

**COMPARATIVE POLITICS**

# Political Economy of Development

The logo for the Department of Political Science features a blue rectangular background. On the left side, there is a diagonal split between an orange triangle pointing downwards and a teal triangle pointing upwards. The text "DEPARTMENT OF" is in a smaller, dark blue font, and "POLITICAL SCIENCE" is in a larger, bold, dark blue font, both positioned to the right of the diagonal split.

DEPARTMENT OF  
**POLITICAL SCIENCE**

# INTRODUCTORY COMMENTS AND KEY QUESTIONS

One important question when examining the political economy of development:

How does one country – China – increase its wealth so dramatically, and why are others, like Nigeria, are unable to do the same?

Let's pursue independent and peaceful economic development



\*imperialist screeching\*



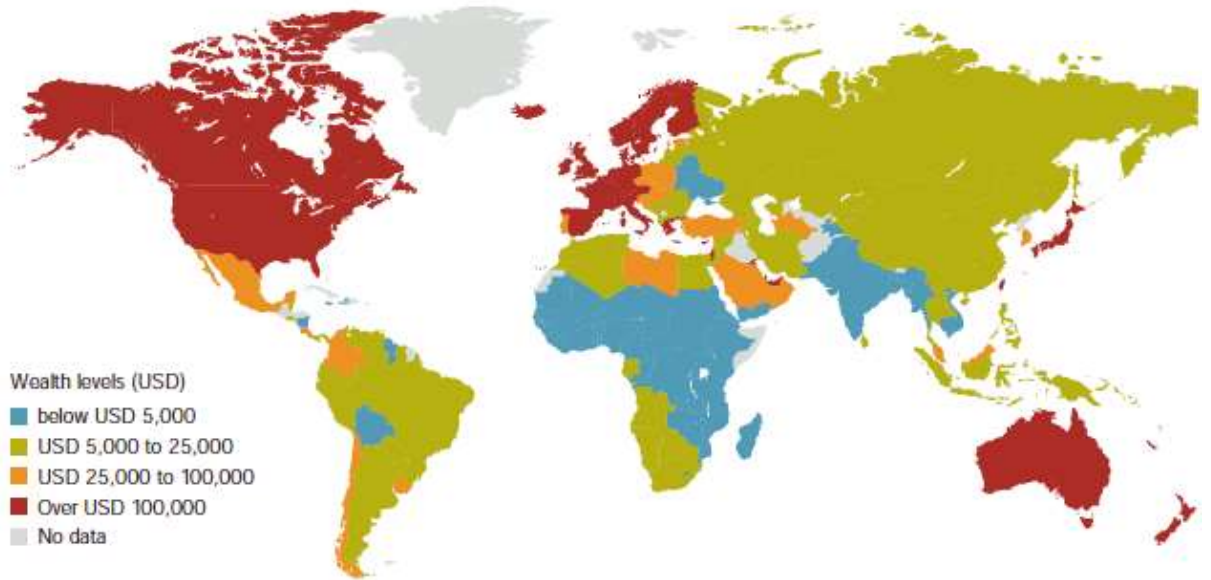
# COMPARATIVE POLITICS

The word development conjures images of impoverished children in Africa and gleaming new skyscrapers in China.

Figure 4

## World wealth levels 2013

Source: James Davies, Rodrigo Litberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2013



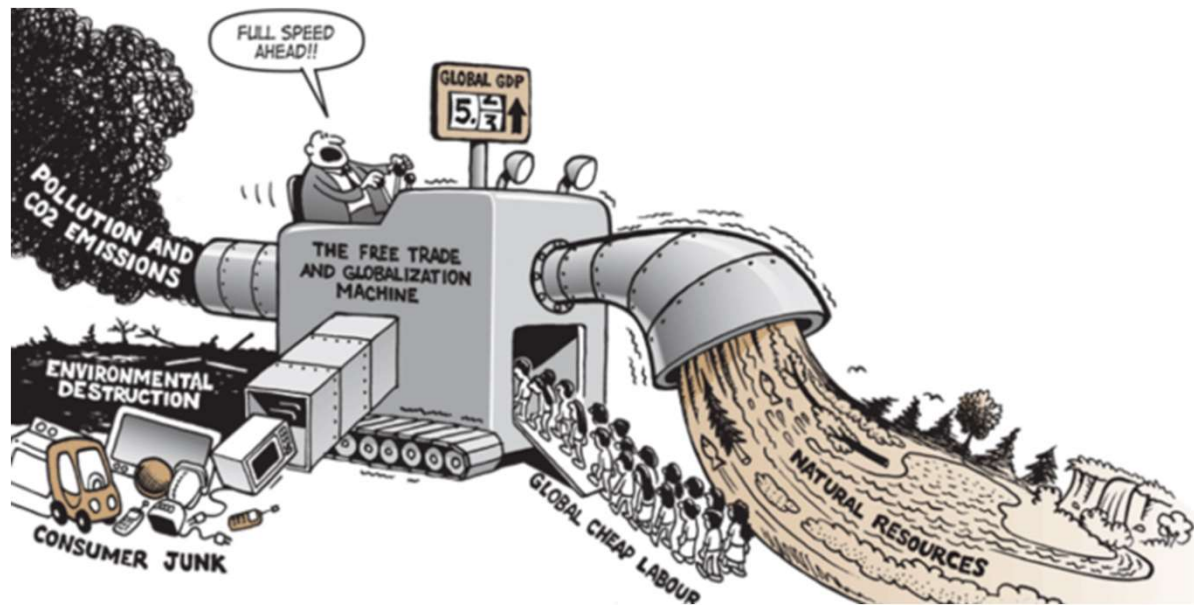
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Underdeveloped or developing countries are typically thought of as those that are, or recently were, poor on a global scale, the countries that during the Cold War were known as the third world but are now more commonly referred to as the Global South.

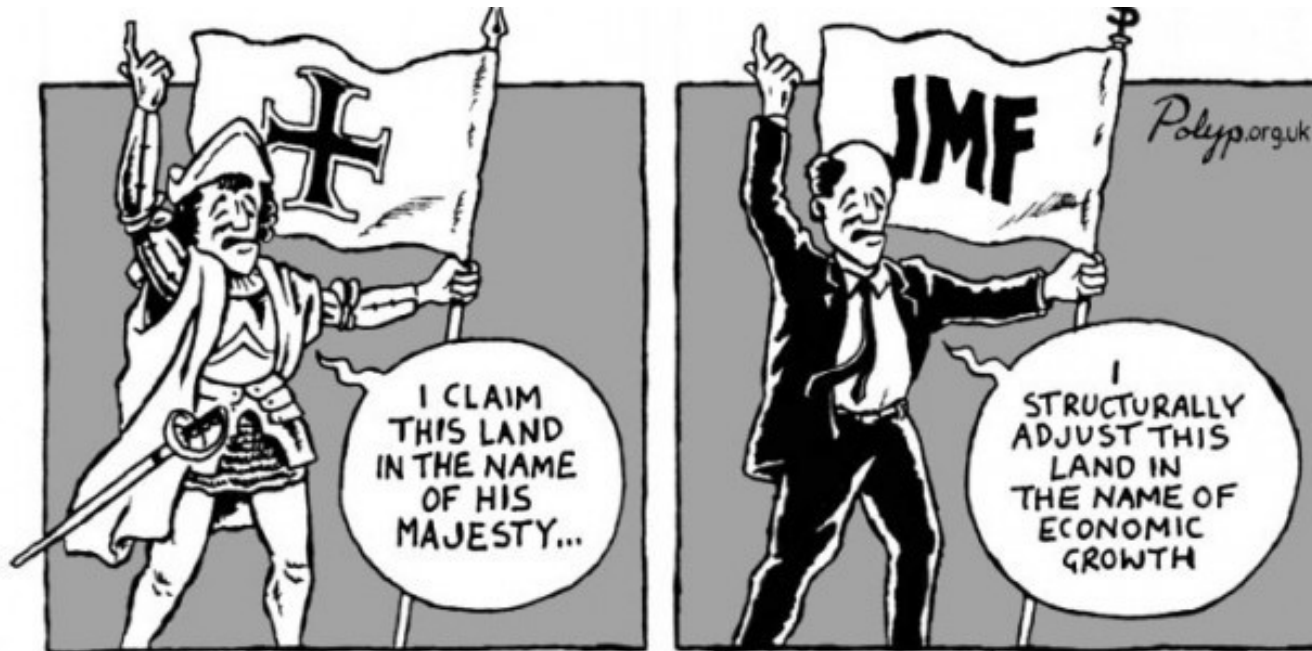


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The political economy of development examines the interaction of political and economic development.



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The text notes that since World War II, an entire industry and several major international organizations – the International Monetary Fund (IMF) and World Bank in particular – have arisen to try to help poor countries “develop.”

## COMPARATIVE POLITICS

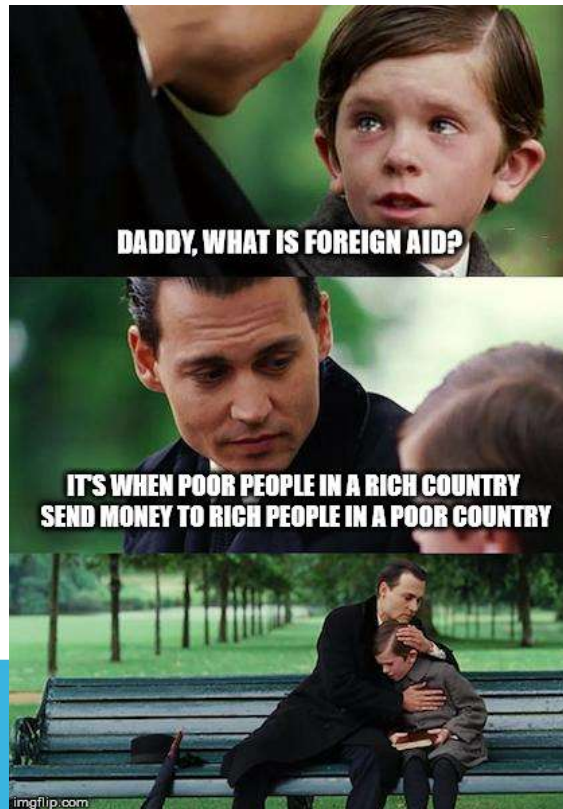
What is “development”? What is meant by it and why it is important will be the first questions addressed. After that we’ll need to ask what globalization’s effects are in the Global South and how states can navigate globalization to pursue development successfully.



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## Questions:

1. How can states best pursue policies that enhance development and if outside help like foreign aid can be effective?



2. Are democratic or authoritarian regimes better able to develop their societies?

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## What is Development?

The origin of the concept in its modern usage after World War II was connected to modernization theory.

4. Modernization theory:  
a model of economic and social development that explains global inequality in terms of technological and cultural differences among societies

5. Dependency theory:  
a model of economic development that explains global inequality in terms of the historical exploitation of poor societies by rich ones.

## COMPARATIVE POLITICS

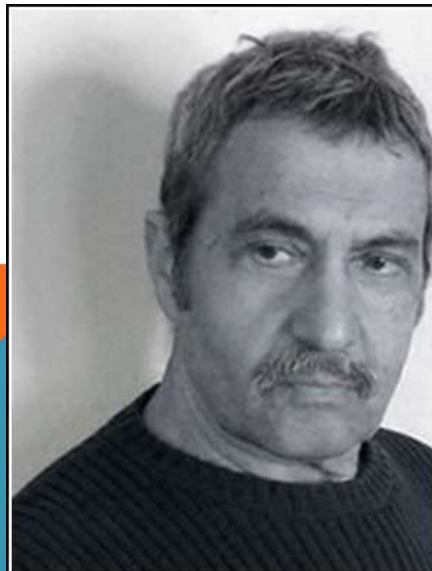
Social scientists and policymakers at the time saw development as being about the poor countries of the world – what they called the third world – looking more like wealthy, western countries.



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Politically, this meant becoming independent, democratic states.

Economically, it meant becoming wealthier, which meant industrializing and urbanizing.



The close relationship between politics and economics is neither neutral nor coincidental. Large governments evolve through history in order to protect large accumulations of property and wealth.

— *Michael Parenti* —

AZ QUOTES

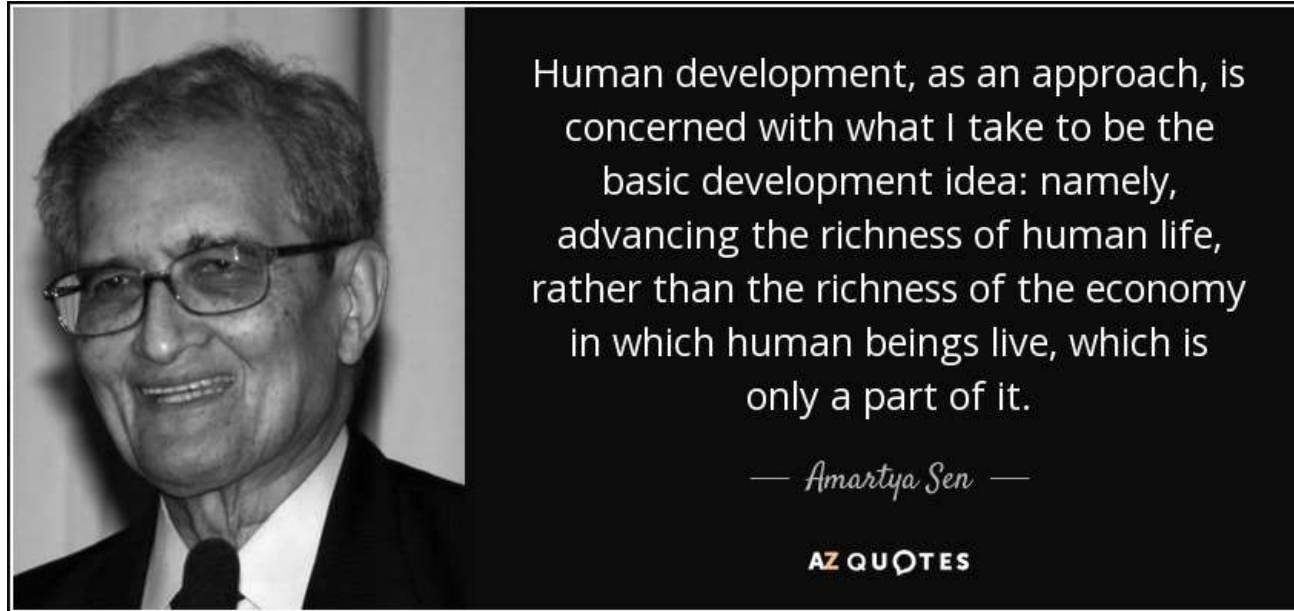
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Economist and philosopher **Amartya Sen** profoundly influenced thinking on the concept of development in the new millennium with his focus on human capabilities.

## The Capability Approach

- The capabilities approach for assessing the quality of life was developed by Nobel Laureate Amartya Sen on the basis of the field of development economy.
- It emerged as the most influential alternative to standard economic frameworks for thinking about poverty, inequality and human development.
- It has also influenced the **UN Human Development Index** and was incorporated in many international official reports and surveys.

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He argued that neither growth nor poverty reduction alone were adequate goals. The real goal of development anywhere in the world should be enhancing the capabilities of individuals to lead fulfilling lives as they define them.

## COMPARATIVE POLITICS

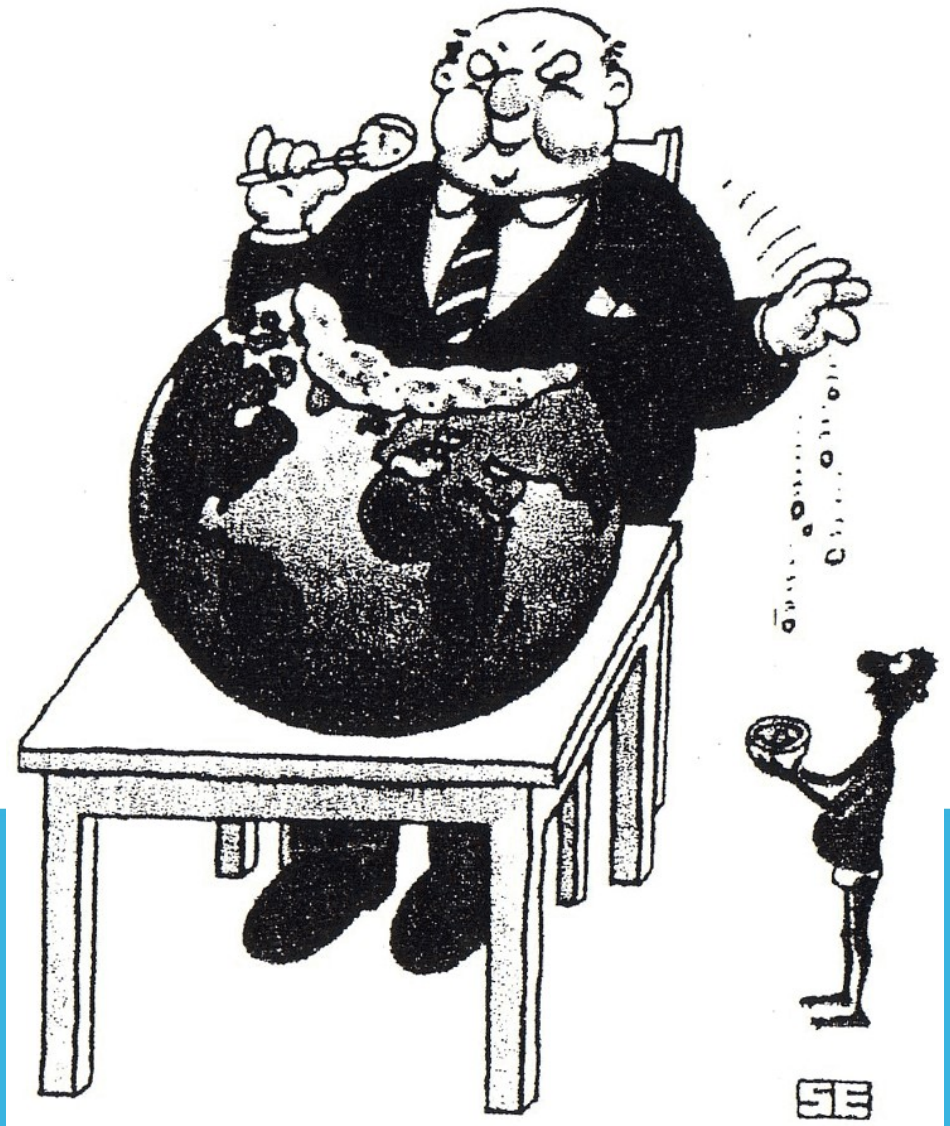
He also pointed to *freedom* as being essential.

His book *Development as Freedom* argued that people need to be free politically in democracies (as they can then decide what a fulfilling life would be), and they need to be free from social restrictions such as traditional gender norms, that might limit their capabilities.



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Post-Modern critics of Sen's capabilities theory argue that the very idea of "development" is an effort by the wealthy countries to control the Global South.



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“Development” attempts to depoliticize the process of social and political change in the Global South, removing agency from local actors to chart the course for their societies.

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So rather than an effort to improve people's lives, development as it is conceived and practiced is a continuation of colonialism in a new form.

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## Development and Globalization



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## Foreign Direct Investment (FDI)

Investment from abroad in productive activity in another country.

### Foreign Direct Investment

#### Pros



Diversifies investors portfolios



Promotes stable long term lending

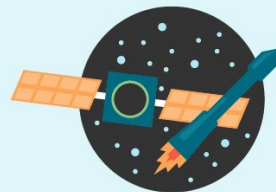


Provides financing to developing countries



Provides technology to developing countries

#### Cons



Not suitable for strategically important industries



Investors may have less moral attachment



Unethical access to local markets

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## Trade

The flow of goods and services across national borders.



**BRACE YOURSELVES**



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Even today developing countries continue to send \$2 trillion each year to the global North in capital flows & debt repayments. It's said for every \$1 in 'aid' from the richest countries \$24 flows the other way.

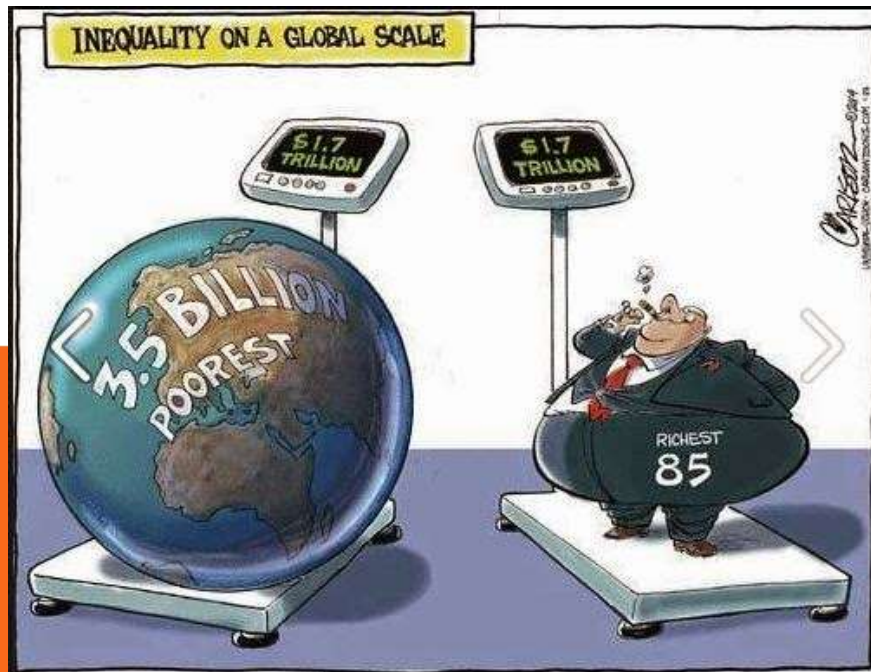


## International Capital Flows

Movements of capital in the form of money across international borders.

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The text notes that greater globalization has not systematically produced greater growth, although it appears to be loosely associated with poverty reduction.



However, the rate of poverty reduction varies dramatically by region, even if the change in the level of globalization does not.

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So what explains this variation, and what can be done to improve the effects of globalization in the countries that are falling behind?



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## The Development Debate

The neoliberal-Keynesian debate also had an influential role in development policy in the Global South.

**NEOLIBERALISM 101**

**"Neoliberalism is a form of capitalism in which the state deregulates the economy, destroys unions, decreases taxes on the rich and corporations, and defunds public goods, while repressing and policing the poor, particularly people of color."**

**JOSEPH M. SCHWARTZ**

Actively favors big business interests and the wealthy.	Removes the protections of labor law.	Guts welfare, eliminates social services.	Police power, incarceration are instruments of social policy.	Free trade policies empower corporations to seek cheap labor and resources.	Military force used to repress opposition abroad as well as at home.
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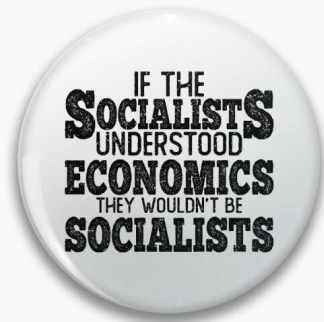
Pass it on.

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Should free trade be a part of the development agenda?

YES!

**Comparative Advantage** – a theory of trade that argues that economic efficiency and well-being will be maximized if each country uses its resources to produce whatever it produces relatively well compared with other countries and then trades its own products with other countries for goods it does not produce.

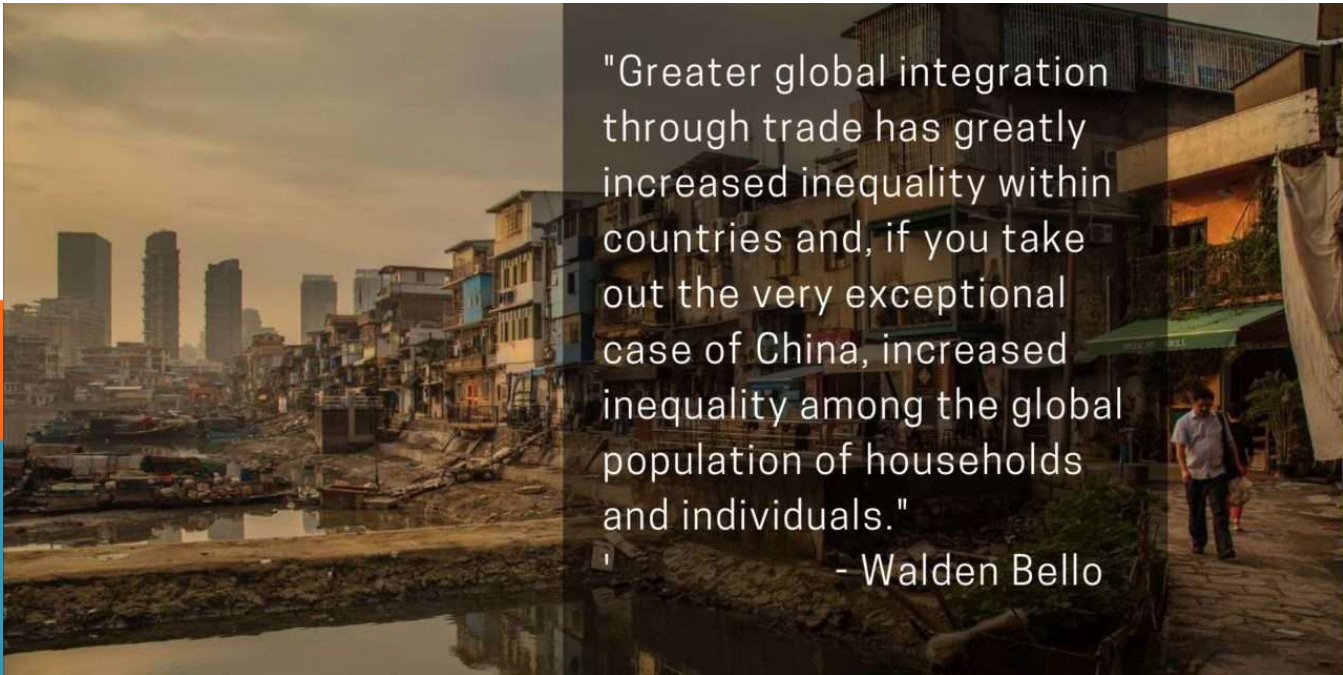


# COMPARATIVE POLITICS

Should free trade be a part of the development agenda?

NO!

Leaders in the Global South and the economists who supported them were not willing to have their countries relegated to producing only agricultural products and raw materials.



"Greater global integration through trade has greatly increased inequality within countries and, if you take out the very exceptional case of China, increased inequality among the global population of households and individuals."

- Walden Bello

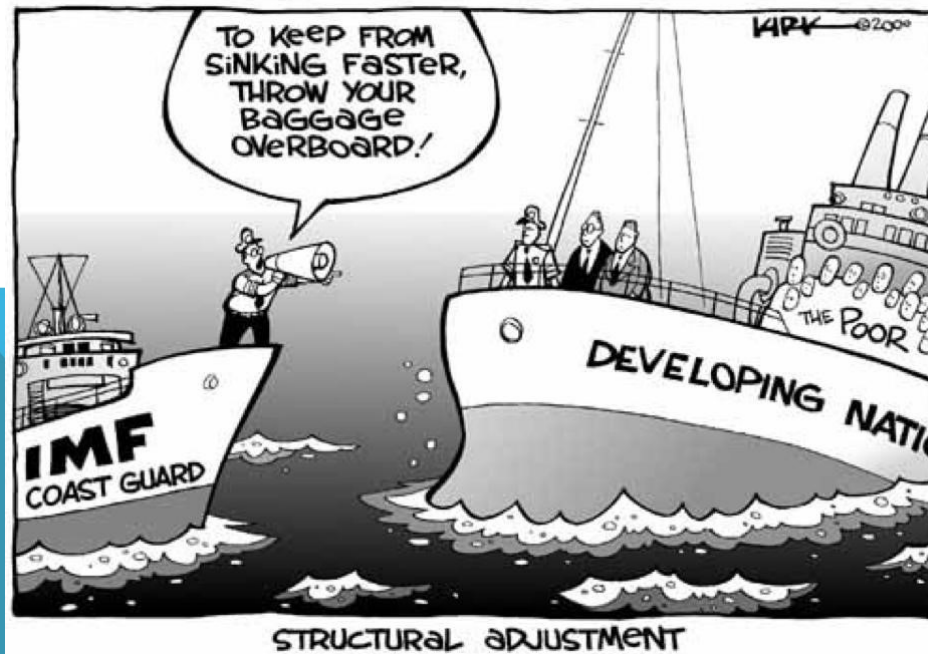
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Instead, they wanted to focus on **Import-Substitution Industrialization (ISI)** which states that a developing nation should protect its new industries by placing restrictions on international trade, and encourage the creation of new industries to produce goods domestically that the country imported in the past.



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The shift from the Keynesian era to the neoliberal era coincided with the development of **Structural Adjustment Programs (SAPs)**, developed in the 1980s and based on the principle of reduced government protection of industries, fiscal austerity, and privatization.



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The debate on SAPs

Some success for some countries, some failure for others...

# THE I.M.F. SLIMMING PLAN:



**-SEE THE WEIGHT DROP OFF..!**

'SIZE ZERO'

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## Why the mixed success?

1) Failure of SAPs in some countries due to failure of implementation



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2) The model was applicable only in certain political or economic circumstances

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## 3) A fundamental flaw in the model itself

### *Objectives of SAPs*

*SAPs have 4 fundamental objectives according to which they are shaped:*

- 1. Liberalisation: promoting the free movement of capital; opening of national markets to international competition.*
- 2. Privatisation of public services and companies.*
- 3. De-regulations of labour relations and cutting social safety nets.*
- 4. Improving competitiveness (Toissant and Comanne 1995:14)*

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## The Developmental State

Developmental states consciously intervene in the market via an aggressive industrial policy: a policy aimed at strengthening particular industries.



### INDUSTRIALIZATION

Industrialization is the transformation of a society from an agrarian to an industrial one based on factory and mechanized production.

#### KEY FEATURES

- **Division of Labor:** Work is separated into smaller, specialized tasks.
- **Rationalization:** There is a shift towards standards and science.
- **Mechanization:** Large-scale factories increase efficiency.
- **Scientific Methods:** Societies increasingly rely on scientific methods to solve problems.
- **Bureaucracy:** Organizations are set up to manage complex and scale.

#### EXAMPLE

**Mining:** Mining was transformed by industrialization. Many inventions of the 19th century served this industry. The first working steam engine, for example, was created to remove flood water mines (Webwire, 2017). Steam-powered locomotives were developed to transport ores. Dynamite was first used to blow up rocks during the mining process.

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INDIA IS MOVING IN  
A DIRECTION OF  
**EXPORT-LED**  
**GROWTH**

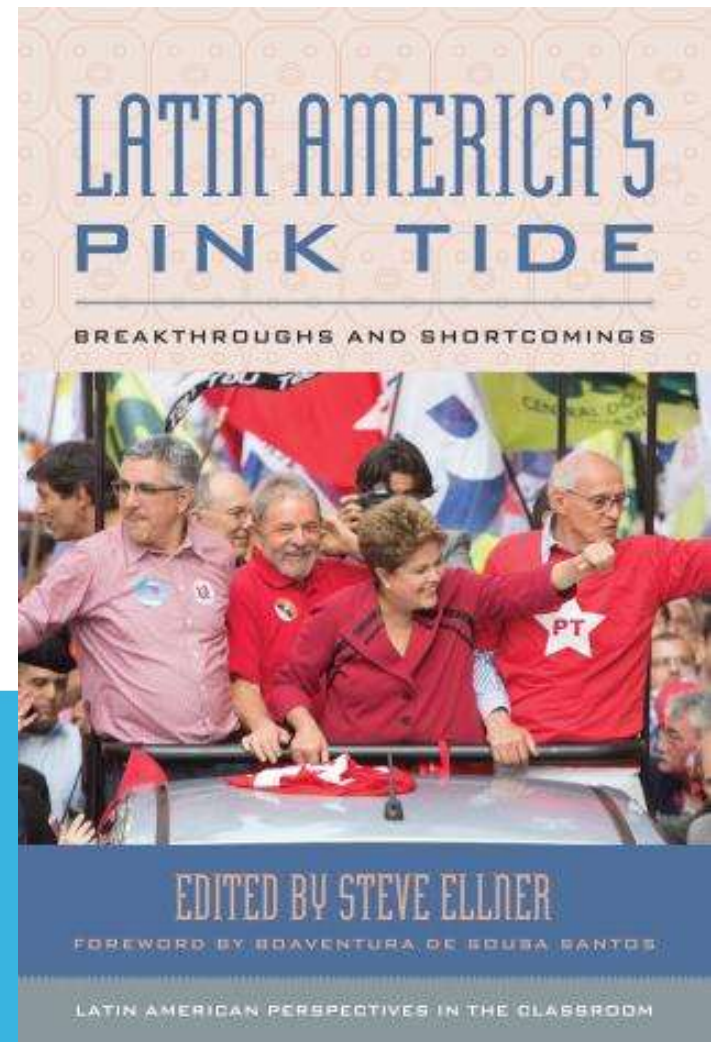
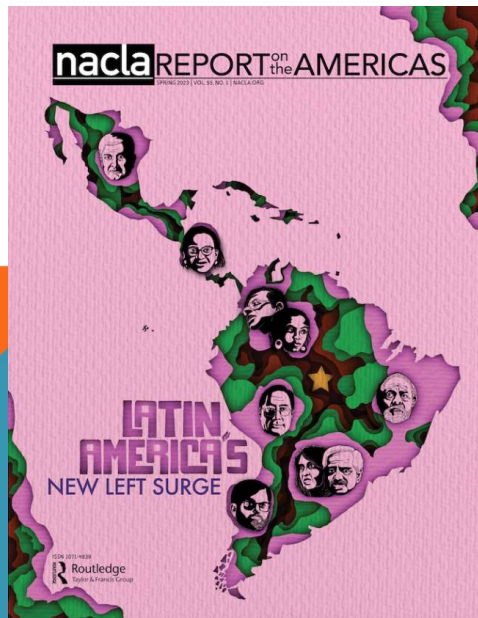


They accomplish this through Export-Oriented Growth (EOG), a developmental policy based on encouraging economic growth via exports of goods and services, usually starting with light manufacturing such as textiles.

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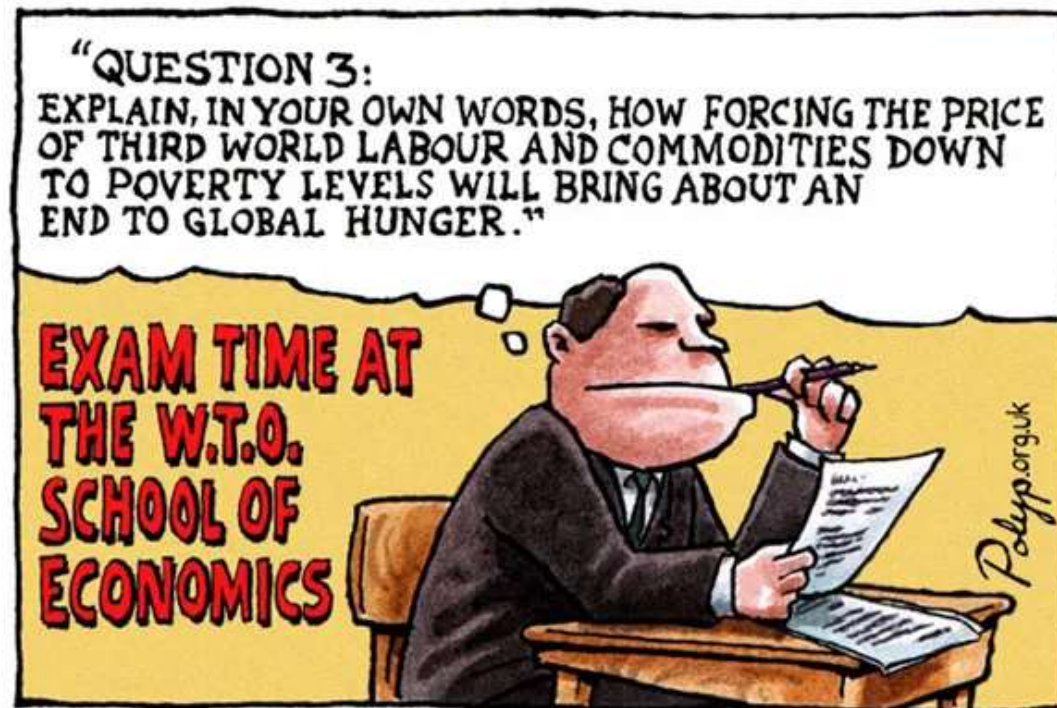
## The “Pink Tide” in Latin America

The neoliberal model and the IMF probably influenced Latin America more than any other region.



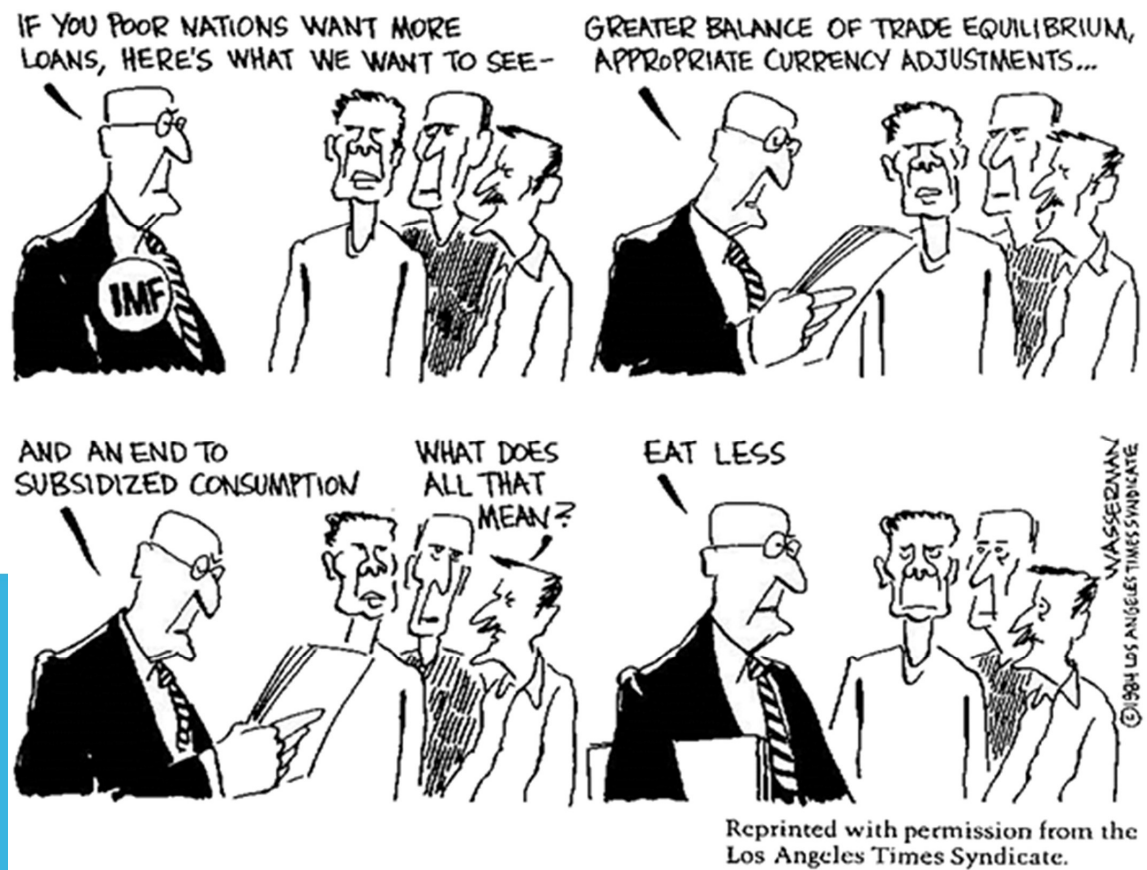
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Critics argue that because of this model, by the mid-1990s, most Latin American countries had engaged in extensive privatization of state-owned activities, reduction of trade barriers, and fiscal restraint.



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However, neoliberal reform did not produce notable improvement in growth or reduction of poverty.



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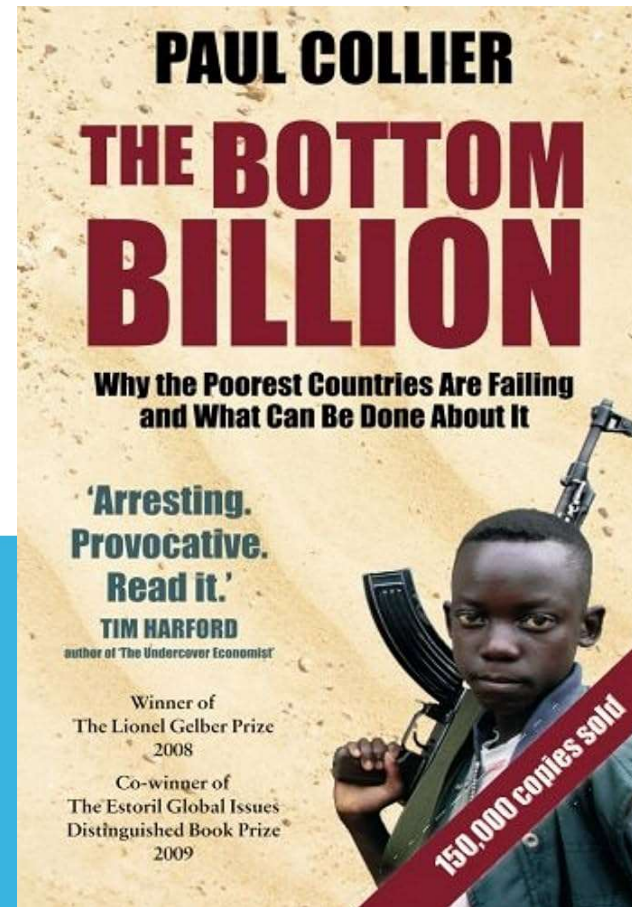


In the resulting political backlash, citizens in Argentina, Bolivia, Brazil, Chile, Ecuador, and Venezuela elected leftist critics of neoliberal reforms in the new millennium, creating what many called Latin America's "pink tide."

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## The “Bottom Billion”

The economist Paul Collier (2007) coined the term *the bottom billion* to refer to the population of the poorest countries on earth, most of them in Africa, which seemed to be left behind by globalization.



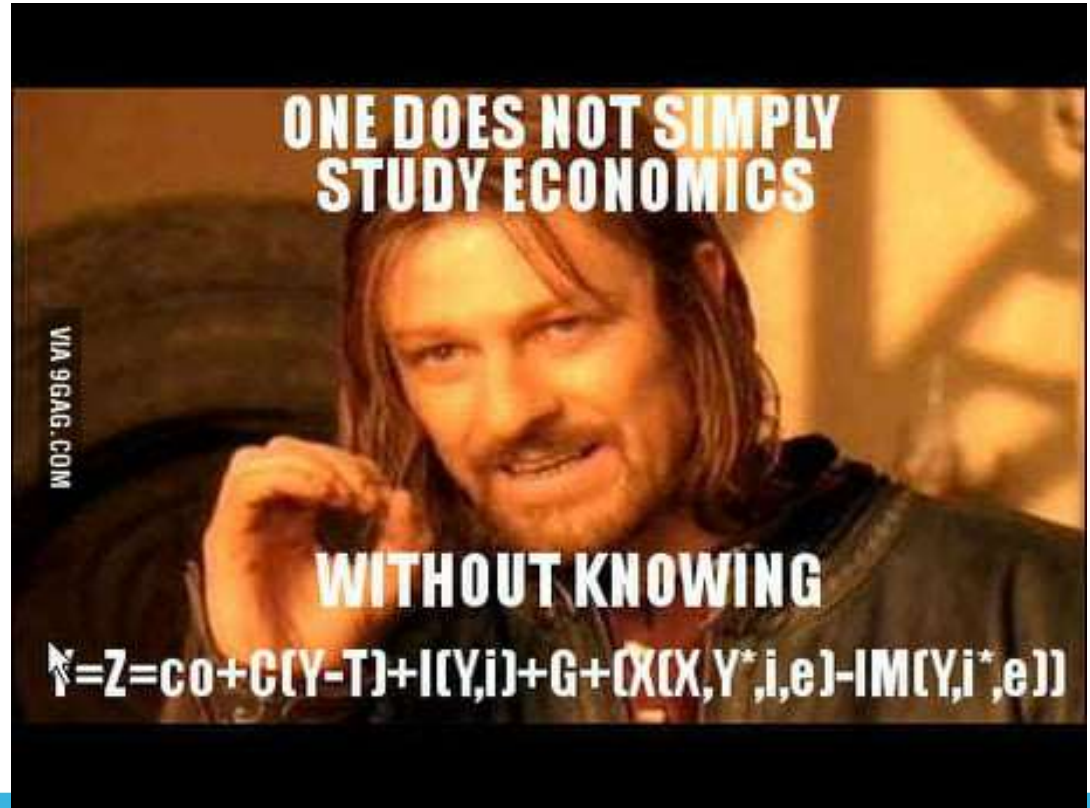
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His work contributed to moving toward what came to be known as Millennium Development Goals (MDGs), targets established by the United Nations to reduce poverty and hunger, improve education and health, improve the status of women, and achieve environmental sustainability.

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And so after a half a century of debate, no single development theory has proven as the key answer to the problem.



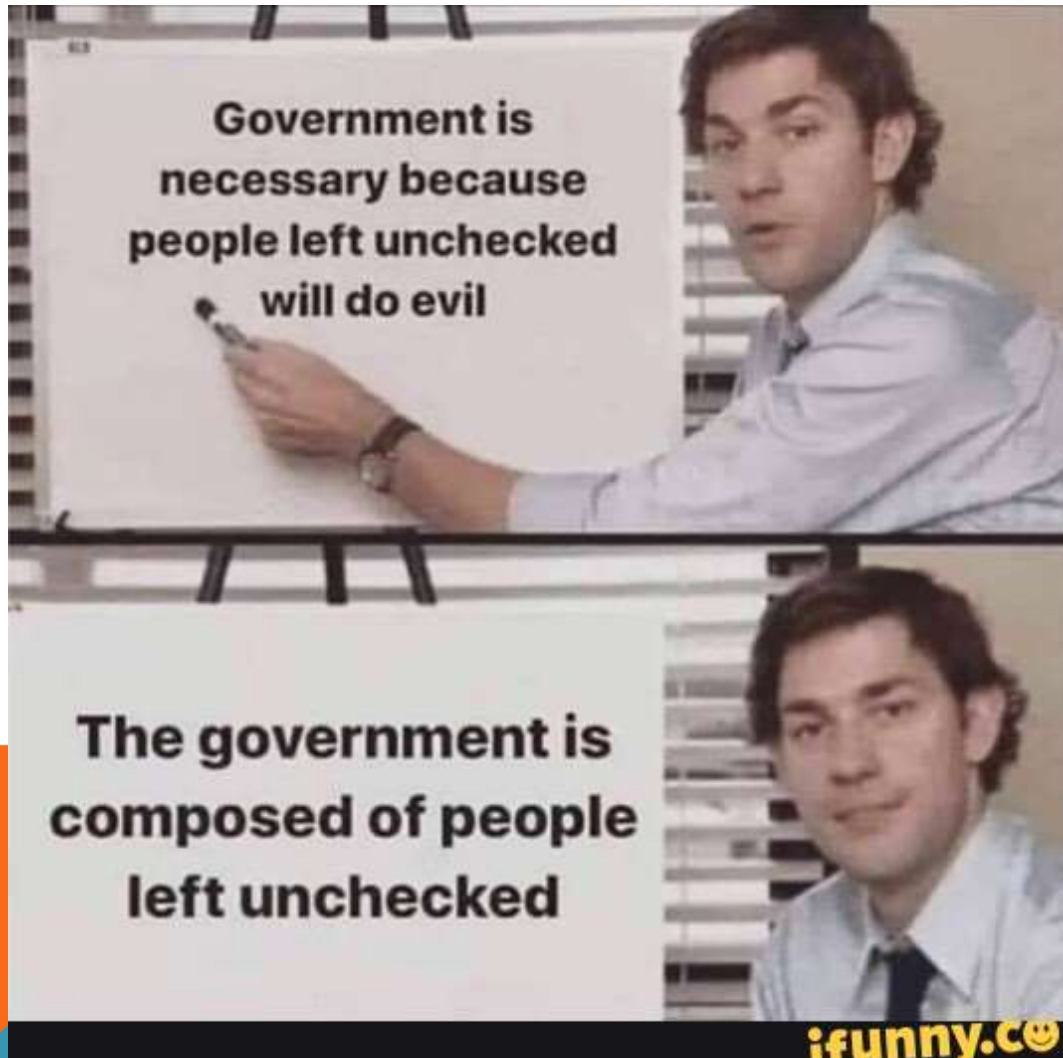
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## Regime Type and Development Success

Whichever developmental model seems most effective at navigating globalization to achieve growth and reduce poverty, a subsequent question is: What type of government is most likely to pursue beneficial policies?



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In other words, do democracies or dictatorships produce better economic development?

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Concluding thoughts and questions...

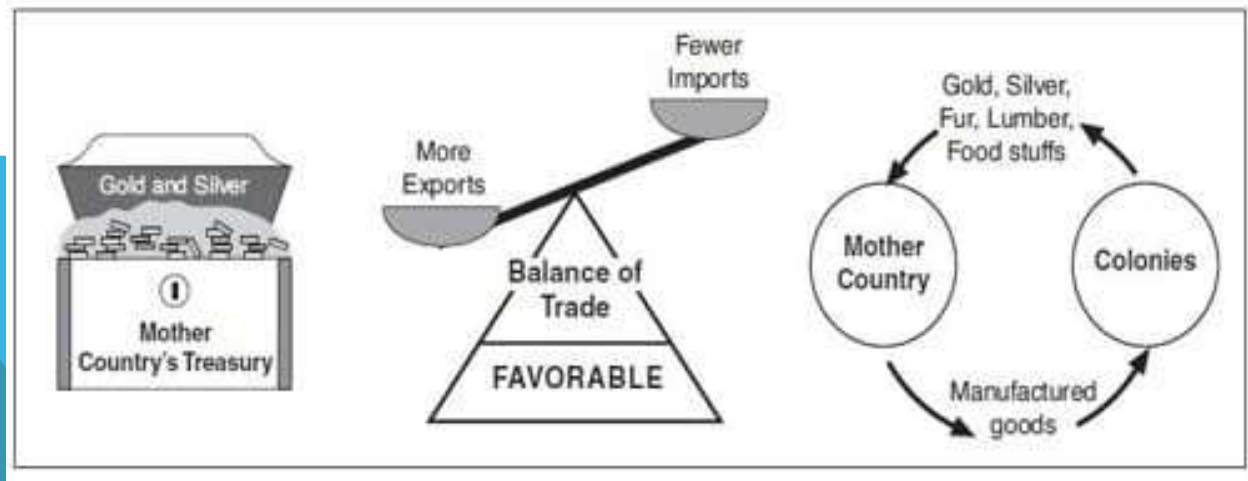


Political  
Economy

Development  
Economics

# COMPARATIVE POLITICS

Development has been an important political and economic concept since World War II. For most people, it still means creating greater wealth – a process of poor countries becoming more like rich countries. Numerous scholars have questioned whether that should be the goal, as well as how it should be achieved.



# COMPARATIVE POLITICS

Poorer countries have virtually all moved in the general direction of economic liberalization, but whether this has been a blessing is not always clear.



## COMPARATIVE POLITICS

**Orvis** and **Drogus** note that the closest thing to consensus is around recommendations for macroeconomic stability, strong institutions, and investment in human capital. Even with this consensus, it isn't always clear why some states have been more successful in the era of globalization than others.



Globalization has rendered the world increasingly interdependent, but international politics is still based on the sovereignty of states.

George Soros

quote.org

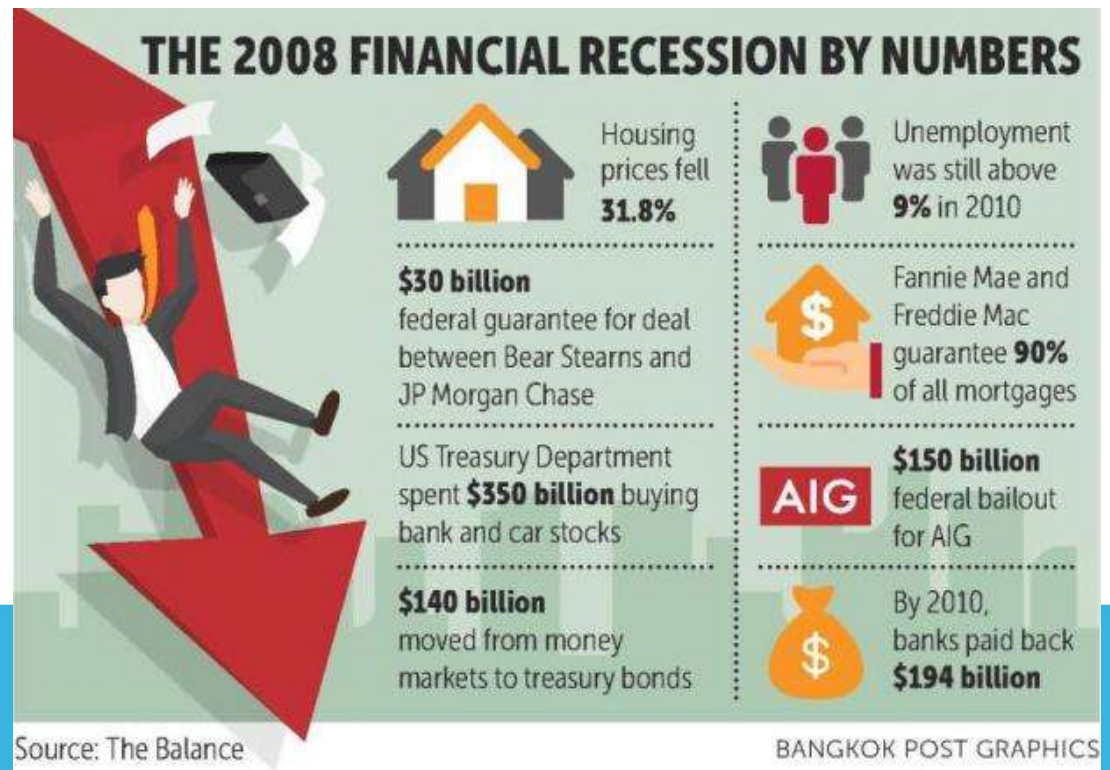
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The Great Recession was only the latest in a series of economic crises in the era of globalization.

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A key question in both wealthy and poor countries is how effectively a state can intervene in the market to pursue goals such as greater equality, health, and environmental protection...subjects for our next lecture.



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