

The theories of international assistance

An introduction

The theories concerning international development emerged as a separate body of ideas during the last century.

The theories and practice of development are normally considered to be technocratic, and developed a momentum of their own in the high modernist period of political thought that emerged following the Second World War'.

Before the concept of international development became a common word, four aspects were used to describe the idea:

- political and economic liberalism, and the significance of "free markets"
- social evolution in extremely hierarchised environment
- Marxist critiques of class and imperialism
- anti-colonial stance often centred on cultural differences and national self-determination

The conclusion of hostilities in 1946 led to a period of consultation and subsequent action that focused on:

- the need for reconstruction in the immediate aftermath of WW2 – **Marshall Aid** in parts of Western Europe and the re-building of the Japanese economy. This awareness of the problems associated with the end of hostilities also featured in the early discussions regarding the organisation now known as **The European Union**. The events of 1946 and the leaking of the Atomic secrets to the Soviet Union also made many western politicians aware of a potential ideological battle that would emerge. Churchill noted an 'Iron Curtain' and as a result of the tensions caused by the **Berlin Blockade** and other disagreements the '**Arms race**' began and with the independence of India 'western' governments became conscious of the need to monitor the behaviour of some of their colonial states, especially in French Indo-China.
- the evolution of colonialism or "colonisation" into globalization (its third appearance in recent history) and the establishment of new freer trade policies between so-called 'developed' and 'underdeveloped' nations – these were in part the result of the **Bretton Woods Conference** (USA- 1944) which had focused on reducing trade barriers and developing safer and a less volatile international trade environment.

International Development was mainly geared towards colonies that gained independence. The governance of the newly independent states should be constructed so that the inhabitants would enjoy freedom from poverty, hunger, and insecurity. In the opinion of some 'international aid/assistance' grew, in part, from a feeling of guilt amongst the former colonial powers.

It may have been Harry Truman who encapsulated the feelings of many when on 20th January 1949 he said: 'We must embark on a bold new programme for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas. The old imperialism – exploitation for foreign profit – has no place in our plans. What we envisage is a program of development based on the concept of democratic fair dealing.'

The framework, as noted earlier, had begun with the creation of:

- **International Bank for Reconstruction and Development** (now part of the World Bank Group) and the **International Monetary Fund (IMF)**, both established in 1944, and in the **United Nations** in 1945.
- **The Marshall Plan** - another important step in setting the agenda for international development, combining humanitarian goals with the creation of a political and economic bloc in Europe that were allied to the U.S.
- An agenda that gave rise to a conceptual development that appeared during the 1950s in the form of '**modernisation theory**' written on by Walt Rostow and other American economists. The changes in the 'developed' world's approach to international development were further necessitated by the gradual collapse of Western Europe's empires over the next decades; now independent ex-colonies no longer received support in return for their subordinate role

In the late 1960's the '**dependency theory arose**', which analyses the evolving relationship between the West and what was then becoming known as the Third World.

In the 1970s and early 1980s, the modernists at the World Bank and IMF adopted the neo-liberal ideas of economists such as Milton Friedman or Bela Balassa, which were implemented in the form of **structural adjustment programmes**, while their opponents were promoting various '**bottom up**' approaches using appropriate technology and greater awareness of rural food production and security and the life quality of both the rural and growing in number urban poor – those who were marginalised and not included in any of the benefits supposedly emerging in the post independent era.

Time does not allow us to look too deeply at the era of 'confrontation' between various 'schools' but it is worth noting that eventually such organisations as the **UNDP** put forward the concept of **Human Development**, thus changing the nature of the development dialogue to focus on **human needs and capabilities**.

With the collapse of the former Soviet Union, the re-unification of Germany and the entry to the market system of both China (with limitations) and India a new order began to emerge.

This distinct change in the **geo-political map** of the world was seen as an opportunity to address the fact that a large portion of the world's population were still living in poverty, their governments were crippled by debt and concerns about the environmental impact of globalisation were rising.

The response to this period of intellectual change was a rhetoric of development that focused more on the issue of poverty, its causes and possible solutions. Specific short-term goals were set in such programmes as the **Millennium Development Goals** and the **Human Development** approach. Other ideas that began to enter the debate included a greater emphasis on **public-private partnerships** and the idea of **Corporate Social Responsibility**. Such ideas felt it possible to combine international development with the ever increasing process known as globalisation.

The quite recent conversion of many to the acceptance that poverty can be equated with powerlessness has led to the 'new' school of thought that favours **emancipatory social movements and civil society** as the drivers of development and not paternalistic aid programmes or corporate charity. This approach is embraced by organizations who such ideas as **microfinance** initiatives.

The global impact of 'terrorism' that emerged post 9/11 saw some to voice that the **end of development** others have predicted would actually be a revival as part of the **War on Terrorism**. Even a generous interpretation of US and UK actions in such campaigns as Afghanistan and Iraq suggests that the 'soft' component of their actions have recorded very little visible success. 'Hearts and Minds' seem to be at best fickle and possibly clever enough to 'cherry pick' short term bonuses and await a return of the 'old regime'.

A brief analysis of the theories of international assistance

Before looking briefly at some of the theories of international assistance let's dwell on some of the concepts/ideas that are central to a modern interpretation of what could/should emerge from such policies.

- **Economic equality** – globalisation – class problems, political elite, inadequacy of domestic education and health systems – only the rich succeed.
- **Dignity** – the Universal Declaration of Human Rights begins with - "All human beings are born free and equal in dignity and rights."
- **Greater participation**, so reducing dependency – participatory rural assistance programmes, so avoiding lack of literacy problems
- **Appropriateness** – less sophisticated but more practical ways, traditional blended with modern
- **Sustainability** – an approach to development which takes account of economic, social and environmental factors to produce projects and programmes which will have results which are not dependent on finite resources.
- **Capacity Building** - increasing the ability of the recipients of development projects to continue their future development alone, without external support. It is a parallel

concept to sustainability, as it furthers the ability of society to function independently in its own microcosm.

- **Rights – based approach** - the goal of the rights-based approach to development is to empower the rights-holders, or the group that does not exercise full rights, and strengthen the capacity of the duty-bearers, or the institution or government obligated to fulfill these rights.

To try and achieve the above new indices have been developed, they now focus more on:

- National GDP
- Literacy rates
- Life expectancy
- Human Development Index
- Gini-coefficient
- Human Security Index
- Per capita income
- Maternal survival rate
- HIV infection rates
- Number of doctors per capita

The theories – in just a few minutes!!

But first let's spend a few minutes examining the word 'modern'

Modernization or **modernisation** refers to a model of a progressive transition from a 'pre-modern' or 'traditional' to a 'modern' society. This is now being questioned by those who suggest that the older form of societies have values and systems that we have ignored or lost and that we need to think of ways of amalgamating and not destroying ancient and sensible ways of growing food, dealing with illness and other common problems of humanity.

The theories of this school of thought put forward that each society can develop from **traditionalism to modernity**, and that those that make this transition follow similar paths. The more modern states are wealthier and more powerful, and their citizens freer, with a higher standard of living.

Developments, such as new data technology or the need to update traditional methods make modernisation necessary or preferable such ideas centre on a belief developments control the limits of human interaction, and not vice versa. It also implies that it is purely up to **human being to control the speed and severity of modernisation** – this can cause strains within societies as their beliefs, cultures and traditions come under increasing pressure to change. It is also unlikely that any two societies will 'modernise' in the same way and at the same pace.

The introduction of **State theory** notes that modernisation is mixed with internal politics, and that each country has its own unique pathway to development.

We also need to consider the continued importance of **globalisation** - the dominant, neoliberal model of globalisation states that it increases disparities between a societies' rich and it's poor. Globalists are globalisation modernization theorists and argue that globalization is good for everyone as there are benefits for all including vulnerable groups such as women and children.

There is lively academic debate over the relation between **democracy and modernisation**. Whilst some scholars argue democratization follows modernization, others have also disputed this claim. The case of China will be interesting to follow.

New technology is a major source of social change - it is the *response* to technology that causes change. Technology makes it possible for a more innovated society and broad social change.

Some modernisation theorists have tended to consider **traditions as obstacles to economic growth and therefore 'development'** in its broadest terms – it might be achieved via a radical change for traditional societies but this was thought a price worth paying. Other suggest that traditional societies have been destroyed without ever gaining any of the much promised advantages. Indeed, data suggests a widening of living standards between the rich and poor nations since such 'policies' were first introduced. The debate continues as to whether the true net effect of modernisation has been the replacement of traditional poverty by a more modern form of misery or will the improvements in living standards, physical infrastructure, education and economic opportunity eventually 'trickle down' to all?

Does modernisation simply mean '**westernisation**' – to conclude – if *modern* simply refers to the present then any society still in existence is 'modern'. Critics of this interpretation argue that only Western society is truly modern. In contrast such a view sees un-modernized societies as inferior even if they have the same standard of living as western societies. Opponents of this view argue that modernity is independent of culture and can be adapted to any society – yet no two countries have journeyed to modernity by the same route.

The theories in a thinned down version!

It is difficult to describe quite how 'assistance' both began and evolved its own theoretical base.

One way to begin a study of this area of economics is to look at the early work of Walt Rostow.

He developed a stages of growth model. We could debate growth v development for quite a while but it is a base from which to begin.

In his original model he identified five stages through which developing countries had to pass to reach an advanced economy status:

(1) Traditional society, (2) Preconditions for take-off, (3) Take-off, (4) Drive to maturity, (5) Age of high mass consumption.

He argued that economic development could be led by certain **strong** sectors; a country needed to follow some rules of development to reach the take-off: (1) The investment rate of a country needs to be increased to at least 10% of its GDP, (2) One or two manufacturing sectors with a high rate of growth need to be established – through this value could be added and incomes generated at both the micro and macro levels of the economy (3) An institutional, political and social framework has to exist or be created in order to promote the expansion of those sectors – for some this had led to a political elite manipulating inward flows of development money and not always directing the funds to their intended recipient.

Fifty years on it is easy to criticise Rostow (a) the model assumes that development can be achieved through a basic sequence of stages which are the same for all countries – we know this to be inaccurate (b) the model measures development solely by means of the increase of GDP per capita – that is now widely de-based (c) the model focuses on characteristics of development, but does not identify the causal factors which lead development to occur - it neglects the social structures that have to be present to foster development. Rostow was influenced by the work of Harrod (UK) and his opinions on savings and capital formation. This is now thought to be rather ambitious and possibly too ‘western’ in its societal requirements.

It has also been associated with some of the ‘planned’ development attempts and the problems associated with what is sometimes referred to as the ‘big push’ model. Lewis adapted this with his twin or dual approach, in which he felt that the low productivity agrarian sector would eventually be replaced with a new secondary sector. In turn a tertiary sector would appear. I imagine we can all criticise these early theories.

Let’s move on to another ‘school of thought – **structuralism**.

This focuses on structural aspects which reduce the economic growth of developing countries – the transformation will be generated by moving from subsistence agriculture to a modern, urbanised manufacturing and service economy. Once again with the benefit of hindsight we can all see weaknesses in this theory.

Domestic government and external agencies would be encouraged to practice major 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.

To achieve this a developing economy must move away from a reliance on exports of primary goods (agricultural and mining products), and pursue inward-oriented development by shielding the domestic economy from that of the developed economies.

To restrict trade with advanced economies the erection of all kinds of trade barriers and an overvaluation of the domestic exchange rate form the fundamentals of the economic plan; in this Import substitution would drive growth, limit exchange outflows and widen the economic base of the domestic economy. By protecting and developing what are known as infant industries the economy would become competitive.

Trade protection, which some may note was not really part of the post Bretton Woods philosophy, would generate the economies of scale and experience to allow newly emerged countries to compete in international markets. Indeed, it was thought that tariffs etc. could eventually be removed and a self-contained industrial base would emerge.

The Prebisch-Singer thesis states that over time, the terms of trade for commodities deteriorate compared to manufactured goods. This is because of the observation that the income elasticity of demand is greater for manufactured goods than that for primary products. So, a move out of primary products, which in reality have their prices determined by markets in the developed world, would lead to revenue flows that could be focused on building the essentials of development – would that it were so easy!

The dismantling of communism and the promotion of market-led economies saw such theories look rather isolated and big government led growth is no longer popular – however, many still believe that government and outside agencies (World Bank etc.) should be the investment drivers of the large-scale and expensive essentials such as infrastructure, power and water supply.

Dependency Theory

The evolution of dependency theory is really as a natural progression from structuralism. Structuralist's believed that development would not be possible unless a strategy of de-linking and import substitution was followed. External links with the developed parts of the globe would be needed. They did not appreciate the domestic dynamics that are part of all economies – developed or developing.

Those promoting this theory believed that resources flow from the 'periphery' of poor and underdeveloped states to a 'core' of wealthy countries, which leads to accumulation of wealth in the rich states at the expense of the poor states.

They accepted that not all society's progress through similar stages of development. More traditional states have certain unique features, structures and institutions of their own and are the weaker with regard to the world market economy. These theorists argue that underdeveloped countries remain economically vulnerable unless they reduce their connectedness to the world market.

The theory states that poor nations provide natural resources and cheap labour for developed nations – a process which allows the developed countries to have a standard of living they could not otherwise enjoy. The richer nations will try to maintain this superior quality of life and want the developing world to remain dependent on the developed. This,

in turn continues the poverty cycle as the poorer countries are highly integrated and dependent on the richer economies.

In addition to its structuralist roots, dependency theory has much overlap with Neo-Marxism and World Systems Theory, which is also reflected in the work of Immanuel Wallerstein, a famous dependency theorist. Wallerstein, a dependency theorist suggested the term 'Third World' was incorrect, there is only one world but its resources are not fairly distributed. One of the results of expansion of the world-system is the commodification of things, like natural resources, labour and human relationships.

Cardoso describes the main features of dependency as:

- There is a financial and technological penetration of the periphery and semi-periphery countries by the developed capitalist core countries - this leads to an unbalanced economic structure within the peripheral societies, which leads to limitations upon self-sustained growth in the periphery.
- This favors the appearance of specific patterns of class relations; and these require modifications in the role of the state to guarantee the functioning of the economy and the political elements of society,

Put more simply the State (government) has to possess the influence and power to 'dictate' what happens and when etc. However, a hierarchy of States exist and the powerful States can dictate and exploit the weaker States. The latter depends on the former and the connection cannot and perhaps won't be allowed to be broken.

We can amalgamate this theory with World Systems Theory (see below) and an example of this would be English capitalists exploiting slaves (unfree workers) in the cotton plantations of the American South, a peripheral region within a semi-peripheral state (the United States):-

Basic Needs Theory

The ILO started this in 1976, feeling that other theories had not achieved any significant reduction in the inequality existing between rich and poor nations.

It attempted to construct an accepted minimum level of resources necessary for long-term physical well-being – this gave rise to what we now know as a poverty line - the amount of income needed to satisfy those basic needs. Applied to development assistance it attempts to determine what a society needs for subsistence, and for poor population groups to rise above the poverty line.

Supporters of basic needs argue that elimination of absolute poverty is a good way to make people active in society so that they can provide labour more easily and act as consumers and savers. Though attractive to suggest it has tended to be seen as rather naïve and unlikely to achieve little more than a reduction in extreme poverty but in doing so pays little attention to the investment needed to move beyond this.

Neo-classical/liberalist theory

Neoclassical development theory is firmly based on classical economics. It is in favor of the free market, and against government intervention in those markets. The 'invisible hand' of Adam Smith makes sure that free trade will ultimately benefit all of society. Neoclassical development theory became influential towards the end of the 1970s, fired by the election of Margaret Thatcher in the UK and Ronald Reagan in the USA. Also, the World Bank shifted from its Basic Needs approach to a neoclassical approach in 1980. From the beginning of the 1980s, neoclassical development theory really began to roll out. It is now a major deciding factor in the programmes of The World Bank, IMF etc. and the foreign policy of such countries as the USA and UK. The SAP's that form much of the above focus on:

- **Fiscal austerity** (reduction in government spending – even though it is agreed that the most vulnerable members of society will be adversely affected)
- **Privatisation** (which should both raise money for governments and improve efficiency and financial performance of the firms involved)
- **Trade liberalisation, currency devaluation and the abolition of marketing boards** (to maximise the static comparative advantage the developing country has on the global market)
- **Retrenchment of the government and deregulation** (in order to stimulate the free market)

Post Development Theory

This questions the idea of national economic development altogether. The claims made by other theories are at best arbitrary – all that has appeared is a league table of nations and this applies enormous pressure on developing countries to emulate the developed – regardless of real cost. Development thinking has been dominated by the West and is very ethnocentric and a western lifestyle may neither be a realistic nor desirable goals for those who seek it. Development is being seen as a loss of a country's own culture, people's perception of themselves and modes of life. It also notes that 'things' such as of poverty are very culturally embedded and can differ a lot among cultures – we need to include a broader cultural involvement in development thinking.

Supporters suggest a greater focus on local culture and knowledge and have a skeptical view of some of the theories and uses of conventional science and they promote the need to accept local grassroots movements. Also, post development argues for structural change in order to reach solidarity, reciprocity, and a larger involvement of traditional knowledge.

Sustainable Development

Sustainable development is economic development enacted in ways that meet the needs of the present without compromising the ability of future generations to meet their own needs. Sustainable development can be divided into environmental sustainability, economic sustainability and sociopolitical sustainability. Some who reject this new 'theory' and its various divisions point to the Kuznets Curve, which states that as an economy grows, so it moves towards the use of more capital and knowledge-intensive production. So, as any

economy grows, so its pollution output increases, but only until it reaches a particular threshold where production becomes less resource-intensive and more sustainable. This means that a pro-growth, not an anti-growth policy is needed to solve the environmental problem. Into this theory we need to fit technical advancement, new ways of making things that are as yet unknown and believe that each generation rises to its challenges and discovers ways to produce 'wealth' that were previously thought impossible.

Human Development Theory

This theory has a number of core origins, these include: ecology, sustainable development, feminism and welfare economics. It wants to avoid normative politics and is focused on how social capital and instructional capital can be deployed to optimize the overall value of human capital in an economy.

Much of the theory focuses on human capabilities: what people can do and that determines their well-being – it is not simply based on income – is it from this that the Human Development Index emerged, the human-focused measure of development.

We also need to consider:

Ecological modernization

Which is an optimistic school of thought in the social sciences that argues that the economy benefits from moves towards environmentalism

World Systems

This refers to the inter-regional and transnational division of labor, which divides the world into core countries, semi-periphery countries, and the periphery countries. Core countries focus on higher skill, capital-intensive production, and the rest of the world focuses on low-skill, labour-intensive production and extraction of raw materials. This constantly reinforces the dominance of the core countries - the system is dynamic, due in part to revolutions in transport technology, and individual states can gain or lose the core (semi-periphery, periphery) status over time

That concludes this brief analysis of the 'schools' who have influenced the theories that underpin 'assistance' or Aid as it is sometimes called.

John

16th January 2014.

