DOWNLOAD PDF THEORY AND EXPERIENCE OF ECONOMIC DEVELOPMENT

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*The Theory and Experience of Economic Development: Essays in Honour of Sir Arthur Lewis [Mark Gersovitz, Carlos F. Diaz-Alejandro, Gustav Ranis, Mark R. Rosenzweig] on calendrierdelascience.com *FREE* shipping on qualifying offers. This volume, first published in , is a collection of original essays written to honour Professor W. Arthur Lewis.*

Modernization theory Modernization theory is used to analyze the processes in which modernization in societies take place. The theory looks at which aspects of countries are beneficial and which constitute obstacles for economic development. Scientists from various research disciplines have contributed to modernization theory. Sociological and anthropological modernization theory[edit] The earliest principles of modernization theory can be derived from the idea of progress, which stated that people can develop and change their society themselves. Marquis de Condorcet was involved in the origins of this theory. This theory also states that technological advancements and economic changes can lead to changes in moral and cultural values. It described how social order is maintained in society and ways in which primitive societies can make the transition to more advanced societies. David Apter , who did research on the political system and history of democracy; Seymour Martin Lipset , who argued that economic development leads to social changes which tend to lead to democracy; David McClelland , who approached modernization from the psychological side with his motivations theory; and Talcott Parsons who used his pattern variables to compare backwardness to modernity. It assumes that economic growth can only be achieved by industrialization. Growth can be restricted by local institutions and social attitudes , especially if these aspects influence the savings rate and investments. The constraints impeding economic growth are thus considered by this model to be internal to society. Rostow identified five stages through which developing countries had to pass to reach an advanced economy status: He argued that economic development could be led by certain strong sectors; this is in contrast to for instance Marxism which states that sectors should develop equally. As such, it neglects the social structures that have to be present to foster development. In this model Lewis explained how the traditional stagnant rural sector is gradually replaced by a growing modern and dynamic manufacturing and service economy. Modernization which is forced from outside upon a society might induce violent and radical change, but according to modernization theorists it is generally worth this side effect. Critics point to traditional societies as being destroyed and slipping away to a modern form of poverty without ever gaining the promised advantages of modernization. Structuralist economics Structuralism is a development theory which focuses on structural aspects which impede the economic growth of developing countries. Policy prescriptions resulting from structuralist thinking include major government intervention in the economy to fuel the industrial sector , known as import substitution industrialization ISI. This structural transformation of the developing country is pursued in order to create an economy which in the end enjoys self-sustaining growth. This can only be reached by ending the reliance of the underdeveloped country on exports of primary goods agricultural and mining products , and pursuing inward-oriented development by shielding the domestic economy from that of the developed economies. Trade with advanced economies is minimized through the erection of all kinds of trade barriers and an overvaluation of the domestic exchange rate; in this way the production of domestic substitutes of formerly imported industrial products is encouraged. The logic of the strategy rests on the infant industry argument , which states that young industries initially do not have the economies of scale and experience to be able to compete with foreign competitors and thus need to be protected until they are able to compete in the free market. If true, this would also support the ISI strategy. Structuralists argue that the only way Third World countries can develop is through action by the state. Third world countries have to push industrialization and have to reduce their dependency on trade with the First World , and trade among themselves.

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Chapter 2 : Development economics - Wikipedia

The book will be of interest to both the academic researcher and practicing professionals in the international organisations and national governments, and are particularly appropriate to graduate courses in economic development, cost-benefit analysis and economic history.

Economic nationalism Following mercantilism was the related theory of economic nationalism , promulgated in the 19th century related to the development and industrialization of the United States and Germany, notably in the policies of the American System in America and the Zollverein customs union in Germany. A significant difference from mercantilism was the de-emphasis on colonies, in favor of a focus on domestic production. Following Brexit and the United States presidential election, , some experts have argued a new kind of "self-seeking capitalism" popularly known as Trumponomics could have a considerable impact on cross-border investment flows and long-term capital allocation [8] [9] See also: Only after the war did economists turn their concerns towards Asia, Africa and Latin America. At the heart of these studies, by authors such as Simon Kuznets and W. Arthur Lewis [14] was an analysis of not only economic growth but also structural transformation. Rostow in The Stages of Growth: These stages are "the traditional society, the pre-conditions for take-off, the take-off, the drive to maturity, and the age of high mass-consumption" [16] Simple versions of the Harrodâ€"Domar model provide a mathematical illustration of the argument that improved capital investment leads to greater economic growth. That is to say that this early and simplistic theory failed to account for political, social and institutional obstacles to development. Furthermore, this theory was developed in the early years of the Cold War and was largely derived from the successes of the Marshall Plan. This has led to the major criticism that the theory assumes that the conditions found in developing countries are the same as those found in post-WWII Europe. The pattern that a particular country will follow, in this framework, depends on its size and resources, and potentially other factors including its current income level and comparative advantages relative to other nations. The two-sector surplus model, which was developed in the s, has been further criticized for its underlying assumption that predominantly agrarian societies suffer from a surplus of labor. Actual empirical studies have shown that such labor surpluses are only seasonal and drawing such labor to urban areas can result in a collapse of the agricultural sector. The patterns of development approach has been criticized for lacking a theoretical framework. Unlike earlier theories, international dependence theories have their origins in developing countries and view obstacles to development as being primarily external in nature, rather than internal. These theories view developing countries as being economically and politically dependent on more powerful, developed countries which have an interest in maintaining their dominant position. There are three different, major formulations of international dependence theory: The first formulation of international dependence theory, neocolonial dependence theory, has its origins in Marxism and views the failure of many developing nations to undergo successful development as being the result of the historical development of the international capitalist system. Neoclassical theories argue that governments should not intervene in the economy; in other words, these theories are claiming that an unobstructed free market is the best means of inducing rapid and successful development. Competitive free markets unrestrained by excessive government regulation are seen as being able to naturally ensure that the allocation of resources occurs with the greatest efficiency possible and the economic growth is raised and stabilized. These different takes on neoclassical theory are the free market approach, public-choice theory, and the market-friendly approach. Of the three, both the free-market approach and public-choice theory contend that the market should be totally free, meaning that any intervention by the government is necessarily bad. Public-choice theory is arguably the more radical of the two with its view, closely associated with libertarianism , that governments themselves are rarely good and therefore should be as minimal as possible. Anne Krueger noted in that success and failure of policy recommendations worldwide had not consistently been incorporated into prevailing academic writings on trade and development. This approach still advocates free markets but recognizes that there are many imperfections in the markets of many developing nations and thus argues that some government intervention is an effective means of fixing such imperfections. In fact, the majority of development economists are employed by, do consulting with, or receive funding from institutions like the IMF and the World Bank. Where economic issues merge with social and political ones, it is referred to as development studies. Economic development and ethnicity[edit] A growing body of research has been emerging among development economists since the very late 20th century focusing on interactions between ethnic diversity and economic development, particularly at the level of the nation-state. While most research looks at empirical economics at both the macro and the micro level, this field of study has a particularly heavy sociological approach. The more conservative branch of research focuses on tests for causality in the relationship between different levels of ethnic diversity and economic performance, while a smaller and more radical branch argues for the role of neoliberal economics in enhancing or causing ethnic conflict. Moreover, comparing these two theoretical approaches brings the issue of endogeneity endogenicity into questions. This remains a highly contested and uncertain field of research, as well as politically sensitive, largely due to its possible policy implications. The role of ethnicity in economic development[edit] Much discussion among researchers centers around defining and measuring two key but related variables: It is debated whether ethnicity should be defined by culture, language, or religion. Several indices have been proposed in order to model ethnic diversity with regards to conflict.

Chapter 3 : The Theory and Experience of Economic Development : Mark Gersovitz :

This volume, first published in , is a collection of original essays written to honour Professor W. Arthur Lewis, co-winner of the Nobel Prize in economics. The authors, an international group of distinguished scholars, address a varied set of specific issues reflecting Professor Lewis.

Bring fact-checked results to the top of your browser search. Lessons from development experience By the end of the s the experience gained from efforts to promote economic development showed great differences among developing countries. Some had broken away relatively quickly from the import-substitution, government-control and -ownership pattern that had been the early development wisdom. Others persisted with the same policies for several decades. A great deal was learned from the experiences of different developing countries. The importance of agriculture Despite early emphasis on industrialization through import substitution, a first major lesson of postwar experience was that there is a close connection between the rate of growth in the output of the agricultural sector and the general rate of economic development. The high rates of economic growth are associated with rapid expansion of agricultural output and low rates of economic growth with the slow growth of agriculture. This is in hindsight, at least to be expected, since agriculture forms a large part of the total domestic product and of the exports of the developing countries. What is more interesting is that the expansion of agricultural output was by no means confined to those countries with an abundant supply of unused land to be brought under cultivation. Taiwan and South Korea , with some of the highest population densities in the world, were able to expand their agricultural output rapidly by a vigorous pursuit of appropriate policies. These included the provision of adequate irrigation facilities, enabling a succession of crops to be grown on the same piece of land throughout the year; the use of high-yielding seeds and fertilizers, which raised the yields per acre in a dramatic fashion; provision of adequate incentives for producers by setting producer prices at reasonable levels; and improvements in credit and marketing facilities and a general improvement in the economic organization of the agricultural sector. Agricultural development is important because it raises the incomes of the mass of the people in the countryside; in addition, it increases the size of the domestic market for the manufacturing sector and reduces internal economic disparities between the urban centres and the rural districts. The role of exports A second conclusion to be drawn from experience is the close connection between export expansion and economic development. The high-growth countries were characterized by rapid expansion in exports. Here again it is important to note that export expansion was not confined to those countries fortunate in their natural resources, such as the oil-exporting countries. Some of the developing countries were able to expand their exports in spite of limitations in natural resources by initiating economic policies that shifted resources from inefficient domestic manufacturing industries to export production. Nor was export expansion from the developing countries confined to primary products. There was very rapid expansion of exports of labour-intensive manufactured goods. This phenomenon occurred not only in the extremely rapidly growing, newly industrialized countries NICs â€”Singapore, South Korea, and Taiwan, as well as Hong Kongâ€”but also from other developing countries including Brazil, Argentina , and Turkey. They were also able to maintain their growth momentum during periods of worldwide recession better than were the countries that maintained their import substitution policies. Analysts have pointed to a number of reasons why the export-oriented growth strategy seems to deliver more rapid economic development than the import substitution strategy. First, a developing country able to specialize in producing labour-intensive commodities uses its comparative advantage in the international market and is also better able to use its most abundant resourceâ€"unskilled labour. The experience of export-oriented countries has been that there is little or no disguised unemployment once labour-market regulations are dismantled and incentives are created for individual firms to sell in the export market. Second, most developing countries have such small domestic markets that efforts to grow by starting industries that rely on domestic demand result in uneconomically small, inefficient enterprises. Moreover, those enterprises will typically be protected from international competition and the incentives it provides for efficient production techniques. Third, an export-oriented strategy is inconsistent with the impulse to impose detailed economic controls; the absence of such controls , and their replacement by incentives, provides a great stimulus to increases in output and to the efficiency with which resources are employed. It is important in this connection to stress the educative effect of freer international trade in creating an environment conducive to the acceptance of new ideas, new wants, and new techniques of production and methods of organization from abroad. The negative effect of controls Another major lesson that was learned is that poor people are, if anything, more responsive to incentives than rich people. Nominal exchange rates that are pegged without regard to domestic inflation have strong negative effects on incentives to export; producer prices for agricultural goods that are set as a small fraction of their world market price constitute a significant disincentive to agricultural production; and controls on prices and investment serve as significant deterrents to economic activity. In some countries, legal exports diminished sharply as smuggling and underinvoicing intensified in response to increasing discrepancies between the official exchange rate and the black-market rate. The importance of appropriate incentives As a corollary to the lesson that controls may strongly divert economic activity from an efficient allocation of resources , it became increasingly evident that inappropriate incentives can adversely affect economic behaviour. The response of agricultural supply to increases in producer prices is considerably stronger than was earlier believed. Likewise, individuals respond to incentives with respect to their education and training. Thus, much of the overinvestment in education referred to earlier came to be seen as the result of artificially inflated wages for university graduates in the public sector and of the fact that university education was virtually free to students in many developing countries. As a consequence, students perceived an incentive to obtain university degrees, even when there was a chance that they would remain unemployed for an extended period of time. When they did eventually find employment, the high wage would compensate for their earlier period of unemployment. Privately, such behaviour makes good sense in response to existing incentives; socially, however, it represents a waste of valuable and scarce resources. The role of the international economy In the modern view of development, an open, expanding international economy is the greatest support that the developed countries can provide for developing countries. Foreign aid can be extremely helpful in situations in which policies are conducive to development, but development will in any event be accelerated if the international economy is experiencing healthy growth. Removal of the trade barriers that developed countries have erected against developing countries is at least as important as economic aid. Trade barriers are many. They include restrictions on temperate-zone agricultural products and sugar; restrictions on the simpler labour-intensive manufactured goods which often can be produced more cheaply in developing countries including especially the Multifibre Arrangement under which imports of textiles and clothing into developed countries are greatly restricted; and tariff escalation, or higher rates of duties on processed products as compared with raw materials, which discourages the growth of processing industries in the developing countries. The removal of these trade barriers can help those developing countries that have already shown their capacity to take advantage of the available external economic opportunities to grow even more satisfactorily and can also provide additional incentives for other developing countries to alter their economic policies. Population growth Still another lesson is the desirability of slowing down the rapid population growth that characterizes most developing countries. Their average rate of population growth is about 2. If the aim of economic development is to raise the level of per capita incomes, it is obvious that this can be achieved both by increasing the rate of growth of total output and by reducing the rate of growth of population. Development economists of the s tended to neglect population-control policies. They were partly seduced by theories of dramatically raising total output through crash investment programs and partly by the belief that population growth could be controlled only slowly, through gradual changes in social attitudes and values. But it is now recognized that some births in developing countries are unwanted. Great technical advances in methods of birth control about the same time made possible mass dissemination at very low cost. Countries where these methods were made available experienced significant declines in birth rates, although significant changes in social attitudes and values are necessary before average family size declines enough to halt population growth. As soon as birth rates stop rising, the relative increase in population in the working-age groups and the higher income available to existing family members immediately start to release resources for increasing consumption and saving. Development of domestic industry The positive case for the expansion of the manufacturing sector may now be considered. It is based on the general assumption that the manufacturing sector will in due course become the leading sector, drawing in workers in part, siphoning off a portion of the increase in the labour force that would otherwise tend to drive down labour productivity in agriculture from the traditional agricultural sector and providing them with higher-productivity jobs than could be obtained in agriculture. Agricultural productivity would necessarily be rising simultaneously, as investments in that sector permitted increasing output. Whereas it was earlier thought that this process would follow the historical experience of countries such as England and Japan , the lesson from the successful developing countries is that by providing incentives and infrastructural support to encourage exports, there are significant opportunities for expansion of manufacturing of labour-intensive commodities, opportunities that can promote rapid growth. Thus, given the much greater size of the international economy, and the much lower transport and communications costs that confront contemporary developing countries as contrasted with conditions in the 19th century, the potential for rapid growth is much greater now. Countries such as South Korea and Taiwan have experienced in a decade proportionate increases in per capita incomes that it took England and Japan a century to achieve. Whether other developing countries can follow this lead depends on a number of factors, including their economic policies and the continued growth of the international economy. Hla Myint Anne O. Krueger The central problem of countries with low per capita output is that they have not as yet succeeded in making use of their potential economic opportunities. To do so, they must achieve an efficient allocation of the available resources and provide incentives for resource accumulation. But efficient allocation of resources is not merely a matter of the formal optimum conditions of economic theory. It requires the building up of an effective institutional and organizational framework to carry out the allocation of resources. In the private sector this requires the development of a well-articulated market system that embraces the markets for final products and the markets for factors of production. In the public sector the development of the organizational framework requires improvements in the administrative machinery of the government, especially in its fiscal machinery. In the setting of the developing countries, one is concerned not only with the once for all problem of efficient allocation of resources but also with improving the capacity of these countries to make a more effective use of their resources over a period of time. That is to say, one is concerned not only with the static problem of the efficient allocation of given resources with the given organizational framework but also with dynamic problems of improving the capability of this framework. From this point of view, there is no conflict, as some have maintained, between the static, or the short-run, considerations and the dynamic, or long-run, considerations. The two sets of requirements move in the same direction. The problem of the efficient allocation of investable funds in the developing countries may be taken as an example. Static rules would require the developing countries to have higher rates of interest to reflect their greater capital scarcity. But many developing countries, under the influence of dynamic theories of economic development, have used a variety of direct and indirect controls to divert large sums of capital to the manufacturing sector in the form of loans at interest rates well below the level required to equate the demand and supply of capital funds. This practice has resulted not only in a wasteful use of scarce capital resources but also in a retardation of the development of a domestic capital market. Instead of developing a unified capital market for the whole country, it aggravates the financial dualism characterized by low rates of interest in the modern sector and high rates in the traditional sector. The policy of keeping the official rate of interest below the equilibrium rate of interest also results in an excess demand for loans, leading to domestic inflation and pressure on the balance of payments and to a discouragement of the growth of domestic savings. Few private individuals are prepared to buy government securities when they frequently carry rates of interest below the rate of depreciation in the value of money.

Chapter 4 : Development Theories

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It has also become a key idea for business theory and practice, and entered academic debates. Here we examine some key themes in the theory and experience of globalization. That spread has involved the interlacing of economic and cultural activity. This political project, while being significant â€” and potentially damaging for a lot of poorer nations â€" is really a means to exploit the larger process. Globalization in the sense of connectivity in economic and cultural life across the world, has been growing for centuries. However, many believe the current situation is of a fundamentally different order to what has gone before. There has also been a shift in power away from the nation state and toward, some argue, multinational corporations. Globalization involves the diffusion of ideas, practices and technologies. It is something more than internationalization and universalization. This involves a change in the way we understand geography and experience localness. As well as offering opportunity it brings with considerable risks linked, for example, to technological change. More recently, Michael Mann has commented: Concretely, in the period after this means the diffusion of ideologies like liberalism and socialism, the spread of the capitalist mode of production, the extension of military striking ranges, and the extension of nation-states across the world, at first with two empires and then with just one surviving. Here we want to focus on four themes that appear with some regularity in the literature: He characterizes it as a new brand of capitalism that has three fundamental features: Productivity and competitiveness are, by and large, a function of knowledge generation and information processing; firms and territories are organized in networks of production, management and distribution; the core economic activities are global â€" that is, they have the capacity to work as a unit in real time, or chosen time, on a planetary scale. Many of the activities that previously involved face-to-face interaction, or that were local, are now conducted across great distances. There has been a significant de-localization in social and economic exchanges. Activities and relationships have been uprooted from local origins and cultures Gray But de-localization goes well beyond this. Increasingly people have to deal with distant systems in order that they may live their lives. Banking and retailing, for example, have adopted new technologies that involve people in less face-to-face interaction. Your contact at the bank is in a call centre many miles away; when you buy goods on the internet the only person you might speak to is the delivery driver. In this last example we move beyond simple notions of distance and territory into a new realm and this is what Scholte is especially concerned with when he talks of globalization. When we buy books from an internet supplier like Amazon our communications pass through a large number of computers and routers and may well travel thousands of miles; the computers taking our orders can be on a different continent; and the books can be located anywhere in the world. Not everything is global, of course. What happens in local neighbourhoods is increasingly influenced by the activities of people and systems operating many miles away. People and systems are increasingly interdependent. It may look like it is made up of separate and sovereign individuals, firms, nations or cities, but the deeper reality is one of multiple connections. As Castells noted they are organized around networks of production, management and distribution. Those that are successful have to be able to respond quickly to change â€" both in the market and in production. Sophisticated information systems are essential in such globalization. Globalization and the decline in power of national governments. A major causality of this process has been a decline in the power of national governments to direct and influence their economies especially with regard to macroeconomic management. Shifts in economic activity in say, Japan or the United States, are felt in countries all over the globe. The internationalization of financial markets, of technology and of some manufacturing and services bring with them a new set of limitations upon the freedom of action of nation states. In addition, the emergence of institutions such as the World Bank, the European Union and the European Central Bank, involve new constraints and imperatives. Yet while the influence of nation states may have shrunk as part of the process of globalization it has not disappeared. However, we need to examine the way in which national governments frame their thinking about policy. There is a strong argument that the impact of globalization is most felt through the extent to which politics everywhere are now essentially market-driven. Developments in the life sciences, and in digital technology and the like, have opened up vast, new possibilities for production and exchange. Innovations like the internet have made it possible to access information and resources across the world â€" and to coordinate activities in real time. Globalization and the knowledge economy. Earlier we saw Castells making the point that productivity and competitiveness are, by and large, a function of knowledge generation and information processing. This has involved a major shift â€" and entails a different way of thinking about economies. For countries in the vanguard of the world economy, the balance between knowledge and resources has shifted so far towards the former that knowledge has become perhaps the most important factor determining the standard of living â€" more than land, than tools, than labour. Paul Romer and others have argued that technology and the knowledge on which it is based has to be viewed as a third factor in leading economies. Global finance, thus, becomes just one force driving economies. Inevitably this leads onto questions around the generation and exploitation of knowledge. There is also a growing gap within societies see, for example, Stiglitz However, there are powerful counter-forces to this ideal. Indeed, writers like Ulrich Beck Risks in this sense can be viewed as the probability of harm arising from technological and economic change. Hazards linked to industrial production, for example, can quickly spread beyond the immediate context in which they are generated. In other words, risks become globalized. A universalization of hazards accompanies industrial production, independent of the place where they are produced: They dip under borders. Risks can catch up with those who profit or produce from them. The basic insight lying behind all this is as simple as possible: In this way a genuine and systematically intensifying contradiction arises between the profit and property interests that advance the industrialization process and its frequently threatening consequences, which endanger and expropriate possessions and profits not to mention the possession and profit of life Beck As knowledge has grown, so has risk. Indeed, it could be argued that the social relationships, institutions and dynamics within which knowledge is produced have accentuated the risks involved. Risk has been globalized. Globalization and the rise of multinational corporations and branding A further, crucial aspect of globalization is the nature and power of multinational corporations. Such companies now account for over 33 per cent of world output, and 66 per cent of world trade Gray Significantly, something like a quarter of world trade occurs within multinational corporations op. This last point is well illustrated by the operations of car manufacturers who typically source their components from plants situated in different countries. However, it is important not to run away with the idea that the sort of globalization we have been discussing involves multinationals turning, on any large scale, to transnationals: Hirst and Thompson While full globalization in this organizational sense may not have occurred on a large scale, these large multinational corporations still have considerable economic and cultural power. Globalization and the impact of multinationals on local communities. Multinationals can impact upon communities in very diverse places. First, they look to establish or contract operations production, service and sales in countries and regions where they can exploit cheaper labour and resources. It can also mean large scale unemployment in those communities where those industries were previously located. Second, multinationals constantly seek out new or under-exploited markets. They look to increase sales â€" often by trying to create new needs among different target groups. One example here has been the activities of tobacco companies in southern countries. Another has been the development of the markets predominantly populated by children and young people. In fact the child and youth market has grown into one the most profitable and influential sectors. Kenway and Bullen Of course such commodification of everyday life is hardly new. Writers like Erich Fromm were commenting on the phenomenon in the early s. However, there has been a significant acceleration and intensification and globalization with the rise of the brand see below and a heavier focus on seeking to condition children and young people to construct their identities around brands. Third, and linked to the above, we have seen the erosion of public space by corporate activities. Significant areas of leisure, for example, have moved from more associational forms like clubs to privatized, commercialized activity. Like the concept of citizenship itself, recreational space is now privatized as commercial profit-making venture. Gone are the youth centers, city public parks, outdoor basketball courts or empty lots where kids call play stick ball. Play areas are now rented out to the highest bidderâ€¦ This movement has been well documented in the USA particularly by Robert Putnam with respect to a decline in social capital and civic community â€" but did not examine in any depth the role corporations have taken. It has profound implications for the quality of life within communities and the sense of well-being that people experience. Fourth, multinational companies can also have significant influence with regard to policy formation in many national governments and in transnational bodies such as the European Union and the World Bank key actors within the globalization process. They have also profited from privatization and the opening up of services. As George Monbiot has argued with respect to Britain, for example: In addition, national governments still have considerable influence in international organizations â€" and have therefore become the target of multinationals for action in this arena. The growth of multinationals and the globalization of their impact is wrapped up with the rise of the brand. The astronomical growth in the wealth and cultural influence of multi-national corporations over the last fifteen years can arguably be traced back to a single, seemingly innocuous idea developed by management theorists in the mids: The logic underlying this runs something like the following: Instead, they should concentrate those resources in the virtual brick and mortar used to build their brands Nike, Levi, Coca Cola and other major companies spend huge sums of money in promoting and sustaining their brands. One strategy is to try and establish particular brands as an integral part of the way people understand, or would like to see, themselves. As we have already seen with respect the operation of multinationals this has had a particular impact on children and young people and education.

Chapter 5 : Development theory - Wikipedia

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Neoclassical growth theory dominated the economic thinking for three decades , though it could not explain important facts about economic growth in various countries. By the late s, the dissatisfaction with neoclassical growth theory to explain the real growth phenomenon increased so much that a need was greatly felt to propound a new theory of growth. There are three basic difficulties with the neoclassical growth model. First, it implies that increase in saving rate has only a temporary or short-run effect on rate of growth and it does not affect the long-run rate of economic growth. Secondly, neoclassical growth theory implies convergence of growth rates. That is, growth rates of countries whether having high or low saving rates will converge over time, though this convergence may be slow. This convergence implies that different countries with high and low saving rates but having same rate of population growth rate would over time achieve the same rate of growth in their national income in the long run i. More importantly, neoclassical growth theory explained that long-run rate of economic growth depended on technological change which was considered as exogenous. By treating technological change as exogenous, neoclassical growth theory could not focus on the fundamental forces which determine long-run growth of nations. However, it was found in the real world that such convergence of long-run growth rates were not taking place or were occurring in case of only limited number of countries. Thus neoclassical theory could not explain differences in growth rates of different countries nor it could explain greater proportion of economic growth observed in different countries. A basic concern of development economics is to explain why per capita incomes and growth rates differ among countries. Thus the main motive of new growth theory is to explain differences in growth rates among countries and what are contributions of different factors to rates of growth observed in them. The new growth theory extends the neoclassical theory by making the rate of technological progress or rate of population growth or both as endogenous factors. The new growth theory goes more deeply into ultimate sources of growth. Three different approaches have been adopted to make technological change as endogenous factor in determining economic growth. First, to incorporate endogenous technological change, the production function is modified as under: However, the relationship between output and technology is not the same as between output and other inputs, capital and labour. This is because while the output of an individual firm depends on its own level of capital and labour but also on the technology used by other firms whose benefits also accrues to it. Looking at the relationship between output and technology in this way we can write production function of an individual firm denoted by the subscript i as under: Note that in the technology input subscript i does not appear because this technology may not be its exclusive input, but may be copied or imitated from others. The technology is not assumed to progress exogenously but to grow endogenously when more investment by firms takes place or may be the result of the efforts of labour. Paul Romer, one of the pioneers of endogenous growth theory has put forward the view that investment is a source of technological progress. He distinguishes between private returns to capital and social returns to capital. According to Romer, an individual firm does not capture all the benefits of increase in its stock of capital, as it also creates benefits which are external to the firm. Capital accumulation by a firm, that is, investment by a firm causes not only increase in new machines but also new ways of doing things. These new better methods of doing things result either from deliberate investment in research and development and sometimes as accidental byproducts of investment activity by a firm. These new methods and ideas of doing things can be easily copied try others who also get benefits from these new methods. This endogenous growth theory considers that whereas production function of a firm exhibits constant returns to scale i. These external increasing returns are due to the technological improvements which result from: This approach to endogenous technological change can be incorporated into neoclassical growth model. Therefore, there will be no tendency for convergence of the growth rate. We can consider investment as a source of technical progress for various reasons. However, investment may lead to innovation as firms attempt to solve their problem, especially to raise their productivity. They will try to discover new methods or designs of machines which can raise productivity and for this purpose they will make investment. Such investment will lead to innovation or technical progress. For example, investment by car manufacturers in India has led to new designs and models of cars which are fuel efficient and pollution-free. Thus their investment in research and development has led to new innovations or technical progress. Furthermore, if investment by a firm is successful, the other firms will also try to adopt them with some modifications which suit their needs. Thus expansion in investment may represent a sequence of innovations with each innovation improving upon the previous innovation. Such a type of technological progress has been called learning by watching. Beneficial external effects resulting from learning by watching are key determinants of economic growth. Therefore, policies to increase investment should be adopted. Because of the externalities social returns to investment exceed private returns. The rapid and quicker increase in overall growth can be achieved through Government adopting proper policies to promote investment in research and development. Investment in Human Capital and Learning by Doing: In the above approach to endogenous technology the progress in technology is assumed to depend on growth of capital, that is, investment. In another important model of endogenous growth theory, investment in human capital, that is, labour input is also assumed to be the source of technological progress. Arrow introduced the concept of learning by doing. According to this, the greater the level of labour input, the greater is the scope for learning and acquiring of new skills. An endogenous growth model which lays stress on the accumulation of human capital has been developed by Lucas. According to this model, labour can be devoted either to production or to the accumulation of human capital that is, acquiring of new skills and knowledge. Each new knowledge or skill makes the next idea possible and so the knowledge can grow indefinitely. Since human capital H is a function of labour input, output per worker can be obtained as a function of capital and labour according to this approach, as with the earlier one of investment in physical capital. Though each firm faces constant returns to scale, there are increasing returns to the economy as a whole. Policy Implications of New Growth Theory: New growth theory with its emphasis on endogenous technological change has important policy implications which in some important respects differ from the neoclassical growth theory. Growth rates of different countries in new endogenous growth theory will remain constant or differ depending on their saving rates and technological levels. This is because of large differences in investment in human capital, research and development and increasing returns or external benefits accruing from them. The external increasing returns to the accumulation of capital, both physical and human, implies that rate of return on capital in capital-abundant rich countries will not fall in the developed rich countries relative to the poor less-developed countries. As a matter of fact, it is possible that due to endogenous technological improvement, rate of return to capital in capital- abundant rich countries exceeds that of capital-scarce countries and as a result capital may not flow from rich to poor countries. This will cause lower rate of economic growth in them. Lastly, because of the externalities created by investment, the new endogenous theory of growth envisages greater role of Government in improving the efficiency of resource allocation and promoting investment to raise rate of economic growth in the developing countries. The Government can directly make adequate investment in economic infrastructure such as power, communication, roads and highways and in human capital i. As result of lack of effective demand recession occur in the economy which slows down the short-run economic growth which may ultimately affect long-term growth rate. For instance, for the first time after the Second World War, the Japanese economy which achieved very high growth states in the past has been experienced recessionary conditions and a very slow growth rate for almost a full decade now. This growth experience of the Japanese economy cannot be explained by new endogenous growth theory.

Chapter 6 : New Theory of Growth of Economic Development

Get this from a library! The Theory and experience of economic development: essays in honor of Sir W. Arthur Lewis. [W Arthur Lewis; Mark Gersovitz;] -- This volume is a collection of original essays written to honor Professor W. Arthur Lewis, co-winner of the Nobel Prize in economics.

Subjects Description This volume, first published in , is a collection of original essays written to honour Professor W. Arthur Lewis, co-winner of the Nobel Prize in economics. The book will be of interest to both the academic researcher and practicing professionals in the international organisations and national governments, and are particularly appropriate to graduate courses in economic development, cost-benefit analysis and economic history. Table of Contents 1. An Appreciation Part I: The Dual Economy 3. Lewis and the Classicists 4. Alternative Theories of Wage Determination and Unemployment: The Efficiency Wage Model 7. Agricultural Development, Education and Innovation 8. The Open Economy 9. Unequal Exchange in a Lewis-type World Protection and Growth in a Dual Economy Lessons of Experience under Fixed Exchange Rates Cost Benefit and Planning The Economics of Pollution Control Economic History and History of Thought The Cyclical Pattern of Long-term Lending Inter-Country Diffusion of Economic Growth, Latin America in Depression, Indian Industrialisation Before Development Routledge Library Editions: Development will re-issue works which address economic, political and social aspects of development. Published over more than four decades these books trace the emergence of development as one of the most important contemporary issues and one of the key areas of study for modern social science.

Chapter 7 : Economic development - Lessons from development experience | calendrierdelascience.com

Rostow explains the development experience of Western countries, well. However, Rostow does not explain the experience of countries with different cultures and traditions e.g. Sub Sahara countries which have experienced little economic development.

Published online May This is an open-access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited. This article has been cited by other articles in PMC. Abstract Background Epidemiological transition ET theory, first postulated in , has developed alongside changes in population structures over time. However, understandings of mortality transitions and associated epidemiological changes remain poorly defined for public health practitioners. Here, we review the concept and development of ET theory, contextualising this in empirical evidence, which variously supports and contradicts the original theoretical propositions. Design A Medline literature search covering publications over four decades, from to , was conducted. Studies were included if they assessed human populations, were original articles, focused on mortality and health or demographic or ET and were in English. The reference lists of the selected articles were checked for additional sources. Results We found that there were changes in emphasis in the research field over the four decades. There was an increasing tendency to study wide-ranging aspects of the determinants of mortality, including risk factors, lifestyle changes, socio-economics, and macro factors such as climate change. Research on ET has focused increasingly on low- and middle-income countries rather than industrialised countries, despite its origins in industrialised countries. Countries have experienced different levels of progress in ET in terms of time, pace, and underlying mechanisms. Elements of ET are described for many countries, but observed transitions have not always followed pathways described in the original theory. Conclusions The classic ET theory largely neglected the critical role of social determinants, being largely a theoretical generalisation of mortality experience in some countries. This review shows increasing interest in ET all over the world but only partial concordance between established theory and empirical evidence. Empirical evidence suggests that some unconsidered aspects of social determinants contributed to deviations from classic theoretical pathways. A better-constructed, revised ET theory, with a stronger basis in evidence, is needed. This idea was further developed in association with socio-economic development 4. He particularly based this on mortality changes in England, Wales, Japan, and Sweden during the 19th century 5. This ET theory, in five propositions, describes changing population patterns in terms of fertility, life expectancy, mortality, and leading causes of death 5. The first proposition states that mortality is an important aspect of population dynamics. The third proposition explains that children and young women experience the most profound impacts of ET, resulting in declining infant and maternal mortality and reduced fertility rates. The fourth proposition links long-term population changes in health and disease patterns to demographic, economic, and social determinants and mortality changes. Omran proposed three stages of transition as underlying the changes in patterns of mortality and morbidity. In this stage, a combination of high crude death rate, high fertility rate, and low life expectancy at birth between 20 and 40 years results in slow population growth. The most common causes of death are infectious and parasitic diseases, especially among children and women of child-bearing age. The major driving forces in this stage of transition are sanitation improvements, control of major outbreaks of infectious diseases, and medical breakthroughs including contraception. While infectious diseases remain as major causes of death, non-communicable diseases NCDs start to increase steadily. In this stage, NCDs dominate causes of death, with many deaths attributable to cardiac and cerebrovascular ailments, chronic lung and metabolic diseases, cancers, injuries, and stress-related disorders 5. In , Omran recognised the need to update his theory to incorporate a more extended description of the transition, as emerging analyses of transition patterns based on historical data did not fit the original model 6. Omran later acknowledged the presence of one and possibly two additional stages to his original theory of ET.

In his original fifth proposition, Omran proposed three basic variants of transition, but later added an additional model, similar to the classic model but starting several decades later and passing faster through the different stages of the transition 7. Critiques on Omran The applicability and universality of ET theory across various places and contexts remain contentious 10 â€" Criticisms of ET theory as over-simplistic peaked in the s on the basis that it failed to understand the comprehensive nature and historical sequence of mortality transitions 10 , 14 â€" 17 , However, not all countries necessarily encounter ET in the same way. Mackenbach argued that the ET theory is ambiguous because it was developed based on Western data and it is difficult to ascertain the beginning and end of the transition In addition, Frenk et al. It was also suggested that ET was part of a broader effort to reorient American and international health institutions towards the pervasive population control agenda of the s and s rather than focusing on the increasing burden of chronic disease The generalisability of ET theory has been doubted, based on the great variations in mortality trends among population subgroups 14 , They criticised the ET theory for the assumption that communities will gradually progress to the point where they have virtually eliminated infectious diseases as a major health threat Carolina and Gustavo examined the validity of ET theory as an effective model in the interpretation of mortality and morbidity changes, with reference to Mexico and to low- and middle-income countries LMICs in general. They found that the main theoretical problem in using the ET theory related to a preference for phenomenological descriptions rather than theoretical explanations of the causal patterns of death and disease and their links with the changes experienced in societies. Interpretations using the ET theory were inevitably based on scientific and social perspectives frozen at the time of its use Despite his reliance on its main concepts, Omran explicitly rejected demographic transition as a theoretical framework, postulating that ET was formulated in an attempt to provide a more comprehensive approach to the dynamics of the mortalityâ€"fertility transition. In his view, recent mortality declines in the developing world depended not on economic development but on national and international programs of health service provision and environmental control. However, this viewpoint contrasted with the thesis of McKeown et al. Preston pointed out that mortality is not associated with economic growth and the theory becomes weaker at very low levels of income Omran, however, argued that the health transition is part of the ET, not vice versa 6. Clear understanding of mortality transition and its implications is still hampered due to a lack of evidence from LMICs The lack of quality mortality data in many parts of the world makes it difficult to understand the generalisability of the theory globally, as well as its interpretation. Changes in disease classifications over time also limit the comparability of available data for assembling a comprehensive pattern of mortality transition The theory itself received relatively little attention before the global incidence of NCDs increased in the s. An overview of how the ET theory has been applied since its conception, and the identification of gaps where it fails, are warranted. Objectives This paper intends to synthesise published evidence on mortality transition, and, if possible, assess how ET theory has been applied in understanding the transition in specific contexts. More specifically, this paper aims to answer the following questions: We selected these keywords to cover a wide range of transitions, including health and demographic transitions that are related to ET. We included only articles on human research, and published in English between 1 January and 31 December We obtained articles, which were later screened by reading their titles and abstracts. The full texts of remaining articles were searched and read through. From this step, we obtained 16 additional articles, not found in the original search, from the reference lists of relevant studies and review articles. We could not obtain full text for 29 papers. Therefore, only a total of articles were included for full text review in the second step. All full-text articles were reviewed by two of the authors for inclusion in the study. Uncertainties over study inclusion were discussed between the researchers and resolved through consensus. A final articles were included in the review. Details of this literature search are summarised in Fig.

Chapter 8 : Development Theories - Oxford Scholarship

Development theory: Development theory, cluster of research and theories on economic and political development. The use of the term development to refer to national economic growth emerged in the United States beginning in the s and in association with a key American foreign policy concern: how to shape the future.

The material on this page is reproduced from the www. The full URL is http: It has been selected and formatted in order to be presented here as a single, consolidated document intended specifically for the educational use of students enrolled in Economics International Economics at Lane Community College, Eugene OR. Economic Development occurs with the reduction and elimination of poverty, inequality and unemployment within a growing economy. Gini coefficient This is a statistical measure of income distribution. A Gini coefficient of 0 means perfect equality. What do theories and models try to do? Economic development theories and models seek to explain and predict how: Each theory gives an insight into one or two dimensions of the complex process of development. For example, the Rostow model helps us to think about the stages of development LDCs might take, while the Harrod-Domar model explains the importance of adequate savings in that process. Absolute advantage Occurs when a country or region can create more of a product with the same factor inputs. Comparative advantage The basis of standard free trade theory. First introduced by David Ricardo in Ricardo predicts all countries gain if they specialize and trade the goods in which they have a comparative advantage. Comparative advantage exists when a country has a margin of superiority in the production of a good or service i. This is true even if one of the trading nations is more productive in all traded goods has an absolute advantage compared to the other country. It argues that to achieve? The history of developed countries suggests a common pattern of structural change: Higher rates of savings can be transferred into higher rates of investment to generate self-sustaining economic growth. The Lewis Dual Sector Model The Lewis model is structural change model that explains how labor transfers in a dual economy. For Lewis growth of the industrial sector drives economic growth. The Solow Growth Model Economic growth is depends on the quantity and quality of resources and technology. Dependency Theory Dependency refers to over reliance on another nation. Dependency theory uses political and economic theory to explain how the process of international trade and domestic development makes some LDCs ever more economically dependent on developed countries Balanced Growth Theory Balanced growth or the big push theory argues that as a large number of industries develop simultaneously, each generates a market for one another. Unbalanced Growth Theory Unbalanced growth theorists argue that sufficient resources cannot be mobilized by government to promote widespread, coordinated investments in all industries. Therefore, government planning or market intervention is required in a few strategic industries. Those with the greatest number of backward and forward links to other industries are prioritized. The Tobin Tax on foreign exchange transactions to reduce speculation and raise revenue for development The Trickle Down Theory Here the initial benefits of growth go the rich, but eventually trickle down to the poor. For example, rich families buy local produce and employ servants, etc The Washington Consensus A set of liberalization polices advocated by free market economists to encourage growth. Economies can be divided into primary secondary and tertiary sectors. Stage 1 - Traditional Society: Characterized by subsistence economic activity i. Stage 2 - Transitional Stage: The precondition for takeoff. Surpluses for trading emerge supported by an emerging transport infrastructure. Savings and investment grow. Stage 3 - Take Off: Industrialization increases, with workers switching form the land to manufacturing. Growth is concentrated in a few regions of the country and in one or two industries. New political and social institutions evolve to support industrialization. However, Rostow does not explain the experience of countries with different cultures and traditions e. Sub Sahara countries which have experienced little economic development. Introduction to the Harrod-Domar model The Harrod-Domar model developed in the ls suggests savings provide the funds, which are borrowed for investment purposes. So it is a lack of physical capital that holds back economic growth hence economic development. Criticisms of the model Domar on Domar: My purpose was to comment on business cycles, not to derive "an empirically meaningful rate of growth. The Lewis Model argues economic growth requires structural change in the economy whereby surplus labor in traditional agricultural sector with low or zero marginal product, migrate to the modern industrial sector where high rising marginal product. Growth means jobs for surplus rural labor. Additional workers in urban areas increase output hence incomes and profits. Extra incomes increase demand for domestic products while increased profits fund increased investment. Hence rural urban migration offers self-generating growth. The ability of the modern sector to absorb surplus works depends on the speed of investment and accumulation of capital. Where firms invest in new labor saving capital equipment, surplus workers are not taken on by the formal sector. Urban poverty has replaced rural poverty. Dependency theory - An Overview Dependency refers to over reliance on another nation. Dependency theory refers to relationships and links between developed and developing economies and regions. Dependency theory sees underdevelopment as the result of unequal power relationships between rich developed capitalist countries and poor developing ones. In the Dependency model under development is externally induced i. Growth can only be achieved in a closed economy and pursue self-reliance through planning. This partly explains the hostility shown towards the WTO in Seattle in In this model under development is externally induced i. Balanced growth or the big push theory argues that as a large number of industries develop simultaneously, each generates a market for one another. If a large number of different manufacturing industries are created simultaneously then markets are created for additional output. For example, firms producing final goods can find domestic industries that can supply them with their inputs. The benefits of growth are spread over all sectors and, ideally, regions. This requires state planning and intervention to: LDC development policies focusing on import substitution, agricultural self-sufficiency and state control of production yield poor growth. They share analysis with balanced growth theorists that free markets, alone, cannot generate development but differ in that government planning or market intervention is required just in strategic industries. Those with the greatest number of backward and forward links are prioritized. A country lacks resources to finance balanced growth. Resources are therefore concentrated on strategic industries with: Developing domestic industries replaces imports and so improves the balance of payments. Government identifies strategically important areas with significant backward and forward linkages to - Nationalize planned economy or - Subsidies market economy. State owned development banks finance priority investment projects chosen for their contribution to growth and development goals.

Chapter 9 : Development theory | economics and political science | calendrierdelascience.com

Editions for The Theory and Experience of Economic Development: Essays in Honour of Sir Arthur Lewis: (Kindle Edition published in), (ebo.

Development theory, cluster of research and theories on economic and political development. The emergence of development theory The use of the term development to refer to national economic growth emerged in the United States beginning in the s and in association with a key American foreign policy concern: Motivated by this concern, the United States enlisted its social scientists to study and devise ways of promoting capitalist economic development and political stability in what was termed the developing world. Development theory refers to the research and writing that resulted from this effort. There are different conceptions of development and, consequently, disparate approaches to the subject. However, all approaches are concerned with the relationship between development and governance. Development is usually seen as crucially determined by structures of governance; governance is interpreted through and shaped by the goal of development. Most development theory equates development with national economic growth and sees the state as its primary agent; consequently, one of its central concerns is to understand and explain the role of the state in development and the nature of government-market relations. Development theory has changed over time with changes in ideology and the international environment , and, as it changes, so do its conceptions of development and governance and how they are related. Changing conceptions of governance and its relation to development can be traced through the major perspectives on development that have emerged since World War II , as represented by theories of modernization and growth, dependency and world systems theories, the resurgence of neoclassical theory, and an array of newer critical perspectives. Theories of modernization and growth Development involves innumerable variables, including economic, social, political, gender, cultural, religious, and environmental factors. But though development theory integrates concepts and perspectives from a range of disciplines , it was highly influenced by economic thought from the start. Early theoretical models of development equated development with economic growth and industrialization, and theorists saw countries that had not yet achieved these as being at an earlier or lower stage of development relative to Europe and North America. The most influential proponent of this view was the American economic historian Walt W. His book, The Stages of Economic Growth: A Non-Communist Manifesto , elaborated a linear-stages-of-growth model that defined development as a sequence of stages through which all societies must pass. This conception of the nature and process of development became the basic blueprint for modernization theory. Modernization theory emerged following World War II to address the issue of how to shape the economies of states emerging from European colonization. Modernization was, thus, conceived of as the relations of production and standards of living characteristic of western Europe and the United States. Theorists emphasized increased savings and investment as the key to development and argued that international trade in products particularly suited to national factor endowments would enable more efficient resource allocation and greater earnings, and these could be translated into savings and then used to promote development. Theorists envisioned thatâ€"by disseminating technology, knowledge, managerial skills, and entrepreneurship; encouraging capital inflow; stimulating competition; and increasing productivityâ€"foreign trade, together with foreign investment and aid, would be the engine of growth for developing countries. Dependency and world systems theories Modernization theory claimed that once developing societies came into contact with western European and North American societies, they would be impelled toward modernization and, eventually, would achieve the economic, political, and social features characteristic of the nations of western Europe and the United States. However, by the s it was apparent that the Third World was not passing through a stage of underdevelopment, as envisioned by modernization theory, but remaining underdeveloped. Thus, a counterclaim was advancedâ€"that developing countries today are structurally different from the advanced countries and so will have to develop along different lines. These structures created a dynamic that was continuing to impoverish former colonies and to thwart their modernization. According to ECLA, the international division of labour created by colonization had separated the international economy into a centre, consisting of the industrialized countries, and a periphery , which included all the rest of the countries around the world outside of the socialist camp. Because the prices of manufactured goods bought by the periphery were rising faster than those of raw materials, cash crops, and foodstuffs sold by the periphery to the centre, international trade ensured the persistence of an unbalanced process of development. Thus, in contrast to modernization theory, which emphasized the benefits of free trade , foreign investment, and foreign aid , these theorists argued that free trade and international market relations occur in a framework of uneven relations between developed and underdeveloped countries and work to reinforce and reproduce these relations. This perspective formed the basis of what came to be known as dependency theory. Dependency theory rejects the limited national focus of modernization theory and emphasizes the importance of understanding the complexity of imperialism and its role in shaping postcolonial states. Its main tenet is that the periphery of the international economy is being economically exploited drained by the centre. Once this reshaping was accomplished, market forces worked to perpetuate the relationship of dominance and exploitation between centre and periphery. This theoretical enterprise became known as world systems theory. It typically treats the entire world, at least since the 16th century, as a single capitalist world economy based on an international division of labour among a core that developed originally in northwestern Europe England, France, Holland , a periphery, and a semiperiphery consisting of core regions in decline e. The division of labour among these regions determined their relationship to each other as well as their type of labour conditions and political system. In the core, strong central governments, extensive bureaucracies , and large mercenary armies enabled the local bourgeoisies to obtain control of international commerce and accumulate capital surpluses from this trade. The periphery, which lacked strong central governments or was controlled by other states, exported raw materials to the core and relied on coercive labour practices. Much of the capital surplus generated by the periphery was expropriated by the core through unequal trade relations. The semiperiphery had limited access to international banking and the production of high-cost, high-quality manufactured goods but did not benefit from international trade to the same extent as the core. Dependency and world systems theories share a common emphasis on global analysis and similar assumptions about the nature of the international system and its impact on national development in different parts of the world, but they tend to emphasize different political dynamics. Dependency theorists tend to focus on the power of transnational classes and class structures in sustaining the global economy, whereas world systems analysts tended to focus on the role of powerful states and the interstate system. Initially, the logic of these perspectives supported a strategy that came to be known as import-substitution industrialization ISI. The ISI strategy was to produce internally manufactured goods for the national market instead of importing them from industrialized countries. Its long-run objective was to first achieve greater domestic industrial diversification and then to export previously protected manufactured goods as economies of scale and low labour costs make domestic costs more competitive in the world market. The strategy ultimately foundered because of the smallness of the domestic market and, according to many structuralist theorists, the role of transnational corporations in this system. These theorists concluded that ISI, carried out in conditions of capitalist relations of production dominated by the economic empires led by the United States, was a recipe for further colonization, domination, and dependency. Thus, beginning in the s, theorists and practitioners heralded an export-oriented strategy as the way out of dependency. This strategy gives priority to the growth of manufacturing production aimed at world markets and the development of a particular comparative advantage as a basis for success in world trade. The strategy is based on lower wages and levels of domestic consumption at least initially to foster competitiveness in world markets, as well as to provide better conditions for foreign investment and foreign financing of domestic investment. By the s, however, many countries that pursued this strategy ended up with huge foreign indebtedness, causing a dramatic decrease in economic growth. Though the theorization of types of peripheral development and their connection with the international system continued to undergo refinement in the s and s, structural theorists were not able to agree about what would end dependence and how a nondependent growth could be achieved. The neoclassical counterrevolution In the s a neoclassical sometimes called neoliberal counterrevolution in development theory and policy reasserted dominance over structuralist and other schools of thought in much of the world. The emergence of this counterrevolution coincided with the abandonment by the developed countries of social democratic and Keynesian economic policies and, in particular, the policy of controlling capital movements, as well as the post-World War II trading regime. Critics have pointed out that this counterrevolution also coincided with and seemed to offer justification and support for a wave of market-oriented interventions by the World Bank and International Monetary Fund IMF and efforts to forge a unified global market regulated only by institutions reflecting the interests of transnational capital. The neoclassical or neoliberal perspective represents a modification and further elaboration of modernization theory. However, in contrast to modernization theory, neoclassical theorists see development as the outcome not of strategic state action but of the action of market forces. The central claim is that failure to develop is primarily the result of too much government intervention and regulation of the economy. Neoclassical theory emphasizes the beneficial role of free markets, open economies, and the privatization of inefficient public enterprises. Its recommended strategy for development is to free markets from state control and regulation, so that capital, goods, and services can have total freedom of movement and there can be greater openness to international trade. This is the basic blueprint for what has been termed good governance. The notion of good governance has been elaborated, in part, through a component of the neoclassical counterrevolution called new institutionalism. The basic premise of this perspective is that development outcomes depend on institutions such as property rights , price and market structures, money and financial institutions, firms and industrial organizations, and relationships between government and markets. The essence of good governance is to ensure the existence of these institutions and their proper role and functioning, as seen from the perspective of neoliberal theory. According to neoliberal thought, good governance requires freeing the market from state control and regulation; reducing government expenditures for social services like education and health care; maintaining roads, bridges, the water supply , and so forth; and selling state-owned enterprises, goods, and services including banks, key industries, railroads, toll highways, electricity, schools, and hospitals to private investors. These were the most-successful cases of the export-led industrialization strategy adopted by many countries in the s. All were able to achieve economic growth based on export industries with a comparative advantage in cheap but skilled labour. All maintained high rates of domestic savings and investment with correspondingly lower levels of consumption. However, many people point out that, in contradiction to the market-oriented reforms prescribed by neoliberal theory and its underlying rejection of state intervention, this national development strategy in all the tigers except Hong Kong was planned and executed through the institutions of a centralized authoritarian state. Critical perspectives A number of critical perspectives emerged in the s that highlighted the cultural and ethical dimensions of development. Most prominent among these were the postmodern, postcolonial, and subaltern critiques of Eurocentric conceptions of modernity and development. Postmodern writing challenged grand narratives of the modern eraâ€”narratives of the inevitability of progress, the triumph of individuality, and the primacy of scientific truthâ€”as oversimplified, oppressive, or tyrannical. Postcolonial theory focused on the legacy of colonial rule and especially the difficulties faced by former colonial peoples in developing national identity. Working within this general perspective, subaltern studies sought to rethink history from the perspective of the subaltern and, in this way, bring to light and assert the value of alternative experiences and ways. These critiques succeeded in drawing attention to the ethnocentric basis of the idea of what constitutes development and the potential limitations inherent within this development, the tension between universal theories and a diverse developing world, the treatment of gender in conventional development theory, and the political content of economic development strategies as pursued by national governments, encouraged by international institutions and nongovernmental organizations NGOs , and concealed behind the notion of aid. Eventually, these critiques helped focus attention on the need to broaden the concept of development to include a social development and human security dimension. The notion of human development influenced development theory in at least two ways. First, it clarified the inadequacy of theories that focus on whole nations or societies and that use macroeconomic factors to explain differences in development conditions and to measure development: Second, the notion of development as human development reemphasizes the importance of the state. It assigns the state a major role in protecting and advancing sustainable human well-being and argues the need for just the socially oriented state policies that neoliberalism proscribesâ€”policies that improve the access of all people to human resource investments, productive assets, credit facilities, information flows, and physical infrastructure and protect the legitimate interests of producers, consumers, workers, and vulnerable groups in society. Thus, alongside the neoliberal call to dismantle public ownership , state planning, and government regulation of economic activities, there was a perspective that reinvigorated the call for a larger state role in development. These contending perspectives informed political debates about growth and governance and, in particular, what constituted good governance in the global context of development.