Billion

GNP per capita = \$450

**Per capital productivity:** Productivity is the number of output produced by a laborer per unit of time. For example, if a person produces 5 items and another person 10 items within a given same time, the second man is more productive than the first one. For economic growth to be achieved, the per capita productivity must grow. The economy may grow:

- 1) Along horizontal line
- 2) Along vertical line

When we say horizontal growth, the growth is simply by extending old methods of production, i.e. technology is constant. It is possible to increase the national production with no improvement in technology, which is not development.

In vertical line growth, there is continuous improvement in technology, tools, organization of labor, etc. Contrary to horizontal growth, technology is variable. The national economy grows due to intensification of economic activities within a given geographic space. Vertical line growth is an example of economic development.

### **Limitations of GNP/GDP as a development indicator**

1. Being an average, it says nothing about the distribution of wealth between rich and poor
2. Poverty (poorness) applies to individuals and not to the entire nation or continents. It leads to the belief that entire nations or continents are poor, and need assistance
3. Even at the household level, income may not be evenly distributed. Inequalities within the household will be completely invisible
4. Activities in the informal sector and subsistence production are not accounted into GNP. Domestic works like food preparation, childcare, looking after the sick and the aged are social reproduction activities undertaken by women and children.
5. Cost of living is not uniform across the world. E.g. One US\$ per day in USA may not support better subsistence as the equivalent of one US\$ in Sudan does, so long as local Sudanese prices for basic food stuffs are lower than international prices.

### **Economic Growth vs. Development**

Economic Growth is a narrower concept than economic development. It is an increase in a country's real level of national output which can be caused by an increase in the quality of resources (by education etc.), increase in the quantity of resources & improvements in technology or in another way an increase in the value of goods and services produced by every

sector of the economy. Economic Growth can be measured by an increase in a country's GDP (gross domestic product).

Development is a normative concept i.e. it applies in the context of people's sense of morality (right and wrong, good and bad). The definition of development given by Michael Todaro is an increase in living standards, improvement in self-esteem needs and freedom from oppression as well as a greater choice. The most accurate method of measuring development is the Human Development Index (HDI is a composite statistic of life expectancy, education, and per capita income indicators) which takes into account the literacy rates & life expectancy which affects productivity and could lead to Economic Growth. It also leads to the creation of more opportunities in the sectors of education, healthcare, employment and the conservation of the environment. It implies an increase in the per capita income of every citizen.

Economic Growth does not take into account the size of the informal economy. The informal economy is also known as the black economy which is unrecorded economic activity. Development alleviates people from low standards of living into proper employment with suitable shelter. Economic Growth does not take into account the depletion of natural resources which might lead to pollution, congestion & disease. Development however is concerned with sustainability which means meeting the needs of the present without compromising future needs. These environmental effects are becoming more of a problem for Governments now that the pressure has increased on them due to Global warming. Generally, Economic growth is a necessary but not sufficient condition of development.

**B. Development as Distributive Justice-** view development as improving basic needs

- Interest in social justice which has raised three issues:
  1. Nature of goods and services provided by governments
  2. Matter of access of these public goods to different social classes
  3. How burden of development can be shared among these classes
- Target groups include small farmers, landless, urban under-employed and unemployed

### C. Development as Structural Transformation (DST)

The idea of economic growth implies some kind of quantitative change while the idea of development implies some kind of qualitative transformation. The concept of structural transformation is related with this qualitative change. Basic points related with structural transformation are the following.

1. Development as structural transformation implies historical process of social change. Rich societies are transformed over a long period of time. Development as a structural change focuses on underlying social and economic structures
2. Structural transformation in the economic sense is used to mention the process of industrialization. Here, development is viewed as involving not only economic growth but also socio cultural and political transformation.
3. Industrialization and Industrial Revolution: Historically industrialization and industrial revolution were considered in Western Europe to be the turning point in the conception of development as structural transformation. Some of the well-known elements of this transformation include the rise of large scale manufacturing industry, large-scale urbanization, and the rise of bureaucratic and centralized states.
4. Structural transformation perspectives are not concerned about small scale changes and controversial issues as poverty, well being, equality, etc. In fact growth and transformation approaches assume that in the initial stages of growth and transformation increasing inequality and poverty can be part of the process of development. This means, the problems of poverty and inequality are seen as transitional problems which will be solved through the so called “**trickle-down**” (*it is a term used to describe the belief that if high income earners gain an increase in salary, then everyone in the economy will benefit as their increased income and wealth filter through to all sections in society.*) This process assumes that the fruits of economic growth and transformation will eventually filter down to the lower sections of the society. At later stages, a stable, democratic and participatory kind of political system will emerge as part of the transformation system.

In historical terms development as a process of structural transformation involved a great deal of upheavals, conflicts, dislocations, etc. That is, there are **losers** and **winners** from the process of structural transformation. From the structural transformation point of view, all

these are considered as “pyramids of sacrifice” which societies must pass through in order to reach the fruits of development.

#### **D. Human Needs Centered Development**

This approach pointed positive image of development in terms of EG, poverty eradication and ability to ensure democratic political systems in 3<sup>rd</sup> world (under developed countries). Development must therefore be conceived of as a multidimensional process involving major changes in social structures, popular attitudes, and national institutions, as well as the acceleration of economic growth, the reduction of inequality and the eradication of poverty.

##### **The emergence of HNCD**

In developing Countries, EG and ST were dominant views of development up to the 1950s- 60s. However, already by 1970s, things are not working as smoothly as it was expected or predicted by the dominant approach (ST, EG, etc). Despite some substantial EG in many developing countries, including African countries (in 1950s, 60s, 70s,) the fruit of EG was not trickling – down. On the contrary, people start to argue that tricking- up and trickling – out from developing countries to developed countries. In other words, the gap between the “haves” and the “have not” is increasing both at the national level and global level.

**Moreover, instead of the expected establishment or transition of stable democratic political systems, conflict, authoritarian rule (military rule) become the order of the day all over the Third world with very few exceptions.** The above reasons lead to the emergence of new view (HNCD), which appear to be critical of the EG, GNP, ST approach. The new approach raises critical issues that was acquired by previous approach, for instance, the effect of EG and ST on people’s life, issue of inequality, poverty, and political de-participation and wealth and income. **The new approach (UNCD) argued that, there were people who were ignored by previous approach.** Thus, additional dimensions must be included in the meaning of development. In 1970s, various phrases, slogans were coined to express this dissatisfaction to the old approach such as:

- Growth with equality
- Growth with employment
- Growth with distribution of redistribution

- Ideas such as the basic need movement become central issues.

This finally lead to for the emergence of:

- Participatory development
- People- oriented development
- Populist approach
- Alternative development to the EG/ST main stream
- Conventional Structural development approach were coined

### **1.6.2. Pioneer of HNCD: Dudley seers (British Scholar)**

**seers** was the first and well known scholar who attempted systematically articulates the HNCD approach. In his inferential work – The meaning of development he argued “The realization of the potential of human personality is a universally accepted aim”. Therefore; development should ensure the achievement of universal goal.

Seers identified three basic conditions in order to realize this universal goal:

- The capacity to get physical necessities (basic needs – food, shelter, cloth)
- Employment- should not be necessary paid, but self- employment
- Equality of opportunity –e.g. educational, health service, etc.

Based up on the above points, he formulated the following basic questions:

- What has been happening to Poverty?
- What has been happening to unemployment?
- What has been happening to inequality?

If all of these have been reduced (less suffers) without doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it will be strange to call the result development. He is challenging the type of economic definition of economic development with its emphasis on productivity, growth at any cost /price and increasing GNP per capital as ultimate goal. He put the meaning of EG differently as follows:

*‘‘From a long – term view point, Economic Growth is for poor countries a necessary condition of reducing poverty, but it is not a sufficient condition to realize the developmental potential of a high rate of EG depends of policy.’’*

HNCD- is more complex, more subjective over time. M. Edwards, prominent in NGO areas, for example argued that:

*‘‘Development results from a long process of experiment and innovation through which people build- up the skills, knowledge and self-confidence to shape their environment in ways which foster progress towards goals such as EG, Equity and income distribution and political freedom .At root, then development is about processes of enrichment and participation, which the technocratic, project – oriented view of the world simply cannot accommodate’’.*

There are new dimensions which have been added to the language of HNCD. For example, as Edwards said:

- Participation
- Empowerment
- Environment and sustainable development, and
- Gender & development

By incorporating Seer’s three conditions for fulfillment of human potential with recent development --- we can define that HNCD is the descriptive term for development in which the level of satisfaction of various dimensions of human needs is considered to have improving the following:

- Low – level of material poverty
- Low – level of unemployment
- Relative equality in the distribution of income and wealth
- Democratization of political life
- True national independence
- Good literacy and educational level
- Equality, equal status and participation of women
- Sustainable ability to meet future needs

### 1.6.3. Defining features & Limitations of HNCD

1. HNCD approach is called normative because ideas and arguments are not explaining about how development is taking place in reality, but how it ought /should take place.
  - ✓ In other words, value judgement about the meaning, purpose, aims & goals of development are central aspects of HNCD approach
  - ✓ Value judgement is about what is desirable or undesirable or what is good or bad, such approach is based on moral, ethical, ideological /political commitment.
  - ✓ HNCD approach is based on a Humanistic principle that the development of human parcel, the realization of human potentials and the fulfillment of human needs must be the core of development. Development must be judged by these criteria.
2. HNCD approach is marginal in terms of influencing development policy & strategy at least on a large scale basis.
3. HNCD approach is exposed to the appropriation of its ideas by the so-called mainstream powerful institutions. For example, World Bank, Donors, State organizations, etc.
4. The HNCD approach is usually vague on how their goals and objectives can be achieved. This is to say that ideas /slogans such as redistribution, empowerment, equality, sustainable development etc are very radical. However, it is not clear on how this novel (desirable) ideas, aims or goals are going to be achieved.

## 2.2. The Third World: Overview of a Contested Nation

### 2.2.1. Introduction

The term "third world" was coined by economist Alfred Sauvy in 1952. The term gained widespread popularity during the Cold War when many poorer nations adopted the category to describe themselves as neither being aligned with the West (NATO) or the East (USSR) after World War II, but instead composing a non-aligned "third world". These countries are also known as the Global South, developing countries, and least developed countries in academic circles. In this context, the term "First World" was generally understood to mean the United States and its allies in the Cold War, which would have made the East bloc the "Second World" by default; however, the latter term was seldom actually used.

Some dislike the term developing countries as it implies that industrialization is the only way forward, while they believe it is not necessarily the most beneficial.

Many "third world" countries are located in Africa, Latin America, and Asia. They are often nations that were colonized by another nation in the past. The populations of third world countries are generally very poor but with high birth rates. In general they are not as industrialized or technologically advanced as the first world. The majority of the countries in the world fit this classification.

### **Definitions**

The term "**First World**" refers to so called developed, capitalist, industrial countries, roughly, a bloc of countries aligned with the United States after World War II, with more or less common political and economic interests: North America, Western Europe, Japan and Australia.

"**Second World**" refers to the former communist-socialist, industrial states, (formerly the Eastern bloc, the territory and sphere of influence of the Union of Soviet Socialist Republic) today: Russia, Eastern Europe (e.g., Poland) and some of the Turk States (e.g., Kazakhstan) as well as China.

"**Third World**" is all the other countries, today often used to roughly describe the developing countries of Africa, Asia and Latin America. The term Third World includes as well capitalist (e.g., Venezuela) and communist (e.g., North Korea) countries, as very rich (e.g., Saudi Arabia) and very poor (e.g., Mali) countries.

Third World Countries classified by various indices: their Political Rights and Civil Liberties, the Gross National Income (GNI) and Poverty of countries, the Human Development of countries, and the Freedom of Information within a country.

The term "**Fourth World**" first came into use in 1974 with the publication of Shuswap Chief George Manuel's: *The fourth world: an Indian reality* ([Amazon link to the book](#)), the term refers to nations (cultural entities, ethnic groups) of indigenous peoples living within or across state boundaries (nation states).

### 2.2.2. The Third World: Unity, Diversity & Inequality

The Very origin of the sociology of development (development studies) was inspired from the very beginning of study by the problems of inequality polarization and “Un even/ unequal development within the global system of state societies. These problems i.e. inequality unequal development polarization still exist and in fact there is strong evidence which shows that inequality and polarization have increased tremendously between states with in nations and regions.

In this context of increasing inequality and polarization the main focus of development studies should be differentiation and diversity within the third world which is misleading and inadequate. Inequality and polarization in the global system is important because the concept of the TW and other similar concepts will always be needed or required and uneven development in the global system. *Above all development theory must not only be concerned with diversity but also inequality”*

A scholar named Samir Amin argued that in recent decades there is an increasing concentration of wealth and power in the hands of few core countries. He also argued that, the core /developed/ industrialized countries has increased their control on what he calls **the five monopolies** of the center which include:

- 1) Technological Monopoly: this requires huge financial power that only large and very rich /wealth states can afford.
- 2) Control over global financial markets and institutions global financial institutions are tends to be in the hands of developed countries
- 3) Monopolistic access to the planets resources: strategic resources such as minerals oil, timber, etc are extracted from developing countries to the developed countries.
- 4) Media and communication Monopolies: this focuses on the issues of cultural homogenization E.g. The issue of consumerism – Coca Cola, Pepsi, etc and the issue of political manipulation
- 5) Monopolies over Weapons of Mass destruction (WMD): This is the ultimate instrument that can be used when the interests of the core are threatened or challenged. Amin

concluded that, what result in a new hierarchy is more unequal than ever before in the distribution of wealth and power on a world scale.

### **2.2.3 Characteristics of Third World**

The underdevelopment of the third world is marked by a number of common traits; distorted and highly dependent economies devoted to producing primary products for the developed world and to provide markets for their finished goods; traditional, rural social structures; high population growth; and widespread poverty. Nevertheless, the third world is sharply differentiated, for it includes countries on various levels of economic development. And despite the poverty of the countryside and the urban shantytowns, the ruling elites of most third world countries are wealthy.

Generally **the following characteristics are usually given for third world countries of Africa, Asia and Latin America:**

1. They are relatively young
2. They are confronted with similar development problems
3. They are engaged in the developmental task of nation-building and socio-economic progress
4. The per capital income is less
5. They are technologically less advanced
6. They are socially backward
7. They **depend up on** Foreign aid
8. Politically- undemocratic

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## 2.3. DETERMINANTS OF DEVELOPMENT

### Introduction

Development couldn't come in a vacuum. It is determined by a number of factors. In the past years factors such as **capital, land and labor are considered as important determinant of economic development**. However, institutions, **human capital, technology and good governance have equal importance**. This unit discusses some of the variables which are essential for development.

### 2.3.1. Physical / Natural Resources (Natural Capital) and Human capital

#### 2.3.1.1. Natural Resources

**Describe some of the natural resources your area is endowed with.**

A natural resource is anything people can use which comes from nature. People do not make natural resources but gather them from the earth. They include air, water, wood, crude oil, solar energy, hydro-electric energy, coal, and minerals. These natural resources are resources which occur naturally within environments that exist relatively undistributed by mankind in a natural form. Many of natural resources are essential for our survival while others are used for satisfying our needs.

Natural resources can be classified into renewable and non-renewable resources. Renewable natural resources are resources that grow again or comeback again after we use it. Water, forests and trees are examples of renewable resources. These resources are reproduced easily or replenished easily. Non-renewable natural resources, on the other hand, are resources that do not grow or come back, or resources that would take a very long time to come back.

Natural resources can again be divided into Biotic and Abiotic resources. Biotic resources are resources obtained from the biosphere such as forests and their products, animals, birds and their products, fish and other marine organisms. Abiotic resources include non-living things. Some of the resources grouped under this include land, water, air, and ores such as gold, iron, copper, silver, and so on.

By looking at the stage of their development, natural resources again can be divided into potential resources and actual resources. Potential resources are those which exist in a region and

may be used in the future. Actual recourses, on the country, are those that have been surveyed, their quantity and quality determined and are being used in present times.

Natural resources are essential for our survival. But it is randomly distributed over the surface of the earth. As with any random distribution, the outcome is unequal. Some countries have few or no available natural resources, and some others of many. Abundance brings opportunities for enhanced income and historically resource endowments such as coal and iron were often critical as triggers of the development.

**Is a country's endowment with natural resource essential for the development of that country? How?**

As stated earlier, natural and physical resources endowment enormously influences a country's potential for economic growth. The extreme case of physical resources endowment is the Persian Gulf oil states. At the other extreme are countries like Chad, Yemen, Haiti, and even fertile land are relatively minimal. However, studies conducted and empirical evidences show that resources abundant countries have experienced significant slower growth rate than resources poor countries since 1960s. One of the surprising features of economic life shows that resource-poor countries vastly outperform resource-rich countries in economic growth between 1970s and 1990s. Thus, it is possible to say that resource is a necessary but not a sufficient condition for development. Generally, LDCs are not poor in resources but the exploitation of these resources is sub-optimal. For instance, Democratic Republic of Congo is rich in natural resources but not rich. Japan is poorly endowed with natural recourses but a rich country. This shows that high mineral wealthy or other resources are not a guarantee of development success. Geography and climates can also play an important role in the success or failure of development efforts. Island economics like Taiwan seem to do better than landlocked economies, and Temperate zone economics /countries/ to do better than tropical zone nation, all other things being equal.

It is argued that natural resource endowment is not sufficient conditions for the economy to perform better. Countries and regions with abundant natural resources perform less in their economic growth and worse development outcomes than countries with fewer natural resources. Many reasons are indicated for these. Some of these are:

- ✓ decline in the competitiveness of other economic sectors,

- ✓ volatility of revenues from the natural resource sector due to global commodity market swings,
- ✓ governments mismanagement of resources, or weak, ineffectuate, unstable or corrupt institutions.

### **2.3.1.2. Human capital**

#### **What is human capital?**

Human capital refers to the stock of competences, knowledge and personality attributes embodied in the ability to perform labor so as to produce economic value. It is the attributes gained by a worker through education and experience. Many early economic theorists refer to it simply as workforce, one of three factors of production, and consider it to be a fungible resource-homogeneous and easily interchangeable.

#### **How is human capital formed?**

#### **Discuss factors essential for the development of human capital?**

Human capital is productive investment embodied in human persons. These include skills, abilities, ideas and health resulting from expenditures on education, on-the-job training programs, and medical care. Investment in human resources can improve its quality and thereby have the same or even a more powerful effect on production as an increase in human numbers. Formal schooling, vocational and on- the- job training programs, and adult and other types of informal education may all be made more effective in augmenting human skills. The advanced and relevant training of teachers, as well as good text books may make an enormous difference in the quality, leadership, and productivity of a given labor force. Improved health can also significantly augment productivity. The concept of investment in human resources and the creation of human capital are, therefore, analogous to that of improving the quality and thus the productivity of existing land resources through strategic investments.

Human capital is essential for development of a country. Human resource involves size, skill, cultural outlook, attitudes to work, access to information, willingness to innovate, and desire for self- improvement. Moreover the level of administrative skills will often determine the ability of public sector to alter the structure of production and the time it takes for such structural alteration

to occur. This involves the whole complex of interrelationship between culture, tradition, religion, and ethic and tribal fragmentation or cohesion. Thus, the nature and character of a country's human resource are important determinants of its economic structure and these clearly differ from one region to the next.

**Do you think that population growth has positive impact on development of a country? Why?**

There is controversy between population growth and development. Population growth and the associated eventual increase in the labor force have traditionally been considered a positive factor in stimulating economic growth. A larger labor force means more productive workers and a large over all population increases the potential size of domestic markets. However, this is questionable whether rapidly growing supplies of workers in surplus-labor developing countries exert a positive or a negative influence on economic progress. Obviously, it will depend on the ability of the economic system to absorb and productively employ these added workers—ability largely associated with the rate and kind of capital accumulation and the availability of related factors such as managerial and administrative skills.

### **2.3.1.3. Capital Accumulation / Formation**

**What is capital? Explain from your own perspective.**

Capital is "produced means of production", "stored up labor", "that part of wealth that is put to productive use", means of procuring the resources "; "factor which facilitates use of other factors," and partakes the nature of monetary, physical (addition to instruments to production), and human (labor put to higher productive) form.

The importance of producing capital goods is emphasized by many economists from Adam Smith to Colin Clark and Simon Kuznets. Shortage of capital is responsible for the under-utilization of natural resources or unemployment of persons. Capital is needed for capital widening in different sectors, subjectors, activities, functions, regions, and ethnic groups. It is needed for capital deepening for improving the scale (lumpy investment or overcoming indivisibilities) and scope of operation. Furthering specialization, introducing modern round-

about methods of production and extending all types of commerce depend up on capital adequately.

**If a country wants to develop, capital accumulation is essential.**

**How capital is formed in a country? Explain.**

Capital accumulation results when some proportion of present income is saved and invested in order to augment future output and income. New factories, machinery, equipment, and materials increase the physical capital stock of a nation (the total net real value of all physical productive capital goods) and make it possible for pended output levels to be achieved. These directly productive investments are supplemented by investments in what is known as social and economic infrastructure—roads, electricity, water and sanitation, communications, and the like— which facilitates and integrates economic activities.

Capital is accumulated on a foundation of saving. Saving is the act of abstaining from consuming funds that have been earned in the sale of goods and services. Saving does not mean not spending. It does not mean hoarding. It means not spending for purpose of consumption. Abstaining from spending for consumption makes possible equivalent spending for production. Whatever saves in a position to that extent to buy capital goods and pay wages to workers, to lend funds for the purchase of expensive consumers' goods, or lend funds to others who will use them for any of these purposes.

Propensity to accumulate capital is associated with qualities such as an intelligent understanding of property ownership a positive attitude toward money, the ability to size a money-making opportunity, and a desire to acquire more wealth. These are learned qualities. However, even if a strong motivation for enrichment or social improvement exists, the business, government, legal, climate, local culture or social instability may prevent this motivation from being realized. Capital is "formed" in the sense of "being brought together for investment purposes" in many different ways.

Generally, capital formation involves postponing present consumption and using the real goods/ resources for production purposes so that future stock of consumable goods increases. It involves maintaining existing capital stock in the same condition and upgrading capacity.

Capital accumulation involves human capital formation, enlarging the stock of tools, instruments, machines, plant, equipment and infrastructure facilities; and improved in land. For example, investment by a farmer in a new tractor may increase the total outputs of the vegetables he/she can produce but without adequate transport facilities to get this extra product to local commercial markets his/her investment may not add anything to national food production.

Capital formation is encouraged by developing the financial institutions and through the production of real goods of production skill—building of the skill of the people is also capital formation. Capital formation involves postponing present consumption and using the real goods / resources for production purposes so that future stock of consumable goods increases. Skill-building of the people is also capital formation. The people of a country can do a lot of work in capital formation. It is discouraged by expenditure. Some countries can afford it but all cannot.

Growth is best promoted when " commodities are produced with commodities" i.e., all things improve in real terms. Capital formation, therefore, involves postponing present consumption and using the real good/resources for production purposes so that future stock of consumable goods increases. This point was emphasized by Colin Clark.

Capital accumulation is process involves two-pronged approach. First, existing capital stock be maintained in the same condition, i.e., there should be adequate replacement of the worn out existing capacity. Secondly, additional and upgraded capacities should be created.

The process of capital formation can be strengthened through the following measures:

- (A) First, there will be a need to practice parsimony and economy, particularly with regard to the consumption of goods of luxuries and ostentation, (high taxes may be imposed, these goods may not be allowed to be produced/ imported in the early stages of development) and the resultant savings are to be institutionalized.
- (B) All financial institutions will provide direct finance to those industries which produce capital goods and essential raw materials. All those production processes are to be financed and assisted in technical terms which increase the real surpluses (raw material) for production.
- (C) The bill market or the securities market is to be developed but is to be kept free from the fraudulent operations of the punters: genuine trading and fake trading are to be distinguished.

- (D) The public sector units should also earn profits because losses means 'capital consumption'. The days of running public sector under-takings on the principle of 'no-profit—no-loss' are also over. Since there are no surpluses in the budgets of the governments, it is incumbent that the corporations and undertakings should have positive rates of returns. In all cases the losses of any type of undertaking are due to corruption, high costs and mismanagement. Capital formation and these losses are mutually exclusive.
- (E) Once again, it is to be emphasized that it is to be seen that the life time production of a person exceeds the life time consumption of that person or else the births of such potentially over-population persons are to be checked. As mortality and morbidity rates go down, persons can produce more but they also consume more. Providing employment opportunities is capital-forming and employment generation depends upon capital formation. A healthy circular relationship is to be developed. Size of the market is not a function of rising population but of rising income/demand.
- (F) The trick of development lies in increasing productivity of the material goods sectors. If yields, outputs and revenue productivities of agriculture increase first, capital formation will be quite orderly.
- (G) Low capital formation means the country will produce goods of low 'value-adding' which in turn will lower rate of capital formation. High rate of capital formation today means lower consumption today but will ensure higher production and consumption in future. However, it is necessary that those who are made to make such sacrifices get benefits comfiture; all the benefits should not be dormered by the upper classes.

#### **2.3.1.4. Technological Progress**

**What is technology? Does it have a role in development? Explain by your own words.**

Technology is the most important source of economic growth. In its simplest form, technological progress results from new and improved ways of accomplishing traditional tasks such as growing crops, making clothing, or building a house. Technology is the usage and knowledge of tools, techniques, and crafts or is systems or methods of organization, or is a material product of these things.

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There are three basic classifications of technological progress: Neutral, Labor-saving, and Capital-saving.

**Which one of these classifications of technological progress is appropriate for Ethiopia?**

**Why?**

- **Neutral technological progress:** - Occurs when higher output levels are achieved with the same quantity and combinations of factor inputs. Simple innovations like those that arise from the division of labor can result in higher total output levels and greater consumption for all individuals.
- **Labor-saving technological progress:**- the achievement of higher output using an unchanged quantity of labor inputs but as a result of some invention such as computers, internet, automated looms, high speed electric drills, tractors and mechanical ploughs. These and many other kinds of modern machinery and equipment can be classified as products of labor-saving technological progress. Technological progress over the last century has consisted largely of rapid advances in labor saving technologies for producing everything from beans to bicycles to bridges.
- **Capital-saving technologies progress:** - Technological progress that results from some invention or innovation that facilitate the achievement of higher output levels using the same quantity of capital inputs. It is a much rare phenomenon in developing countries. Because almost all of the world's scientific and technological research is conducted in developed countries where the mandate is to save labor, not capital. In the labor abundant (capital scarce) developing countries, however, capital saving technological progress is what is needed most. Such progress results in more efficient (lower cost) labor intensive methods of production—for example; hand or rotary powered welders and threshers, foot operated bellows pumps, and back mounted mechanical sprayers for small scale agriculture. The indecisions LDC development of low cost, efficient, labor intensive (capital-saving) techniques of production is one of the essential ingredients in any long run employment oriented development strategy.

Technological progress may also be labor-or capital-augmenting. Labor-augmenting technological progress occurs when the quality or skills of the labor force are upgraded – for example, by the use of videotapes, televisions, and other electronic communication media for

class room instructions. Similarly, capital-augmenting technological progress results in the more productive use of existing capital goods as, for example, the substitution of steel for wooden plows in agricultural production.

The high rate of development of developed countries have been sustained by the interplay between mass applications of many new technological innovation based on a rapid advancement in the stock of scientific knowledge and further additions to that stock of knowledge made possible by growing surplus wealth. And even today, the process of scientific and technological advance in all it stages, from basic research to product development, is heavily concentrated in the rich nations. Over 90% of all world research and development (R&D) expenditures originate in these countries. Moreover, research funds are spent on solving the economic and technological problems of concern to rich countries in accordance with their own economic priorities and resource endowments. Rich countries are interested mainly in the development of sophisticated products, large markets, and technologically advanced products large markets, and technologically advanced production methods using large inputs of capital and high level of skills and management while economizing on their relatively scarce supplies of labor and raw materials. The poor countries, by contrast, are much more interested in simple products; simple designs, saving of capital, use of abundant labor, and production for smaller markets. They have neither the financial resources nor the scientific and the technological knowhow at present to undertake the kind of research and development that would be in their best long term economic interests.

Therefore, in the area of scientific and technological research, contemporary developing nations are in extremely disadvantageous competitive positions vis-à-vis the developed nations. In contrast, when the latter countries were embarking on their early growth process, they were scientifically and technologically greatly in advance of the rest of the world. They could consequently focus on staying ahead by designing and developing new technology of a pace dictated by this long-term economic growth requirement.

### **2.3.2. Social, political, institutional, and ideological factors of development**

Development is not only economic growth or technological progress. Development is more than increasing output and involves organizational transformation. The determinants for development

are not only capital, labor, and natural resources. Political, social, cultural and institutional factors also play a significant factor. In this section, you will learn about these factors.

### 2.3.2.1. Culture and Institutions

Development is far more than a mere technological or physical transformation of inputs into increasing outputs, it is more fundamentally an organizational transformation of old ways of life and work into new rules of impersonal behaviors. Improved technology and resources do not automatically lead to what we regard growth and development. Development is conditioned by culture and institutions.

Culture has not figured very prominently by economists as important factor of development until relatively recently. It is not also reflected in the eight millennium development goals. However, if we see the history of economic development, it is culture that makes all the differences although development is not attributed to a single factor. Culture is the source of individual and collective identities, behavior and values, and the basis of human development and civilization. Ignoring the cultural dimension costs a country. Because the rules and activities that contradict the morals of the people would not be sanctioned socially and if stipulated formally, would not function effectively.

Economic growth cannot be achieved by capital accumulation (tangible and intangible capital). In order to exploit complementarities between tangible and intangible capital, designing appropriate institutions is necessary.

For development to take place in any society, commitment transformations in attitudes, institutions, and ideologies are often necessary. Obvious example of these social transformations are the general urbanized process and the adoption of new ideas , attitudes and instructions of what has come to be known as “ Modernization”. Gunnar Myrdal has provided an in depth appraisal of these modernization ideals in his seminal treatise on underdevelopment in Asia. They include the following:

1. **Rationality:** - The substitution of Modern way of thinking, acting, producing, distributing, and consuming for age old, traditional practices. A scientific and modern society employs new techniques whether it is in the farm, in the factory, or in transport. Modern technique is

not a matter of just getting a tool and using it. Modern technique follows modern thinking. You can't get hold of a modern tool and have an ancient mind. The quest for rationality implies that opinions about economic strategies and policies should be logically valid inferences root as deeply as possible in knowledge of relevant facts.

2. **Economic planning:** - The search for a rationally coordinated system of policy measures that can bring about and accelerate economic growth and development. This generally requires coordination between government policy and the private sector to address strategic complementarities.
3. **Social and Economic equalization** The promotion of more equality in status, opportunities, wealth , incomes , and levels of living
4. **Improved institution and attitudes:-** Necessary to increase labor efficiency and diligence; promote effective competition , social and economic mobility, and individual enterprises; permit greater equality of opportunities; make possible higher productivity; raise level of living; and promote development. Among the social institutions needing change are outmoded land tenure systems, social and economic monopolies, educational and religions structures, and systems of administration and planning. In the area of attitudes, the concept of "modern workers" embodies such ideals as efficiency, diligence, orderliness, punctuality, frugality, honesty, rationality, change orientation, integrity and self – reliance, cooperation and willingness to take the long view.

**What are social institutions? Explain by your own words.**

Sociologists define institutions as a stable structure of status and roles aimed at meeting the basic needs of the society. Institutions are social rules that facilitate coordination among people by helping them form expectations for dealing with each other. Institutions are structures and mechanisms of social order and cooperation governing the behavior of a set of individuals within a given human collectivity. Institutions are identified with a social purpose and permanence, transcending individual human lives and intensions, and with the making and enforcing of rules governing cooperative human behavior.

Institutions define the structure of the relations, i.e. they order our daily lives. North (1996) stated that institutions are the humanly devised constraints that structure human interactions. Institutions or social structures develop from the interaction of people or human being.

Development is a process whereby the institutional foundation of an economy is continually modified and refined so that the existing physical endowments of land, labor, capital, and management become more productive in their right (Bromley, 2004). As stated here change in social institutions plays a significant role in development. Institutional change or innovation involves change in:

1. behavior of particular organization ( a household, firm, association,)
2. the relationship between such organizations and its environment, and
3. the rules that govern behavior and relationships in an organizations environment.

These components of institutions:

- a. influence the behavior of people, hence have economic consequence,
- b. has continuity through time, and
- c. arises, changes, and disappears in fulfilling changing human economic, religious, social or political goals.

### **2.3.3. Organizations and Institutions**

The concept of organization is often confused with the concept of institutions. If you ask a layman to define the term institutions, he/she can say that institutions are large bureaucratic organizations. However, sociologists define it differently. It is stable structure of status and roles aimed at meeting the basic needs of society. An organization consists of any identifiable group of individuals who participate together regularly in attempting to do something. However, institutions define the structure of relations, i.e., they order our daily lives. Institutions define organization, in which case organizations are not institutions (working rules). North (1996) asserted that if institutions are rules of the game, organizations and their entrepreneurs are the players.

### **2.3.4. Politics and Governance**

Politics and development are tightly interwoven. Policies and strategies a country adopts have a significant impact on the development of the country. The political structure and vested interests and allegiances of ruling elites (e.g., large land owners, urban industrialists, bankers, foreign manufacturers, the military, and trade unionist) will typically determine what strategies are possible and where the main roadblocks to effective economic and social change may lie.

**Discuss the role of governance in development by taking experience of your woreda.**

Governance is about the way decisions are made in towns, cities, woredas, zones and countries. For those in government, it is the exercise of the authority to manage the affairs of a constituency. While the government has the final say when it comes to public policies, programs, laws and regulations, it is not the only player. Citizens, civil society organizations, and the private sector also have a role to play. Governance is about how government, civil society and the private sector work together. It tells us how government functions, who is involved in policy process, and where the effects, both positive and negative of political activity, are distributed in a society.

Good governance plays a crucial role for sustainable development. World leaders, scholars repeatedly argued that good governance, together with democracy and human right are important elements for sustainable development. For instance, in 2001, G8 leaders' summit in Genoa announced that open, democratic, and accountable system of governance that respects human rights and rule of law are preconditions for sustainable development and growth of a country. Promoting accountability and transparency, establishing legal framework and a system that fights corruption, independent judiciary system, active involvement of citizen in decision making, etc are essential for development of a country.

Generally, good governance which is important for development encompasses full respect for human right, the rule of law, effective participation, multi-actor partnerships, political pluralism, transparent and accountable processes, empowerment of people, equity, sustainability, attitudes and values that foster responsibility and solidarity and tolerance.

## CHAPTER TWO THEORIES IN SOCIOLOGY OF DEVELOPMENT

### Chapter contents

1. *The Modernization theory,*
2. *The dependency theory*
3. *Marxist, Socialism and Development theories,*
4. *The Invention of Development:*
5. *Postmodern Critique and Feminist Theories of Development*

### **Introduction**

The sociological perspective of development is a function of society's capacity to organize human energies and productive resources to respond to opportunities and challenges. Theories of development have been motivated by the need to explain mass poverty. Interest in development issues is of rather recent origin, dating back not much earlier than the 1950s and early 1960s. This chapter will discuss the aforementioned developmental perspectives concerning on their main argument and limitations.

### **2.1 Modernization Theories**

**Modernization theory** is used to explain the process of modernization within societies. Modernization refers to a model of a progressive transition from a 'pre-modern' or 'traditional' to a 'modern' society. Modernization theory originated from the ideas of German sociologist Max Weber (1864-1920), which provided the basis for the modernization paradigm developed by Harvard sociologist Talcott Parsons (1902-1979). Modernization theory was a dominant paradigm in the social sciences in the 1950s and 1960s, and then went into a deep eclipse. It made a comeback after 1990 but remains a controversial model. Modernization theory both attempts to identify the social variables that contribute to social progress and development of societies and seeks to explain the process of social evolution.

Modernization refers to a transition from a traditional to a modern society. The theory attempts to identify the social variables that contribute to social progress and development of societies, and seeks to explain the process of social evolution. Modernization theory not only stresses the process of change but also the responses to that change. It also looks at internal dynamics while referring to social and cultural structures and the adaptation of new technologies. According to theories of modernization, each society can develop from traditionalism to modernity, and that those that make this transition follow similar paths. Most modern states are wealthier and more powerful, and their citizens freer, with a higher standard of living. Developments, such as new data technology or the need to update traditional methods make modernization necessary or preferable.

The modernization school of thought (1950's, early 1960's) was the first attempt to articulate the problem of development in terms of the need to transform the backward "traditional" nature of third world economies into "modern" economies. Drawing from the historical experience of the Western Europe after the Second World War, under the **Marshal Plan (European Recovery Program, ERP)** that was American initiative to aid Western Europe, in which the United States gave over \$12 billion to help rebuild Western European economies after the end of World War II. It advocated the need for accelerated economic growth through an import substitution form of industrialization, a process seen to entail securing the right quantity and mix of saving investment and foreign aid. **The most incisive blow to the modernization theories came from the Marxist and neo- Marxist "dependency" or "underdevelopment" theories, as well as those of the Structuralism writers.**

The focus of the modernization school is on the Third World, especially on how **to promote development in the Third World while implicitly holding the First World as a model.** According to the modernization school, there is something wrong within the Third World nations that make them economically backward. For example:

- **Sociologists**- have stressed the persistence of traditional values and institutions;
- **Psychologists**- highlighted the low achievement motivation;
- **Demographers** - are appalled by the population explosion;
- **Political scientists** - emphasized the inefficient and corrupt bureaucracies; and

**Economists** - pointed to the lack of productive investment. In this respect, we may say that the modernization school has provided an "internal explanation" of the problems of Third World development.

The modernization theory has **two main parts: structural and psychological** and these two do not necessarily cohere.

**A. The structural dimension of the modernization theory:** is a uniform, evolutionary vision of economic, social and political development along the path of the industrial first World which is based on capitalism and democracy.

**Rostow** was a person who gave the modernization theory in most concrete and best known form. He identified the five well-known stages of transition. These are:

Traditional economies  $\rightleftharpoons$  Adoption of modern technology  $\rightleftharpoons$  Rapid capital accumulation and early industrialization  $\rightleftharpoons$  High industrialization with low standards of living  $\rightleftharpoons$  The age of high consumption.

**B. The social-psychological dimension of the modernization theory** explains the rise of the West by claiming that Westerners, especially Protestants, possess a high need for rationality and achievement. Therefore, a society's chance of development at least partly depends on the psychological culture of its members. One problem with this argument is that the important structural variables which determine the direction of individual motivation have not been incorporated into the analysis. Another social psychological view stipulates that contact with modern institutions produce the "modern" man, but this hypothesis does not explain why there are more modern institutions in **Japan than Indonesia**.

According to modernization theories, internal factors in the countries, such as **illiteracy, traditional agrarian structure, the traditional attitude of the population, the low division of labor, lack of communication and infrastructure, etc.,** are responsible for underdevelopment of third world nations. It argued that differences in structure and historical origin are considered of little importance; international dependencies are not taken into account.

Consequently, a change of these endogenous factors is the strategy for development. Industrialized countries are the model for economy and society, and this model will be reached sooner or later. There is a continuum between the least and the most developed country and each

country has its position on this line. The difference as compared to the industrialized countries is the degree of backwardness which has to be made up for. Suitable measures are the modernization of the production apparatus, capital aid, transfer of know-how, so that the developing countries can reach the stage of industrialized countries as soon as possible. Development is seen as an increase of production and efficiency and measured primarily by comparing the per capital income.

Modernization theorists saw the same problems in the Third World. As "modern" values and norms are diffused into the social life, the traditional orientations in some aspects are threatened. More importantly, the normative consensus of the society is undermined. Therefore, the idealistic side of the modernization school provides a road map of socio cultural preconditions for development. Durkheim offered a diagnosis of the problems that traditional societies are likely to encounter en route to being modern. Consequently, the developmental strategy would be for Third World countries and those who would assist them to find ways to inculcate values and norms of Western capitalistic countries without being overwhelmed by conflicts resulting from such drastic value change.

The impact of the modernization perspective has been very substantial on national development planning in many Third World countries as well as on the developmental assistance work of international agencies, including various bodies of the United Nations.

### **Core Assumptions and Statements**

Modernization theory has evolved in three waves. The first wave appeared in the 1950s and 1960s. One made the attempt to explain the diffusion of Western styles of living, technological innovations and individualist types of communication (highly selective, addressing only particular persons) as the superiority of secular, materialist, Western, individualist culture and of individual motivation and achievement.

This first wave of theory produced three variants:

- **Economic development:** mass media promote the global diffusion of many technical and social innovations that are essential to modernization. (See Diffusion of innovations theory).

- **Literacy and cultural development:** mass media can teach literacy and other essential skills and techniques. They encourage a ‘state of mind’ favorable to modernity, e.g. the imagination of an alternative way of life beyond the traditional way.
- **National identity development:** mass media could support national identities in new nations (colonies) and support attention to democratic policies (elections).

Most of these theories have been discredited because of their pro-Western bias.

### **Limitation and Criticisms of the modernization Approach (MA)**

1. **Conceptual and Empirical Criticisms:** The idea of dualism traditional Vs modern dichotomy is the foundational in modernization Approach. However, this dualism is criticized both conceptually and empirically.

**Conceptually**, the traditional Vs modern division was criticized for being too abstract and vague. For example, the traditional category is a kind of black box I to which all types of non-western societies are /were lumped together regardless of their differences in terms of history, culture, levels of development, etc.

**Empirically**, critics argued that any attempt to classify societies /sectors within society in to the rigid categories of traditional Vs modern has proved to be problematic & not supported by empirical reality /research. For example, the so called modern societies including USA (the model of modernity), is the place of “segmented – dual” labor markets. In almost all developed countries especially in the USA labor markets are segregated /divided based on race, ethnicity, gender, etc. We can also find the so called universalistic & achievement oriented pattern variables in traditional under developed societies.

The modernization theory tended to assume that the traditional and the modern are mutually exclusive & incompatible. However, critics have argued that this is not always the case in reality /empirically. The traditional and modern are not necessarily mutually exclusive and incompatible; they can co-exist in cooperation and competition within a given social system / in all spheres /sectors of society. For example; in Medicine traditional medicine can co-exist with modern medicine today in modern world.

Furthermore, all traditional, social institutions and values are not necessarily obstacles to economic growth, development and modernization as the modernization theorists tended to assume. For example, one of the major assumptions of modernization theory is that with industrialization and urbanization wider kinship networks and the extended family system will disintegrate and replaced by nuclear family or conjugal family. But, according to Norman long empirical reality he said the following: “several studies have concluded that certain extended family systems not only survive in a modern economic context but that they often function positively to enable individuals to mobilize capital & other resources essential for modern capitalist enterprise.

## **2/ The ethno- Centrism/ Euro- Centrism/ of Modernization Approach**

Critics have argued that this assumption is ethno-centric/ Euro-centric assumption. Because, the modernization approach is wrong to assume that the western society is a representation of the highest level of progress & civilization. It implies that social and cultural traditions of underdeveloped societies are “bad” because they are obstacles to modernization and development societies want to modernize& develop they have to discard their own traditional institutions and values and replace them with western values & institutions. Accordingly, critics argued that this is ethno-centrism / euro-centrism at best and an ideological, political justification, rationalization for western cultural domination/imperialism.

## **3/ Socio- cultural determinism: Modernization and the peasantry.**

Many third world scholars have complained/criticized about the moderation approach which they call side, unbalanced, excessive and sometimes mystifying focus on the so called socio-cultural variables as obstacles to development. In the extreme case, (critics) argued that the modernization approach tended to blame the social & cultural traditions of under developed societies for their poverty and underdevelopment. The **peasants and modernization**: the Modernization theory specially emphasized that the traditionalism conservatism, fatalism of the peasantry is the major obstacle to development and modernization.

However, critics argued that the very (the total) “Existential” conditions of peasants in underdeveloped countries is surrounded by harsh circumstances both economic and political factors. Due to various factors such as general poverty, natural and manmade disasters (drought,

famine, war), the “irreducible” claims of outsiders- means exploitation & surplus extraction (land lords, merchants through market systems, money lenders, the state through facilitating different extractions).

*Richard Tawny, British scholar who studies Chinese peasants, compared the condition of the peasants with “that of a man standing permanently up to the neck in water so that even a ripple might down him”.*

## 2.2 Dependency Theories

Like modernization theory, dependency theories emerged by the late 1960's and early 1970's. the prominent person in this theory was **Gunder Frank (1966)**. Dependency theorists stand by criticizing the modernization school. Dependency theory argues that the origins of persistent global poverty cannot be understood without reference to the entire international economic system. Underdevelopment is not a condition: it is an active process of impoverishment linked to development. That is, some parts of the world are underdeveloped because others are developed. They are not separate processes but two aspects of the same process. In other words, economic growth in advanced countries created Third World poverty in its wake: not simply that the Third World is poor in comparison with the industrialized world; rather that it is poor because development of the industrial system in Western Europe and North America changed and impoverished many societies of Asia, Africa and Latin America, through colonialism, imperialism and extractive terms of trade.

Dependency theory argues that before the era of modern economic growth, the world's major regions were not densely connected to each other. When capitalism began to spread, the ceaseless search for profit began through the production of agricultural goods in colonies or other lands, and Western Europe's ability to drive unequal bargains. This fundamentally changed the social structures of the Third World.

The dependency school basically shares the same focus as that of the modernization school. The dependency theorists are also interested in promoting Third World Development; however, they challenge the theoretical paradigm of the modernization school. Instead of providing an "internal

explanation," the dependency school offers an "external explanation" of Third World development. The essence of the argument is that Third World nations remain economically backward not because they have traditional values and institutions, but because they are exploited by advanced capitalistic nations. The peripheral position of the Third World nations did not occur through a natural process of evolution; instead, it was a historical product of several centuries of colonial domination. Therefore, the present Third World nations are not undeveloped but have actually been underdeveloped by the core nations.

The theoretical trust of the dependency perspectives was that capitalist penetration leads to and reproduces a combined and unequal development of its constitutive parts. The policy implication is that indigenous economic and social development in third world social formations must be fundamentally predicted upon the removal of industrial capitalist penetration and dominance.

According to dependency theorists the mechanism by which the core keeps the Third World underdeveloped is to restructure the peripheral economy, such as through one-crop export agriculture, extraction of raw materials and minerals, and destruction of domestic industries - in such a way that economic surplus can be continually transferred from the periphery to the core. Dependency theory drew on a diverse range of earlier theoretic schools. Hence, it is hardly surprising that there has been a diversity of elaboration of the dependency idea. In net shell, the most interesting aspect of this theory is that it is a view from the periphery and its argument is summarized as follows.

- ✓ Underdevelopment is a historical process. It is not a condition necessarily intrinsic to the Third World.
- ✓ The dominant and dependent countries together form a capitalist system (a standpoint which would later be developed by world systems theoreticians).
- ✓ Underdevelopment is an inherent consequence of the functioning of the world system.
- ✓ Development somewhere requires underdevelopment somewhere else (dev. and under development is two sides of the same coin)
- ✓ Condition of LDCs is not an issue of lacking internal dynamics (inertia, climate, misfortune etc.) but it is a reflection of the way they are incorporated into the world

capitalist system. This incorporation formed: a metropolis (core) -Satellite (periphery) relationship

- ✓ The reason why the metropolitan countries want the peripheral countries to change is to serve their interests to obtain primary products and market for their luxury goods
- ✓ Argument primarily based on the unequal exchange/trade between the two began as a result of colonialism; plunder of peripheral countries. This leads to development of the core and underdevelopment of the periphery.
- ✓ Brazilian case: Due to expansion of the capitalist economy starting from the 16th century; incorporated vast hinterlands and their cores into the global economy making them into export nodes.
- ✓ There was also a reasonable level of agreement about the role of multinational corporations: Multinationals impose a universal consumption pattern, without taking local needs into account. They use capital-intensive techniques in areas with large labour resources. They out-compete national capital, or undertake joint ventures with local capital. They use a variety of methods to transfer capital (e.g., fictitious price systems). They involve themselves in national political and economic affairs, via (among others) their relationships with the local bourgeoisie.

### **Criticisms**

- Economistic explanation: everything is an outcome of economic processes
- Socialist countries can develop only by delinking with the capitalist system, but capitalist system is fast becoming global
- National autarky (policy of self sufficient) is seen as a solution.

### **Similarities between Modernization theory and Dependency theory**

- Both theories pay a lot of attention to the gap existing between developed countries and undeveloped ones belonging to the third world. Modernization and Dependency theory stand on the ground that Western countries are the world leaders due to their higher level of

development, which affects practically all spheres of life, including economic, political, social, and even cultural life. As a result, there exist a strong link between developed and developing countries.

- Both theories state that the experience of developed countries is followed by developing and undeveloped countries, which basically develop in the same direction as developed countries but still they cannot catch the latter up and remain in the rearguard of the world development. In stark contrast, developed countries play the key role in the development of the entire world and the integration of all countries of the world in the global economy is one of the major ways of interaction between developed and developing countries and both theories agree that this interaction constantly increases.
- Modernization and Dependency theories underline that the relationships between developed and developing countries is unequal and there exist a kind of dependence of developing countries on developed ones, though the views on this dependence vary considerably. Nevertheless, both theories underline the dominant position of Western countries in the modern world and leave little room for the alternative ways of the development but the western one, which is viewed as the only way of the development of the future world in the context of the global economy.
- Both theories are ethnocentric in a way because they practically ignore the possibility of the alternative development of developing countries but, instead they insist that the development of western countries will be the example developing countries, willingly or not. However, it is worthy of mention the example of China which economy is progressing rapidly but its way of development differs considerably from the dominant western way, but this country does not meet to the basic assumptions of either of the theories.

### **Difference between Modernization theory and Dependency theory**

In spite of existing similarities between Modernization theory and Dependency theory, these theories are antagonistic in their views on the development of the world and international relationships, especially on the relationship between developed and developing countries. In fact, differences between Modernization theory and Dependency theory result from the origin of Dependency theory which, as it has been already mentioned above, was developed in response to Modernization theory.

Modernization theory stands on the ground that western countries are well-developed and western way of development is viewed as the most successful and perspective while there are practically no other alternatives to this way of the development. This is why the supporters of this theory insist on the necessity to develop the cooperation between developed and developing countries in order to make the latter closer to the former. What is meant here is the fact that Modernization theory underlines the necessity of borrowing the experience of western countries by developing countries of the Third world. In fact, developing countries should follow blindly the example of more developed western countries and this will bring them economic, social, and cultural prosperity.

Naturally, to achieve this goal, developing countries should develop their cooperation in all spheres of life, including economy, politics, culture, education, and social relations, with western countries, while the latter, being more advanced compared to developing countries should help them achieve the highest level of development through education, technological assistance and consulting of countries of the Third world. In such a way, this theory views modernization of socio-economic and political life of developing countries on the basis of the example of western countries as the only possible solution of the problem of backwardness of poor countries since western way of development is, according to Modernization theory, is the only correct way to prosperity.

In stark contrast, Dependency theory underlines that relationships between developing and developed countries are based not on the growing cooperation between them but rather on the dependence of developing countries on developed ones. To put it more precisely, supporters of Dependency theory stand on the ground that western countries are really more advanced than developing countries but the latter follow their example not just because they are willing to do so nor because they really believe that western way of development is really better but, in contrast, they are forced to choose the same way of development as western countries have already made in order to become a part of the world community and avoid the isolation of the country or, what is more, even the intervention of western countries in their policy. In this respect, they argue that western countries impose their politics and their rules to developing countries forcing them to accept western standards and norms, while any disobedience from the part of developing

countries threatens by economic sanctions or even military intervention from the part of developed countries.

The modernization theory, assume that all societies progress through similar stages of development, that today's underdeveloped areas are thus in a similar situation to that of today's developed areas at some time in the past, and that, therefore, the task of helping the underdeveloped areas out of poverty is to accelerate them along this supposed common path of development, by various means such as investment, technology transfers, and closer integration into the world market. Dependency theory rejected this view, arguing that underdeveloped countries are not merely primitive versions of developed countries, but have unique features and structures of their own; and, importantly, are in the situation of being the weaker members in a world market economy.

In such a way, unlike Modernization theory, Dependency theory does not view the choice in favor of western way of development as the panacea from all problems or as a conscious choice that is really supported by the population and elite of developing countries but such westernization of developing countries is viewed as a violent interference of developed countries in the life of the Third world.

### **2.3. Marxism, Socialism and Development**

Marxism is a philosophy of social existence, called historical materialism; a theory of history, phrased as dialectics; and a politics of socialism, meaning collective social control over the development process. The founders of this school of thought, Karl Marx (1818–1883) and Friedrich Engels (1820–1895), were Enlightenment modernists. As with the Enlightenment philosophers, **they believed in social progress and the perfectibility of humankind**. As with the positivists of their mid-19th-century time, they saw science as having transformative potential. They thought that material plentitude, made possible by technological advances, could make life easier, better, longer, and happier. Yet, they thought differently than most of their contemporary modernists. They saw modern industrial production as emancipator in the sense that more could be wrested from nature, but they also saw capitalist industrialization as alienated from nature as the environment was destroyed and polluted by uncontrolled overuse. They saw

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modernity as progress in material life, but they also viewed it as a movement that was directed by a few rich people motivated by profit and capital accumulation and that had unequal results in terms of benefits. So, while modernist in overall commitment, Marx's theoretical analysis was intended as a guide to radical political practice, aimed at changing society, especially its leaders, so that science could directly meet the needs of the poorest people. Marx and Engels came to liberate modernism, not to praise it.

For Marx, societies are exploitative when uncompensated surplus labor or its products are taken from the direct producers by elites and their institutions, be these states or corporations. Surplus is not easily extracted. Particularly at a low level of development of the productive forces, when the margin of survival is narrow, exploitation that takes half of the worker's product means the difference between life and death, especially at times of natural scarcity—exploitation means the death of children and elderly people. So, the exploitation process is seen by Marx as an arena of struggle, the dominant using a combination of economic, political, and ideological force to ensure control over socially produced surplus and the dominated resisting through overt means such as labor organizations, strikes, and rebellion and covert means like reluctant compliance, breaking machines, and idling on the job.

The most sophisticated system-supporting ideologies are ideas like equality of opportunity—meaning that everyone has an equal opportunity to join the exploiting class, and, if you do not make it, that's your own fault. So, exploitation is the mechanism hidden by rationalization and legitimation.

Hence, for Marx, there are structural connections among the economy, culture, and politics. The forms of social consciousness and the kinds of state and politics that come into existence are limited and directed by the exploitative social relations of production. Within these structural pressures and constraints, people living in specific times and places create the more exact historical forms of consciousness and politics. Notice that this means using two kinds of social analysis, structural and empirical.

In general, the Marxist concept "mode of production" entails a system of forces of production and social relations that organizes and directs the forces of production in the transformation of nature. The social objectives of economic activity are the production of material goods used to reproduce the conditions of production (necessary labor) and the production of a surplus of values, used partly for investment in new means of production and partly to support the lifestyle

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of the elite (surplus labor). *Development is driven by the exploitation of labor, producing surplus value, and the reinvestment of part of this surplus, under compulsive conditions of competition, in improved technology.* Capitalism is the only system in history in which economic growth is compelled to occur through exploitation and competition. The social ability to transform nature, measured by the level of development of the forces of production and guided by exploitative social relations, limits and directs the making of social consciousness into ideological forms, while the state monopolizes collective violence, rationalizes inequality, and guarantees the continued reproduction of the social order in slightly changing but eternally unequal forms. For Marx, this whole process is suffused with social, political, and ideological struggles generated by contradictions at the very heart of society—in the relations that bind social actors together as collectivities of producers.

### **2.3.1. Development as Social Transformation**

Economic development, for Marx, occurs by building up the forces of production, especially adding tools, machines, and infrastructure to human labor power. This process makes production more productive—that is, the average amount of product made in an hour increases. And higher productivity yields the possibility of a better material life—if some of the extra product can be won by labor through struggle (union strikes, for example). Social transformations involve shifts from modes of production at low levels of the forces of production to modes at higher levels of productive force. Marx envisioned these qualitative changes (“revolutions”) as violent episodes undertaken by desperate people only when the productive possibilities of the old social order have been exhausted.

In other words, material development is full of crises. These sharpen and intensify the social struggles endemic to class societies. Heightened struggle presents the possibility for structural change. This transformation is led by political and ideological contestations. The new social relations, put into place through struggle, do not materialize out of thin air, nor from utopian thought alone, but are constructed out of embryonic relations already present in the dying body of the old society.

Marx thought it is possible to theorize “laws of social transformation”—“laws” being understood dialectically as tendencies or probabilities rather than “iron laws of history” or utter structural necessities (as with functionalist theories). Marx only began to outline the main modes of production that have characterized human history, and he investigated one (capitalism) in detail.

Therefore, we can conclude that Marx seems to have seen societies as passing through the following general types:

- **Primitive Communist Hunter-gatherer Societies:** 1.6 million years ago
- **Kin-ordered Tribal Agricultural Societies:** Agriculture some 10,000 years ago
- **Tributary or State Societies:** Early state formation began to arise about 6,000 years ago
- **Capitalism:** From disintegrating feudal societies, a new social order led not by the landed nobility or the king but by self-made artisans and tenant farmers began to emerge about 500 years ago.
- **Socialism:** The fractious nature of socialism was evident from its beginnings in the 1830s. The most famous and influential statement of the socialist mission was also a withering critique of competing socialisms, and added a further complication by using “communism” (a much older term) to describe the radical wing of socialism.

In early simple statements Marx tended to see all societies passing through all these historical stages, or modes of production, in a unilinear conception of history. In later statements his unilinear view was criticized since each mode of production informed several different versions of societal types (“social formations”), and any particular society could move through some modes but not others, might skip a mode or reverse track, in a multi-linear and more varied theory of history.

### **Summary of Marxist theories of underdevelopment**

- 1) Countries are not independent; economically related through trade
- 2) Colonialism introduced capitalist system;
- 3) Therefore, all the less developed countries are integrated into the world capitalist system.
- 4) Developed world is responsible for the underdevelopment of third world
- 5) It is the integration with the world capitalist economy that makes these countries poor.
- 6) Marxist theory can help us to understand this process of underdevelopment

#### 2.4. World-systems approaches

World Systems Theory sees the capitalist world system as involving a global division of labor in which some regions prosper and others languish. In this view, there are three regional types called **trimodal system**: core, semi-periphery, and periphery. Core states in Europe and North America are the main beneficiaries of the world economic system at the expense of countries on the periphery. Underdevelopment is understood as a product of imperialism fostered by industrialization as core societies search for new markets and raw materials.

World-systems approaches expand upon the formulations of Dependency theory but criticize it for failing to consider the implications of class. Rooted in theories of imperialism, a world-systems perspective views development and underdevelopment as attendant aspects of the same process. The occurrence of the former is dependent on increases in the latter).

Central concepts in the World-systems perspective include.

1. The unit of analysis should be the world economic system from which all social, cultural, and political processes are derived.
2. The causes of underdevelopment are external to Third World countries and are primarily the result of expanding capitalist trade networks and the international system of exchange.
3. Unequal exchange allows disparity of military and economic power between core and periphery nations and the existence of a capitalist world system prevents autonomous, self-sustaining industrial growth in the Third World.
4. It needs to understand how the world system evolves in order to understand how the core-periphery emerged.
5. No two capitalisms such as core capitalism and peripheral capitalism but one capitalist world system
6. Development and underdevelopment depends on the incorporation of the countries into the capitalist world system

7. Under-development comes out of unequal trade regimes

### **2.5. Feminist Theories of Development**

Feminist critiques of the concept of development emerged in the 1970s, about twenty years after the new global North-South hierarchy was launched by the United States president, Harry Truman. Following the 1968 uprisings, the 1970s produced the “Second Wave” of the feminist movement, not only in the industrialized countries but also to a great extent in Latin America. This included left-wing counter-cultural feminism as much as liberal feminism.

A seminal contribution to the discourse on gender and development was formulated by the Danish economist **Ester Boserup** in 1970. In her book *Woman’s Role in Economic Development*. She criticized development as being a system that excluded women, and proposed a break with a series of dogmas established in development discourse and policies. She used some empirical research in Africa to question the outcomes of post-1945 development programmes, showing that they had serious implications for women’s participation and well-being. Until the 1970s, women had only been included in development policies as passive beneficiaries, or mothers and housewives, while training, technology and finance were geared to men. The Western model became widespread through development programmes and focused on the home as a standard recipient unit and particularly on men as breadwinners with a salaried job. Women were dependants, in charge of the home. The model ignored the fact that in many cultures women worked in agriculture and food production (for example) and that there were different, or much more flexible, sexual divisions of labour. It also ignored the fact that the home, or the household, was a mesh of power relations that did not necessarily convert the aid given to male breadwinners into profit for “dependants” of either sex.

The work of Boserup and her contemporaries was successful, leading to the first World Conference on Women in Mexico on July 2, 1975, at which the United Nations declared the next decade the “Decade of Women” and institutionalized women’s perspective as part of development. This was intended to be not so much a criticism of the idea of development itself as a way of reversing the exclusion of women from the array of development-related resources. Consequently, four concepts of gender related development were emerged. They are:

### **1. Welfare approach**

Welfare approach is the first approach of the 'women and development' discourse. Although it is the oldest one, the welfarist approach is still the most commonly used approach. All development efforts which take place in form of free delivery of goods and services (food aid, relief aid, family planning programs, etc.) fall into the category of welfare approach. The welfare approach is criticized on the grounds that it sees women solely in their reproductive role and that it does not question the traditional roles assigned to women.

### **2. Women in development approach (WID)**

Dates back to the 1970s when the belief was that women had not only been left out of development but had also become even more disadvantaged as a result. The women in development approach believed the central issue to be the absence and exclusion of women from development programmes and approaches. Women played a central role in the life of their community and particularly within their family as mothers, educators, and care providers and as workers. This approach supported the solution of integrating women into development programmes in order to improve women's access to resources and their participation in development. Despite increasing the visibility of women in development issues, the WID approach had a number of limitations. This approach made demands for women's inclusion in development, but it did not call for changes in the overall structure or economic system in which women were to be included. The WID approach concentrated very narrowly on the inequalities between men and women and ignored the social, cultural, legal and economic factors that give rise to those inequalities in society.

### **3. The Women and Development approach(WAD)**

Women and development approach arose in opposition to WID in the latter part of the 1970s and argued that women had always been part of the development process, where the work women undertook both inside and outside the household was vital to the survival and continuance of society. WAD saw both women and men as being disadvantaged by the global economic structures, including class issues and the way wealth was distributed. WAD therefore argued that the integration of women into development was to their disadvantage and only worsened their chances of equality. This approach was criticized for assuming that the position of women would improve if and when international structures became more equitable, thereby underplaying the

role of patriarchy and not adequately addressing the question of social relations between men and women and their impact on development. .

#### **4. Gender and Development approach (GAD)**

Came about in the 1980s and represents a coming together of many feminist ideas. It very obviously looks at the impact of development on both men and women – supporting the equal participation of both women and men in development and emphasizing equality of benefit and control in everyday events. GAD is not concerned with women exclusively, but with the way in which gender relations allot specific roles, responsibilities and expectations between men and women, often to the detriment of women. GAD focuses on the social or gender relations (division of labor etc) between men and women in society and seeks to address issues of access and control over resources and power. It emphasizes both the reproductive and productive role of women and argues that it is the state's responsibility to support the social reproduction role (mostly played by women) for caring and nurturing of children. GAD treats development as a complex process that is influenced by political, social and economic factors rather than as a state or stage of development. This approach is about empowering those who are disadvantaged in a community and enhancing and changing their lives for the better. GAD uses the concept of 'gender' instead of 'women'. The GAD considers women in the complexity of 'social relations of gender'. As a holistic approach, it urges for fundamental changes in socio-economic and political structures. It sees women as agents of change rather than passive recipients of development efforts. According to the GAD, **TOP-DOWN** state intervention can play a major role in women's emancipation. The main instrument of the GAD is the '**gender mainstreaming**'. The instrument of 'gender-mainstreaming' **aims at integrating women's concerns in the design, implementation, and evaluation of all socioeconomic and political policies**. Therefore, the success of the GAD depends in the first place on the willingness of the state that very often fails.

GAD is a constructivist approach which starts from a comprehensive perspective. It looks at the whole of the political, economic and social organization of society. GAD does not place “women” at the centre of its analysis, but questions the assumption that “women” are a homogeneous social category. *It stresses that both genders are social constructs, beyond biological sex, and that women are shaped not only by gender, but by other categories of domination, such as their ethnic and cultural origin, their sexual orientation and age.* It posits

the need to research these power relations in all social spheres and to make women's empowerment policies cross-cutting. GAD emphasizes gender roles and relations in what has been called the "gender system", and advocates structural change. It argues strongly that gender-differentiated policies are needed to reduce poverty.

**Table: 1.** Comparison of WID and GAD

	<b>WID</b>	<b>GAD</b>
The approach	An approach that views the absence of women in development plans and policies as the problem	An approach to development that focuses on global and gender inequalities
The focus	Women	Socially constructed relations between women and men, with special focus on the subordination of women
The problem	The exclusion of women (half of productive resources) from the development process	Unequal power relations (rich vs poor; women vs men), which prevents equitable development and women's full participation
The goal	More efficient, effective development that includes women	Equitable, sustainable development, with women and men as decision-makers
The solution	Integrate women into the existing development process	Empower the disadvantaged and women and transform unequal relations
The strategies	Focus on women's projects, on women's components of projects, and on integrated projects	Reconceptualize the development process, taking gender and global inequalities into account
	Increase women's productivity and income	Identify and address practical needs, as determined by women and men, to improve their condition; at the same time, address women's strategic interests
	Increase women's ability to	Address strategic interests of the poor through

	look after the household	people-centered development
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### **5. Empowerment approach**

**The empowerment approach is considered to be the most critical and the most promising among all approaches.** Like the GAD, the empowerment approach urges for radical changes in the socio-economic and political structures of our societies. **However, in contrast to the GAD, it rejects the state intervention.** Instead of TOP-DOWN state policies, it relies on the BOTTOM-UP movements of the grass-roots people. According to the empowerment approach, the state, as a male-dominated institution, is not in a position to defend women's concerns. **Therefore, the empowerment approach underlines the necessity of women to increase their socio-economic, political, and cultural power so that they can challenge the existing structures by themselves. The main instruments of the empowerment approach are awareness raising and political mobilization.**

Many feminist theorists of development think that the interaction between feminism and development has taken five main forms (see Figure 2.1): Women in Development (WID); Women and Development (WAD); Gender and Development (GAD); Women, Environment, and Development (WED); and Postmodernism and Development (PAD) (Rathgeber 1990; Young 1992; Visvanathan et al. 1997).

**Figure 2.1 Forms of feminist development theory**

More recently and increasingly with “development,” the various aspects of the productive–reproductive whole separated into different social and spatial spheres. These spheres were bound together by relations of inequality and dominance. The entire surplus production system came to be underwritten by the unpaid labor of women. Sophisticated ideologies legitimized this exploitative system as natural (“women have always been the weaker sex”). Development therefore was gender-determined as well as a class process. Indeed, gender and class intersected to form the specifics of the developmental process. Contradictions between parts of the life

process have been a driving force in societal change. Indeed, socialist feminists find that class- and gender-dominated societies characterized by exploitation, dominance, and unequal life conditions regularly develop in biased, dangerous forms. Inequality produces catastrophe.

## Neo - Liberalism

### 2.2.1 Background of Neo liberalism theory

Since the 1990's activists use the word 'neo liberalism' for global market-liberalism ('capitalism') and for free-trade policies. In this sense, it is widely used in South America. 'Neo liberalism' is often used interchangeably with 'globalization'. But free markets and global free trade are not new, and this use of the word ignores developments in the advanced economies. Neo liberalism is not just economics: it is a social and moral philosophy, in some aspects qualitatively different from liberalism.

The back ground conditions for emergent of the neo-liberal approach include:

- a) The decline of the two approaches (Modernization Approach and Dependency Approach) to development, neo-liberal invaded (filled) to gap created by the decline of the two approaches; e.g. economic crisis and information.
- b) Another favorable condition for the development of the neo-liberal approach is the rise of the neo-conservative regimes in the 1980s.
- c) The collapse of communism of the cold war, so we can say that neo-liberal becomes an ideology that restructuring the global political and economic system in the 1980s.

### 3.5.2. Neo liberalism inadequately defined?

*What is Neo-Liberalism?*

*“Neo-Liberalism is commonly thought of as a political philosophy giving priority to individual freedom and the right to private property. It is not, however, the simple and homogeneous philosophy it might appear to be. It ranges over a wide expanse in regard to ethical foundations as well as to normative conclusions... arguing for a complete laissez-faire, and the abolishment of all government”*

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*(Blomgren**1997:224)***Neo-Liberalism is a revival of liberalism.**

**Liberalism** - a political **theory** founded on the natural goodness of humans and the autonomy of the individual and favoring civil and political liberties, government by law with the consent of the governed, and protection from arbitrary authority. The core concepts, such as supply and demand, free trade, and laissez-faire government, were formulated in the late 18<sup>th</sup> century. Liberal economists advocate economic growth strategies. They agree that economic expansion produces higher incomes, which in turn generate more demand for products, greater growth, and more jobs. This pattern of mutually reinforcing supply and demand produces an upward growth spiral which enables an economy to break out of the cycle of underdevelopment. Economic growth from this view is best achieved with a minimum of government intervention and a maximum of people willing to invest their capital.

**Neo-Liberalism** primarily refers to the 20<sup>th</sup> -century resurgence of 19<sup>th</sup> -century ideas associated with *laissez-faire* economic liberalism. These include extensive economic liberalization policies such as privatization, fiscal austerity, deregulation, free trade, and reductions in government spending in order to increase the role of the private sector in the economy and society

*Around the world, neo-liberalism has been imposed by powerful financial institutions like the International Monetary Fund (IMF), the World Bank and the Inter- American Development Bank....the capitalist crisis over the last 25 years, with its shrinking profit rates, inspired the corporate elite to revive economic liberalism. That's what makes it 'neo' or new.*

This sense of the word 'neo-liberalism' is widely used in Latin America. However, neo-liberalism is more a phenomenon of the rich western market democracies, than of poor regions.

The modern free market came into existence primarily because liberalism demanded its existence. This demand was a political demand, and it was enforced through the state.

Historically, the foundations of Neo-liberalism is traced back to the classical liberalism advocated by Adam Smith, and to the specific conception of man and society on which he founds his economic theories (Clarke 2005). Neo-liberalism is, under this view, thought of as an

entirely new paradigm “for economic theory and policy-making—the ideology behind the most recent stage in the development of capitalist society –and at the same time a revival of the economic theories of Smith and his intellectual heirs in the nineteenth century. It is the political ideology which resulted from a few efforts at reinvigorating classical liberalism in the period immediately before and during World War II, by political theorists.

### **The fundamental tenets of the Neo-liberal approach**

1. Market fundamentalism
2. Anti Statism
3. The Asian Newly Industrialized Countries as the conformation of the neo-liberal approach to development

**1. Market fundamentalism:** this is the most important principle of neo-liberal. The neo-liberal believe that free competition and market mechanisms in all countries, everywhere under all circumstances would bring about the more optimal (satisfactory) kind of allocation of resources and there by promote economic growth, capital accumulation, innovation, etc.

**2. Anti Statism-the state as “night watchman”:** The other side of market fundamentalism of neo-liberals is anti-statism or anti-state intervention. In general, any kind of direct state intervention in the market (in the economy) is viewed by neo-liberals as unnecessary intervention in the proper functioning of the market. In other words, in the neo-liberal view the role of the state should be as minimal as possible only ensuring the proper functioning of the market including providing current and enforcing law and order contracts.

Neo-liberals criticize **the development policy and strategy in the third world:** The neo-liberal have strongly argued that, the major causes of economic crisis and stagnation in third world country especially in Africa and Latin America are excessive state intervention in the market (economic) system. They also argued that, many third world countries and states wrongly adopted in ward looking, states highly manages strategies which created the crisis and stagnation, it is the distortions (mismanagement) which are responsible for cause of the crisis and economic stagnation in the third world countries.

**3. The Asian Newly Industrialized Countries (NICs) as the conformation of the Neo-Liberal Approach to development:** One of the most controversial issues surrounding the neo-liberal approach is the attempt by many neo-liberal Scholars to use the successful growth and industrialization of the Asian Newly Industrialized Countries as a kind of confirmation of the neo-liberal principles. The neo-liberals argued that the success of the Asian Newly Industrialized Countries was the result of development adopted by the states.

All neo-liberal Scholars tried to transmit (spread) the powerful message that other third world countries follow a neo-liberal approach and liberalize their economy they can repeat the success of the neo-liberal doctrine in the 1980s and 1990s on international financial institutions such as the world Bank, IMF, and Western Donors fully accepted the neo-liberal development. Summarizing the views of neo-liberals, Jan Little says:

#### **The policy implications of Neo- Liberal Approach**

The well known impact of the neo-liberal approach has been the adaptation of the unilateral imposition especially on third world countries of economic liberalizations and reform measures collectively known as SAPS (structural Adjustment Programs). SAPS refers to economic liberalization reform programs which require developing countries (Third World Countries) to implement more or less standard (Uniform) policy is measures enforced through mainly the International Monetary Fund and World Bank. This standard policy is the so called “loan conditionality” i.e. If you want additional loan, you have to accept policy. The SAPS revolves around three major areas of reform:

**1. “Rolling back” the state:** *Pushing the government outside of the economic sector.*

This is somewhat controversial because on the one hand, the state is expected to withdraw itself and in fact it is expected to weaken itself. But at the same time the state is expected to implement very harshly and controversial reform measures in spite of resistance. The idea is that the external forces push the state to reform, since it is difficult for those who are inside to reform the state.

**2. The adoption of free market mechanisms:** *allowing the market functioning independently.*

A free market is a market in which there is no economic intervention and regulation by the state, except to enforce private contracts and the ownership of property. It is the opposite of a

controlled market, in which the state directly regulates how goods, services and labor may be used, priced, or distributed, rather than relying on the mechanism of private ownership. Advocates of a free market traditionally consider the term to imply that the means of production is under private, not state control as well.

A free-market economy is an economy where all markets within it are unregulated by any parties other than those players in the market. In its purest form the government plays a neutral role in its administration and legislation of economic activity, neither limiting it (by regulating industries or protecting them from internal/external market pressures) nor actively promoting it (by owning economic interests or offering subsidies to businesses). Although an economy in this most radical form has never existed, efforts to liberalize an economy or make it "more free" attempt to limit such government intervention.

**3. Open door export oriented kind of international relation: e.g. “*Washington consensus*”:**  
The Washington Consensus is a term used to describe ten policy prescriptions laid out by economist John Williamson. The Washington Consensus is meant as a baseline of directions for nations in need of assistance from international economic entities such as the World Bank and the International Monetary Fund. The Washington Consensus was originally laid out in 1989, and has become a sort of general term of disparagement to those who oppose free market fundamentalism. The Washington Consensus has seen limited results as it has been applied in various countries suffering economic crises. Over the years it has been blamed for a number of massive destabilizations, most notably the Argentinean crisis. John Williamson, the original proponent of the Washington Consensus, at one point noted that in many cases the results of its implementation had been disappointing, noting some flaws and how it might be improved.

The ideas in the Washington Consensus were not new or novel at the time Williamson presented them. Instead, they represented a distillation of the common threads among advice most often given by the International Monetary Fund, the World Bank, the US Treasury, and other lending bodies. The Washington Consensus was originally intended to address the very real problems occurring in Latin America at the time, and its use later to handle a wide array of other situations has been criticized even by original proponents of the points.

The ten points of the Washington Consensus are themselves intentionally somewhat vague, as they were meant to represent a baseline. They include:

- keeping competitive exchange rates within the country;
- liberalizing foreign investment opportunities;
- privatizing enterprises run by the state;
- giving strong legal guarantees for property rights;
- letting interest rates be handled by the market and remaining positive and moderate;
- moving spending away from subsidies and towards direct investment in infrastructure, health care, and education;
- reforming the tax system to a broader tax base;
- having a policy of strong fiscal responsibility;
- liberalizing trade by removing or lessening restrictions on imports and tariffs; and
- Deregulation that lessens competition, except in the cases of consumer safety, environmental health, and financial institutional stability.

Generally, the neo-liberals and Washington Consensus imply that; there is no alternative than implying uniform medicine for all patients. The broad version of neo-liberalism in the 1980s and 1990s has been the implosion of uniform free market capitalism throughout the world.

To conclude, here are summaries of neo-liberalism in two forms. First a list of key points in neo-liberalism:

- Transaction maximization
- Maximization of volume of transactions ('global flows')
- Contract maximization
- Supplier/contractor maximization
- Conversion of most social acts into market transactions
- Artificial maximization of competition and stress
- Creation of quasi-markets
- Reduction of inter-transaction interval
- Maximization of parties to each transaction

- Maximization of reach and effect of each transaction
- Maximization of hire/fire transactions in the labour market (nominal turnover)
- Maximization of assessment factors, by which compliance with a contract is measured
- Reduction of the inter-assessment interval
- Creation of exaggerated or artificial assessment norms ('audit society')

### 3.5.7. Globalization and Neo liberalism

Often the terms 'globalization' and 'neo liberalism' are used as if they were interchangeable. That is only correct in a limited sense, for the **neo-mercantilist** aspects of the neoliberal ideology.

**Mercantilism** was an economic theory and practice that was dominant in Western Europe during the 15<sup>th</sup> to the mid-18<sup>th</sup> centuries. Mercantilism is a form of economic nationalism. Its goal is to enrich and empower the nation and state to the maximum degree, by acquiring and retaining as much economic activity as possible within the nation's borders. Mercantilism sought to ensure the nation produced as much volume and variety of output as possible, so as to limit its dependence upon foreign suppliers.

The neoliberal ideology sees the nation primarily as a business firm. These policies are generally pro-business, and are perceived as such by the opponents of the policies.

Economic globalization represents a major transformation in the territorial organization of economic activity and politico-economic power....The sovereignty of the modern state was concentrated in mutually exclusive territories and the concentration of sovereignty in nations...economic globalization has contributed to a denationalizing of national territory...

### 3.5.8. Criticism and limitations of the neo-liberal approach

Neo-liberal approach dominated the world of development policy in the last three decades. But it has been challenged and criticized on a number of grounds:

1. The myth of laissez faire and the false separation of state and market
2. The use and abuse of the Asian Newly industrialized Countries

### 1. The myth of laissez faire and the false separation of state and market

Laissez faire is a term used to represent an ideal of free enterprise, perfect market competition and pure capitalism. Many radical neo-liberals believe in laissez faire; the market as the best mechanism for growth, development and even social welfare. Does such condition exist in reality? Critics have argued that the ideology of laissez faire is a kind of myth. In other words, the world of free trade, perfect competition and liberalism without burdens, does not exist in reality.

### 2. The use and abuse of the Asian NICs

Neo-liberals argued that the success of the Asian Newly Industrialized Countries was mainly the outcome of more or less free market, export oriented strategy of development which implies the little state intervention. The critics argued that the Asian Newly Industrialized Countries basically followed on export oriented industrialization strategy. However, the neo-liberals have used and abused the Asian experience in a distorted way in order to support their ideological positions and free market rather the role of the state is vital for their growth.

Thus, critics found out that the state played a massive role in the industrialization of the Asian newly industrialized countries. In these countries the state have essentially governed the market, they have interfered and even distorted the market when even necessary. So, according to these critics, the single most important factor in the industrialization and development of the Asian Newly Industrialized Countries is the widespread and effective intervention of the state. Forms of state intervention:

- a) Industrial policy
- b) Agrarian Reform and policy
- c) Human Capital Development

1. **Industrial policy:** The state selected, supported controlled and disciplined a major industrial conglomerations in Asian Newly Industrialized Countries (e.g. **South Korea**) in this, such huge controlled by the state. In addition, to support and guidance of private sector the state owned and operate large number of public enterprises especially those engaged in infrastructure.

2.           **Agrarian Reform and policy:** One of the first and most important measures undertaken by the Korean and Taiwan state was the implementation of a radical by and large egalitarian land reform immediately after World War II in which the state expropriated land from land lords and distributed to initially undertaken for political reasons not necessarily for the sake of development. However, the land reform paid an important dividend in agricultural rural development.

In addition, both Korea and Taiwan states intervene massively in the agricultural sector in various ways such as price determination in agricultural goods and technological support.

3.           **Human Capital Development:** The Asian Newly Industrialized Countries state had massive commitment for and investment in human capital development, education, provision of health services, employment, housing and, etc.

## **CHAPTER THREE**

### **CULTURE AND DEVELOPMENT**

#### **3.1 Defining Culture**

Culture can be defined as “the set of attitudes, values, beliefs, and behaviors shared by a group of people, communicated from one generation to the next. When we talk about “culture” we often mean intellectual and creative products, including literature, music, drama, and painting. Culture is part of the fabric of *every* society, including our own. It shapes “the way things are done” and our understanding of why this should be so. This more comprehensive approach is proposed in the definition of culture adopted at the World Conference on Cultural Policies (Mexico, 1982) and used in ongoing discussions on culture and development: “*Culture.....is... the whole complex of distinctive spiritual, material, intellectual and emotional features that characterize a society or a social group. It includes not only arts and letters, but also modes of life, the fundamental rights of the human being, value systems, traditions and beliefs.*”

#### **3.2. Historical overview of Culture and Development**

Culture and development are two words which have not always gone together, or been worked upon within the same context. In recent years however, we come across new elements, instruments and ideas which place increasing emphasis on this pair of concepts. The relationship between culture and development started to be defended by different experts in the 1970s although it was not until the 1980s or even the 1990s when the international bodies and development cooperation agencies started to promote studies and work to analyze how cultural factors could have an impact on the development processes.

1980s and early 1990s: international efforts at modernization and development recognized the need to place people at the centre of development processes and with that the significance of culture.

1982: The World Conference on Cultural Policies in Mexico constituted a landmark for the acknowledgment of the indivisibility of culture and development.

1988-1998: United Nations Educational, Scientific and Cultural Organization /UNESCO/ launched the World Decade on Culture and Development to advocate for the contribution of

culture in national and international development policies. This led to establishing international standard-setting instruments and demonstration tools, such as cultural statistics, inventories, and mapping of cultural resources, as well as to an increasing focus on cultural industries.

1990: United Nations development programs /UNDP/ launched the publication of the Human Development Report emphasizing the idea of development as the enlargement of choices

1992-1996: United Nations /UN/ World Commission on Culture and Development prepared a report espousing an expanded view of cultural diversity to recognize all forms of difference that excluded people from the development processes and outcomes.

1998: Inter-governmental Conference on Cultural Policies for Development in **Stockholm** recognized cultural diversity as essential for development emphasizing the value of cultural pluralism and creative diversity.

1999: UNESCO – World Bank Intergovernmental Conference, “Culture Counts: Financing Resources and the Economics of Culture in Sustainable Development” in Florence acknowledged the cultural capital as being crucial to advancing sustainable development and economic growth.

2001: UNESCO’s Universal Declaration on Cultural Diversity recognized culture and cultural diversity as an ethical imperative and as vital to achieving economic and social development.

2005: UNESCO’s Convention on the Protection and Promotion of the Diversity of Cultural Expressions acknowledged culture’s contribution to sustainable development and put culture and development together at its core.

UNESCO has been engaged with many development projects and programmes from cultural industries to rapprochement for furthering social and economic development. The projects help to generate jobs and revenues, strengthen traditional livelihoods, foster the emergence of a dynamic cultural sector and enhance existing ones. The connection between culture and development was also made explicit in the Outcome Document of the Millennium Development Goal /MDG/ Review Summit held at the UN General Assembly in September 2010, which affirmed that ‘they emphasize the importance of culture for development and its contribution to the achievement of the Millennium Development Goals’

and that ‘they consider that the cultural dimension is important for development. the main arguments given for the affirmation of the place of culture in human and sustainable development. The summit summarized the relation between culture and development as follows:

a) On the one hand, culture is seen as a resource to achieve international development objectives in other fields of human activity, including the alleviation of poverty and social exclusion, the promotion of health and education and the preservation of the environment. This so-called transversal or horizontal perspective leads to the promotion of investment in the cultural and creative sector (the so-called ‘creative economy’) as an economic resource, the adaptation of health or education programmes to the cultural and linguistic context in which they are implemented and the exploration of the role that traditional knowledge can play in the preservation of natural resources, among others. In this sense, cultural aspects (including the recognition of ethnic minorities and indigenous peoples, a balanced representation of diverse cultural expressions, etc.) should be mainstreamed in all development processes, before, during and after

b) On the other hand, culture is also affirmed as a substantial component of human and sustainable development, rather than merely existing as a tool for the achievement of results in other fields. This vertical perspective can somehow be interpreted as a response to the mainstreaming of culture in other policy fields and the absence of culture from international frameworks such as the MDGs, which risked neglecting the substantial, distinctive nature of cultural aspects, as well as an affirmation of the specific role of culture in human dignity – it is worth recalling that cultural rights are included in 1948’s Universal Declaration on Human Rights and 1966’s International Covenant on Economic, Social and Cultural Rights. In this respect, the place of culture as ‘the fourth pillar of sustainable development’ (alongside the economic, social and environmental aspects of development) has been described and the need for future internationally-agreed development goals to include explicit, substantial objectives in the field of culture has often been suggested. By recognizing that the affirmation of cultural identities is essential to human beings and that cultural expressions have both an economic and a symbolic dimension, the stage is set for the design of cultural policies, which should contribute to the respect, fulfillment and protection of cultural rights.

### 3.3. Traditional and Modern Culture

Modern and traditional societies differ according to their complexity of organization and their rate of growth in complexity. Modern societies are much more complex than traditional societies and are growing ever-more complex. Traditional societies are simpler and have a static structure (or one that increases its complexity so slowly or erratically those they perceive themselves as static). Complexity is favored by selection processes, which are more powerful in modernizing societies, because specialization of function enables greater efficiency (for instance when division of labor, or increased trade and communications enables greater efficiency). Increasing efficiency then frees resources and drives further growth. Modern societies are based upon growth and the expectation of growth. Indeed, the cohesion of modernizing societies requires more or less continuous growth. This is why it is impossible to stop modernization at a particular favored point — if growth stops then the nature of society reverts towards a traditional form.

Growth in modern societies includes economic growth (increasing output and productivity), but also entails ‘cognitive growth’ — which means an increase in knowledge and capability across a wide range of activities such as science, technology and political administration. *Traditional societies exhibit division of labor and cognitive specialization, but their complexity is constrained by the hierarchical structure into three main categories of peasants, warriors and priests.* Warriors and priests constitute the ruling class who are concerned mainly with maintaining social cohesion by means of physical coercion and ideological propaganda. Peasants — whose role is agricultural production — constitute the vast majority of the population of traditional societies. Beyond the division into warriors priests and peasants there is only a small ‘middle class’ of technical specialists (for example the different types of craftsmen).

But in modern societies the ‘middle class’ is dominant: the vast majority of the population is cognitively specialized, and there are many thousands of distinctively different occupations. A deeper understanding of modernization reveals that one vital qualitative difference between traditional and modern is the difference between a unified social system in which all activity is (in principle) subordinated to politics (‘politics’ being variably combined from different proportions of military force and theological legitimation); and a modern society in which politics does not dominate all activities, but in which there is instead a fundamental and

continually-increasing functional specialization such as ever more division of labor into more different types of job.

The categorization of societies into traditional and modern is crude, and of limited usefulness. At present almost all societies are at least partially modernized. On the other hand, no society is ‘completely’ modernized and the rate of modernization is variable between societies, and between systems in a society. Pre-modern forms are obvious in all societies. There has always (so far) been scope for further increase in adaptive complexity, in a positive feedback cycle where increased productivity fuels increased complexity, which in turn fuels increased productivity. Since modernization is dynamic, it is more useful to consider modernization as a process than as a state. A ‘modern’ society based on the process of modernization: this is ‘modernity’. Modernization can be seen as the general mechanism by which the social transformation from agricultural dominance to domination by trade and industry takes place, and the permanent continuation of this process. The difference between modernizing and traditional societies is profound — being the difference between simple static structure and complex dynamic process.

Traditional culture, if understood in a broad sense, indicates all human activities such as religion, philosophy, moral standards, laws, politics, economic, society, history, literature and art, that have been preserved, learned and transmitted in a given community or group over a long period of time.

Modernization has seven characteristics as follows:

1. A comparatively high concentration of population in cities and the increasingly urban-centeredness of the total society.
2. A relatively high degree of use of inanimate energy, the widespread circulation of commodities, and the growth of service facilities.
3. Extensive spatial interaction of members of a society and the widespread participation of such members in economic and political affairs.
4. Widespread literacy accompanied by the spread of secular, and increasingly scientific, orientation of the individual to his environment.
5. An extensive and penetrative network of mass communication.

6. The existence of large-scale social institutions such as government, business, industry and the increasingly bureaucratic organization of such institutions.
7. Increased unification of large bodies of population under one control (nations) and the growing interaction of such units (international relations).

The relationship between tradition and modernity has been a central theme of postcolonial African philosophy. While African philosophers have examined this theme from many angles, several basic questions have become the focus of ongoing debate and discussion:

- ♣ What is the relevance of indigenous African traditions to the challenges of contemporary life?
- ♣ Do traditional modes of thought and behavior constitute resources or impediments to the projects of development and modernization in Africa?
- ♣ What, precisely, is meant by the terms “development” and “modernization” when they are used in reference to African countries?

Discussion of such questions reveals a conflict between two broad perspectives. **The first** perspective, which Kwame Gyekye calls “**cultural revivalism**”. He assumes a basically reverential attitude toward the African cultural heritage. According to this view, *the key to effectively addressing contemporary problems lies in reclaiming and revitalizing indigenous traditions that have been degraded and suppressed in the wake of colonialism*. Colonialism violently disrupted African cultural traditions and imposed, with varying degrees of success, European forms of thought and social organization upon colonized peoples. Having achieved political independence, postcolonial Africans must now pursue a more decisive liberation, a “decolonization” of African minds and societies. While revivalists are often skeptical of calls for development and modernization, viewing them as thinly veiled calls for the continued imposition of European cultural norms, it is important to realize that they do not typically view their own project as *anti-modern*. For revivalists, the key point is that genuine modernization in Africa can only be realized through the revitalization of African cultural norms.

**The second** perspective assumes a more critical attitude toward the indigenous heritage. Adherents to this perspective argue that the revivalist project is fundamentally misguided and ill-suited to the challenges of contemporary Africa. According to critics, the call for a nostalgic return to the past is not merely naïve and romantic, but positively dangerous. In their view, cultural revivalism diverts attention from pressing political issues, such as authoritarian oppression and class exploitation, and endorses forms of thought that interfere with the important goals of scientific and technological advancement. The most extreme form of this view, hinted at by some thinkers but seldom explicitly endorsed, suggests that Africans must make a “clean break” with the pre modern past in order to address the most urgent demands of the present (Hountondji, 1996, 48). Modernization, for them, requires a mental orientation commensurate with the problems of the present, not an attempt to resurrect ideas from societies of the distant past. It should come as no surprise that the debate between cultural revivalists and their critics hinges in large part on contrasting interpretations of “**modernity**” and “**modernization.**”

For revivalists, the call for Africa to become “more scientific” overlooks these accomplishments, and amounts to a call for Africans to duplicate European models of scientific development, which is just one more version of the so-called “civilizing mission” at the heart of colonial ideology. Cultural revivalists take a similar approach to the political aspect of modernization, arguing that indigenous African societies displayed a humanistic ethical orientation and a communalist political philosophy that can be mobilized in the contemporary setting, serving as powerful antidotes to political authoritarianism and the growing influence of Western individualism and consumerism. These ideas must be reclaimed and revitalized, not ignored in favor of European ideas about political organization.

Critics argue that progress in any society requires adapting, changing, and in some cases abandoning traditional ideas and behaviors. It also involves borrowing and adapting ideas from other cultural contexts. However, according to revivalists, the humanist essence of African culture ought to be maintained and cherished in the attempt to create a postcolonial modernity. It must be realized that technology alone cannot solve . . . deep-rooted problems such as poverty, exploitation, economic inequalities and oppression in human societies *unless* it is underpinned

and guided by some basic moral values; in the absence of the strict application of such values, technology can in fact create other problems, including environmental problems. Social transformation, which is an outstanding goal of the comprehensive use of technology, cannot be achieved unless technology moves under the aegis of basic human values.

### 3.4. Aspects of Culture Crucial to Development

- ✓ **Traditional livelihoods** related to cultural forms and local practices whose skills and knowledge may be passed on from generation to generation
- ✓ **Distinctive cultural forms** and artistic expressions including buildings and architecture, literature, art, dance, music, crafts, storytelling, and films.
- ✓ **Global ethics** that celebrate cultural pluralism and dialogue while promoting human rights, equality for all individuals and groups including gender equality, and democracy.
- ✓ **Social practices** including language, religion, education, family practices, decision-making systems, and institutional processes.
- ✓ **Practices and processes of inhabitation rooted in local knowledge**, accumulated over time, including practices, knowledge and technology of farming, nutrition, health, childbirth, building materials, natural resource use, and environmental management.
- ✓ **Dissemination of knowledge** that fosters creativity, innovation, and the intellectual development of individuals and groups while discarding harmful practices contrary to global ethics. Nurturing and safeguarding of the distinctive cultural forms as well as the processes of their production.
- ✓ **Culture is precisely** the medium through which individuals express their ability to fulfil themselves and is therefore an integral part of development.

### 3.5. Cultural Approaches to Global Challenges

Globalization, with its ever-increasing social and economic interdependencies, provides opportunities for development, while also presenting enormous challenges to local communities, livelihoods, and identities. Global challenges such as conflicts and wars, endemic poverty, the financial crisis, rapid urbanization, and environmental degradation have rendered people all the more vulnerable to change and to the impacts of natural disasters, and have led to the progressive loss of local cultures.

Culture, in all its multiple forms, is essential to address these global challenges, through its role in economic growth, in human development, as a storehouse of environmental knowledge, and as a symbolic force to bring stability and meaning to communities everywhere. Principles of inclusiveness and global ethics enable even the most marginalized individuals and groups to participate in development processes and benefit from them. Culture provides solutions that respond to local specificities, as a driver of development in its own right as well as a desirable outcome of development efforts.

### **3.6. Culture a Vehicle for Economic Development**

**Culture Industries:** Global cultural industries account for more than 7% of global GDP. During the 1990s, the cultural industries grew at an annual rate twice that of service industries and four times that of manufacturing in Organization for Economic Co-operation and Development /OECD/ countries- is an inter-governmental economic organization with 35 member countries (most of them are high income nations), founded in 1960 to stimulate economic progress and world trade. It is a forum of countries describing themselves as committed to democracy and the market economy, providing a platform to compare policy experiences, seeking answers to common problems, identify good practices and coordinate domestic and international policies of its members.

**Cultural Tourism:** Cultural tourism is 40% of global tourism revenue in (2007 UNWTO). Heritage, especially, UNESCO World Heritage sites, produces revenues from visits, sale of local crafts, music and cultural products generating employment for communities.

**Traditional Livelihoods:** Culturally embedded livelihood practices help retain local knowledge and generate employment while enabling local economic development. These may vary from building crafts to agriculture and natural resource management.

**Opportunities for economic growth through micro-enterprises:** Cultural goods and services often need low capital investment by building on materials and skills available within the community. The successes of micro-credit enterprises that benefit women have been especially valuable.

**Cultural infrastructure and institutions:** Universities, museums, cultural centers, cinemas, theatres, craft centers, and other such institutions are significant generators of employment and revenues.

### **3.7. Culture a Vehicle for Social Cohesion and Stability**

Mutual appreciation of diversity among cultures creates positive and constructive engagement. Dialogue promotes mutual understanding, knowledge, reconciliation, and peace, which are essential for social stability.

**Reconstructive force of culture:** Intercultural dialogue brings peace and possibilities of reconciliation in the event of conflicts. Following a disaster, culture in all its forms helps communities reconstruct their disrupted lives and restore psychological well-being.

**Symbolic force of cultural heritage:** Culture is a well-spring of hope, enabling a deep sense of belonging.

**Social cohesion through cultural tourism:** Cultural heritage not only generates income, but also builds social cohesion, mobilizing communities around its care and management. Cultural festivals enhance dialogue.

**Empowerment of women:** Intercultural dialogue with its focus on the respect of difference rather than standardization empowers women by acknowledging their role as both ‘value carriers’ and ‘value creators.’ Women in local cultures carry the responsibility of interpreting cultural forms, practices, and their meanings as well as transmitting them to the new generations. Women are also empowered by an acknowledgment of difference and reinforcement of their identities.

Safeguarding distinctive cultural forms and the processes of their production contributes to strengthening the social capital of a community and creates a sense of stewardship and trust in public institutions.

### 3.8. Culture a Vehicle for Environmental Sustainability

*Values and beliefs shape the relationship of a people to their natural environment and the ways they manage and impact it. Cultural values, local knowledge, and traditional practices of environmental management can be valuable resources towards achieving ecological sustainability*

**Cultural and ecological diversity:** Biological and cultural diversity are intricately connected to a wide range of interactions between humans and nature, that are interdependent and mutually reinforcing.

**Traditional systems of environmental management:** Accumulated traditional knowledge and the community practices of environmental management are fundamental to sustainability and essential for the survival of the place and people. Development approaches and programs have often failed to recognize that societies categorized as ‘underdeveloped’ have in fact been living sustainably for generations in a specific locale.

**Cities and cultural landscapes:** In an urbanizing world, management of natural and built heritage needs to embrace their interrelationships by involving local communities in conservation initiatives.

**Ecological challenges:** A variety of current environmental challenges such as depleting water sources, shrinking forest covers, and disappearing species, rooted in a disregard for the environment, may be addressed by positive practices embedded in local cultures that value a balance between natural and human worlds.

### 3.9. Culture drives sustainable development

Throughout the past decade, statistics, indicators and data on the cultural sector, as well as operational activities have underscored that culture can be a powerful driver for development, with community-wide social, economic and environmental impacts of particular relevance is the cultural sector’s contribution to the economy and poverty alleviation. Cultural heritage, cultural and creative industries, sustainable cultural tourism, and cultural infrastructure can serve as strategic tools for revenue generation, particularly in developing countries given their often-rich cultural heritage and substantial labour force.

**Cultural tourism** - that relies on tangible and intangible cultural assets - accounts for 40 % of world tourism revenues. Investment in culture and creativity has proven an excellent means for revitalize the economy of cities. Today, many cities use cultural heritage and cultural events and institutions to improve their image, stimulate urban development, and attract visitors as well as investments. Most Middle-Income Countries are developing vibrant culture sectors and initiatives and request assistance in this area.

Culture-led development also includes a range of non-monetized benefits, such as greater social inclusiveness and rootedness, resilience, innovation, creativity and entrepreneurship for individuals and communities, and the use of local resources, skills, and knowledge. Respecting and supporting cultural expressions contribute to strengthening the social capital of a community and fosters trust in public institutions. Cultural factors also influence lifestyles, individual behaviour, consumption patterns, values related to environmental stewardship, and our interaction with the natural environment. Local and indigenous knowledge systems and environmental management practices provide valuable insight and tools for tackling ecological challenges, preventing biodiversity loss, reducing land degradation, and mitigating the effects of climate change.

The UN Inter-agency projects, implemented under the MDG-F Achievement Fund carried out in recent years, have demonstrated concretely the power of culture to respond to gender issues, to health and environment concerns, to challenges in the areas of education and livelihoods – let alone the fact that these projects have generated new jobs, new market opportunities, and greater income levels, that they have improved living conditions and fostered community-based economic growth, and contributed to empower individuals.

### **3.10. Culture enables sustainable development**

Culture-sensitive approaches have demonstrated concretely how one can address both the economic and human rights dimensions of poverty at the same time, while providing solutions to complex development issues in an innovative and multisectoral manner. Indeed, culture has a transformative power on existing development approaches, helping to broaden the terms of the current development debate and to make development much more relevant to the needs of people.

Development interventions that are responsive to the cultural context and the particularities of a place and community, and advance a human-centred approach to development, are most effective, and likely to yield sustainable, inclusive and equitable outcomes. Acknowledging and promoting respect for cultural diversity within a human right based approach, moreover, can facilitate intercultural dialogue, prevent conflicts and protect the rights of marginalized groups, within and between nations, thus creating optimal conditions for achieving development goals. Culture, understood this way, makes development more sustainable.

In general, Culture, in all its dimensions, is a fundamental component of sustainable development. As a sector of activity, through tangible and intangible heritage, creative industries and various forms of artistic expressions, culture is a powerful contributor to economic development, social stability and environmental protection. As a repository of knowledge, meanings and values that permeate all aspects of our lives, culture also defines the way human beings live and interact both at local and global scales. Since culture used as:

- A source of identity, innovation, and creativity.
- A set of distinctive spiritual and material, intellectual and emotional features of a society or a social group.
- A complex web of meanings, relationships, beliefs, and values that frames people's relationship to the world.
- Acquired through the process of cultivation and improvement of the individual, especially by means of education.
- An evolving dynamic force relevant to all societies, local or global.
- Influenced by and in turn influences world-views and expressive forms.
- Located in a time and a place. While culture in the abstract is a set of mental constructs, it is rooted in a place at a moment in history and is always local.
- A renewable resource if it is carefully nurtured for it to grow and flower. When neglected, it is easily lost or destroyed

### 3.12. Measures for future development

The following proposed measures can build on culture's contribution to sustainable development:

#### **Integrating Culture into Governance**

- Integrating culture in the conception, measurement, and practice of development with a view to advancing inclusive, equitable, and sustainable development. Capitalizing on the Cultural Sector's Contribution to Economic Development and Poverty Reduction
- Supporting sustainable cultural tourism, cultural and creative industries, cultural institutions and culture-based urban revitalization as powerful economic subsectors that generate decent employment, stimulate local development, and foster entrepreneurship.
- Culture-led economic development should take into account the protection of cultural assets that are often fragile and constitute a unique and non-renewable capital.
- Capitalizing on Traditional Knowledge to foster Environmental sustainability
- Integrating traditional knowledge and practices in sustainable environment schemes and seeking synergies between traditional environmental practices and high technologies.
- Building on Culture to Promote Social cohesion
- Promoting intercultural dialogue to harness social cohesion thereby, creating an environment conducive to development.
- Capitalizing on the potential of the arts to promote social cohesion and develop entrepreneurship, especially among youth, and in post-conflict and post-disaster situations.

## CHAPTER FOUR

### NEW TRENDS AND DEBATES IN SOCIOLOGY OF DEVELOPMENT

#### 4.1 Democratization and Development relationships

Dear students please discuss on the questions here below:

- Is democracy inherently a good thing?
- Do democratic institutions facilitate economic development?
- Is economic development a necessary or sufficient condition for democratization?

In order to analyze this relationship, it is important first to specify what is meant by the democratic imperative, and to analyze the interaction between democracy and development.

#### **The democratic imperative**

Democracy is a system whereby the whole of society can participate, at every level, in the decision-making process and keep control of it. Its foundation is the full observance of human rights, as defined by both the Universal Declaration of Human Rights and the Vienna Pacts and Declaration of 1993. The promotion of those rights and the respect of differences and of freedom of speech and thought are indispensable preconditions for democracy.

There can be no democracy without an independent judicial system and without institutions that guarantee freedom of expression and the existence of free media. The power to legislate must be exercised by representatives of the people who have been elected by the people. Laws must be implemented by legally responsible individuals, and the administrative apparatus must be accountable to the elected representatives. This is why a parliament, that is truly representative of the people in all its diversity, is indispensable for the democratic process. In this respect, the holding of free and fair elections by universal suffrage is a necessary, though not in itself sufficient, precondition for the existence of a democratic regime.

These basic democratic principles constitute a fundamental source of common values that can be described as the common heritage of humankind. Without those values there can be neither

democracy nor sustainable development. But the recognition of universal values does not mean that a veil should be drawn over the specific historical, religious and cultural characteristics that make up the genius peculiar to each society and each nation State.

Democracy cannot be conceived of without freedom, but it also entails the rule of law and the voluntary restrictions that result from it, in other words the existence of a common rule issued by those who have been chosen by the people to define its content. More concretely, justice is a precondition of democracy that justice guarantees the exercise of democracy as it serves to enforce the principle of equality before the law, the right of all individuals to express their opinion within the society to which they belong, and the right to be heard and to put their case.

The free participation of citizens is a second precondition, since it allows them to exercise their right to freedom of thought and to be different. It also enables civil society to express itself not only within each nation, but also on the international scene — something which is becoming a necessity in an increasingly interdependent world.

*As regards human rights, the dialectic relative to the universality of those rights and, by contrast with the distinctive features of social systems, the universality of the historical and cultural traditions and the economic contexts in which they are embodied, was the subject of lengthy debate.*

### **The interaction between democracy and development**

Democracy and development are complementary, and they reinforce each other. The link between them is all the stronger because it originates in the aspirations of individuals and peoples and in the rights they enjoy. Indeed, history shows that cases where democracy and development have been dissociated have mostly resulted in failure. Conversely, the interlinking of democratization and development helps both of them to take root durably. For if political democracy, in order to consolidate itself, needs to be complemented by economic and social measures that encourage development, similarly any development

The interdependence of democracy, development and human rights was spelled out in the 1993 Vienna Declaration. Panel members pointed out that recognition of that interdependence of the right to democracy and the right to development is not something new. The United Nations Charter, international agreements, the 1986 Declaration on the Right to Development and the

Convention on the Elimination of All Forms of Discrimination against Women all mention it. But the implementation of those rights, which have been endorsed by international law, entails both greater solidarity on the part of the international community and the respect by States of their international obligations.

There can be no development in a context of arbitrariness or in the absence of the rule of law. In order to construct and to institutionalize, there needs to be a minimum degree of certainty: one needs to know what rule is applicable and how it is applied. It should be pointed out that the notion of the rule of law or the primacy of law has wider implications than the much more concrete notion of rule by the law, which refers to the authorities' daily enforcement of existing laws, whether they are good or bad, just or unjust.

The rule of law, on the other hand, which is the contrary of arbitrariness, is based on the reign of the general principles of the law and on the concept of justice in society, hence its importance in relation to a democratic government. That rule of law entails, for power to be exercised, legitimacy, transparency and accountability. Those three elements, which underpin the rule of law, are vital for both the democratic process and the process of development. But for that rule of law, which goes hand in hand with citizenship, to be able to establish itself within a society, a juridical culture needs to have grown up, and that is something which requires short, medium and long-term strategies to be prepared. For such a culture requires an apprenticeship, an education and the ability to understand legislation. It implies that everyone knows how justice works. But that knowledge is possible only if access to justice is equal and if it is the same for everyone. Unequal access to justice, depending on the socio-economic group to which people belong, depending on their ethnic group or their sex, for example, is in contradiction with justice and the rule of law.

Finally, democracy and development can together contribute to the consolidation of peace. Most of the time democracies settle their domestic disputes by peaceful means. Moreover, in addition to this preventive role, the democratic framework has often proved effective in settling international conflicts peacefully. Democracy is a factor of peace and therefore encourages development, which itself tends to consolidate the state of domestic peace and, consequently, international peace, since many wars originate from domestic conflicts. Democracy, development and peace form a trilogy, a common purpose. While the relationship between

democracy and development is now proven, it still needs to be clarified and defined, as do the impediments to the emergence of a sustainable democratic development.

### **The Controversy over Development and Democracy**

- Does economic development lead to political democracy? Or
- Does political democracy generate economic development?

In order to explain these theoretical models of causalities between development and democracy, it is important to discuss some key factors (or variables) influencing democracy and development and their theoretical explanations.

There are ten “factors” facilitating and obstructing democratic development. They are:

- |                                                   |                                 |
|---------------------------------------------------|---------------------------------|
| 1) Legitimacy and performance                     | 6) State and society            |
| 2) Political leadership                           | 7) Political institutions       |
| 3) Political culture                              | 8) Ethnic and regional conflict |
| 4) Social structure and socioeconomic development | 9) The military system          |
| 5) Civil society                                  | 10) International factors       |

The factors influencing development could be including:

- 1) historical legacies and globalization
- 2) culture, religion and civilization
- 3) transnational political economic relationship with other countries and
- 4) states' domestic institution and public policy

Regarding to the controversial issues, there are five possible theoretical models arguing the issue of the priority of development and democracy:

**Development first, democracy later (modernization theory):** Seymour Lipset's argue that if we consider that democracy should be supported by some preconditions, economic growth just creates these necessary for democracy—industrialization, urbanization, widespread of education and literacy, wealth, and a strong middle class who concern with the protection of their rights

and the issues of public affairs. By his empirical comparison of developed and developing countries, Lipset shows a strong statistical association between GNP per capita and the level of democracy; he concludes that “the more well-to-do a nation, the greater the chance that it will sustain democracy”. Indeed, the explanatory power of modernization theory and economic development are strong to “development first, democracy later” argument. The supporters of this argument asked that most high economic growth countries are with democratic regimes; and most democracies are also with high level of economic development.

### **Critical questions**

There is also limitation of modernization theory. How can it explain some nations exceptional to “development first, democracy later?” For example, the cases of Singapore and the case of China’s economic growth recently might demonstrate that nations with high economic development can avoid democratizing simultaneously, so that development does not necessarily lead to democracy? Additionally, development might be critical to democracy, but how can we explain that development also need some preconditions, in particular the impacts from foreign countries and international political economy, and the influences of institutions or political regimes? Lastly, the explanation of modernization theory for democratic development might ignore the political change in the process of transition.

**Political change process:** In contrast to the path of “direct evolution” toward democracy from economic development supported by the modernization school, Samuel Huntington proposes an alternative explanation of the development of democracy from the perspective of “process” arguing that the outcome of economic development would lead to political decay; then the political system under instability would move toward democracy through and after institutionalization.

political structure or political transformation under authoritarian and totalitarian regimes do not necessarily keep pace with economic “take-off,” the requests of opening political participation, and the demands of a dramatic changing society. “Political decay” and instability take place since these regimes do not have institutions to digest or to respond to the requests and demands from discontent middle classes and social groups. In the process of economic development we find that democratic development and political stability decline in the early phrase, but increase in the later; non-democratic regimes evolve to democracy indirectly under economic growth,

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through political instability and societal disorder, and then institutionalization. Thus, according to political change model the cause-effect relationship between development and democracy is not linear correlation, but non-linear.

### **Critical questions**

The political change model leads to forward the following questions: First, does political decay always take place on the way toward democracy? If so, how deep and how strong is the political decay and instability? Should every developing country under democratization undergo military coups and praetorian administrations? For example, Taiwan's democratization might be exceptional to Huntington's argument: Thus, critical of this model argues that political decay and military coups should not necessarily exist on the path toward democracy.

**Development not leads to democracy:** in contrast to modernization theory, the result of economic development would not lead to democracy because authoritarian regimes and autocracies around the world show people that they can enjoy the benefits of economic development on the one hand and avoid political liberalization on the other.

This approach argue that political elites' power and positions are more strengthened and more consolidated through the benefits of economic development. Empirically, the cases of **China** and **Russia** show people that not only do authoritarian regimes can generate extensive economic growth, but they also figure out some "strategies" to avoid political liberalization. They also criticize that modernizationists and development theorists consistently ignore and understate the ability of authoritarian regimes to prevent the demands of democratization.

Since economic development generates some preconditions, such as industrialization, urbanization, information circulation, strong middle classes and more educated citizens, which are beneficial to organize opposition groups and to demand promoting democracy, political elites in authoritarian regimes try their best to destroy strategic coordination by middle classes or opposition. In other words, if autocrats can break up or weaken strategic coordination of their political challengers, the connection between economic development and democracy will be "cut off," and they can also avoid the emergence of democratization.

**Democracy first, development later:** While switching two variables of development and democracy, from "democracy as dependent variable, development as independent variable" to

“development as dependent variable, democracy as independent variable”. This thesis strongly rejects the modernization school and Lipset’s development; they argue that democracy should be the precondition for development and promoting democracy is the approach strategically to reach prosperity, development, security, and peace. Scholars, such as Joseph Siegle, Michael Weinstein, and Morton Halperin, argue that democracies consistently outperform non-democracies on most indicators of economic and social well-being, so that promoting democracy should be prior to expanding economic development in developing nations. In addition, due to a number of characteristic features of democracy, such as accountability, checks and balances, low corruption, openness, competition, the flow of information, transparency, and adaptability, democracies usually outperformed non-democracies on most indicators of economic and social well-being.

Thus, the policy and strategy to assist developing countries to develop is by promoting democracy, not by economic growth. also argues that economies in nations that protect citizens’ property rights grow up more rapidly than those in nations that do not protect people’s property rights and certainly democracies protect more citizens’ property rights than do non-democracies.

### **Critical questions**

If democracy-first thesis is true, how can it explain some cases exceptional to its argument? Like the cases of Taiwan and South Korea, both of these two countries experienced dramatic economic development without democratic institutions during the 1980s and 1990s. Moreover, the case of China from the 1990s on also demonstrates that non-democracy still can achieve economic development. Thus, perhaps institution/democracy/regime type is not the necessary precondition for developing countries to reach development

**Democracy not matters in development:** The fifth theoretical explanation of the causality between democracy and development is “democracy does not matter in development” although politics indeed influences economy. This approach suggested that the impact of regime types, democratic or non-democratic, on states’ economic performance is still controversial.

Przeworski and Limongi reviewed the arguments that relate regimes to economic growth focus on property rights, pressures for immediate consumption, and autonomy of dictators, and they summarize that:

1. Although most likely everyone agrees with that the protection of property rights could foster economic growth, there is a debate on whether democracies or dictatorships better secure citizens' property rights.
2. The primary reason of why democracy is considered to hinder economic development is the pressure for immediate consumption under its institution; and this leads to investment reducing. As compared with democracies, only dictatorships can resist the pressure for immediate consumption with its institution and promote economic development.
3. The primary argument supporting democracy and opposing dictatorship is that the political elites in authoritarian regimes are not interested in maximizing national production and fostering economic growth; in contrast, they just want to keep their power and positions within the governments; and the state is always looking for preying on resources from the society. However, democratic regimes would not do that but act to create public wealth and general interest.

Hence, Adam Przeworski and Fernando Limongi, conclude that although politics indeed influences economic performance, the impact of regime type is not significant on states' economic growth; and people do not know whether democracy improves or limits economic development.

Regarding the causalities between development and democracy (or between democracy and development), the arguments of the connections between these two variables are indeed controversial and inconclusive. Since, each theoretical angle has its strengths and weaknesses; and in any case we might find some examples exceptional or contrast to it.

There has been an extended debate about democracy and development, and the relations between democratization and economic growth. Do the institutions of electoral democracy facilitate or impede development? Samuel Huntington (1968) characterizes the debate in terms of “**conflict**” and “**compatibility**” theorists.

- Some have maintained that democratic regimes are in general less capable of managing effecting economic development than authoritarian regimes. The central premise of this reasoning stems from the observation that development requires change, and that change affects some voters adversely. So governments dependent on electoral support in the next

election will typically tend to avoid choices that impose hardship on significant numbers of voters.

- Others have argued that democratic regimes are positively associated with economic development, and especially with more egalitarian modes of development.
- Finally, there is a body of thought which holds that democracy is neither positive nor negative with respect to economic development.

#### 4.2 Globalization and Development

- What is globalization?
- Does this mean that all countries of the world are becoming the same?
- Does it mean the integration of economic, political, and cultural systems around the world?
- Does globalization mean being able to find the same stores and restaurants in every part of the world?
- Does it mean that individual countries will not be able to make business and trade decisions on their own but will have to consult other countries?

If these are the realities of globalization, what kinds of impacts will it have on the way we live? Indeed, the concept of globalization raises many questions and controversial issues. Debates currently raging about globalization include:

- Does globalization have positive or negative impact on the development of local people?

Some argue that globalization is a positive development as it will give rise to new industries and more jobs in developing countries. Others say globalization is negative in that it will force poorer countries of the world to do whatever the big developed countries tell them to do. Another viewpoint is that developed countries are the ones who may lose out because they are involved in outsourcing many of the manufacturing jobs that used to be done by their own citizens. Outsourcing refers to obtaining goods by contract from outside sources. This is why you may find many of your clothes with labels from developing countries such as USA, Turk, Italy, China, and other developed countries, where they can be produced at lower cost.

Have you ever noticed that how close the different nations of the world are, in this era? If you visit Super Store of Ethiopian cities, you will find all the commodities, imported from other countries. Only some commodities are there that are actually manufactured in Ethiopia. You will

find the Electronic items made in Malaysia. Mobile phones made in India. Food items as macaroni, rice etc are imported from Pakistan. This situation is not only limited to Ethiopia, but the whole world is facing the same scenario.

Volume of goods, services and investments is transferring the national borders very rapidly. Now a day approximately \$1.5 billion foreign exchange transactions are taking place daily. Statistics show that approximately \$8.9 trillion of goods are transacted across borders and \$2.10 trillion of services are provided across the borders (Hill, 2009).

As far as the definition of Globalization is concerned, it is still a controversial topic. So far there is no consensus on a single definition of Globalization between all disciplines of life. Economics focuses on transfer of goods, services and funds in overall world. Political Science focuses on the role of UNO, WTO, GATT and similar kind of International Institutions. Some other disciplines such as anthropology and sociology concentrate on the interconnectivity of different cultures.

In nut shell we can say globalization can be applied is a movement, a phenomenon and a force. And the scope of the globalization is increasing as the time is passing (EuroStat, 2007). One most common definition of globalization states that “globalization” is a process of integrating different world economies. Globalization is integration among the people, government and companies of different countries (Rothenberg, 2003).

Our focus here is to find out; how the globalization is affecting the economic development of world? The concept of economic development refers to the process of improvement in the economic opportunities, and quality of human lives; and reduction in the poverty. Better health facilities, better education, clean environment and better utilization of resources are the important components of Economic Development. Moreover the justified distribution of goods and services is also the part of economic development. A good distribution network that includes the good transportation system results in not only better delivery of goods and services but the improvement of labors mobility (Henderson, 2007).

According to (Bell, 1987), “**Economic Development** is a field of economics which is related to the process of development. It not only focuses on ways of enhancing structural change and economic growth but also improving the potential of the mass of the population; for instance, through education, health and workplace conditions”. Globalization has changed the picture of world economy, by increasing the cross-border trade, exchanges of currency, free flow of capital,

movement of people and flow of information. Globalization has introduced the concept of border-less and integrated world economy. Globalization has given a new thought to the businesses worldwide. A lot of strategic changes have been occurred in the businesses. Now target market for businesses is not only their home land, but the overall world (Intriligator, 2003).

### **How Globalization is affecting the World Economic Development?**

#### **1. The emergence of Global Markets**

Global market refers to the “merging of historically distinct and separate national markets into one huge global market place.” With the expansions of global markets liberalize the economic activities of exchange of goods and funds. Removal of Cross-Border Trades barriers has made formation of Global Markets more feasible.

#### **2. International Institutions**

Some of the forces in the world are in the favor of a government that governs the entire world. Now the institutions like United Nations Organization, International Monetary Fund, World Trade Organization and World Bank are near to the concepts of those groups because they are regulating the relationship between different countries and governing issues of Justice, Human relations or political factors (IMF Center, 2005). As the primary purpose of WTO, is to unionize the world trading system. Till 2005 148 countries were the members of WTO. The primary purpose of IMF is to regulate the world monetary system. United Nation Organization is primary purpose to bring the piece in all over the World, about 191 countries is the members of UNO (Hill, 2009).

#### **3. Effect on the Standard of Living**

One of the major effects of globalization is in the shape of expansion of trade and investment. It is evident that poverty rate has decreased in the regions, where investment and trade is expanding. If we consider the different examples of countries then we can prove our point of view. India is a country where the FDI is increasing rapidly and as a result poverty rate is declining. Mexico has overcome the Macroeconomics crisis better than its neighbors. Similarly Zambia, Columbia and Poland have gained a lot by falling of prices (**Harrison, 2006**).

### **Effect on Employment**

After the advent of globalization, it was an apprehension that the job will shift to developing countries from developed and advanced countries. But Supporters argue that this shift will result in the long term benefit to the country. Critics argue that Globalization will result in inequalities and insecurity about the Jobs. And will ultimately causes the changes in employment structure and labor demand will fall.

### **The Impact of Globalization on Africa**

Globalization as the process of intensification of economic, political, social and cultural relations across international boundaries aimed at the transcendental homogenization of political and socio-economic theory across the globe, impacts significantly on African states through systematic restructuring of interactive phases among its nations, by breaking down barriers in the areas of culture, commerce, communication and several other fields of endeavor.

In Africa, its position in the international system has been considerably weakened by the fact that it has been losing the race for economic development in general, and human development in particular, to other regions, the poor performances by African countries accounts in part for the political and social instability and rise of authoritarian regimes that have characterized much of postcolonial Africa, further weakening the ability of African countries to deal effectively with globalization. This does not in any way mean that globalization will be discussed on the two sides: positive and negative impacts.

### **The negative impacts of globalization on Africa**

1. Tendon (1998) states that the cold war which was born out of the process for globalization has had significant consequences for Africa. During its height in the 1960's and 1970's, the cold war witnessed the emergence of authoritarian regimes in the form of one- party or military regimes. This was largely a result of the support of the two blocks to keep African countries in their respective camps. This has in turn, substantially reduced Africa's international negotiating power and its ability to maneuver in the international system. In sum then, the cold war and its demise has worked against democracy and economic development in Africa.
2. The most important consequence on Africa is the erosion of sovereignty, especially on economic and financial matters, as a result of the imposition of models, strategies and policies of development on African countries by the International Monetary Fund, the World Bank and the World Trade Organization.

3. More important is the fact that globalization for most part does not facilitate the establishment of the economic conditions necessary for genuine democracy and good governance to take solid roots and thrives.
4. Economically, globalization has, on the whole, reinforced the economic marginalization of African economies and their dependence on a few primary goods for which demand and prices are externally determined. This has, in turn accentuated poverty and economic inequality as well as the ability of the vast number of Africans to participate meaningfully in the social and political life of their countries.
5. As a result of the cultural domination from outside that goes with globalization, African countries are rapidly losing their cultural identity and therefore their ability to interact with other cultures on an equal and autonomous basis, borrowing from other cultures only those aspects that meet its requirements and needs.
6. The scientific and technological forces unleashed by globalization have facilitated the extinction of the indigenous development of technology and distorting patterns of production in Africa.
7. Globalization on the whole impacts negatively on the development and consolidation of democratic governance. One form of this is the reduction of the capacity of governments to determine and control events in their countries, and thus their accountability and responsiveness to their people, given the fact that the context, institutions and processes by which these decisions are taken are far from democratic.
8. Globalization introduces anti- developmentalism by declaring the state irrelevant or marginal to the developmental effort. Development strategies and policies that focus on stabilization and privatization, rather than growth, development and poverty eradication, are pushed by external donors, leading to greater poverty and inequality and undermining the ability of the people to participate effectively in the political and social processes in their countries. Welfare and other programs intended to meet the basic needs of the majority of the population are transferred from governments to non-governmental organizations that begin to replace governments making them to lose the little authority and legitimacy they have.
9. By imposing economic specialization based on the needs and interests of external forces and transforming the economies of African countries into series of enslaved economies linked to the outside but with very little linkages among them, Democracy, with its emphasis on tolerance and compromise, can hardly thrive in such an environment (Rodrik 1994).

10. Further, the economic specialization imposed on African countries makes rapid and sustainable growth and development impossible, conflicts over the distribution of the limited gains realized from globalization becomes more acute and politicized. Vulnerable groups, such as women, the youth, and rural inhabitants, fare very badly in this contest and are discriminated against. This further erodes the national ethos of solidarity and reciprocity that are essential to successful democracies.
11. Globalization, by insisting on African countries opening their economies to foreign goods and entrepreneurs, limits the ability of African governments to take proactive and conscious measures to facilitate the emergence of an indigenous entrepreneurial class.
12. Globalization has encouraged illicit trade in drugs, prostitution, pornography, human smuggling, dumping of dangerous waste and depletion of the environment by unscrupulous entrepreneurs.
13. Globalization has freed labor across boundaries and facilitated brain drain. It facilitated “brain drain” in developing countries, thus reducing further their human capacity.

#### **Positive impact of globalization on Africa**

1. Globalization has increased international trade and commerce, facilitated foreign investment and the flow of capital while calling for greater accountability and responsiveness of leaders to their people, globalization has often pressed African leaders to adopt policies and measures that are diametrically opposed to the feelings and sentiments of vast majority of their people.
2. By defining basic and generally accepted principles of democratic governance, such as good governance, transparency and accountability, in narrow terms, conditioned by particular historical, political, social, and cultural factors, while leaving little or no room for adapting them to different societies and cultures.
3. There are international lobby and pressure groups in various fields. There are universities and institutions of higher learning with all their power to impact knowledge, skills and attitudes that shift behaviors of societies and state leadership as well as followership. All these combine to reinforce the phenomenon of globalization and force the state to shift its behavior and the way it relates with both its “subjects” and its internal and external partners.
4. Globalization opens people’s lives to other cultures and all their creativity and to the flow of ideas and values.

5. Information and communication technologies have eased interaction among countries and peoples.
6. It is creating a global village out of a wide and diverse world.
7. One major positive impact of globalization on Africa is that it has made available information on how other countries are governed and the freedoms and rights their people enjoy.
8. It has also opened African countries to intense external scrutiny and exercised pressure for greater transparency, openness and accountability in Africa.

### **4.3. Foreign Aid and Development**

#### **Introduction**

One of the major problems of developing countries is lack of financial resource to invest on various sectors that help them to boost their economy. Development aid is given by governments or organizations of Western society to developing countries. The objective is to support development programs in developing countries and reduce poverty. However, there is controversy among scholars on the effectiveness of foreign aid and its objectives. You will learn in this unit the concept of foreign aid, reasons for giving aid and the various controversies surrounding it.

#### **4.3.1. The concept of Foreign Aid, Donors and Recipients**

The economy of the world has not been growing on balance. Developed countries achieved high economic growth, while others lag behind. The number of poor and malnourished people also increased in the past decades. This necessitates giving aid that targeted to reduce poverty.

#### **What is foreign aid?**

Foreign aid is the international transfer of capital, goods, or services from a country or international organization for the benefit of the recipient country or its population. Aid can be economic, military, or emergency humanitarian. The standard definition of foreign aid comes from the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD). The committee defined foreign aid (or the equivalent term, foreign assistance) as financial flows, technical assistance, and commodities that are (1)

designed to promote economic development and welfare as their main objective (thus excluding aid for military or other non-development purposes), and (2) are provided as either grants or subsidized loans.

### **What do we mean by grants and subsidized loans?**

Grants and subsidized loans are referred to as concessional financing, whereas loans that carry market or near-market terms (and therefore are not foreign aid) are non-concessional Financing. According to the DAC, a loan counts as aid if it has a “grant element” of 25 percent or more, meaning that the present value of the loan must be at least 25 percent below the present value of a comparable loan at market interest rates (usually assumed by the DAC – rather arbitrarily—to be 10 percent with no grace period). Thus, the grant element is zero for a loan carrying a 10 percent interest rate, 100 percent for an outright grant, and something in-between for other loans.

The DAC classifies aid flows into three broad categories. These are official development assistance (ODA), official assistance and private voluntary assistance. Official Development assistance is, the largest, consisting of aid provided by donor governments to low- and middle-income countries. Official assistance (OA) is aid provided by governments to richer countries with per capita incomes higher than approximately \$9,0005 (e.g., Bahamas, Cyprus, Israel and Singapore) and to countries that were formerly part of the Soviet Union or its satellites. Private voluntary assistance includes grants from non-government organizations, religious groups, charities, foundations, and private companies.

#### **4.3.1.1. Types of Aid**

Aid is any kind of support given to an area or country. There are different types of aid. These are Voluntary Aid, Bilateral Aid, Multilateral Aid, Large Scale Aid, and Emergency Aid. Aid can also be broken into long and short term aid.

- 1. Voluntary Aid:** Voluntary Aid or charity aid is finance mobilized by non-governmental organizations which is then spent on a variety of different schemes. Governments can sometimes also contribute to voluntary aid schemes.
- 2. Bilateral Aid:** Bilateral aid is a type of aid from one country to another. Quite often bilateral aid is also tied Aid.

- 3. Tied (relational) Aid:** This benefited not only aid receiver but also a donor country. This happens as the receiving country has to buy goods and services from the donor country to get the aid in the first place. The aid is given may depend on the receiving country agreeing to buy commodities of the donor country. Some people believe that this type of aid can be harmful if it supports governments that oppress their people.
- 4. Multilateral Aid:** This type of aid involves many sides. It is a help given by organizations that involve many countries. This aid is run by groups such as the World Health Organization (WHO) and United Nations Educational, Scientific and Cultural Organization (UNESCO) - both of which are part of the United Nations (UN).
- 5. Emergency Aid:** Most aid is long term developmental aid. However, after a natural disaster such as an earthquake or flood, famine help is needed straight away. This help includes food, clean water, shelter, medicines and the staff to organize these materials.

#### 4.3.1.2. Who Gives Aid and Who Receives It?

Developed countries are aid givers. United states, Japan, Germany, France, United Kingdom, Netherlands, Italy, Canada, Sweden, Norway, are the top world's donor countries.

Aid can be measured in terms of dollars and share of GDP or per capita income. In terms of total dollars, the United States has consistently been the world's largest donor (except in the mid-1990s when Japan briefly topped the list). However, when aid is measured as a share of donor income, the most generous donors are Norway, Denmark, Luxembourg, the Netherlands, and Sweden. Saudi Arabia provided aid equivalent to about 0.69 percent of its income in 2004. The United States is one of the smallest donors by this measure.

Developing countries are receivers of aid. On a regional basis, sub-Saharan African countries are the largest aid receivers. Two other regions – Europe and Central Asia, and North Africa and the Middle East – also receive aid. Generally speaking, aid is one of the largest components of foreign capital flows to low-income countries.

#### **4.3.1.3. Why do Donors Give Aid?**

Donors have a variety of motivations for providing aid, only some of which are directly related to economic development. Some aid is given with humanitarian motives in mind; however, most foreign aid is given for variety of political, strategic and economic reasons that benefit the donor countries in the longer term. There are two broad but interrelated reasons for donor countries to give aid. These are political and economic motivations.

##### **1.1.1. Political motivations**

Political motivation is the most important reason for countries to give foreign aid. US gave aid to stop the spread of communism to Europe during cold war. The country is giving aid after 1950s to countries geographically considered strategy. Thus, it is possible to argue that aid is a means of furthering donor country's interests, the flow of funds tends to vary in accordance with the donor's political assessment of changing international situations and not the relative need of potential recipients.

The behavior of other major donor countries like Japan, Great Britain and France has been similar to the U.S. Although exceptions could be cited (Sweden, Denmark, the Netherlands, Norway and perhaps Canada) by and large, these Western donor countries have used foreign aid as a political lever to prop up or underpin friendly political regimes in developing countries.

##### **1.1.2. Economic motivations**

Within the broad context of political and strategic priorities, foreign aid programs of the developed nations have had a strong economic rationale. This is especially true for Japan which directs most of its aid to neighboring Asian countries where it has substantial private investments and expanding trade. Even though political motivation may have been of paramount importance for other donors, the economic rationale was at least given lip services as the overriding motivation for assistance.

Foreign aid, according to the supporters of foreign aid, help to overcome the foreign exchange developing countries have in import of capital goods, induce growth saving in a country, efficient use of the aid (since followed by technical assistance), and has absorptive capacity (since it donors want aid to be used) . **6.2. Aid, Growth and Development**

Most foreign aid is designed to meet one or more of four broad economic and development objectives: (1) to stimulate economic growth through building infrastructure, supporting productive sectors such as agriculture, or bringing new ideas and technologies, (2) to strengthen education, health, environmental, or political systems, (3) to support subsistence consumption of food and other commodities, especially during relief operations or humanitarian crises, or (4) to help stabilize an economy following economic shocks.

**Do you think that foreign aid contributes to development of a country? How?**

Economic growth is used as an indicator used to measure effectiveness of aid. As aid increases, vast economic growth is expected. But at a very broad level, there is no apparent simple relationship between aid and growth. Some countries that have received large amounts of aid have recorded rapid growth, while others have recorded slow or even negative growth. At the same time, some countries that have received very little aid have done very well while others have not. For some observers, it is evidence of a failure of aid to achieve its basic objectives. But for others this simple correlation is misleading, since other factors affect both aid and growth. Some countries that have received large amounts of aid may face endemic disease or poor geography, or may be emerging from long-standing civil conflict in which case aid might have a positive impact on growth even if the overall growth performance remains weak. Or the causality could run in the opposite direction: donors give more aid to countries with slow growth rates, and much less to rapid growers like China.

These analysts suggest that once these other factors are taken into consideration, a positive relationship emerges. Still others conclude that aid works well under certain circumstances, but fails in others. Aid might help spur growth in countries with reasonably good economic policies, but might fail to do so where corruption is rife and the economy is badly mismanaged. In this view, while the overall trend line is important, the variance around the trend and the reasons for that variance are also critical in understanding the true underlying relationships.

The debate on the relationship between growth and development continued and three broad views have emerged on the relationship between aid and growth. These are:

1. Aid has a positive relationship with growth on average across countries (although not in every country), but with diminishing returns as the volume of aid increases. Aid urges growth by enhancing saving, financing investment and adding to capital stock, improving worker's

productivity through investment in healthy and education, and facilitating transfer of technology and knowledge.

2. Aid has no affect on growth, and may actually undermine growth. Peter Bauer was perhaps the most outspoken proponent of this view, although he never provided systematic empirical evidence to support his argument. Many studies did reach the conclusion of no relationship between aid and growth. These researchers have suggested a variety of reasons why aid might not support growth.
  - A. Aid simply could be wasted, such as on limousines or presidential palaces, or it could encourage corruption, not just in aid programs but more broadly.
  - B. It can help keep bad governments in power thus helping to perpetuate poor economic policies and postpone reform. Some argue that aid provided to countries in the midst of war might inadvertently help finance and perpetuate the conflict, and add to instability.
  - C. Countries may have limited absorptive capacity to use aid flows effectively if they have relatively few skilled workers, weak infrastructure or constrained delivery systems. (Aid could help redress these weaknesses but it may not be aimed to do so).
  - D. Aid flows can reduce domestic saving both private saving (through its impact on interest rates) and government saving (though its impact on government revenue). On aid and saving, while foreign aid adds to total saving (since aid is a form of foreign saving), some studies have shown that a dollar of aid adds less than a dollar to total saving and investment, since domestic savings may fall as aid increases. Some of these studies conclude that aid is ineffective because it “leaks” to consumption. This approach is not particularly helpful in the aggregate since large portions of aid in fact are designed specifically to directly increase consumption and not investment, including food aid, immunization programs, and purchases of textbooks, technical assistance, and the like. Nevertheless, even where aid is aimed at investment, the impact could be partially offset by a reduction in either private saving (through a decline in the rate of return on private investment) or government saving (through a fall in tax revenues).
  - E. Aid flows could undermine private sector incentives for investment or to improve productivity. Aid can cause the currency to appreciate, undermining the profitability of the production of all tradable goods (known as the Dutch disease). Food aid, if not managed appropriately, can reduce farm prices and hurt farmer income. Aid flows can enlarge the size of the government and related services supporting aid projects, drawing workers and

investment away from other productive activities such as agro-processing, garments, or footwear exports. To the extent that these tradable activities are a key source of productivity gains, long-term growth may suffer. Similarly, food aid can sometimes undermine local food production if an influx of food drives down prices (it has less adverse impact on production when it displaces food imports).

3. Aid has a conditional relationship with growth helping to accelerate growth under certain circumstances. This view holds that aid supports growth in some circumstances but not others, and searches for key characteristics associated with the difference. This “conditional” strand of the literature has three subcategories, with the effectiveness of aid depending on the characteristics of the recipient country, the practices and procedures of the donors, or the type of activity that the aid supports. These are:

**What do you think are the conditions that create favorable environment for aids effectiveness in meeting its objectives?**

**A. Recipient country characteristics:** Some very influential study concluded that aid stimulated growth in countries with good policies, but not otherwise. Other researchers have proposed different country characteristics that might affect the aid-growth relationship, including export price shocks, climatic shocks, the terms of trade, macroeconomic and trade policies, institutional quality, warfare, type of government, and location in the tropics. All of these studies rely on an interaction term between aid and the variable in question, and (not surprisingly) many of the interaction terms are fragile.

Nevertheless, the view that aid works better (or in a stronger version, aid works only) in countries with good policies and institutions has become the conventional wisdom among donors, partly based on this research and partly due to development practitioners that believe this to be the case based on their own experience. The appeal of this approach is that it can explain why aid seems to have supported growth in some “well-behaving” countries but not others.

**B. Donor practices:** Many analysts have argued that donor practices strongly influence aid effectiveness. For example, multilateral aid might be more effective than bilateral aid, and “untied” aid is thought to have higher returns than “tied” aid, as discussed previously. Many observers argue that donors that have large bureaucracies do not coordinate with other donors or have poor monitoring and evaluation systems that undermine the effectiveness of their own programs. Two influential and overlapping views argue that aid would be more effective

if there were greater “country ownership” or broader “participation” among government and community groups in recipient countries in setting priorities and designing programs. There has been substantial debate about these issues, and in some cases these ideas have begun to change donor practices. But to date there has been very little systematic research connecting specific donor practices to aid effectiveness.

**C. Type of aid:** Different kinds of aid might affect growth in different ways. Clemens, Radelet, and Bhavnani (2004) disaggregated aid into types most likely and least likely to affect growth within a few years, if at all. They separated aid into three categories: (1) emergency and humanitarian aid (likely to be negatively associated with growth, since aids tends to increase sharply at the same time growth falls following an economic shock); (2) aid that might only affect growth after a long period of time, if at all, and so the relationship may be difficult to detect (such as aid for health, education, the environment, and to support democracy); and (3) aid that is directly aimed at affecting growth (building roads, ports, and electricity generators, or supporting agriculture). It is found that a strong positive relationship exists between the third type of aid (about half of all aid) and growth, a result which stood up to a wide variety of robustness checks. As expected, the relationship with the other types was less detectable.

#### 4.4. Non-governmental Organizations (NGOs) and Development

##### Introduction

NGOs play a significant role in the social development process of all regions of the world. They are particularly critical in circumstances where state funds are limited, political situations are fluid, natural disasters resulting from predictable and unpredictable environmental circumstances occur, ethnic strife is rampant and the level of per capita income severely restricts the ability to purchase needed goods and services—social, education and economic. The poorest countries of the world are affected by the factors stated above.

##### 4.4.1. The Concept of Non-governmental Organizations

- What are Non-governmental organizations?
- Can they contribute to the development of a country?

The term NGO encompasses a variety of organizations. World Bank defined NGOs as “Private organizations that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services or undertake community development. In its wider usage, the term NGO applies to any non-profit organizations which are independent of government. NGOs are value based organizations which depend, in whole or in part, on charitable donations and voluntary services. Although the NGO sector has become increasingly professionalized over the past decades, but principles of altruism and volunteerism remain key defining characteristics of NGOs.

Terms like Civil Society Organizations (CSOs), private voluntary organizations (PVOs), Non-profit charities/Charitable organizations, third sector organizations, etc can be used to refer to NGOs. These terms encompass a wide variety of groups but these terms have some distinctions in specific situations.

**Can you list some criteria that help to distinguish NGOs from other organizations?**

A Common Wealth Foundation, a London based NGO study group, claimed that an organization may be correctly labeled as an NGO if it has the following characteristics.

1. **Voluntary:** NGOs are formed voluntarily by citizens with an element of voluntary participation in the organization, whether in the form of small numbers of board members or large numbers of members or time given by volunteers.
2. **Independent:** NGOs are independent within the laws of society and controlled by those who have formed them or by elected or appointed boards. The legal status of NGOs is based on freedom of association—one of the most basic human rights. The International Covenant of Civil and Political Rights developed by the United Nations in 1966 and since ratified by 135 countries, grant the right to assemble.
3. **Not-for-profit:** NGOs are not for private personal profit or gain. NGOs may, in many countries, engage in revenue-generating activities, but must use the revenue solely in pursuit of the organization’s mission. Like other enterprises, NGOs have employees who are paid for what they do. Boards are not usually paid for the work they perform, but may be reimbursed for expenses they incur in the course of performing their board duties.

**4. Not self-serving in aims and related values:** The aims of NGOs are to improve the circumstances and prospects of people and to act on concerns and issues detrimental to the well-being, circumstances, or prospects of people or society as a whole.

NGOs are private organizations and pursue a variety of activities that enhance the general welfare of the communities they serve. NGOs need to be autonomous and politically neutral. They may be secular or religious and often work in tandem with national and local governments, regional groupings and/or international bodies. One of their major strengths, however, lies in their ability to maintain institutional autonomy and political neutrality. These two factors are more important for some NGOs than others and not always possible to attain. Government/NGO collaboration is both a common and desirable feature in many international development programs organized under foreign aid initiatives or by foreign aid donors. Maintaining institutional autonomy and political neutrality in some of these cases is a tremendous challenge. Failure to maintain autonomy and neutrality may severely jeopardize goal achievement, threaten the stability of an already unstable situation, and compromise the NGOs legitimacy to work in given countries.

Unfortunately, if governments or warring factions implicitly or explicitly expect and insist upon political allegiance, NGOs face the dilemma of either violating their position on neutrality or failing to provide needed services to citizens who are victims of a conflict they did not generate and are powerless to control. Examples of this in the world today are abundant. Indeed, some international NGOs administering emergency assistance in trouble-torn countries have been asked to leave for political reasons. Others have left because the safety of their personnel could not be guaranteed, or because their neutrality or sovereignty was threatened thus compromising their stated mission. Non-secular NGOs may have a more difficult time maintaining political neutrality in a country torn by ethnic and/or religious strife.

#### **4.4.1.1. Advantages of NGOs**

**Do you think that NGOs have contribution to the development of a country?**

The major advantages of NGOs include their flexibility, ability to innovate, grass-roots orientation, humanitarian vs. commercial goal orientation, non-profit status, dedication and commitment, and recruitment philosophy. Many are made up of volunteers so deeply committed to the NGOs mission that they are willing to undergo considerable hardships and no monetary

compensation in order to carry out that mission. In addition to supporting innovation, NGOs may serve as pilots for larger anticipated projects, help to motivate and involve community based organizations whose constituents may be the primary beneficiaries of a larger project, serve as advocates or ombudspersons, and are in a unique position to share communication both horizontally and vertically. A close look at the implementation strategy of any given country's development plan will reveal the nature and extent of NGO activity in relation to its current circumstances. Relief for families and children affected by the AIDS pandemic, local social development, environmental protection, gender equality, the protection of children's rights and freedoms, and promoting the positive and fighting against the ill effects of economic globalization, feature prominently in the list of NGO activities throughout the world today.

Drawbacks in partnering or working with local, national, and international NGOs, to some extent, are the mirror image of the advantages discussed above. In addition, disadvantages concerned with sustainable social development include over-zealousness, restricted local participation, inadequate feasibility studies, conflicts or misunderstanding with the host partner (usually resulting from a poorly negotiated contract and lack of safeguards), inflexibility in recruitment and procedures, lack of adequate funding to complete or sustain projects, inadequately trained personnel, turf issues, lack of transparency, inadequate or non-existent evaluation component and research expertise, inability to replicate results, and cultural insensitivity. Many NGOs operating on a restricted budget fail to include a feasibility and evaluation component. This has been shown repeatedly to be a serious and costly omission.

With regard to cultural insensitivity, national (if the country is multi-ethnic) and international NGOs have a responsibility to ensure that the services provided are suitable to the population being served. While this appears to be obvious, some projects involving NGOs operate on the "one size fits all" model. Cultural sensitivity and cultural relevance are particularly important when matters of health and welfare are concerned. An ethnic group's response to illness, wellness, tragedy, natural disaster, and up-rootedness is embedded in its cultural and religious beliefs and practices. For example, if mass relocation of a population is necessary to meet an important development goal, cooperation may depend upon how local deities are accommodated in the relocation process. An excellent field example involving the importance of understanding local culture in a relief effort also occurred in Ghana during the mass exodus of Ghanaians from Nigeria in the 1980s. Many international NGO personnel arriving on the scene to dispense

humanitarian aid were surprised at the lack of relief camps at the border. The NGO supplies included equipment generally found to be essential in such camps. Relying on the existence of a strong extended family system characteristic of this country, the government put in place a plan for transporting incoming nationals immediately to their hometown or location of ethnic origin. This avoided the hardship and squalor usually associated with emergency squatter arrangements and placed the initial responsibility for resettlement on the returnees' families and community. The NGOs then had to re-evaluate the role they needed to play in this cultural context.

Efforts to manage the AIDS crisis in many countries hit by this pandemic would not be successful without the dedication of local, national, and international NGOs. Local NGOs have played a vital role in tailoring government and private response to the cultural practices of local populations. The extent to which information and efforts to change behavior are geared to the cultural beliefs of the local population can make or break a development, relief or prevention program. Because many development programs – especially health - focus on KAB (knowledge, attitude and behavior), it is critical at the design stage to understand the psychological components of attitude development and change within a given cultural context. International NGOs with national and local counterparts have the advantage of input and feedback from their local affiliates in designing culturally appropriate programs. This input should not be overlooked or minimized.

Generally, as stated earlier, NGOs play a significant role in the development of developing countries. They have comparative advantage over government in the following areas.

- A. **Innovation:** NGOs can play a key role in the design and implementation of programs focused on poverty reduction and other development goals. They initiate programs.
- B. **Program Flexibility:** An NGO can address development issues viewed as important for the communities in which it works. In principle, an NGO is not constrained by the limits of public policy or other agendas such as those of donor-country foreign assistance priorities or by domestic or local government programs.
- C. **Specialized technical Knowledge:** International organizations can draw on experience of many countries. Local poor countries' governments are weak in terms of this.
- D. **Target Local public goods:** The main target of NGOs is socially excluded groups. It works at grassroots level with the disadvantaged groups. Empowering the disadvantaged is the main objective of NGOs.

E. **Common property resource management design and implementation:** NGOs participate local people in, problem identification, design and implementation of programs and projects.

F. **Trust and Credibility:** This is another advantage of NGOs over government. People in some countries trust NGOs that they provide effective services to groups with special needs, notably those in extreme poverty.

G. **Representation and advocacy:** NGOs understand the need of the poor and advocate on the behalf of disadvantaged groups.

#### **4.4.2. Debates on NGOs**

##### **Do you think that NGOS have a role in development? Explain it?**

There is a debate on the role of NGOs between the supporters (Pros) and opponents of NGOs (Cons) in development. The proponents of the development of NGO believe that NGOs work with and on behalf of the disadvantaged groups and at grass root levels. They argued that NGOs participate in providing emergency relief, protecting child health, promoting women's rights, alleviating poverty and providing rural credit for small farmers.

However, the opponents of NGO argued that instead of realizing their potential, NGOs may be insignificant (owing to limited resources or small scale and reach), selective and exclusionary, elitist and/or ineffective. They even further argued that NGOs spend largest proportion of their income for office and payment of salary of management body.

##### **4.4.2.1. Non-Governmental organizations involvement areas in Development**

###### **NGOs Target Areas**

##### **List some of the activities you believe are performed by the NGOs?**

Non-governmental organizations (NGOs) play a significant role in the social development process of all regions of the world. They are particularly critical in circumstances where State funds are limited, political situations are fluid, natural disasters resulting from both predictable and unpredictable environmental circumstances occur, ethnic strife is rampant, and the level of per capita income severely restricts the ability to purchase needed goods and services – social, educational and economic.

Many of the world's poorest countries are the hardest hit by conditions described above. As a response, different local, national and international NGOs operating throughout the world have made tremendous efforts in helping nations to meet and sustain their development objectives. They have helped to facilitate achievements in basic human development as measured by the United Nations Human Development Index (HDI). They have also been on the front lines in the fight for human rights, equality, freedom, and social justice. They will certainly play a key role in the implementation of the goals outlined in the Millennium Development Compact plan of action to end human poverty. Areas targeted for achieving sustainable growth – governance, health, education, infrastructure, and access to markets—are areas in which NGOs are already working. Mobilizing grass-roots support is already a major component of the mission of many successful NGOs.

A nation need not be poor to benefit from the contributions made by the NGOs. While individual governments are responsible for meeting the needs of its citizens, there is a limit to what central government is willing and able to do in both rich and poor countries. NGOs play a vital role in complementing government efforts in meeting human need in nearly all countries. Very few countries have reached the ideal of sustaining the human condition at an optimal level, whatever the GNP and other indicators of wealth, through dependence on government action alone. NGOs help fill in the gaps while systematically.

In Summary, the NGO are involved in the following areas:

- **Policy Formulation:** There is a marked increase in NGO participation in policy processes as invited participants. Their representatives have had seats at the table in formulation of specific policies, district development plans and on technical committees and sub-committees at all levels. This is highly commendable.
- **As Pressurizes/Agenda Setters:** NGOs sometimes exert pressure from outside 'the tent' on both formulation and implementation of policies, programs and plans. They use campaigning—a visible activity directed at a certain constituency, often media—mediated and lobbying—a direct and often private approach to individuals or small groups of people, as an attempt to influence the decisions of the institutional elite on behalf of a collective interest. NGOs are supposed to act as counter weight to state power—protecting human rights, opening up channels of communication and participation, providing training grounds for activists and promoting pluralism.

- **As Service Deliverers:** NGOs engage with policy makers at implementation or field/ action level. Implementation is an important policy phase as it is often at that stage that failures in the policy processes occur. Here NGOs play a bridging role between government and the people.
- **As Monitors:** NGOs can provide an independent assessment of how public resources are being allocated at the national and local level. After NGOs have advocated for equitable distribution of national resources during the budget process, they monitor whether these resources reach the intended beneficiaries and whether they translate into 'value for money' (getting the best outcome using limited financial and human resources) for end users. NGOs also have a role to play in assessing how quickly and effectively the private sector is moving into space created for it by liberalization and rolling back of state institutions from direct production and whether the premises on which this model is based hold for our type of economies.
- **As innovators:** NGOs are sometimes instrumental in the introduction of new approaches and techniques which, when adopted, bring considerable benefits to the poor. Examples include introduction of new technologies, farming methods, resolution of conflicts, etc.
- **As Partners:** NGOs work in partnership with Governments and Donors in the planning process by offering expertise, experience and whether possible logistics and other resources. NGOs are agents of change but their ability to effect change rests on organizational independence, closeness to the poor, representative structures and a willingness to spend a large amounts of time in awareness-raising and dialogue. NGOs particularly those working closely with community based organizations (CBOs) and which believe in the efficacy of 'empowerment' approaches can be an important asset when government wants to mobilize people.

#### 4.4.3.NGOs in Ethiopia

Voluntary organizations have long history in Ethiopian context. The first organizations in Ethiopia which can be defined as NGOs were traditional self help systems. They were established based on social, religious, and locality or kinship criteria. They existed as self-help institutions for many years providing support in times of hardship. These associations are either religious or secular. Examples of these organizations are debo, mahiber, senbete, Idir and so on.

NGOs first started to appear in Ethiopia in the 1960s and these were mostly of European origin. In 1960, both foreign and local NGOs were established when these self-help groups could no longer suffice to support the needy of the country. The first NGOs established in the country were the Ethiopian Red Cross and Swedish Save the Children. In the 1970s more NGOs emerged especially in response first to the 1973/74 famine and later on to the 1983/84 famine. The number of NGOs continued to grow after the overthrow of the military regime (Derg) in 1991. Change in government created fertile ground for the development of NGOs in Ethiopia. However, their activities were principally limited to relief and rehabilitation before they became more development oriented.

The history of NGOs in Ethiopia began by providing relief services, which lasted for a long time. With an improvement in the situation after the famine, the focus of NGOs shifted towards rehabilitating people in need. This was then gradually followed by NGOs involvement in development programs. Although a large majority of the NGO sector undertakes development programs today, because of recurring drought in certain pocket areas of the country, there are NGOs which undertake relief activity alongside their development programs. A further improvement in their development work is the establishment of few advocating NGOs. Today, NGOs advocate on different policy issues that have implication on their work and/or beneficiaries.

### **Types of NGOs**

NGOs operating in Ethiopia could be categorized into two main categories:

1. **Indigenous NGOs:** These are NGOs established in the country by either Ethiopians or non-Ethiopians.
2. **International NGOs:** These are NGOs which have their head offices abroad and obtain support from those offices. Again from within these NGOs another category could be established: