



**NATIONAL OPEN UNIVERSITY OF NIGERIA**

**SCHOOL OF ART AND SOCIAL SCIENCE**

**COURSE CODE: POL 431**

**COURSE TITLE: THIRD WORLD DEPENDENCY AND  
DEVELOPMENT**

**COURSE  
GUIDE****POL 431  
THIRD WORLD DEPENDENCY AND DEVELOPMENT**

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## INTRODUCTION

Welcome to **POL 431: Third World Dependency and Development.**

This course is a three (3)-credit unit course for undergraduate students in political science. The materials have been developed to meet global standards but with Third World countries in view. This course guide gives you an overview of the course. It also provides you with relevant information on the organisation and requirements of the course.

## COURSE AIM

The aim is to help you understand the major theoretical and empirical explanation of the causes of global inequality in wealth distribution and why the third world countries have remained perpetually underdeveloped and dependent even after decades of political independence. The broad aim will be achieved by:

- i) introducing you to the concepts of development, underdevelopment, Third World and dependency
- ii) providing you with the theoretical and empirical explanations to the causes of underdevelopment and dependency
- iii) enabling you to evaluate the relevance of these explanations to contemporary Third World development crisis
- iv) providing you with the understanding of the Third World states and their response to development.

## COURSE OBJECTIVES

To achieve the aim set out above, POL 431 has broad objectives. In addition, each unit also has specific objectives. The unit objectives are outlined at the beginning of each unit. I advise you to read them before you start working through the unit. You may refer to them in the course of the unit to personally monitor and evaluate your progress.

On successful completion of the course, you should be able to:

- define the concept of development, underdevelopment, Third World and dependency; identify countries referred to as Third World and their commonalities
- explain the two different theoretical paradigms that attempt to provide explanations to the causes of Third World backwardness
- discuss the process of emergence of capitalist mode of production from the simple commodity through expanded commodity production and monopoly stage and its consequences on Third World countries

- explain the role of Third World states in the development process especially in the era of globalisation
- explain how Third World countries have responded to this development crisis, by using Africa (NEPAD) as a case study.

## WORKING THROUGH THIS COURSE

To complete the course you are required to read the study units and other related materials. It is also necessary to undertake practical exercises for which you need a pen, a notebook, and other materials that will be listed in this guide. The exercises are to aid you, and to facilitate your understanding of the concepts and issues being presented. At the end of each unit, you will be required to submit written assignments for assessment purposes. At the end of the course, a final examination will be written.

## COURSE MATERIALS

The major materials needed for this course are:

- i. Course Guide
- ii. Study Units
- iii. Assignments File
- iv. Relevant textbooks including the ones listed under each unit
- v. You may also need to listen to political, social and economic programmes and news reports on Electronic media (local and foreign)
- vi. In addition, you are also expected to read newspapers, magazines, journals and interact with internet resources.

## STUDY UNITS

There are 5 modules broken into 21 units in this course. They are listed below:

### **Module 1 Understanding the Third World and its Descriptive Taxonomy**

- |        |   |
|--------|---|
| Unit 1 | Understanding the Concepts of Third World, Development, Underdevelopment and Dependency |
| Unit 2 | Descriptive Taxonomy and the Commonalities of the Third World Countries                 |
| Unit 3 | Theoretical and Empirical Explanations to the Causes of Third World Development Crisis  |
| Unit 4 | Critique of the Theoretical and Empirical Explanations                                  |

## **Module 2 The Emergence and Development of Capitalism and Imperialism**

- Unit 1 The Emergence of Capitalism from Simple Production-Expanded and to Monopoly Production
- Unit 2 Theories of Imperialism
- Unit 3 V.I Lenin's Theory of Imperialism
- Unit 4 Capitalism, Imperialism and Contemporary Third World Dependency and Development Crisis

## **Module 3 The Forms, Nature and Structure of Dependency and Underdevelopment**

- Unit 1 Forms of Dependence
- Unit 2 Externalities of the Systems of Dependence and Underdevelopment
- Unit 3 Internal Factors and Mechanisms of Underdevelopment
- Unit 4 The Paradox of Globalisation and the Third World

## **Module 4 The Political Economy of Third World Development**

- Unit 1 Theoretical Explanations of States in the Third World
- Unit 2 The Role of the State in the Third World
- Unit 3 Africa's Response to Development Crisis (NEPAD-APRM)
- Unit 4 Finding Proper Roles for the State in the Third World

## **Module 5 Third World and the Challenges of Development**

- Unit 1 The Nexus between Democracy and Development in the Third World
- Unit 2 Third World and Democratisation Process
- Unit 3 Third World and the Challenges of Governance (IMF and World Bank)
- Unit 4 Third World, Foreign Aid and Dependency
- Unit 5 Debt Crisis and the Third World

## **TEXTBOOKS AND REFERENCES**

Certain books have been recommended in the course. You may wish to purchase them for further and personal reading.

## **ASSESSMENT FILE**

An assessment file and a marking scheme will be made available to you. In the assessment file, you will find details of the works you must



submit to your tutor/facilitator for marking. There are two aspects of the assessment of this courses the tutor marked and the written examination. The marks you obtain in these two areas will make up your final marks. The assignment must be submitted to your tutor for formal assessment in accordance with the deadline stated in the presentation, schedules and the assignment file. The work you submit to your tutor for assessment will account for 30% of your total score.

### **TUTOR-MARKED ASSIGNMENTS (TMAs)**

You will have to submit a specified number of the (TMAs). Every unit in this course has a tutor-marked assignment. You will be assessed on four of them but the best three performances from the (TMAs) will be used for computing your 30%. When you have completed each assignment, send it together with a tutor-marked assignment form, to your tutor. Make sure each assignment reaches your tutor on or before the deadline for submissions. If for any reason, you cannot complete your work on time, contact your tutor for a discussion on the possibility of an extension. Extensions will not be granted after the due date unless under exceptional circumstances.

### **FINAL EXAMINATION AND GRADING**

The final examination will be a test of three hours. All areas of the course will be examined. You are to find time to read the unit all over before the examination. The final examination will attract 70% of the total course grade. The examination will consist of questions, which reflect the kinds of self-assessment exercise, and tutor marked assignment you have previously encountered. You should use the time between completing the last unit, and taking the examination to revise the entire course.

### **COURSE MARKING SCHEME**

The following table lays out how the actual course mark allocation is broken down.

Assessment	Marks
Assignments (best three assignments out of four marked)	= 30%
Final Examination	= 70%
Total	= 100%

## COURSE OVERVIEW/PRESENTATION SCHEDULE

The dates for submission of all assignment will be communicated to you. You will also be told the date of completing the study units and dates for examinations.

UNIT	Title of Work	Weeks Activity	
<b>Module 1</b>	<b>Understanding the Third World and its Descriptive Taxonomy</b>		
<b>Unit 1</b>	Understanding the Concepts of Third World, Development, Underdevelopment and Dependency	<b>Week 1</b>	
<b>Unit2</b>	Descriptive Taxonomy and the Commonalities of the Third World Countries	<b>Week1</b>	
<b>Unit 3</b>	Theoretical and Empirical Explanations to the Causes of Third World Development Crisis	<b>Week2</b>	
<b>Unit 4</b>	Critique of the Theoretical and Empirical Explanations	<b>Week2</b>	
<b>Module 2</b>	<b>The Emergence and Development of Capitalism and Imperialism</b>		
<b>Unit 1</b>	The Emergence of Capitalism from Simple Production-Expanded and to Monopoly Production	<b>Week3</b>	
<b>Unit2</b>	Theories of Imperialism	<b>Week3</b>	
<b>Unit 3</b>	V.I. Lenin's Theory of Imperialism.	<b>Week4</b>	
<b>Unit 4</b>	Capitalism, Imperialism and Contemporary Third World Dependency and Development Crisis	<b>Week4</b>	
<b>Module 3</b>	<b>The Forms, Nature and Structure of Dependency and Underdevelopment</b>		
<b>Unit 1</b>	Forms of Dependence	<b>Week5</b>	
<b>Unit 2</b>	Externalities of the Systems of Dependence and Underdevelopment	<b>Week5</b>	
<b>Unit 3</b>	Internal Factors and Mechanisms of Underdevelopment	<b>Week6</b>	
<b>Unit 4</b>	The Paradox of Globalisation and the Third World	<b>Week6</b>	
<b>Module 4</b>	<b>The Political Economy of Third World Development</b>		
<b>Unit1</b>	Theoretical Explanations of States in the Third World	<b>Week7</b>	
<b>Unit 2</b>	The Role of the State in the Third World	<b>Week8</b>	

<b>Unit 3</b>	Africa's Response to Development Crisis (NEPAD-APRM)	<b>Week9</b>	
<b>Unit4</b>	Finding Proper Roles for the State in the Third World	<b>Week10</b>	
<b>Module 5</b>	<b>Third World and the Challenges of Development</b>		
<b>Unit 1</b>	The Nexus Between Democracy and Development in the Third World	<b>Week11</b>	
<b>Unit 2</b>	Third World and Democratisation Process	<b>Week12</b>	
<b>Unit 3</b>	Third World and the Challenges of Governance (IMF and World Bank)	<b>Week13</b>	
<b>Unit 4</b>	Third World, Foreign Aid and Dependency	<b>Week14</b>	
<b>Unit 5</b>	Debt Crisis and the Third World	<b>Week15</b>	
	Revision	<b>1</b>	
	Examination	<b>1</b>	
	Total	<b>17</b>	

## HOW TO GET THE MOST FROM THIS COURSE

In distance learning, the study units replace the university lecture. This is one of the great advantages of distance learning; you can read and work through specially designed study materials at your own pace, and at a time and place that suits you best. Think of it as reading the lecture instead of listening to the lecturer. In the same way a lecturer might give you some reading to do, the study units tell you where to read, and which are your text materials or set books. You are provided exercises to do at appropriate points, just as a lecturer might give you an in-class exercise. Each of the study units follows a common format. The first item is an introduction to the subject matter of the unit, and how a particular unit is integrated with the other units and the course as a whole. Next to this is a set of learning objectives. These objectives let you know what you should be able to do by the time you have completed the unit. These learning objectives are meant to guide your study. The moment a unit is finished, you will significantly improve your chances of passing the course. The main body of the unit guides you through the required reading from other sources. This will usually be either from your set books or from a reading section. The following is a practical strategy for working through the course. If you run into any trouble, telephone your tutor. Remember that your tutor's job is to help you. When you need assistance, do not hesitate to call and ask your tutor to provide it.

1. Read this course guide thoroughly, it is your first assignment.
2. Organise a study schedule. Design a 'course over' to guide you through the course, Note the time you are expected to spend on each unit and how the assignments relate to the units. Whatever method you choose, you should decide on and write in your own dates and schedule of work for each unit.
3. Once you have created your own study schedule, do everything to stay faithful to it. The major reason why students fail is that they get behind with their course work. If you get into difficulties with your schedule, please, let your tutor know before it is too late to help.
4. Turn to unit I, and read the introduction and the objectives for the unit.
5. Assemble the study materials. You will need your set books and the unit you are studying at any point in time. As you work through the unit, you will know what sources to consult for further information.
6. Keep in touch with your study center. Up-to-date course information will be continuously available there.
7. Well before the relevant due dates (about 4 weeks before due dates), keep in mind that you will learn a lot by doing the assignment carefully. They have been designed to help you meet the objectives of the course and, therefore, will help you pass the examination. Submit all assignments not later than the due date.
8. Review the objectives for each study unit to confirm that you have achieved them, if you feel unsure about any of the objectives, review the study materials or consult your tutor.
9. When you are confident that you have achieved a unit's objectives, you can start on the next unit. Proceed unit by unit through the course and try to pace your study so that you keep yourself on schedule.
10. When you have submitted an assignment to your tutor for marking, do not wait for its return before starting on the next unit. Keep to your schedule. When the assignment is returned, pay particular attention to your tutor's comments, both on the tutor-marked assignment form and also the written comments on the ordinary assignments.
11. After completing the last unit, review the course and prepare yourself for the final examination. Check that you have achieved the unit objectives (listed at the beginning of each unit) and the course objectives (listed in the course guide).

### **FACILITATORS, TUTORS AND TUTORIALS**

- ❖ Information relating to the tutorials will be provided at the appropriate time. Your tutor will mark and comment on your

assignments, keep a close watch on your progress and on any difficulties you might encounter and provide assistance to you during the course. You must take your tutor-marked assignments to the study center well before the due date (at least two working days are required). They will be marked by your tutor and returned to you as soon as possible. Do not hesitate to contact your tutor if you need help. Contact your tutor if you do not understand any part of the study units or the assigned readings. Also contact your tutor when you have a question or problem with an assignment or with your tutor's comments on an assignment or with the grading of an assignment.

You should try your best to attend the tutorials. This is the only chance to have face-to-face contact with your tutor and ask questions which are answered instantly. You can raise any problem encountered in the course of your study. To gain the maximum benefit from course tutorials, prepare a question list before attending them. You will learn a lot from participating in discussion actively.

## **SUMMARY**

This course guide has been designed to furnish you with the information required for a fruitful adventure in the course. In the final analysis, how rich you get from the course is essentially dependent on how much of your time, effort and planning you put in. So, your success in Pol 431 and in the entire programme is a function of the commitment and dedication you put into it.

We wish you success with the course and hope that you will find it both interesting and useful.

**MAIN  
COURSE**

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## **MODULE 1 UNDERSTANDING THE THIRD WORLD AND ITS DESCRIPTIVE TAXONOMY**

Unit 1	Understanding the Concepts of Third World, Development, Underdevelopment and Dependency
Unit 2	Descriptive Taxonomy and the Commonalities of the Third World Countries
Unit 3	Theoretical and Empirical Explanations to the Causes of Third World Development Crisis
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### **UNIT 1 UNDERSTANDING THE CONCEPTS OF THIRD WORLD, DEVELOPMENT, UNDERDEVELOPMENT AND DEPENDENCY**

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#### **1.0 INTRODUCTION**

I want to believe that by now you must have read the course guide and familiarised yourself with the introductory comments in module 1. This unit is the first among the four constituent units of this module. The main thrust of this unit is to identify and operationalise the concepts that are fundamental to understanding the course. This is to enable you overcome some misconceptions and ambiguity surrounding these concepts arising from the multicultural and multidisciplinary approach to it and to also appreciate the reasons behind the classification of some societies as Third World Countries (TWCs). This unit therefore forms the foundation upon which other modules are built on. You are therefore, expected to give it maximum attention it deserves.



## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain from variegated definitions provided the meaning of the concepts of Third World, development, underdevelopment and dependency and the relationship between them
- define the concept of Third World, development, underdevelopment and dependency in your own words from the definitions provided from multidisciplinary perspective
- identify and describe countries referred to as Third World countries in different part of the world and their common characteristics
- explain the causes of backwardness of the Third World Countries (TWCs)
- assess the relevance of the theoretical and empirical explanations of the causes of Third World backwardness in contemporary time.

## 3.0 MAIN CONTENT

### 3.1 Conceptualising the Third World

As a starting point, it is important to note that today, there are about 7 billion people on planet earth and over 5 billion of them live in nations categorised as Third World. These people live in Africa, Asia, Latin America, the Caribbean and the Middle East. It covers the majority of the human population as such, it cannot be ignored.

The concept of Third World was introduced by a French economist and Demographer, Alfred Sauvy who, in an attempt to describe the different categories of economic situation suggested that there were three worlds on the planet. The first is the old world of Europe, which was built on the agricultural society and governed by the system of feudalism. The second world is known as the new world, which described the discovery and settlement throughout the Americas both North and South. This was the era of Industrial Revolution, which laid the foundation for the modern, technical and mechanical societies. The final one refers to the Third World.

The concept of Third World is not only popular but generally used by different people, yet defined in different ways by scholars, policy makers, politicians and Experts of International Relations. Samples of these definitions are given below:

According to Munroe (2001:216), Third World nations refers to people who were not allowed to participate or benefit from the industrial revolution despite the fact that the sweat and blood of these people became the human slab on which the foundation of the Industrial Revolution was laid.

According to Handelman (2001:1-2) Third World refers to the nations of Africa, Asia, the Middle East, Latin America and the Caribbean that belong neither to the first world (Japan and the Western Industrial Democracies, the first countries to develop industrial economies and liberal democracies) nor to the now defunct second world (the bloc of former communist nations, that included the Soviet Union and Eastern Europe...). Third World is essentially a residual category. Countries fall under its banner not because of any specific quality, but simply because they are not members of either the first or the second worlds.

Third World is widely used in practice as a synonym for developing countries or less developed countries. From the above definitions, it is instructive to note that despite the differential conception of the concept of Third World, there are considerable agreements in what constitute the essential elements common to societies or countries referred to as Third World Countries which will be described in the next unit.

### **SELF-ASSESSMENT EXERCISE**

Identify other definitions of the concept of third world not mentioned above that can enhance your understanding of the course.

## **3.2 Conceptualising Development**

Development is a complex and highly contested concept that does not lend itself to any generally acceptable definitions due to the multidimensional nature and multidisciplinary approach to it and the value laden attached to it. However, some scholars have tried to provide meanings to the concept but in doing that, some scholars have misconstrued development for growth, modernisation, progress and westernisation.

Even though all these are necessary, they are not sufficient conditions for development. It is possible to have growth without development so also progress, modernisation and westernisation. While development is more than growth, progress, modernisation and westernisation, all these are sine qua non for development. So what is development?

According to Rodney (1972),

Development is a many-sided process implying for the individual, skills and capacity, greater freedom, creativity, self discipline, responsibility and material well-being. The process involves the development of tools, skills and the mobilisation of required resources for development purpose.

According to Nnoli (1979),

Development refers to checklist of technical artifacts. To him, the availability of schools, hospitals, road networks, electricity, boreholes and other infrastructural faculties are indications of development.

To V.I. Lenin (1968) development means: A progressive movement, ascension from lower to higher stages and from simple to complex situations- the simple/lower stage(s) refers to the state of nature in which society finds itself in the process of social evolution.

According to Seers (1969:5) the question to ask about a country's development are therefore: What has been happening to poverty? What has been happening to unemployment? What been happening to inequality? If all three of these have declined from high levels then beyond doubt this has been a period of development for the country concerned. If one or two of these central problem have been growing worse, especially if all three have, it would be strange to call the result development, even if per capital income doubled.

The World Bank in World Development Report(1991) believe that the concept of development has both economic, social and political attributes such as sustainable increase in living standards including consumption, education, health and environmental protection, equality of opportunity and liberties and political freedom.

From the variegated definitions above, there is clear indication that development does not have precise definition; nevertheless, the following viewpoints can be discussed as common grounds of agreement.

- Development is a process and not a state and this process are many-sided.
- Development involves action which emphasises the conscious efforts of the state to induce development in the society.

- It focuses on quantitative and qualitative changes in the structure, composition and performance of the forces of production.
- It also emphasised an increasing capacity to make rational value and use of natural and human resources for meeting people's social ends.
- It ultimately brings about qualitative improvement in the standard of living of the people.

Above all, a study of development provides you an insight to understanding the direction of societal change, its causes and dimensions. The onus of providing theoretical and empirical explanations for these, strand by strand constitute directly the thrust of this course.

### **SELF-ASSESSMENT EXERCISE**

The concept of development is shrouded in misconceptions. Identify and briefly discuss the various misconceptions of the concept of development.

### **3.3 Conceptualising Underdevelopment**

The concept of underdevelopment as first used in the 1940s is shrouded like development in controversy arising from scholars seeing it in different ways. The concept as it is used is an all-inclusive. It refers to a society's political organisation, economic characteristics and social institutions. But according to Gunder Frank, underdevelopment is not at all the same as undeveloped. If by the latter we mean a relative lack of development which was prevalent in almost all countries of the world in the pre-capitalist and pre-industrial times. But as Foster-Cater (1985:3) had observed: Underdevelopment, far from being a stage on the way to development is a totally different situation-on a road that leads to nowhere. And this in turn is because it is not or not only a process but a relation; it is something someone has done to someone else. So what is underdevelopment?

Some scholars see it as the direct opposite or the other side of development, while others conceive it by comparing the levels of development of two or more societies and others see it as the absence of development. But according to Gunder Frank (1968), underdevelopment involves imperialism and exploitation. Third World societies have been prevented from developing because their economies serve the interest of the west.

According to Alanana (2006:5) underdevelopment is a process in which a country has not sufficiently developed. This status of insufficient development, he added, was acquired under certain historical circumstances. These historical conditions includes centuries of slavery, colonialism and neo-colonialism.

According to Frank (1969) underdevelopment refers to an active process of distortion, characteristic of the relatively modern fate of the Third World, and hence in no way to be equated with tradition or any sort of original state.

The underdevelopment concept, understood not simply as retardation, but as a distortion of economic development, suffers from the fact that, apart possibly from the U.S.A, England and France, there has never been a so called normal development of industrial capitalism in any country.

From the above definitions, underdevelopment can be said to be neither the opposite nor absence of development because every society had experienced a form of social progress at a historical point of time; especially in its process of social formation. However, underdevelopment can be seen as a process which is synonymous with exploitation and plunder of one country by another under historical circumstances of capitalist expansion, imperialism and colonialism and has continued in this neo-colonial stage. The outcome of this process is the gross inequality in wealth distribution and lack of development at the local, national and international levels.

The above definitions imply that:

- i) there exists a link or relationship between the Capitalist Industrialised Countries and the Third World Countries
- ii) economic links between the Advanced Capitalist Countries and the Third World Countries are structurally and historically developed and has conditioned the Third World Countries to be perpetually dependent on the Advanced Countries.

### **SELF-ASSESSMENT EXERCISE**

Briefly discuss the concept of underdevelopment known to you.

### 3.4 Conceptualising Dependency

Dependency as a concept becomes externally tricky in an increasingly integrated world economy. However, political independence means nothing without economic independence. It is within this context that Kwame Nkrumah (1965), former president of Ghana in his work: **Neo-Colonialism: The Last Stage of Imperialism** observed that: The Third World Countries would not make a forward march towards economic independence until neo-colonialism or neo-imperialism was vanquished. To give credence to this assertion, decades after political independence for most of the Third World Countries, they have remained perpetually dependent. What is Dependency?

According to Offiong (1980:73) dependency refers to the situation that the history of colonial imperialism has left and that modern imperialism creates in underdeveloped countries.

According to Johnson (1972: 72), dependency is imperialism seen from the perspective of underdevelopment. Dependency from this perspective is not an external factor but as a conditioning situation in which the specific histories of development and underdevelopment transpired in various societies.

To Dos Santos cited in Offiong (1980:73-74), dependency refers to a situation in which a certain group of countries have their economy conditioned by the development and expansion of another economy, to which the former is subject. The relation of interdependence between two or more economies and between these and world trade assumes the form of dependence when some countries (the dominant) can expand and give impulse to their own development, while other countries (the dependent) can only develop as a reflection of this expansion.

From the forgoing definitions, there seemed to be some common agreement by these scholars on some issues which include:

- i) that development and dependency is relational
- ii) that global inequality in wealth and development is situated within the historical exploitation of poor societies (Third World Countries) by the rich countries (Advanced Countries)
- iii) that the dominant (Advanced Countries) are capable of dynamic development responsive to their internal needs whereas the dependent (Third World) have reflex type of development

- iv) that the development alternatives open to the dependent nations are defined and limited by its integration into, and functions within the world capitalist market
- v) that the basic situations of dependence leads to a global situation in dependent countries that situated them in backwardness and under the exploitation of the dominant countries.

### **SELF-ASSESSMENT EXERCISE**

Identify two or more definitions of dependency known to you.

## **4.0 CONCLUSION**

The crisis of development plaguing the third world countries has attracted the attention of scholars, policy makers, government and non-governmental institutions. In this course, attempt has been made to conceptualise the concept of Third World in its historical evolution. Other concepts that are fundamental to understanding the course such as development, underdevelopment and dependency have been operationalised. In doing this, some of the misconceptions are identified and to avoid ambiguity, students are introduced to some of the key characteristics that make their definitions to be acceptable.

## **5.0 SUMMARY**

In this unit, effort has been made to operationalise the basic concepts that are central to understanding the course. You have learned that there are various definitions to the concepts as presented by scholars of political economy. Despite the multidimensional and multidisciplinary approach to the definition of these concepts, certain key characteristics that are paramount in all are identified for proper understanding and comprehension.

## **6.0 TUTOR-MARKED ASSIGNMENT**

Submit a three page essay (A4, double line spacing) in which you are to answer one of the followings:

1. Briefly define the concepts of Third World, underdevelopment, developmental and dependency and establish their relationships.
2. Identify the various misconceptions of the concept of development and explain the most appropriate to you.

3. Discuss the relationships among the concept of development, underdevelopment and dependency.

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## **UNIT 2 DESCRIPTIVE TAXONOMY AND THE COMMONALITIES OF THIRD WORLD COUNTRIES**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Descriptive Taxonomy of Third World
  - 3.2 Characteristics of Third World Countries
  - 3.3 Third World Commonalities
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

It will be erroneous and misleading to generalise the categorisation of all Third World countries. This is because the societies which compose it are exceedingly diverse, as such, this unit will give a brief description of what Third World countries is, the basic characteristics and commonalities.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- identify countries called Third World
- mention the characteristics of countries referred to as Third World country
- explain the common features of the Third World countries.

### **3.0 MAIN CONTENT**

#### **3.1 Descriptive Taxonomy of Third World**

There is not even agreement on a collective name for the approximately 140 countries that constitute the third world countries, because they can be found in different parts or regions of the world. But simply put, Third World Countries refers to the nations of Africa, Asia, the Middle East, Latin America, and the Caribbean. This section shall provide brief information about these regions that makes up the third world countries but our focus will be on Africa and Latin America.

Africa, particularly Sub Sahara Africa, had a very specific experience of the world system of slavery, colonialism and neo-colonialism. During the slave period, millions of people were forcibly taken to the America with drastic effects on their societies. Colonialism, even though started late after the Berlin conference of 1884-85, was very comprehensive and almost universal except for countries of Ethiopia and Liberia that escaped. Most of these countries are characterised by explosive population and urban growth, agrarian and low level of technology. It is important to note that of all the third world countries, Africa looks to be the least developed and have the worst problems.

Latin America, to a large extent, is the original Third World. It was colonised early, from the late 15<sup>th</sup> Century, mostly by Spain and Portugal. It was also independent early, from as long ago as the 1820s, before most of Africa had even been colonised.

In this century, some larger countries within this continent- Brazil, Mexico, Argentina have undergone a certain degree of industrialisation, but whether this has or will transform the basic structure of underdevelopment is mostly debated, and it is no surprise that it was Latin America that gave birth to dependency theory.

### **3.2 Characteristics of Third World Countries**

Here, we shall focus on the characteristics that distinguished these countries from Advanced Countries.

The most salient characteristics of the Third World countries are their poverty. This is manifested at both individual (in terms of unemployment, sub-standard or low standard of living, poor health conditions, and inadequate nutrition, etc; and at national levels, (manifested in a combination of low per capita income, low Gross Domestic Product (GDP), highly unequal income distribution, poor infrastructures, limited use of modern technology, and low consumption of energy.

Robert McNamara, one time World Bank President, defines poverty, particularly absolute poverty as conditions of life so characterised by malnutrition, illiteracy, diseases, squalid surroundings, high infant mortality, and low life expectancy as to be beneath any reasonable definition of human decency.

According to Griffith (1989:127),

The critical problem facing certain third world countries, therefore is the hundreds of millions

of our fellow human being who like us have been created in the image of God but who live in condition of appalling deprivations.

Another principal characteristic defining Third World Countries (TWCs) is their peripheral economic and cultural status relative to the major advanced countries of the world. As such, even wealthy nation such as Saudi Arabia or stable economies such as Costa Rica are still considered part of the TWCs, because their economics and political systems are largely shaped and dependent on the developed world.

In describing the characteristics of the Third World, Offiong (1982:200) sees it as:

The state of an economy of a satellite economy characterised by underemployment of human and material resources, such an economy is characterised by low real income per capital in comparison with those of North America and Western Europe. It is characterised by illiteracy, poverty, over population and disease.

In his work on the sociology of survival, Charles Anderson notes:

The conditions of underdevelopment simply deepen the longer the country remains as a backward cog in the world capitalist system. The elite mass cleavages widens, rural-urban inequalities increases, city slums grows, unemployment increases, illiteracy abounds, and agricultural productivity stagnates. Malnutrition with low level of income, core poverty and poverty connotes malnutrition, imbalanced and irregular diets, endemic diseases, high infant mortality and low life expectancy rate. Malnutrition spreads. Diseases debilitate millions. Birth rates remain high. Death rates begin to rise to some areas. Important luxuries drain foreign exchange. Foreign debts and balance of payments deficits mount. Inflation run rampant, military spending for army and police repression increases. Foreign corporations drain huge amounts of raw materials and profits from the county.

Such are the hallmarks of underdeveloped or third world countries. Of course there must be difference between Third World countries but to maintain that no common ground exists is to make any discussion outside or across the frontiers of a single country meaningless. The Third World is important because of the massiveness of its poverty. It is hazardous to try to generalise too much about the 143 member countries of the United Nations (U.N.) that constitute the Third World while almost all are poor in money terms, they are diverse in culture, economic conditions, and social and political structures.

According to Ujo (1995:51-52), one of the ways of measuring underdevelopment is to use statistical index. Based on this criterion, underdevelopment can be measured through the following indices categorised under economic, demographic, cultural and political and technological indicators:

Economic indicators include: A high proportion of the population in agriculture and over population in agriculture where it is possible to reduce the number of workers in agriculture and still obtain the same total output; considerable disguised unemployment; very little capital per head; low income; low savings; major proportion of expenditure is on food; export of raw materials; low volume of trade; poor credit facilities and poor housing.

Demographic indicators include: high fertility rates, high mortality rates; poor nutrition; and poor hygiene.

Cultural and political indicators include: High degree of illiteracy, child labour, wide gap between the rich and the poor, women occupy inferior status, predominance of traditional values; and, political instability.

Technological indicators include: low technology in agriculture, low technology in industry; and crude technology.

### **SELF-ASSESSMENT EXERCISE**

Outline the characteristics of any Third World Countries known to you.

### **3.3 Third World Commonalities**

It is instructive to note that despite the endless variety of geography, history and cultures of Third World Countries, there is also at some level an element of commonality in economy, politics, in experiences or structure. However, there are two variants to the claim of this commonality. The claim can be categorised under:

- a. Recapitulation or diffusion perspective

b. Unevenness or dependence perspective

According to the recapitulation perspective, what the TWCs shares is being behind the advanced countries in various ways. These countries also share how Human Development Index (HDI), the most comprehensive and composite measurement of school enrolment, literacy, infant mortality, life expectancy and income. It also shares the opportunity or prospects to ameliorate this by receiving benefits diffused from the world, and it will share a common feature in following gradually in the West's footsteps.

The unevenness or dependence perspective on the other hand, claim that what the TWCs share is a similarity of experience; namely: being historically subjugated and reduced to a subordinate position in the world economy, which is not like anything the West went through and which must be escaped from, not built upon if real development is to take place in the Third World Countries. This perspective also described Third World governments as agents of the local economic elite who colluded with Western Multinational Corporations.

These countries also have poor public social policy which is supposed to help determine the share of the country's economic resources that is invested in education, sanitation and health care.

Despite their variations, however, Third World nations share a common set of problems both domestic and international that define their state of underdevelopment. The common problem shared in varying degrees by most Third World countries include: widespread and chronic absolute poverty; high and rising levels of unemployment and underemployment; wide and growing disparities in the distribution of income; low and stagnating levels of agricultural productivity; sizeable and growing imbalances between urban and rural levels of living and economic opportunities; serious and worsening environmental decay; antiquated and inappropriate education and health systems; severe balance of payments and international debt problems; and substantial and increasing dependence on foreign aid and often inappropriate technologies, institutions and value system.

However, common characteristics of Third World countries include: Low living standard, comprising low income, high inequality, poor health and inadequate education; low levels of productivity; high rates of population growth and dependency burden; high and rising levels unemployment and underemployment; significance dependence on agricultural production and primary products export; and, dominance, dependence and vulnerability in international relations.

## SELF-ASSESSMENT EXERCISE

Identify the common characteristics that Third World Countries share?

### 4.0 CONCLUSION

In the light of foregoing, we conclude this unit by stating that despite the substantial differences among Third World countries, they still share a number of common characteristics. For instance, all of them suffer from some aspects of political, economic or social underdevelopment. However, while some TWCs are underdeveloped in all major aspects of modernisation and development, other TWCs are far more advanced in some areas of development than in others, like countries of South East Asia.

### 5.0 SUMMARY

This unit has examined a description of the countries and other characteristics that qualified them to be called Third World Countries. The unit observed that even though these countries vary on so many issues, they share some commonalities.

### 6.0 TUTOR-MARKED ASSIGNMENT

Submit a two page essay (A4, double line spacing) in which you are to:

1. Describe the characteristics of Third World countries.
2. Identify the commonalities of Third World countries.
3. Identify any Third World country of your choice and discuss the characteristic and common features it shares with others.

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## **UNIT 3 THEORETICAL AND EMPIRICAL EXPLANATION TO THE CAUSES OF THIRD WORLD COUNTRIES' UNDERDEVELOPMENT**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 The Emergence of Modernisation School
  - 3.2 Basic Postulations of the Modernisation School
  - 3.3 The Emergence of Dependency School
  - 3.4 The Basic Postulations of the Dependency School
- 4.0 Summary
- 5.0 Conclusion
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

The crisis of underdevelopment and dependency plaguing the Third World Countries has attracted the attention of social scientists. However, understanding the nature and causes of dependency of these countries is a complex task complicated by different theoretical debates. Consequently, the question about the origin and causes of underdevelopment and dependency elicit very different responses from social scientists. Frequently, their evaluations reflect their personal, cultural backgrounds or ideologies.

In the light of the foregoing, two competing paradigms have shaped scholarly analysis of the debate- the first is the modernisation school and the other is the dependency school.

This unit, therefore, attempts a presentation of the two theoretical and empirical paradigms (modernisation and dependency) used in providing explanations to the causes of wealth and poverty of the Advanced Capitalist Countries (ACC) and the Third World Countries (TWCs).

### **2.0 OBJECTIVES**

At the end of the unit, you should be able to:

- explain the causes of Third World countries backwardness
- tell why Capitalist development has not taken place in the Third World countries



- explain the postulations of modernisation for explaining Third World development crisis
- discuss the postulations of dependency in explaining the causes of TWCs backwardness
- describe which theoretical explanations best explains the causes of Third World backwardness.

### **3.0 MAIN CONTENT**

#### **3.1 Emergence of the Modernisation Theory School**

The origin and emergence of modernisation theory could be traceable to the 1950s and 1960s, as the demise of European colonialism produced a vast number of independent nations in Africa, Latin America and Asia. Western Social Scientists began to study Third World countries' politics and economics intensely. From the study came the modernisation theory. The theory which emerged in the 20<sup>th</sup> century gained popularity in the U.S.A in 1960s.

The emergence of the modernisation theory is a product of three (3) historical events in the post World War II era. These events are:

- i. The emergence and rise of the United States of America as a global power after the Second World War.
- ii. The spread of communism from the defunct USSR, Korea and China to the new nations emerging from colonial domination.
- iii. The disintegration of European colonial empires in Africa, Asia and South America.

Against these historical events and factors, the newly independent nations were in desperate search for development models for their economy in order to secure their political independence and safeguard their economic freedom. Consequently, America showed interest and encouraged bourgeois elites to support research efforts of their young social scientists. The outcome of this research brought about the modernisation theory.

#### **SELF-ASSESSMENT EXERCISE**

Briefly trace the emergence of the modernisation theory.

#### **3.2 Basic Postulations of the Modernisation Theory**

Modernisation generally implies a process of change towards those types of social, economic and political system which had developed in Western Europe and North America from the 17<sup>th</sup> Century and had then

spread to other European countries in the 19<sup>th</sup> and 20<sup>th</sup> centuries in South America, Asia and African Continents. Modernisation represents a change in values, behaviour or attitude of a society towards the direction of developed societies.

Modernisation is multidisciplinary in structure and content. At the level of sociology, it maintains that change and transition from traditionalism to modernity is gradual and achieved through structural differentiation as seen in the works of Talcott Parsons, Neil Smelser, etc. At the level of economics, its emphasis is on the increase in production and capital investments. This is indicated in the works of (W.W. Rostow's Stages of Economic Growth: A Non Communist Manifesto published in 1960. At the level of Political Science, it emphasises, the need to enhance the capacity of the political system as is reflected in the works of Gabriel Almond, James Coleman, Samuel Huntington. This is indicated in the theory of political development where some of the scholars are primarily concerned with the absence or weakness of political culture and institutions as reasons for Third World backwardness. While there are variations and disagreement among modernisation scholars, they generally share on a number of underlying postulations which are:

- i) Within the modernisation theoretical prism, the Third World countries (TWCs) can never develop because their traditional values, norms, behaviours and institutions are antithetical to development;
- ii) The theory believes that the yardstick and standards of development of the TWCs are developed countries of America and Europe;
- iii) Modernisation theory argued that the TWCs, would and should follow a path of political and economic modernisation paralleled to the one first travelled by the Advanced Western nations. To achieve, they insisted that TWCs had to acquire modern cultural values and create modern political and economic institutions.
- iv) They see development as internally induced due to atavistic and incompatible traditions and institutions.
- v) Finally, transforming the traditional cultures was seen as the first step in the modernisation process.

A Major proponent of the economic aspect of the school is W.W. Rostow who popularised the theory in his work: Stages of Growth: A Non Communist Manifesto published in 1960. According to Rostow, growth and development are historically linear process discernible into five (5) stages through which all TWCs must pass through to develop. The stages are:

- i. traditional societies
- ii. pre-condition to take-off
- iii. take off
- iv. drive to Maturity
- v. the age of high mass consumption.

### **SELF-ASSESSMENT EXERCISE**

Discuss the contributions of modernisation theory to the crisis of underdevelopment and dependency of the Third World Countries.

### **3.3 Emergence of Dependency Theory**

Dependency theory originated in Latin America offered a more radical perspective on development. In time, dependency theory came to exert tremendous influence over political research on Latin America, Africa, and other parts of the developing world.

Dependency theory unlike the modernisation theory emerged as a response and reaction to the modernisation perspective. It therefore represents the voices of the Third World people and their perspective to challenge the intellectual hegemony of the European and American represented by the modernisation theory.

It also emerged as a response to the bankruptcy of the performance of United Nations Economic Commission for Latin America (UNECLA). The policies suggested by this programme based on the proposition of the modernisation theory were adopted but the results in the Latin American countries were negative and high level of pessimism ensued. Dependency also emerged as a response to the crises of Orthodox Marxism. Marxism had argued that the societal process of evolution must follow the path of slavery, feudalism, capitalism, socialism and finally communism. But the events in Cuba, Russia and China proved this wrong. The orthodox Marxism believed that countries must pass through the bourgeois industrial revolution before waging a proletarian socialist revolution. This was contrary to what happened in China (1949), Cuba (1959) Russia (1917). If these countries can skip the stage of bourgeois industrial revolution, other third world countries could as well follow.

All these provided the psychological background to the emergence of the dependency theory.

## SELF-ASSESSMENT EXERCISE

Briefly discuss the circumstances that led to the emergence of the dependency theory.

### 3.4 The Basic Postulations of the Dependency School.

It is important to note that all dependency scholars take seriously the colonial relationships which have historically marked the growth of the TWCs. They argue that outside of an explicit recognition of the consequence of that relationship, no accurate understanding of the present situation of these countries is possible.

The basic arguments of the dependency school are:

- i) The dependency scholars rejected the claim that the TWCs could follow the same path to development as Western nations had because the advanced industrialised nations changed the landscape for those that followed them. When Britain became the world's first industrial power, it faced no external economic competition; today, however, newly industrialising countries must compete against such well established industrialised giants as the U.S, Japan, Germany, etc. As Dos Santos added:

TWC will have to borrow from financial capital and purchase advanced technology from the developed countries, thereby making them dependent on external economic forces beyond their control and weakening their development.

- ii) They also argue that while modernisation scholars view western influence in the TWCs as beneficial, because it spreads modern values and institutions, dependency theorists maintain that Western colonialism and economic imperialism themselves initially turned Africa, Asia and Latin America into sources of cheap labour, food and raw materials for the colonial powers.
- iii) Underdevelopment and dependency is not the TWCs' fault but rather the result of foreign domination and exploitation. Hence, TWCs' backwardness is due to exploitative and unequal relationships that exist between the TWCs and the developed countries. Consequently, the underdevelopment of the TWCs, is as a result of the dependence on the developed countries who exploit them and their resources for selfish development of the developed countries.

- iv) They recommend that if these unequal and exploitative relationship continue, TWCs will remain backward except they sever the link either by delinking or breaking away the relationship with the advanced countries.

A major proponent of the dependency theory is Andre Gunder Frank through his popular notion of the development of underdevelopment. His popular work on this subject is titled: **Capitalism and Underdevelopment of Latin America** Published in 1969.

He employed the Concept of Satellite-Metropole for his analysis. He saw the countries as the satellites and he continually serve as engine of development for the advanced countries which he referred to as metropole. He saw development and underdevelopment as two sides of the same coin. By siphoning surplus from the TWCs, the advanced capitalist countries had enriched themselves.

The Satellite-Metropole model for explanation are linked in such a way that the development of the centre leads to corresponding underdevelopment of the periphery. Paul Baran, in his work, **The Political Economy of Growth** (1957) argued that the modernising elites who were supposed to be the catalyst for modernisation were not helping the situation because they were allies of the bourgeoisie of the Advanced Capitalist Countries (ACCs) helping to exploit their homeland.

### **SELF-ASSESSMENT EXERCISE**

Briefly discuss the basic postulations of the dependency theory.

## **4.0 CONCLUSION**

In the light of the above, we can conclude this unit by stating that the questions about the causes and nature of underdevelopment and dependency of the Third World Countries elicit very different responses from social scientists. Hence, two competing paradigms have provided explanation to the origin, causes and nature of Third World underdevelopment and dependency. While, modernisation which emerged in the U.S.A. blamed TWCs' backwardness on traditional values, dependency on the other hand, condemn Western exploitation as the root cause of TWCs underdevelopment and are particularly popular among Latin American and African scholars. However, it must be noted that despite their divergent views, both modernisation and dependency agree that there exists enormous inequality in the global economy and both suggests that changes are required to redress the inequality between the TWCs and the ACCs. But the nature of changes varies.

## 5.0 SUMMARY

In this unit, effort has been made to trace the origin and emergence of the two competing and often contradicting theoretical paradigms that attempt to provide explanations to the nature and causes of underdevelopment of Third World Countries. While Modernisation theory which emerged from European and American Scholars, argued that the causes of TWC backwardness is essentially internally induced arising from their culture, behaviour, attitudes and institutions that are incompatible to development, the dependency theory explains global inequality and poverty crisis of the TWCs from the perspectives of the historical exploitation of poor societies by the rich from the period of slavery through colonialism, and neo- colonialism.

## 6.0 TUTOR-MARKED ASSIGNMENT

Submit a two page essay (A4, double line spacing) in which you are to choose one out of the following:

1. Discuss the contributions of modernisation school to the underdevelopment and dependency crisis of the Third World Countries.
2. Explain the postulation of the dependency theory to the dependency crisis of the Third World Countries.
3. Identify and discuss the circumstances that gave rise to the emergence of the modernisation theory.

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## **UNIT 4 CRITIQUE OF THE THEORETICAL AND EMPIRICAL EXPLANATION**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Critique of the Modernisation Theory
  - 3.2 Critique of the Dependency Theory
  - 3.3 Empirical Examples to Justify the Relevance of Dependency Theory
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

Theoretically we attempted in the preceding unit to explain the inequality between and among nations in the international economic system within the capitalist system of production and relations of production. These theoretical explanations are found in the various works covering different paradigms from classical modernisation to the radical underdevelopment and dependency theory to explore the phenomenon of global inequality. This unit is intended to do a critique of these theories in order to ascertain their relevance in understanding and explaining causes of underdevelopment and dependency of contemporary THIRD World countries.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- identify the basic critiques of the modernisation school
- identify the basic critiques of the dependency, the basis critique of the dependency theory
- explain the relevance of these theories in understanding contemporary crisis of underdevelopment and dependency of the Third World countries.



### 3.0 MAIN CONTENT

#### 3.1 Critiques of the Modernisation Theory

According to Offiong (1980:49),

The European American scholars do not explain Africa's underdevelopment because they all belong to the mainstream of European- American sociology which has carefully avoided the issue of dependency and colonial imperialism critical factors in Africa or Third World countries' development.

In other words, Offiong (1980:50) added that:

Development far from being an original or natural condition of the poor societies is a condition imposed by the international expansion of capitalism and its inalienable partner, imperialism.

Modernisation is also criticised for its pro-western bias by neo-classical Marxist and dependency theorists among others, advancing that traditional societies were often destroyed without gaining promised advantages leading to the replacement of traditional poverty by a more modern form of misery.

Modernisation theory was criticised to be essentially ahistorical. The diverse experience of the countries of the TWCs was aggregated in terms of a notion of traditional society and these countries failed to exhibit the traits of modern societies. The model of the modern was the model of the U.S.A. In this way, the historical experience of the countries of the TW was both denied and assimilated to the historical experience of the developed West.

Modernisation is also accused of being unidirectional in its assumption of change and development. That is- for TWCs to develop there is just one path to follow, the path of America. Critics asked why it is necessary for the TWCs to follow this path to development. Modernisations seem to have ignored the fact that TWCs have the option to select an alternative path to development as South Korea, Taiwan and other Asian countries. This shows that the TWCs have alternative paths to development outside the path of Europe and America.

They are also Eurocentric and racist in outlook. For instance, nearly all the modernisation scholars were either Americans or Europeans. They were born and raised in the western tradition. As such, they believe that their cultural values are natural, God ordained and superior to every other.

Having looked at the general critiques of the modernisation theory, it is imperative to look at W.W. Rostow which is apparently the most popular and influential scholars of the modernisation school. However, it is instructive to identify some of the key theoretical traits which Rostow arguably shares with others.

- i. *The theory is evolutionist*: that is-he sees socioeconomic change as unfolding through a fixed set of stages.
- ii. *is also unilinear*. All Third World Countries must pass through the same route in the same order to develop. There are no leaps, shortcuts, choices and alternative routes.
- iii. *It is internalist*. That is, outside or external influences do not play any role in the Third World Countries underdevelopment crisis.
- iv. *The theory is recapitulationist*. That is the presently underdeveloped countries today have to follow precisely the same basic path as did the now developed countries in their day.

According to Frank, author of a major critique of the modernisation school and Rostow's theory in particular, argues that three criteria for assessing any theory in social sciences are: empirical validity, theoretical adequacy and policy effectiveness. Put in another way, does the theory fit the facts? Does it make sense? And is it any use? Rostow, as Frank (1969) argues is found wanting in all. He further pointed out that a number of countries in Latin America and elsewhere never had a traditional stage at all, yet seems locked into underdevelopment.

Rostow's theory, more than anything else, was faulted for not having any usefulness or help for policy purposes. Gunder Frank also stressed that, Rostow's theory attributes a history to the developed countries but denies no history to the underdeveloped countries. Rostow neglects the past of the underdeveloped countries but confidently predicts a future for them.

Finally, modernisation was criticised to be too optimistic. That the western countries had developed through this model, what makes them think that the TWCs would develop if they follow the same model or path of development.

## SELF-ASSESSMENT EXERCISE

Briefly discuss the critiques of the modernisation theory of underdevelopment.

### 3.2 Critiques of the Dependency Theory

As Rodney (1972) contends, under colonialism, the things that developed were dependency and underdevelopment. The central claim of the dependency theory was that the circumstances of the Third World countries were to a large extent shaped by the global structures within which they found themselves in particular, the dominance of the west. However, before looking at the critiques of the dependency theory, it is necessary to give a summary of the theoretical explanations which the proponents share together.

- i. The importance of considering both the historical experience of peripheral (Third World countries) and the places of their involvement within wider encompassing systems;
- ii. The necessity of identifying specific political, economic and cultural linkages of centres and peripheries;
- iii. The requirement of active state involvement in the pursuit of development.

Andre Gunder Frank, is seen as the leading representative of the dependency school. His key term, the development of the underdevelopment can be seen as the radical counterparts of Rostow's take-off stage. He argued that the development of the satellites is limited simply because they are satellites. Development along metropolitan lines is precisely not possible for satellites given their subordinate position in the international division of labour.

Using the same three indices as yardstick for assessment, Frank is also found wanting empirically. His view that no real development at all is possible under capitalism is far from real. It is difficult to identify his metropole-satellites with any actual sociological entity; rather, they are mix of geographical and social. There are also policy problems. His delinking from the Western world capitalist system is still problematic.

Dependency theory also ignored the internal factors that may play critical role either to facilitate development or distort the processes of development. For example, values, leadership, discipline, corruption, etc constitute these internal obstacles that can ruin the process of development. Dependency ignored the possibility of cultural resistance as well as the right of a tribal society to reject or accept change and innovations, as this diffused into the TWCs. Dependency suffers from

serious failings. Just as early modernisation scholars over emphasised the internal causes of underdevelopment, dependency theorists erroneously attributed virtually all of the TWCs problems to external economic factors.

The most systematic critique of dependency is that of Cardoso, who argues that their theories are based on five interconnected erroneous theses concerning capitalist development in Latin America. These are:

- i. that capitalist development in Latin America is impossible;
- ii. that dependent capitalism is based on the extensive exploitation of labour and tied to the necessity of underpaying labour;
- iii. that local bourgeoisie no longer exist as an active social force;
- iv. that penetration by multinational firms leads local states to pursue an expansionist policy that is typically sub imperialist; and,
- v. that the political path of the sub continent is at the crossroads with the only conceivable options being socialism or fascism.

Palmer(1974:39) had observed that:

If one agrees with Cardoso(1976:1) that the standard that one has to use to assess the analytical adequacy, the interpretative and predictive capacity and the creative strength of new explanatory theories in the social sciences is the sensitivity with which they detect new social process and the precision with which they are able to explain mechanisms of social reproduction and modes of social transformation, one should agree that the dependency analyses which have attempted to construct a formal theory of underdevelopment are of relatively low standard; they have been unable to meet these requirements in their study of the economic development and political domination of the peripheral nations.

Finally, dependency emphasised the importance of economic forces especially international forces at the expense both of politics and of the cultural and historical peculiarities within nations. Its preoccupation with class as an analytical category underplayed the importance of indigenous or hybrid social institutions. It was useful in analysing small countries which depended heavily on the export of one or two primary commodities, but it was less adequate at assessing larger, more complex political economies. It neither anticipated nor explained the rising of newly industrialising countries on the periphery of the international

economic system and the re-emergence of liberal political regimes in places like India after the emergency and Brazil, Uruguay, Argentina and Chile in the 1980s.

### **SELF-ASSESSMENT EXERCISE**

Briefly attempt a critique of the dependency theory of underdevelopment.

### **3.3 Empirical Example to Justify the Contemporary Relevance of Dependency Theory**

The essence of this section is to ascertain the relevance of the theoretical explanations of the dependency theory to the causes of underdevelopment of the Third World Countries using some empirical examples.

As against the postulations of the dependency who portrayed the Third World Countries as a helpless pawns with no way out of their poverty and underdevelopment, East Asia's economic development miracle most notably in South Korea, Taiwan, Hong Kong and Singapore has confounded dependency theory. These countries have linked themselves very closely to the developed world through trade, credit, investment and technology transfers. Contrary to what even the more sophisticated dependency scholars had predicted, however, they achieved spectacular economic growth coupled with comparatively equitable income distribution. Countries like Singapore and Taiwan now have standard of living approaching or even matching those of the advanced world.

Furthermore, the recent blow to the dependency theory is India; Asia's second largest nation has become one of the fastest growing economies by opening its doors to foreign trade and investment. Contemporarily, China's phenomenal development, often referred to as second industrial revolution arising from their export oriented development strategy cannot be ignored. However, Warren (1973) has observed that since 1960 and the rapid increase in foreign investment, per capita economic growth in third world countries has been drastically reduced. He further added that even the growth paragon of Brazil sustained in the 1970 a foreign debt of 5.2 billion, with debt interest payments alone eating away one third of that country's foreign exchange earnings. Even Fernando Henrique Cardoso, one of the foremost dependency scholars later embraced foreign investment, trade and technology transfer for Brazil in his role as the country's former Minister and later its president. Today, Brazil is among the Newly Industrialised Countries (NICs).

## **SELF-ASSESSMENT EXERCISE**

With relevant empirical examples, discuss the relevance of the dependency school to understanding contemporary development crisis of the Third World Countries.

### **4.0 CONCLUSION**

Today, few observers and analysts would accept either modernisation or dependency theory in its entirety, particularly not in their original postulations and formulations. Indeed, the diverse nature and processes of political and socio-economic development of the TWCs are too complex to be explained by a single or universal theory. This does not mean that the insights offered by the dependency and modernisation are not useful. It is important to note that our current understanding of development draws on the strengths of both theoretical paradigms while recognising their limitations.

### **5.0 SUMMARY**

In this unit attempt was made to provide the relevance of the dependency theory, based on empirical examples to understanding contemporary development crisis of the Third World countries. The two broad competing paradigms or models of theoretical understanding that seek to explain why some countries are poor and the other are rich have been examined with their critiques highlighted in order to ascertain their relevance in contemporary development crisis of the Third World Countries.

### **6.0 TUTOR-MARKED ASSIGNMENT**

Submit a two page essay (A4, double line spacing) in which you are to answer one of the following:

1. Attempt a critique of the modernisation theory of underdevelopment.
2. Discuss the relevance of the dependency theory to understanding contemporary crisis of development of the Third World Countries.
3. Compare and contrast the modernisation and dependency theory and explain which is relevant to understanding third world development crisis.

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## **MODULE 2 THE EMERGENCE AND DEVELOPMENT OF CAPITALISM AND IMPERIALISM**

- Unit 1 The Emergence of Capitalism from Simple Production-Expanded and to Monopoly Production
- Unit 2 Theories of Imperialism
- Unit 3 V.I Lenin's Theory of Imperialism
- Unit 4 Capitalism, Imperialism and Contemporary Third World Dependency and Development Crisis

### **UNIT 1 EMERGENCE OF CAPITALISM FROM SIMPLE PRODUCTION-EXPANDED PRODUCTION AND TO MONOPLOY PRODUCTION**

#### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Emergence of Capitalist Mode of Production
  - 3.2 Commodity Production
  - 3.3 Monopoly Capitalism
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

#### **1.0 INTRODUCTION**

History has seen five successive modes of production: *Primitive/communal*, *Slave owning*, *Feudalism*, *Capitalist* and *Communist*. But in this unit, we are concerned with the capitalist mode of production. Capitalism today differs fundamentally from all previous economic system because production is carried on in large units employing hundreds or thousands of workers. The capitalist mode of production unquestionably generated a momentous long run expansion from simple production through commodity to monopoly production, with expansion of productivity and economic output at the centre but without a corresponding expansion at the periphery or the Third World countries.

This unit shall attempt to explore the emergence of capitalist mode of production and its expansion from simple production, through commodity production to monopoly production.

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- explain how capitalist mode of production emerged and developed from commodity production-expanded production to monopoly production.
- identify the basic features of capitalist mode of production
- identify the main stimulus of capitalist mode of production.

## **3.0 MAIN CONTENT**

### **3.1 Emergence of Capitalist Mode of Production**

An understanding of capitalism must begin with an understanding of how there came into being, on the one hand, the propertied class owning the means of production-the capitalist class; and, on the other hand, the property less class, free and yet compelled by necessity to sell its labour-power to the capitalist class. With the development of feudal society, trade and commerce grew. During the eleventh and twelfth centuries there was a great expansion of trade, mainly maritime trade from country to country, which stimulated the growth of rich trading centres and commerce. The development of commerce and merchant's capital, write Marx cited in Brown (1984:46) brings forth everywhere the tendency towards production of exchange values, increases its volumes, multiplies and monopolises it, develops money into world money. Capitalist production at first developed slowly within the feudal society.

Its early forms were restricted and encumbered by the old order; once, however, capitalism had won its political and therewith economic freedom, it revealed with startling speed the dreamed –of forces of production that lay hidden in social labour. Merchants and well to do craftsmen, in their eagerness for more plentiful and cheaper supplies of goods to sell than they could obtain from the urban guilds turned their attention to production from new sources.

Following the phase of slavery or slave mode of production, the new synthesis of production (Feudalism) was reached, and the owners of land became the new dictators. Under feudalism, production was organised in a peasant agriculture basis; the ruling classes were those who owned land. These comprised the feudal lords and the kings who were the heads of government of the country, was also the most important feudal

landowners. Political power was again in the hands of the economic dictators, this time the feudal landowners. With the development of the factory system, the small village handicrafts became factories so that the small factory owners became the new controllers of the means of production thereby paving way for the development of capitalist mode of production. The transition from the feudal mode of production takes two roads. The producer becomes a merchant and capitalist, in contradistinction from agricultural natural economy and the guild circle handicrafts of medieval town industry.

The capitalist mode of production is a social mode of production of material benefits, based on private capitalist ownership of means of production and the exploitation of wage labour. The capitalist mode of production according to Karl Marx refers to:

Social mode of production under which the process of production is subordinated to capital that is which is founded on the relationship between capital and hired labour.

The main economic law and the stimulus of the capitalist mode of production is the creation of surplus value by the workers and its appropriation by the capitalists. The capitalist mode of production was not governed by the satisfaction of human needs but by the drive to extract surplus value from a class of wage labourers, to realise this surplus value by finding a market for the commodities in which it was embodied and to capitalise this surplus value in new means of production. However, it is also more progressive than other modes of production as it ensured the higher level of development of societies' productive forces, radically raised the productivity of social labour completed the socialisation of production and labour on a higher scale, sharply increased the volume of production.

The main contradiction of the capitalist mode of production is between the social character of production and the primitive capitalist form of appropriation. With the development of capitalism, the degree of exploitation of the working class increases all the contradiction of the capitalist mode of production and the class struggle intensifies and becomes even fiercer. With the transition of capitalism to the highest and last stage of its development- imperialism, the contradictions of the capitalist mode of production deepen and become particularly acute.

Finally, the capitalist mode of production has two main features:-

- i. The means of production are unevenly distributed;

- ii. The second major characteristic of capitalist mode of production is commodity production. It gives capitalist society some of the characteristics of a market. The capitalist mode of production in which capital has penetrated and taken over production. That means, production is geared for sale and this becomes commodity production.

Marx in Kapital (Volume1) distinguished capitalist mode of production by stating that:

- i. It produces its products as commodity. The fact that it produces commodities does not differentiate it from other modes of production, but rather the fact that being a commodity is the dominant and determining characteristics of its production in the relation between the entire characters of the mode of production.
- ii. The production of surplus value as the direct aim and determining motive of production.

### **SELF-ASSESSMENT EXERCISE**

Describe the emergence of capitalist mode of production.

### **3.2 Commodity Production**

In capitalist mode of production, the production of commodities is predominant because production is essentially for sale and ultimately for profit. The production of commodity as a system of social relations in which individual producers create diverse products and in which all these products are equated to one another in the process of exchange. At a certain stage in the development of commodity production, money becomes transformed into capital. The formula for commodity circulation is C-M-C where

C- Commodity

M- Money

C- Commodity

What this implies is that, the sale of commodity is for the purpose of buying another. The production of output under the commodity production is for exchange through sale and purchase. It exists owing to the social dimension of labour. In commodity economy, goods are produced by independent and isolated manufacturers. Commodity production appears in the period of disintegration of the primitive communal system and establishment of slave owning system.

There are basically two types of commodity production.

- i. *Simple Commodity Production.* This is based on private ownership of the means of production by petty commodity producers based on their personal labour; while,
- ii. *Capitalist or extended commodity production.* This is based on private ownership by capitalist and characterised by exploitation of wage labour.

Under simple commodity production, it is only the product of human labour that serves as the goods, while under capitalism; man's labour power also becomes a commodity. The capitalist or extended commodity production is universal and dominant because it involves large production controlled and concentrated in the hands of the capitalist.

Simple commodity production as an economic system exists in pre socialist formation and also in the period of transition from capitalist to socialism. Craftsmen and peasants were the typical representative of simple commodity production. Under the extended commodity production, expansion of production, the surplus value which the capitalist gets by investing his capital is itself a potential source of additional surplus value, that is- if he uses it as capital. Once it is seen that way, accumulation of capital generally pre-supposes the expansion of production, and it becomes clear how the drive for maximum surplus value leads to the expansion of production.

The drive for maximum surplus value also leads to the expansion of production because it is done in a context in which capitalists are competing among themselves for market. To compete effectively, capitalist try to expand production.

As production expands, the organic composition of capital increases, that is, that share of capital which goes into material output such as machinery increases. As the organic composition of capital increases, the rate of accumulation of surplus value tends to be reduced.

Long before the appearance of capitalism on the scene of history, production for exchange and trade, for the market, developed and existed alongside the production for use in ancient slave society and feudal society. This development for exchange and the market was a necessary precondition for the development of capitalism; capitalism could not have developed if commodity exchange had not developed first. Moreover, the growth of trade aided the rise of capitalism by breaking down the old social relationships and creating new class division both in the villages and in the handicraft guilds in the towns.

### **3.3 Monopoly Capitalism**

Monopoly capitalism is used to indicate the passage of capitalism from its earlier stage of more or less free competition to one in which giant firms, trusts and cartels dominate the market. The expansion of production tends to go hand in hand with a rising organic composition of capital. Increase in the organic composition of capital in turn goes hand in hand with the concentration of capital, that is, with monopolisation in production. As a branch of production becomes more mechanised, it becomes difficult for new entrepreneur to enter that branch of production because of the cost of investing in machines to remain competitive with those who are already in the line of production. It is because of such factors that a rising organic composition of capital leads to monopolistic capitalism -a form of capitalism in which the economy is dominated by a few large enterprises who controls the market and make it extremely difficult for new entrepreneurs to break into their line of production .

The principal distinctive feature of this stage of capitalism is the dominance of monopoly capital in the economy, politics and ideology. Monopolisation of capital may be as a result of the rising organic composition of capital and also by competition among capitalists. When competition reduces the number of enterprises to a few large ones, these few large ones will tend to cooperate to reduce competition among themselves by fixing prices and driving the market. Such arrangement will offer a better prospect of maximising surplus value than the continuation of unrestricted competition.

Finally, free enterprise capitalism developed into imperialism at the turn of the century. However the main stimulus of capitalist production is still the pursuit of profit with the monopoly deriving monopoly surplus profit. But replacement of free enterprises by monopoly domination does not eliminate competitive struggle but simply makes it more involved and destructive.

### **4.0 CONCLUSION**

This unit concludes that the capitalist mode of production has been dominant in the western world since the breakup of feudalism. Fundamental to the capitalist mode of production is the relations between private owners of the means of production (the Capitalists) and the proletariats, whose labour is commoditised or offered for sale. Under the capitalist mode of production, decisions concerning production are made by private business owners (capitalists) operating for private profits.

Capitalism emerged with expansion in simple production to expanded commodity production and finally monopoly production. This means that the capitalist mode of production evolved from the state of mercantilism where merchants built sufficient capital and engaged in competitive production. Historically therefore, the emergence of capitalism began with mercantilism- imperialism- free trade imperialism and the monopoly stage which is the third stage which Lenin's imperialism is conventionally identified with, that is, the monopoly level of imperialism.

## **5.0 SUMMARY**

In this unit, effort has been made to describe the capitalist mode of production and trace its emergence from simple production to expanded commodity production and finally monopoly production. You have also learnt the characteristics of the capitalist mode of production and identified surplus profit as the main stimulus of capitalist mode of production.

## **6.0 TUTOR-MARKED ASSIGNMENT**

Submit a two page essay (A4, double line spacing) in which you are to:

1. Describe the emergence and development of capitalist mode of production.
2. Identify and discuss the characteristics of monopoly capitalism.
3. Explain the relationships among simple commodity, extended commodity and monopoly capitalist production.

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## **UNIT 2 MEANING AND THEORIES OF IMPERIALISM**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Meaning of Imperialism
  - 3.2 Theories and Phases of Imperialism
- 4.0 Summary
- 5.0 Conclusion
- 6.0 Tutor-Marked Assignment
- 7.0 References/ Further Reading

### **1.0 INTRODUCTION**

The experience of western imperialism, particularly colonisation to date, remains the most decisive event in the history of the Third World countries. The Transplanting of Capitalism from Western Europe to Third World countries was accomplished through colonising imperialism. In the previous unit, attempt was made to review theoretical explanations to the causes of TWC backwardness and dependency. It was stated that TWCs' underdevelopment and dependency is a function of imperialism. This theory of imperialism takes as a point of departure two of the most glaring facts about this world: the tremendous inequality, within and between nations, in almost all aspects of human living conditions, including the power to decide over those living conditions and the resistance of this inequality to change.

This unit will therefore examine the meaning and theories of imperialism as it relates to the dependency of the TWCs.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- explain the meaning of imperialism
- identify the different theories that explain imperialism.



### 3.0 MAIN CONTENT

#### 3.1 Meaning of Imperialism

The nature of imperialism is as profound as its history is chequered. But imperialism cannot be comprehended as a general phenomenon, but only in relation to the stages of development of societies. This is the basic reason why the past, present and future of Third World Countries and the industrialised countries cannot be fully understood without the proper understanding of the role of imperialism in their history. This relation encompasses the processes of the expansion of capital, inequality, domination and exploitation which are fundamental variables of imperialism.

The meaning of Imperialism is shrouded in controversy as diverse interpretations have been given to it. However, we shall attempt some of the meanings in this section.

According to Ake (1981:20):

Imperialism refers to the economic control and exploitation of foreign lands arising from the necessity for counteracting the impediments to the accumulation of capital engendered by the internal contradictions of the domestic capitalist economy.

It can also be seen as the outward drive of certain peoples, to build empire both formal colonies and privileged positions in markets, protected sources of raw materials and extended opportunities for profitable employment of labour.

It has also been associated with an unequal economic relationship between states, not simply the inequality of large and small, rich and poor trading partners but inequality of political and economic dependence of the latter on the former.

Imperialism, according to Offiong (1980:65) refers to:

The economic subordination or domination of one country or a group of countries by another for the main purpose of formal or informal control of domestic economic resources for the benefit of the subordinating power and at the expense of the local people and their economy.

To James O'Connor (1970:101) Imperialism refers to the expansion of political power by one state over another. He further added that this has been a principal feature in all human relation.

Hobson (1902) conceived colonialism as the reflection of the unfulfilled promise of liberal democracy. He further added that inequalities in wealth and income distribution in Britain had weakened the consumption power of the British working class, and this in turn rendered it impossible for producers to utilise fully their industrial capacity. Lacking in domestic investment outlets, British capitalists turned their attention to the economically under exploited region of the world. Britain then established colonies as archives for their surplus capital.

Imperialism is also conceived of as a dominance relation between nations. It is a sophisticated type of dominance relation which cuts across nations. According to Galtung (1973), imperialism is a relation between a centre and a periphery nation so that:

- i. there is harmony of interest between the centre in the centre nation and the centre in the periphery nation;
- ii. there is more disharmony of interest within the periphery nation than within the centre nations; and
- iii. there is disharmony of interest between the periphery in the centre nation and the periphery in the periphery nation.

### **SELF-ASSESSMENT EXERCISE**

Briefly define the concept of imperialism in your own understanding.

### **3.2 Theories and Phases of Imperialism**

There is a general agreement in associating imperialism with economic, political, cultural and territorial expansion. However there is much controversy arising from the meaning of Imperialism but despite the controversy, James O'Connor (1971) has discerned and identified three general doctrines that will help us understand the theories of imperialism.

- i. The first theory is predicated on the assumption that there is no relationship between capitalism and imperialism. This school is represented by Joseph Schumpeter, who contended that imperialism is a heritage of the autocratic state and would never have emerged by the inner logic of capitalism. The inner logic of capitalism is nothing more or less than free trade and where there is free trade, no class interest in forcible expansion and as such, goods of every nation can move in foreign countries as freely as though those countries were politically their own. Hence, he concluded that nations struggle for power for the sake of power alone and not informed by other economic considerations.

Schumpeter sees imperialism mainly as atavism characterised by an aggressive expansionism which has no objective beyond itself, and its non rational. Far from being the cause of imperialism, capitalism is antithetical to imperialism. He was criticised on the ground that his postulation cannot be useful analytically as he was not able to disassociate imperialism from capitalism.

- i. The second doctrine states that monopoly capitalism, colonialism and Imperialism are fundamentally the same phenomena. This position is often seen as neo-Marxist represented by J.A. Hobson.

Hobson (1902) put forward some psychological motives for the explanation of imperialism. National pride, quest for glory and bellicosity but said there are not major cause. He argues that the major dominant motive for imperialism was the quest for market as well as opportunities for higher returns on investments. The need for this quest arises, he added, partly because, as a result of the development of capitalism in the West, Industry was more productive and needed greater imports of raw materials, more food for the urban population growing in response to industrialisation; and products to meet the rising demands for luxury goods created by a rising standards of living. There was a need therefore for those who own capital to persuade the state to aid them in securing new markets by the establishment of protectorates, colonies and spheres of influence. This was the option that led to imperialism.

Hobson, who was the first to attempt a theory of imperialism, argues that inequalities in wealth and income distribution in Britain had weakened the consumption power of the British working class people, and this in turn rendered it impossible for producers to utilise fully their industrial capability. Lacking in domestic investment outlets, British capitalists turned their attention to the economically under exploited regions of the World. He concluded that imperialism is really the vehicle of the growing cosmopolitanism of capital. He rejects imperialism as the inevitable and integral aspect of industrial progress.

- ii. The third doctrine sees imperialism essentially as a necessary outcome of capitalism. This postulation is contained in Marx theory of capitalism which contains an implicit theory of imperialism. To him, the capitalist cannot survive and remain competitive without progressive accumulation or the continuous reproduction of this capital on a continually expanding scale. This therefore suggests a relationship between capitalism and imperialism. Marx shows that capitalism is inherently

expansionary and that the contradiction of capitalist accumulation will tend to transport capitalism to economically backward countries of the Third World.

Lenin further developed and popularised it that the primary reason for capital expansion was the immense increase in the supply of Capital in the metropolitan countries, especially Britain. It is imperative to note therefore that, anyone looking for the origin of the theory of underdevelopment must begin his search in the writings of Marx and Lenin. Marx took a keen interest in the effects of British capitalism in India, China and Ireland; and Lenin not only wrote a detailed study of the development of capitalism in Russia down to 1899, but also formulated a general theory of imperialism.

Four phases of imperialism have been identified with respect to their productive forces, property relations and dominant ideologies. These phases are rooted in the different stages in the development of world capitalism.

- i. **Mercantilist imperialism.** This was anchored to the feudal mode of production and based on feudal merchant capital in Western Europe, until about the middle of the 18<sup>th</sup> century. Essentially, it involved the enslavement, colonisation and plunder of underdeveloped states and expropriation of European peasants. It also rested on unequal trade between Western Europe and underdeveloped states.
- ii. **Free trade imperialism.** Free trade imperialism emerged after the Industrial Revolution in Britain in the epoch of industrial capitalism. The dominant motive was to raise the profitability of mass production through cheaper sources of raw materials and food, as well as lucrative markets for manufactured goods. This required free trade for greater exploitation. Adam Smith and David Ricardo provided the ideological and intellectual rationalisation for it. This era lasted until about the 1870s.
- iii. **Monopoly or Corporate capitalism.** Monopoly or corporate capitalism was based on finance capital. The merger of bank and finance capital coincided with the centralisation and concentration of enormous capital in a few hands, requiring capital export, monopoly combines, multi-national corporations and the division of the uncolonised world.
- iv. **Multilateral imperialism.** This also refers to contemporary phase of imperialism. It is marked by U.S.A. hegemony in the effort to deal with the worsening of capitalist contradiction after the World War II. This new imperialist strategy has involved the dissolution of bilateral colonial markets under an open door

policy requiring the re-division of the world since the U.S. was excluded in the earlier partition.

#### **4.0 CONCLUSION**

In conclusion, from the variegated and theoretical explanations given above, imperialism can be seen according to the Dictionary of politics as the practice by a country of acquiring and administering colonies and dependencies after it has achieved national unity and embarked upon commercial or industrial expansion. Generally, imperialism can be used to denote the economic domination of one country by another.

#### **5.0 SUMMARY**

In this unit, attempt was made to provide various definitions as presented by scholars and the theories of imperialism were also highlighted. Though there are different meanings of imperialism, it can be said that it generally refers to the expansion of capital for appropriation of surplus from the periphery. It is an all embracing relations between stronger countries and weaker and underdeveloped ones.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

Submit a two page essay (A4, double line spacing) in which you are to answer one of the following:

1. Describe the concept of Imperialism.
2. Identify and describe different theories of Imperialism.
3. Identify and discuss the various phases of imperialist capitalist system.

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## UNIT 3    **LENIN’S THEORY OF IMPERIALISM: THE HIGHEST STAGE OF CAPITALISM**

### CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Lenin’s Theory of Imperialism
  - 3.2 The Characteristics of Lenin’s Theory of Imperialism
  - 3.3 Relevance of Lenin’s Theory of Imperialism to Third World Development
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### 1.0 INTRODUCTION

Central to Lenin’s theory of imperialism is the analysis of the process of material production and thus, the analysis of the state capitalism is the Marxist materialist critique of political economy. The analysis of the state contradiction of accumulation of capital, more specific to the analysis of the state in peripheral capitalism is the Marxist theory of imperialism provided by V.I. Lenin’s analysis of the monopoly stage of capitalism. The Marxist theory of imperialism derives not directly from Lenin application of Marx methods to a study of the economic and political development which brought about the First World War in his famous work, **Imperialism: The Highest Stage of Capitalism**. While other Marxist of his generation made important contribution to the theory, it is undoubtedly to Lenin’s work that the supporters and critics must alike turn if they wish to understand the nature of the Marxist theory.

V.I. Lenin provided a comprehensive scientific analysis of imperialism in his work: **Imperialism: The Highest Stage of Capitalism** published in 1917. Lenin’s theory of Imperialism was the greatest contribution of Marxism to the development and expansion of capitalism on a global scale. In this unit effort shall be made to describe the contribution of Lenin’s theory of imperialism to the crisis of development of the third world countries. In doing that, it shall identify and describe the basic characteristics of Lenin’s theory of Imperialism and its relevance to understanding the development crisis of the third world countries.

### 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- describe Lenin's theory of Imperialism
- identify the basic characteristics of Lenin's theory of imperialism
- explain the relevance and contribution of Lenin's theory to Third World development crisis.

### **3.0 MAIN CONTENT**

#### **3.1 Lenin's Theory of Imperialism**

In his 1916 pamphlet, Lenin offers both an analysis of the world's predicament at the time and a call for further action. He outlines the development of monopoly stage of capitalism and the domination of the world's leading countries by finance capital. In order to escape declining rates of profit at home, capitalists invest abroad with the support of their governments. As more and more land is seized by imperial powers, economic and military competition between the capitalist nation states escalates.

Lenin argues that imperialism grows out of the logic of the capitalist system but goes beyond Marx to specifically state that imperialism symbolises a particular stage in the development of capitalism. It reflects a transitional stage of capitalism to a higher economic order, a transitional stage extended by the displacement of capitalist monopoly. According to him, the economic foundation of imperialism is monopoly.

This monopoly which has grown out of capitalism exists in the general environment of capitalism, commodity production and competition. The monopoly stage of capitalism is also a stage in which the accumulation of capital has reached in gigantic proportions where super abundance of capital is created. Capital exists side by side with the poverty of the masses in third world countries. The primary reason for capital expansion was the immense increase in the supply of capital in the metropolitan countries especially Britain. The tendency of the rate of profit to fall has resulted in the surplus of capital and capital exploitation and monopolistic industry. Imperialism, to Lenin, is not a new mode of production but a stage in the development of capitalism.

Lenin combined the dominant tendencies in capitalism observable in a number of countries into a composite picture of monopoly capitalism. Lenin stressed that monopoly capitalism was a necessary outgrowth of from the old style competitive capitalism, that it took over in a very uneven way and produced new antagonism and contradictions. He associated these new forms capitalism, arising within the nation state,



with the division of the world into empires and spheres of economic influence and hence with the international rivalries and tensions which had produced the World War I. He thus drew together the principal economic and political trends of the period in order to define the nature of the epoch of imperialism.

In Lenin's treaties on imperialism, the highest stage of capitalism, he identified five characteristics in this stage in the development of capitalism. It must be stated that in doing this, Lenin derived inspiration from Karl Marx's work such as Das Kapital Volume 1. He based his argument on three aspects which are:-

- i. *The problem of realisation:* This problem has to do with how the capitalist would maximise his profit within a fixed national boundary. When the capitalist produces goods within a fixed national boundary, he is bound to face a problem of consumption because there would be surplus goods within the national boundary. The solution is to seek market outside its boundary.
- ii. *The tendency of the rate of profit to fall.* This implies that in the process of production, there is tendency that the organic composition of capital which is made up of technical/variable capital to be affected. The tendency is that the technical composition of capital increases in inverse proportion to variable capital. In other words, in order to increase his profits, the capitalist looks for more efficient ways of production which is technology but the more technology in production, the less labour is expected in production- meaning workers would be laid off. This will directly affect the consumption of the goods produced. The capital faces this dilemma up till today and in order to avert the tendency of the rate of profit to fall, the capitalist looks for external markets.
- iii. *The process of concentration and centralisation.* The process had taken place in the process of industrial production in the 19<sup>th</sup> century where monopolists squeeze out competition and those who are eliminated seek for alternative market.

These three aspects explain the development in capitalist production as fundamentally responsible for capital outward expansion from national boundaries to other parts of the world. It is these that informed Lenin's theory of imperialism.

### **3.2 Characteristics of Lenin's Theory of Imperialism**

In his studies of the imperialist stage of capitalism, Lenin singled out its five basic economic features. These are:

- ii. *Concentration of production and capital.* Here, there is high concentration and centralisation of production and capital to a high stage to the extent that it has produced monopolies which play the decisive role in the economy of the world.
- iii. *The fusion/merging of banking capital and industrial capital.* And the creation, on the basis of this financial capital to form financial oligarchy. While there is room for different interruptions of the relationship between industry and the banks, and for discussions about where control really lies-this can only be settled by empirical enquiry-dominant role of a recognisable financial oligarchy can hardly be questioned.
- iv. *The export of capitals.* This is distinguished from the export of commodities acquires exceptional importance and dominance. Here again, the role of export of capital from the U.S.A in particular has been fundamental importance in the development of capitalism in recent decades.
- v. *The formation of international capitalist monopolies.* Which shared the world economy among the strong economic power of the world bringing about cartels, syndicates, etc
- vi. *Territorial division of the world.* This was completed by the creased capitalist power on a global scale. The climax of this was the Berlin Conference of 1884-85, where the territorial division of the world among the major capitalist powers was completed.

All these features have remained valid today as they were 100 years ago. The major feature of the last quarter of the 19<sup>th</sup> century was the growth and consolidation of transnational corporations whose roots lie in Europe and America. It was the intense competition for access to and controls over sources of raw materials, sources of markets for finished goods and cheap labour that led to the formal colonisation of most countries in Africa, Asia, Latin America and the Middle East often referred to as the third world countries.

In the light of the above, if it were possible to give the briefest possible definition of imperialism, we should have to say that imperialism is the monopoly stage of capitalism. Such a definition, according to Lake and Frieden (1995:112) would include what is most important on the one hand, finance capital in the bank capital of the few big monopolist banks, merged with the capital of the monopolist combines of manufacturers; and, on the other hand, the division of the world is the transition from a colonial policy which has extended without hindrance to territories unoccupied by any capitalist power, to a colonial policy of the monopolistic possession of the territories of the world which have been completely divided up.

## **SELF-ASSESSMENT EXERCISE**

Briefly identify and describe the basic features of Lenin's theory of Imperialism

### **3.3 Relevance of Lenin's Theory of Imperialism to Third World Development**

Lenin's theory of imperialism has made us to understand that imperialism has not accepted the loss of its political domination in the third world countries but is trying to continue to exploit these countries through neo-colonialism and dependency, controlling their economics and politics.

Lenin's theory of imperialism helps to provide basic understanding of the basic features of modern capitalism and its profound contradictions and exposes the methods used by the imperialists to retain their domination.

In addition to the above, what is important to us is that Lenin's theory of imperialism emphasises the inevitability of capitalist development taking place worldwide. He (Lenin) has advanced that it is the export of capital that will lead to the development of capitalism worldwide. Therefore, the outward expansion of capital from metropolitan centres to backward social formations should lead to capitalist development in these capital recipient countries. But this inevitability of capitalist development is called into question by the fact that peripheral socio-economic formations remain backward and underdeveloped. Thus, imperialism heightens all the contradictions of capitalism to the extreme. Finally, the major classical theorists on imperialism including Lenin agree that the impetus for imperialism comes from economic interests. That imperialism is related to the process of capitalist accumulation but they differ on the precise nature of relationship between capitalist accumulation and imperialism.

Lenin is concerned more with effects rather than with causes and with the lessons which the socialist movement had to draw from the passage of capitalism into the monopoly state. According to him, imperialism emerged as the development and direct continuation of the fundamental characteristics of capitalism in general.

Within the Marxist tradition, it is Lenin's work that we find the first systematic attempt to provide a concrete analysis of the development of capitalism in a backward nation. In his analysis, he formulated with simplicity what would be the core of the dependency analysis. This is the form of articulation between the two parts of a single mode of

production and the subordination of one mode of production to the other.

We are poised to ask is there under capitalism any means of remedying the disparity from the development of productive forces and the accumulation of capital on the one side, and the division of colonies and spheres of influence by finance capital on the other side- other than resorting to war. This is the essence of Lenin's pamphlet on imperialism which attempt to provide answer to this question.

Finally, it can be noted that as long as imperialism exists, the human race cannot be certain of its future. This is because, imperialism has not changed its essence and what Lenin called parasitic and decaying capitalism has taken a lot longer time to die than he expected, not because of its inherent strength but as a result or consequence of the crisis of leadership in the socialist movement.

#### **4.0 CONCLUSION**

From the foregoing, we can conclude this unit by stating that imperialism according to V.I. Lenin is not a new mode of production but a stage in the development of capitalism, as such it is imperative to note that imperialism has not lost its important feature of capitalist nature. Underlying imperialism are the general foundations of the capitalist mode of production before.

In the meanwhile, the antagonisms, contradictions and unevenness of development which Lenin stressed as inseparable from the epoch of imperialism have manifested themselves to the full up till today. The significance of Lenin's contribution lies in his ability to bring together all the contradictory features of advanced capitalism under a single head. He found the term imperialism at hand to fuel his purpose and it is difficult to see how he could have invented a better one. Finally, it can be noted that as long as imperialism exists, the human race cannot be certain of its future.

#### **5.0 SUMMARY**

In this unit, effort has been made to explain Lenin's theory of imperialism as the last stage in the development and expansion of capitalism. The unit also highlights the basic characteristics of Lenin's theory of imperialism and its relevance to the third world countries' development crisis.

## 6.0 TUTOR-MARKED ASSIGNMENT

Submit a two page essay (A4, double line spacing) in which you are to answer one of the following:

1. What do you understand by Lenin's theory of imperialism?
2. Identify and describe the five basic characteristics of Lenin's theory of imperialism.
3. Describe the relevance of Lenin's theory of imperialism to Third World countries' development crisis.

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## **UNIT 4      CAPITALISM,            IMPERIALISM            AND CONTEMPORARY            THIRD            WORLD DEPENDENCY AND DEVELOPMENT CRISIS**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Relationship between Capitalism and Imperialism
  - 3.2 Capitalism, Imperialism and Third World Countries' Dependency and Underdevelopment Crisis
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

In the last unit, it was stated that some scholars like Joseph Schumpeter have argued that there is no relationship between capitalism and imperialism. The argument was predicated on the assumption that the inner logic of capitalism is nothing more or less than free trade and where there is free trade, no class interest in forcible expansion and as such, goods produced in any nation can be exported to other countries. However, other scholars represented by Hobson (1902) argues that capitalism especially monopoly capitalism and imperialism are fundamentally the same phenomena. Imperialism therefore, is seen as the logical outcome of capitalist expansion.

The economic quintessence of imperialism is monopoly capitalism. This very fact determines its place in history. For monopoly that grew up on the basis of free competition and out of free competition, is the transition from the capitalist system to a higher social and economic order.

This unit shall attempt to explore the relationship between capitalism and imperialism and describe how it affects dependency and underdevelopment of third world countries.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain the relationship between capitalism and imperialism
- identify how the relationship between capitalism and imperialism has conditioned the dependency and underdevelopment of Third World countries.

## 3.0 MAIN CONTENT

### 3.1 Relationship between Capitalism and Imperialism

Uneven development and wretched conditions of the masses are the fundamental and inevitable conditions and premises of the capitalist mode of production. The relationship between capitalism and imperialism was aptly captured in the work of Kwame Nkrumah, **Neo-Colonialism: The Last Stage of Imperialism**, published in 1966; where he posited that, the Third World countries would not make a formal march towards economic independence until neo colonialism was vanquished.

In addition, since the early days of capitalism, the imperialist relationship between the centre represented by the Advanced Capitalist Countries (ACC) and the periphery represented by the (Third World countries) is that, the centre is in a position to dominate the periphery by virtue of its superior power, while this relationship did little to stimulate economic growth and development in the Third World countries. The capitalist mode of production therefore, generated a momentous long run expansion of productivity and economic output at the centre but could not do the same in Third World countries.

It is against this background that the major classical writers on imperialism such as Hobson, Lenin, and Schumpeter seem to agree that the impetus for imperialism comes from economic interests, and that imperialism is related to the process of capitalist accumulation but they differ on the precise nature of relationship between capitalist accumulation and imperialism.

As long as capitalism remains what it is, surplus capital will never be utilised for the purpose of increasing those profits by exporting capital abroad to the backward countries. In these backward countries, profits usually are high, for capital is scarce, the price of land is relatively low, wages are low, and raw materials are cheap. The possibility of exporting capital is created by the entry of numerous backward countries into international capitalist intercourse. The necessity of exporting capital

arises from the fact that in a few countries, capitalism has become over ripe and owing to the backward state of agriculture and the impoverished state of the masses, capital can't find profitable investment.

Imperialism emerged as the development of and direct continuation of the fundamental attributes of capitalism in general. But capitalism only become capitalist imperialism at a definite and very high stage of its development, when certain of its fundamental attributes began to be transformed into their opposites when three period of these features of transition from capitalism to a higher social and economic system began to take shape and reveal themselves all along the line.

Although the process of imperialism is less overt than in the past, imperialism seen as a global dominance relation continues to be relevant to our understanding of the modern world particularly in terms of inequality in wealth between the Third World countries and the developed countries. Informal imperialism has been and continues to be pervasive to modern world system.

### **3.2 Capitalism, Imperialism and Third World Countries, Dependency and Underdevelopment Crisis**

The outward expansion of capital from metropolitan to the backward countries should lead to capitalist development in the third world countries. This section shall attempt to explain how capitalist expansion and imperialism could not allow capitalist development in the Third World countries.

Imperialism is seen as a necessary outcome of capitalism. But historical and empirical evidences have shown that as long as capitalism remains what it is, surplus capital would be utilised not for the purpose of raising the standard of living of the masses in a given third world country; for this will mean a decline in profit for the capitalist, but for the purpose of increasing profits by exporting capital abroad to the backward Third World countries.

The relationship between capitalism and imperialism helps us to understand not only the motive behind western colonisation of Africa and Third World countries but also shed light on the colonial experiences of these Third World countries and the effects of such on Third World countries development. According to Mandel (1985:527),

In the imperialist, monopoly capitalists phase of development of the capitalist mode of production, a new dimension was added both to the relationship between national and



international expansion and to the relationship of capitalist laws of development and the deliberate use of state coercion for economic purposes.

Imperialism constitutes the basis for a new international economic system whereby European political and economic dominated and exploitation takes place. As Spero (1977:7) has observed:

The political victors controlled the investment and trade, regulated currency and production, and manipulated labour thus establishing structures of economic dependency in their colonies which would endure far longer than their actual political authority.

The liquidation of underdevelopment and dependency in Third World must be predicated on an anti-imperialist struggle for the radical structural disengagement of these countries from the exploitative orbit of the international capitalist system.

The main economic agents of present day imperialism are the multinational corporations that produce and trade across several states. The relationship between these economic enterprises and the states that they operate best explain this imperialist and capitalist relation as it relates to Third World countries' dependency and underdevelopment.

An imperial policy is one that enables a metropolis to create and maintain an external system of effective control. The control may be exerted by political, economic, strategic, cultural, religious or ideological means, or by a combination of some or all of these. Hence, Thornton (1977:3-4) observes thus:

Imperialism is a critical term for activity let loose. It deals in dominance. In every age on record the dominant have been at work, imposing on others, themselves, their structures, above all, their convictions that they alone know how to size up and exploit a situation now and in the future. It is they who both define and seize an opportunity.

Only they know to distinguish between what is significant and what is irrelevant. They are convinced that their power proves their superiority. They make their own moralities and

judge others by them. At the turn of the twentieth century, they were willing to accept the name of imperialist as fairly describing those who actively promoted the national interest beyond home bounds. If they do not accept the name now, it is because they object more to the unfair implications they found in it than to the policy itself...All this says something about the century and many of the issues that have troubled its inhabitants are still alive and well. Imperialism is one of these.

Imperialism fashioned the framework within which modern states operate, whatever the strength of their private traditions. One great charge against imperialism is that by invading the past and wrenching it from its context, it has distorted and stultified the present. At the root of imperialism, as a vigorously growing capitalism as it evolved from its birth during the creation of world commerce to a system that flourished in proportion to its expansion on a worldwide scale. The extension of capitalism into new territories was the main spring of imperialism.

#### **4.0 CONCLUSION**

Against the foregoing, one can conclude that at the root of the underdevelopment and dependency of the third world countries is economic imperialism and the consequent dependency. The tendency of the rate of profit to fall has resulted in the surplus of capital and capital exportation to the economically underexploited areas (TWCs) where the rate of returns earned by capitalist is high. Thus, the tendency for the profits in the imperialist domestic economy to fall is redeemed by high profit margins in the colonies but resulted in the dependency and underdevelopment of the Third World countries.

In addition, imperialism through its different phases has produced a world capitalist system as a single economic and social system, which embraces all areas in the non-socialist world. The structure and function of these world capitalist systems prohibits and inhibits the emergence of an independent national capitalist system. This means that both development and underdevelopment are simultaneous products of the same imperialist system.

#### **5.0 SUMMARY**

This unit has attempted to explain the relationship between capitalism and imperialism and contend that imperialism is the logical outcome of capitalism. It also explained that the exportation of capital to the

periphery (that is- Third World countries) has conditioned them to be perpetually dependent and underdeveloped.

Imperialism contributes to the prolonged, often deepening suffering and oppression of the peoples of the Third World not so much by obstructing capitalist development to meet specific class ends. The essence of imperialism therefore, is the enforcement of monopoly profit by political and military means. Colonialism was monopoly by direct territorial conquest. The contemporary form is a transnational alliances of international capitalist backed at both ends by the power of the states.

The current Marxist view of the relationship of imperialism to the non socialist underdeveloped countries are that the prospects of independent economic development or independent industrialisation in such countries real or negligible, unless they take socialist paths; and that the characteristics of backwardness, underdevelopment and dependency which prevent such development are the necessary results of imperialist domination. Successful capitalist development understood here as that development which provides the appropriate economic, social and political conditions for the continuing reproduction of capital as a social system representing the highest form of commodity production.

Capitalism has grown into a world system of colonial and neocolonial oppression and of the financial strangulation of the overwhelming majority of the population of the world system by a handful of advanced countries. The booty is shared between two or three world plunderers armed to the teeth. It is therefore easier to discern the relationships between capitalism and imperialism and their effects on the Third World by possibly distinguishing five fundamental mechanisms of imperialism its different phases. These mechanisms are:

1. *Violence.* Violence, both overt and covert, has been the crudest and most pervasive of these mechanisms. Slavery, military subjugation for direct colonialism and gunboat diplomacy, or open militarism or its threats have been the commonest expressions of the mechanism of violence in imperialist domination.
2. *Trade.* Trade is the second critical mechanisms and has been employed throughout the different stages of imperialist development. Both unequal exchange and the exploitation implicit in imperialist trade have been employed under this mechanism.
3. *Foreign direct and portfolio investment.* Foreign direct and portfolio investment or capital export is the third mechanism of imperialist domination and development. With the emergence of giant Multi-National Corporations since the latter period of

monopolistic imperialism, surplus appropriation from abroad, rather than capital export has been the new mechanism based on finance capital.

4. *Aid.* Aid in cash or kind, including technical assistance, either bilateral, intergovernmental or through an international agency, has been a very powerful mechanism of foreign domination and exploitation, especially since the era of multilateral imperialism. The imperialist elements include its use as an instrument for penetrating a foreign country; the political strings under which it is untimely granted; the foreign technical domination.
5. *International institutions.* International institutions such as IMF and WB have been manipulated to achieve imperialist goal. The lending policies of these agencies have been criticized for tricking less developed countries into a debt trap exploiting them through bogus loans and financial guides, imposing non-viable capitalist development strategy.

## 6.0 TUTOR-MARKED ASSIGNMENT

Submit a two page essay (A4 double line spacing) in which you are to:

1. Discuss how the relationship between capitalism and imperialism has affected the dependency of Third World countries.
2. Distinguish five fundamental mechanisms of imperialism in its different phases.
3. Discuss the main economic agents of present day imperialism and the relationships between these economic agents and Third World countries.

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## **MODULE 3 THE FORMS, NATURE AND STRUCTURE OF DEPENDENCY AND UNDERDEVELOPMENT**

Unit 1	Forms of Dependence
Unit 2	Externalities of the Systems of Dependence and Underdevelopment
Unit 3	Internal Factors and Mechanisms of Underdevelopment
Unit 4	The Paradox of Globalisation and the Third World

### **UNIT 1 FORMS OF DEPENDENCE**

#### **CONTENTS**

1.0	Introduction
2.0	Objectives
3.0	Forms and Nature of Dependence
3.1	An Overview of Development Crises of TWCs
3.2	Interaction between TWCs and Developed Countries and its Effects
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Reading

#### **1.0 INTRODUCTION**

Decades of preoccupation with development in the Third World countries have yielded meager returns. African economies, for instance, have been stagnating or regressing. For most African, real income are lower than they were three decades ago, health prospect are poorer, malnourishment is widespread and infrastructure is breaking down as are some social institutions. African leaders, Ake (1981:9), argued that:

Now that independence had been won, the overriding task was development, without which political independence could not be consolidated and African countries would not be able to eradicate the humiliation of colonialism.

Dependency certainly has its consequences. A dependent nation has no control over its economy and in many cases governments. The ties between the rich and the poor countries have not been helpful. This unit

is intended to investigate the development crisis in post independent Third World states and the forms of dependence it engenders.

The post colonial economy does not necessarily mean an economy has been decolonised that is- no longer possesses the features of a colonial economy, but refers to an economy at a particular historical period after the winning of formal political independence. By contrasting the structures of Third World economies in their colonial and post colonial phases, there is an implicit assumption that the winning of the political independence was a watershed in the history of Third World countries and that it was a change which could reasonably be expected to have had a major if not decisive impact on the future development of these countries. According to Ake (1981:88), “the nationalists’ petit bourgeoisie which fought for independence had insisted that political independence was the essential preliminary to a fundamental restructuring of the colonial economy”. This is because it was argued that political hegemony of the colonisers was a critical factor in the underdevelopment of Third World countries. After two decades of political independence in most Third World countries, available evidence on the validity of this assumption is ambiguous. Revolutionary changes in the structures of the economies of most Third World countries have clearly not occurred, and even their growth rates have been less than satisfactory.

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- describe the development crises of the post independent TWCs
- explain the nature and forms of dependency of the Third World countries.

## **3.0 MAIN CONTENT**

### **3.1 An Overview of Development Crisis**

The United Nations General Assembly resolution 1710 (XVI) designated the 1960s as the United Nations Development Decade. The objective of the first development decade as cited in Offiong (1980:1) was to:

Accelerate progress towards self-sustaining growth of the economy of the individual nations and their social advancement so as to attain in each underdeveloped country a substantial

increase in the rate of growth, with each country setting its own target, taking as the objective a minimum rate of growth of aggregate national income, of 5 per cent at the end of the decade.

At the time the UN Secretary General was writing the report stated above, the estimate of the growth rate of national incomes of all developing countries, together, was about 3 ½ per cent a year. The task therefore, for the Third World countries, was to raise the figure by about 1 ½ per cent within a few years and by another 1 ½ per cent to get it over 6 per cent per annum at the end of the decade. It was also observed that all the Third World countries have in their physical and human resources potential means for achieving a decent standard of living for their people.

The developmental crises plaguing Third World countries of Africa, Asia, Latin America, the Caribbean and the Middle East appears daunting. Even though many of those problems exist in industrialised nations, the scope and persistence of the Third World countries' political, economic and social challenges ultimately draw our attention. At various times during the 1970s and 1980s, most of these countries suffered from political and economic decay, and today many remain trapped on a political or economic treadmill. In the late 1990s, even the previously thriving economies of East Asia were plunged into a crisis from which some countries are yet to fully recover. In fact, for an extended time periods, many of these Third World countries have shown few or little signs of political and economic development.

The last part of the 20<sup>th</sup> Century witnessed the decolonisation of Third World countries. It also marked the conspicuous failure of Third World countries to close the gap in living standards between TWCs and the advanced countries. Available statistics reveals that while this gap was more or less stable during the 1960s and 1970s and 1980s and 1990s. Between 1960 and 1980s, average income as per capita of GNP in the industrialised market economies fluctuated between 16-18 times more than the average level in the TWCs. By the 1990s, this ratio had risen to 22-23. Since the 1980s, the population in the TWCs has witnessed significant increase and in spite of slight increase income per head, a combination of income disparities, budget deficits, and debt burden combined to impoverish large sections of the population. The growing inequality between rich and poor nations can be found in the historicity of colonialism.

The continuation of this trend in spite of the conscious attempts to tackle poverty has been a global concern. Since 1950s, the industrialised economies, acting individually and multilaterally, through the World



Bank and the International Monetary Fund (IMF) institutions have contributed or diverted significant resources to poverty alleviation programmes. The ultimate failure of this strategy in reducing the gap after some respites in the 1950s and 1960s raises fundamental question about the capacity of the present world economic order to bring about the mitigation of the growing inequalities. This steady and consistent decline can be summarised into phases in terms of the interaction between the TWCs and the advanced or developed countries.

### **3.2 Interaction between TWCs and Developed Countries and its Effects.**

The post war period is often characterised as the period of neo-colonialism. This term is meant to designate the view that the formal, political independence, gained by almost all the former colonial territories, has not substantially modified the relations of domination and exploitation by the developed capitalist countries over the Third World. It implies that formal political independence has not significantly improved the prospects of independent industrialisation and development in the periphery.

The growing relationships between the TWCs and developed countries have produced results in different phases. These phases are:

#### **i) Dashed Hopes of Take-off**

The euphoria and the optimism of the initial post independence phase when the prospect of achieving self sustaining growth seemed plausible was blown apart in the early 1970s by the collapse of the primary commodity market. Against this background, the nationalism of independence which was reflected in large scale social provisioning and large outlays on public infrastructures came to an end in the wake of primary commodity prices collapse such as cocoa. Consequently, most TWCs faced the crisis of fiscal reproduction -meaning that, there was no sufficient income to fund development projects.

The state of economy, especially as regards national participation, the number of educated and skilled personnel, and the physical infrastructure at independence of most Third World countries has become an issue that calls for immediate attention.

#### **ii) Decline into Debt Peonage (slavery)**

In the 1980s, multilateral lending from the IMF and the World Bank accounted for 14 per cent of Africa's debt. By 1993, it is closer to 25 per cent. Multilateral debt cannot be rescheduled and was preferred creditors; the Bank and Fund tend to get paid back

first. This has meant that multilateral lending loom large in Africa's debt servicing bill despite the concessional nature of some facilities. Multilateral debt servicing for some countries in Africa have become both a large and burdensome parts of their debt obligations.

The onslaught of global recession in the 1970s left many TWCs with so many external imbalances, particularly if those countries are dependent on petroleum income which price increased ten times since the Arab oil embargo of 1973. In a brief period, Western bankers were encouraged to loan TWCs in a belief that primary commodities price will increase just as oil. The resulting large scale of corrupt lending for mostly non viable projects and nonexistent projects came to an end with the Mexican crises of 1982 when Mexico declared insolvency. By this time, most TWCs had accrued debt which they could not service. In Africa for instance, the region's financial distress aggravated by stagnant export earnings as commodity prices continue to fall, which is seen in the ballooning of arrears on its debt payments. For sub Saharan Africa, these are estimated to have jumped by 20 per cent in 1992, according to World Bank World debt table. Foreign debt has become a millstone on the neck of Third World countries particularly Africa. In sub Saharan Africa for instance, the debt is now equivalent to 60 per cent of the regions Gross Domestic Product (GDP) and constitutes a major obstacle to the resources of private investment. Debt, worsening terms of trade and negative capital flows present enormous difficulties to Africa's development prospects. Consequently, the most important challenge facing national economies of Third World countries particularly Africa is diversification. The dependence of most African countries on just a few export commodities defies common sense, since it leaves them vulnerable to unfavourable international market conditions and impels them to import a large proportion of consumer goods.

**iii) Structural Adjustment Programme and Liberalisation**

The 1970s witnessed the transformation of the Nigerian economy from one dependent on agriculture to one heavily dependent on oil. For instance, the share of agriculture in Gross Domestic Product (GDP) declined from about 40 per cent in early 1970s to about 25 per cent in 1980. By the latter year, oil contributed about 22 per cent of GDP, 81 per cent of Government revenue and 96 per cent of export earnings. The so-called oil boom of the 1970s brought about profound changes in the Nigerian economy. Efforts were made by the authorities during this period to use the relatively massive oil revenue in restructuring the economy and some progress were made in the areas of social and economic infrastructure. However, widespread distortion and imbalances in the economy emerged during this period. The increased

intervention of government in the economy, which was fostered by the boom in revenues, resulted in a proliferation of parastatals and some public investments which were of doubtful design and viability and in retrospect beyond the executive capacity of the relevant government agencies. There was also a proliferation of manufacturing industries which were heavily dependent on imported inputs with very low local value added.

Finally, the heavy dependence of the country on oil and imported inputs rendered the economy highly vulnerable to external shocks. Consequently, with the collapse of the world oil market, Odife (1989:4-5) had observed that:

The restrictive exchange and trade control measures pursued over a period of about two decades in Nigeria failed to deal effectively with the fundamental economic and financial problems confronting the country... It is against this background of largely inappropriate and ineffective policies of the past and payment crisis generated by the collapse of oil prices in the early 1986 prices that the new administration mustered the political will to initiate the far-reaching measures under the SAP.

Faced with worsening structural deficits, poor countries were confronted with drastic measures to cut public spending in order to contain the growing arrears on debt service. At the same time, the International Financial Institutions (IFI) insisted on the removal of structural barriers to trade as conditionality, among others like, currency devaluation. The result was that most TWCs were progressively unable to protect their industries and subsidise domestic production in the face of external competition that benefited from superior economies of scale.

Up to a decade of intensive structural adjustment has left low income countries still barely growing in per capita terms, and at rates that are inadequate for rapid poverty reduction. Adjustment has left much to be desired in terms of restoring growth and social welfare to Third World countries. Both exports and saving responded weakly in African and other low income Third World countries, that total investment fell on average, and with few exceptions, private investment remains generally at inadequate levels.

The net effect of this in the case of Nigeria was de-nationalisation of economic policies which translated into de-indigenisation. Other factors

such as currency weakness and capital flight cumulatively led to regressive indices in public spreading and increased indebtedness.

In the case of East Asia, it was able to subsidise their export driven industries, still then, the East Asian miracle was still affected by the financial crisis of the mid 1990s because their export economies were heavily dependent on the International Financial Institutions.

The need to confront this challenge raised by the chronic failure to stimulate development in the Third World which initially was ignored by the developed countries has become a priority today. In spite of the hype about the emerging market in the Third World, the reality of civil breakdown in different parts of the Third World has begun to threaten the business interest of the advanced countries.

Structural adjustment programme had an inadequate impacts on Sub-Saharan countries partly because, SAP may have been too ambitious and included too many conditions to ensure sustainability compared to other regions, there was also below average success in implementing SAP conditions in sub Saharan Africa, resulting to damage in credibility of the reforms and the investor uncertainty.

#### **4.0 CONCLUSION**

The low level of development in Third World countries, coupled with the worsening poverty and the collapse of the social fabric and in the worst case scenarios, the collapse of the state itself has been a subject of vast amount of policy and intellectual discourse. Given a broad overview of the structures and present conditions of the Third World, it is important to focus on the reforms and constitutional frameworks of independent and dependency.

#### **5.0 SUMMARY**

This unit has attempted an overview of the development crisis in the Third World countries, and how the interaction between the Third World and advanced countries has produced negative tendencies identified in its different phases.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

Submit a two page essay (A4, double line spacing) in which you are to:

1. Identify and discuss the forms and structure of dependency and underdevelopment of Third World countries.

2. Discuss the impacts of structural adjustment programmes on any Third World country of your choice.
3. Explain the development crises of post independent Third World countries.

## **7.0 REFERENCES/FURTHER READING**

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## **UNIT 2 EXTERNALITIES OF THE SYSTEMS OF UNDERDEVELOPMENT**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Direct Economic Dependence
  - 3.2 Trade Dependence
  - 3.3 Financial Dependence
  - 3.4 Technical Dependence
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

The World Capitalist system as we have noted in the preceding unit, consists of the core, or the metropole and the periphery or satellites which together are known as the Third World. The Third world nations are dependent because they have relatively little or no control over their national economies. Economic activities in their respective countries are a mere reflection of what happens in the Industrialised or advanced countries. This dependent relationship often involves a triple alliance among multinationals generally based in the industrialised nations of the West and Japan; the governments of the Third World countries and their local elites. These governments and elites have never hesitated to use the instruments of the state power at their disposal to aid the operations and profitability of the multinationals.

Neo-colonial dependence attributes the existence and continuation of Third World underdevelopment primarily to the historical evolution of a highly unequal international capitalist system of rich country- poor country relationships. Whether because rich nations are intentionally exploited or unintentionally neglected, the coexistence of rich and poor nations in an international system dominated by unequal power relations between the centre (advanced countries) and peripheral(Third World countries) renders attempts by poor nations to be self reliant and independent difficult and sometimes, even impossible. Certain groups' in the Third World countries such as political elite, military elite, entrepreneurs, public officials who enjoy high incomes, social status and political power constitute a small elite ruling class whose principal interest, whether consciously or not, is in the perpetuation of the international capitalist system of inequality and conformity by which

they are rewarded . Directly or indirectly, they serve and are rewarded by special interest or power groups including multi-national corporations, national bilateral aid agencies and multilateral assistance organisations like the IMF/WB, which are tied by the allegiance or funding to the wealthy capitalist countries.

This unit therefore, attempts to identify and describe the various forms of dependence and underdevelopment of the Third World countries.

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- describe the nature of dependence of the Third World countries
- identify the various forms of dependence of the Third World countries.

## **3.0 MAIN CONTENT**

### **3.1 Direct Economic Dependence**

One of the most forceful statements on dependence was made by Dos Santos that:

Underdevelopment, far from constituting a state of backwardness prior to capitalism, is rather a consequence and a particular form of capitalist development dependence known as dependent capitalism... A relationship of interdependence between such economies and the world trading system becomes a dependent relationship when some countries can expand through self impulsion while others, being in a dependent position, can only expand as a relation of the expansion of the dominant countries which may have positive or negative effects on their immediate development. In either case, the basic situation of dependence causes these countries to be both backward and exploited.

Different mechanisms are manipulated by people, which accentuate the situation of wealth for some and poverty for the rest. These mechanisms which are maneuvered directly or indirectly by the more developed countries, by the very functioning, favour the interests of the people manipulating them. But in the end, they suffocate or condition the economies of Third World countries to be perpetually dependent and

underdeveloped. Some of the mechanisms for dependence are highlighted below.

Direct economic dependence refers to the situation in which the key sectors of the economy is controlled from outside by foreign monopoly capital. This is the most dominant form of dependence as it ensures direct exploitation of the underdeveloped countries. The systematic plundering, appropriation and expropriation of surplus produced by the labour force in Third World as well as the product of petty commodity producers. This form of dependency is a product of the colonial heritage. In this regards, after independence, their relationship assumes a neo-colonial character. In most Third World countries, the post colonial states are mere extension of the metropolitan states. The elites that control the states are more of an appendage to the metropolitan states. In most post independence Third World states, especially in the immediate aftermath of political independence, the economic sector was firmly under the control of foreign multinationals essentially from the former colonial powers.

### **SELF-ASSESSMENT EXERCISE**

Briefly explain what you understand by direct economic dependence.

### **3.2 Trade Dependence**

The colonial economies of the Third World countries depended primarily on the metropolitan countries which colonised them for their external trade. This dependence reflected in the exploitative structural integration of the colonial economies to the capitalist system of the metropolises. Trade dependence is a logical outcome of direct economic dependence in that the colonial powers become the major trading partners of their former colonies. Similarly, the structure of dependence that was established since colonial incorporation persists up to date. Most Third World countries, particularly African Countries' trade in primary commodities which continued up till today. They still remain importers of finished and manufactured goods from the developed countries and export in raw materials which prices are subject to the vicissitudes and vagaries of international market prices controlled by the advanced countries. In trade, the old pattern of dependence largely remains the bulk of exports of most of the Third World countries particularly African countries that go to the former colonising powers and their Western allies for trading activities.

The consequence of the emphasis on export of primary products is that they are unable to feed themselves and it further inhibits development of economic diversity. The TWCs also lack diversification and this renders



them quite vulnerable to such external shocks as fluctuations in world commodity prices and even climate change. There is also potential danger for TWCs to be further marginalised in the multilateral trading system should they fail to implement their World Trade Organisation (WTO) agreements effectively.

### **3.3 Financial Dependence**

In the early days of colonisation, particularly in Africa, there was very little indigenous capital and development. The level of domestic savings was small because a single percentage or proportion of the wealth accruing to the indigenous colonial trade was spent on imports. Colonial capitalism, with its tendency to lapse into primitive accumulation left the indigenous population with little or nothing to accumulate wealth. All these led to the dependence on foreign capital while capital resources were so drastically limited, the need for them was very great especially in the infrastructural development to aid exploitation. The lack of domestic capital resources on the one hand, and the pressure for investment capital on the other hand, made Third World colonial economy to be highly dependent.

The ties of financial dependence are strongest in countries where the financial systems and by extension the monetary and credit policies are under the control of Multi-National Corporations (MNCs). This form of dependence is a direct consequence of direct economic dependence as a result of colonialism. In such a situation, the Credit policies pursued by the foreign owners of capital will determine which sector(s) of development are promoted. Logically, foreign financial institutions will not promote sectors that are in direct competition with their own business monopoly. Basically, the investment and industrial policy of foreign financial institutions promote the development of department too, that is- production in the capital goods sectors as against consumptive production.

Direct financial dependence was very obvious during the colonial period. However, after independence, a milder but a more enduring form of financial dependence is the one which ties the currency of the under developed countries foreign exchange. Dependence is also related to the structure of foreign trade, in the area of international trade as it is only logical that any country that buys or sells most of its export or imports in the traditional metropolitan market will be in a position of dependence in matter of foreign exchange. Once there is a close relationship between two countries then the charging in the foreign exchange position of the dominant countries will make themselves felt in the dependent.

Furthermore, an increasingly important form of financial dependence are at the same time the principal means by which neo-colonial relations are maintained- through the loans and grants that are received either bilaterally or multilaterally. As a result of the inadequacy of internal accumulation, the narrowness of the domestic market and lack of domestic capital the unfavourable terms of trade and profit repatriation of foreign monopoly. The underdeveloped countries usually need substantial financial resources for financing their development projects, compensating for budget deficits and offsetting advance balance of payment deficit.

Similarly, most loans are given in support of sector that are not productive while in return for this loans and grants, the Third World countries tie to the question of loans in the rate of amortisation; that is- the repayment period.

Another problem is that those interest rates are not fixed, hence, the increase in interest lead to an increase in the principal and interest paid. Similarly, the loans are always repaid in the currency of the donor country with all the implication for exchange rate. The Third World countries also face the continuation of currency devaluation.

In the light of the foregoing, as long as Third World countries continue to face the problem of profit repatriation, narrowness of domestic market, high rate of deficit as a requirement of socio-economic challenges, they will continue to look for loans and grants with the attendant consequences of remaining perpetually dependent on the advanced capitalist countries.

### **3.4 Technical Dependence**

This is one of the most critical forms of dependence of the colonial economy. Colonial Africa for instance depended on the capitalist West for virtually all her technology. This put the colonial economy in a position that can be described as a producer who has no instrument of labour. Such a producer is not only helpless but totally at the mercy of those who are in a position to give her the instrument of labour.

This structure of dependence refers to the dependence on intellectual imports either in their materialised form or in their live form, that is- either as importation of products and finished goods, patents or in terms of the reliance on technical expertise, import advisers, teachers, etc.

In the area of technological transfer, the dominance over products, licenses, patents and markets ensure that developing countries produce goods and the specifications and permission as stipulated by developed

country. In many cases, industrial establishments are set up as compliments to industries of metropolitan countries. In this case, the management of these industrial firms is still in the hand of expatriates while indeed, the lack of autonomy in the production of knowledge ensures intellectual and cultural dependence. In some cases also, one of the strategies adopted by the Third World include import substitution industrialisation which depends on technological transfer. However, the success of this strategy depends on a lot of factors but most importantly the role of the state.

The argument about technical dependence has a number of strands, that the underdeveloped countries are forced to rely on western technology which is unsuited to their conditions in various ways especially through labour savings; that they cannot get access to western or advanced technology, except on prohibitive terms; and that the dynamism of the advanced capitalist economies plus their existing enormous technological lead is such as to keep them permanently ahead of the underdeveloped countries and thus, permanently dominating them. Technology has always been the basis of metropolitan monopoly. The underdeveloped areas have been unable to establish industries possessing at the same time the most complex and advanced technology. In that case, the basis of dependence today has shifted not to a new category, technology, but to a new more restricted group of capital goods industries.

Technological dependence underlies the exploitation of the colonial economies by the metropolitan economies. After independence, the pattern of technological dependence like other areas of dependence has not changed. For instance, African countries continue to rely on the industrialised capitalist countries for their technology. The failure to diversify technological dependence is a function of a highly monopolistic character of the technology market which the industrialised countries of the West enjoy an immense monopoly of world technology.

#### **4.0 CONCLUSION**

The dawn of political independence also marked the beginning of neo-colonial relations. After independence, post colonial Third World countries embarked upon ambitious development programmes designed to raise the social, cultural, health and educational standards of the people. But this raising standard is in direct contradictions with the financial capacity of these states, therefore loans and grants were taken to bridge the gap. But experience has shown that many countries that based its development programmes principally on foreign forces must be ready to remain perpetually dependent and underdeveloped.

## 5.0 SUMMARY

This unit has attempted to identify the structures of dependence and how it has conditioned Third World countries to remain perpetually dependent and underdeveloped.

## 6.0 TUTOR-MARKED ASSIGNMENT

Submit a two page essay (A4, double line spacing) in which you are to:

1. Mention and explain the various forms of dependence known to you.
2. Describe the nature and impacts of financial dependence on the Third World countries.
3. Describe the nature and implications of trade dependence on the underdevelopment and dependency of the Third World countries.

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## **UNIT 3 THE INTERNAL FACTORS AND MECHANISMS OF UNDERDEVELOPMENT**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 The Disintegration of the Mode of Production and the Distortion of the Economic Structure
  - 3.2 Manifestation of the Externally Non Integrated Economies of the Third World Countries
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor- Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

Dependency scholars predicated their postulation on externalisation of the sources of underdevelopment. It is important however, to point out that internal factors are also primary in as much as we relate them to the external factors. In other words, source of underdevelopment are only partially explained by external factors. It is therefore important to note that we will have a better explanation if we look at the internal factors as agents as it were who became further catalyst to further underdevelopment.

This unit will therefore identify the various internal factors that serve as catalyst to the underdevelopment crisis of the Third World countries.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- explain that the source of Third World underdevelopment is not restricted to external factors alone
- identify the various internal factors that conditioned Third World underdevelopment and dependency.

### **3.0 MAIN CONTENT**

#### **3.1 The Disintegration of the Modes of Production and the Distortion of the Economic Structures**

The disintegration of the mode of production was due to the fact that it is not the logic of economic forces internal to Third World countries but it was a result of the organic link to the world economy. Consequently, the elements of a more modern form of production and society were imposed on a traditional and political setup from outside as an isolated element within the framework of colonialism. This integration or transformation of the mode of production has no logic of its own because it was done by colonial force. In this case, they became enclaves. These enclaves were from the beginning outwardly oriented because they were to serve external interest and as such, could not become the driving force for development because they were not in contact with their environment neither were they in contact with the other sectors of the economy. Furthermore, the externally non-integrated character of the economy manifests itself in various forms.

In Nigeria for instance, the attack on the Nigerian food sector has disrupted and distorted pre-colonial patterns of integration between areas of food production and food consumption. The food sector in Nigeria agriculture was systematically and severally attacked by the colonial government in order to dethrone it as one of the most important means of exchange and of the accumulation of wealth by farmers, traders and food processors. During the First and Second World Wars, the terms of trade between Nigerian agriculture and British manufactured goods were officially manipulated in favour of British imports. While prices of imported goods rose, those of agricultural products, including the prices at which food items could be sold were officially fixed at a very low level. This was aptly captured by Abba, et al (1985:21) thus:

This sustained attack on the food sector of the Nigerian agriculture, the denial of capital investment to it, the unfavourable terms of exchange imposed, and the taxation imposed on it all, ended in blocking and under-developing the food sector in Nigerian agriculture. This blockage and underdevelopment was however accompanied by population growth partly due to improvements in public health, and by increase in school enrolment, increases in numbers of people who were working outside agriculture and living urban non food producing

conditions. Thus populations increased, while an increasing significant proportion of it became totally non-food producing. Agriculture for the majority of farmers was becoming a permanent zone of poverty. This situation continued, and deepened, into the present food crisis.

In the light of the foregoing, it can be observed that the general line of colonial economic policy became that of intensive exploitation of Nigerian farmers and their soils, while forcing both the farmer and the soil down to the lowest minimum diet required to keep the one alive, and the other fertile.

### **3.2 Manifestations of the Externally Non-Integrated Economy of the Third World Countries**

The externally non- integrated economies of the third world manifest in three different ways:

- the dualism of the modern and traditional socio-economic sectors
- the co-existence of export economies and subsistence economies
- sectoral disarticulation.

Dualism has a very long history in the 18<sup>th</sup> Century colonial period in the East Indies when the colonial masters introduced the Western style of plantation in Indonesia and its failure led to the underdevelopment of the people. Dualism emphasises that economic laws that are found valid in the advanced capitalist countries, do exist in Third World countries. That is, the process of modernisation has led to the polarisation of the world. At the international level, the process had led to the development of two worlds- the developed countries with their peculiar characteristics and developing countries' characteristics. Also within each country of developing world there is a domestic dualism-the country is internally polarised with a modern and primitive sector existing side by side.

The characteristics of dualism are as follows:

- i. The existence of two sets of conditions- both modern and traditional institutions. For example, we have a highly developed modern economic sector coexisting with a traditional economic system.
- ii. The coexistence is permanent and not transitional. The difference in development between the two sectors is not a temporary thing which can be removed over night.

- iii. The gap between the two sectors is widening. The degree of superiority or inferiority is on the increase. For example, the gap between advanced industrial countries is developing and does not show any sign of diminishing.
- iv. The backwash effect. This characteristic implies that the interrelations between superior and inferior elements are such that the existence of the superior or advanced capitalist countries retard the development of the inferior- the Third World countries.

According to Todaro (1982), there are two types of dualism, namely domestic and international dualism with each having distinct characteristics. Dualism may also take sociological and technological dimension.

Sociological dimension of dualism refers to the co-existence of imported social system with an indigenous social system. The features of sociological dualism which the traditional society manifests according to Boeke cited in Ujo (1994) are as follows:

- limited needs
- complete absence of profit making
- aversion to capital (dislike of investment)
- lack of business qualities
- lack of good organisation and discipline
- fatalism and resignation to fate
- lack of mobility of labour
- absence of regular labour
- export is the main motive of business.

Technological dualism involves the use of different production functions in two sectors of the society. Meir (1976:131) asserted that:

The modern sector is composed of plantation, oil fields, large scale industries, technically oriented and production is capital intensive with peasant agriculture handcrafts and small industries.

This implies that there are traditional and modern sector and development means that the modern sector will gradually spread its influence and absorb the traditional sector. The dual economic thesis or economic dualism is crucial to understanding Third World underdevelopment and dependency. It is argued that in the Third World countries, a dual economy is transformed by the coexistence of peasant subsistence agriculture and cash crop production of basic commodities or industrial goods for the international markets. It is further argued by Alanana (2006:33) that:



Because the peasant or rural economy is separate from urban industrial economy, the penetration of capitalist mode of production into the rural economy would transform the entire rural economy.

However, it is critically argued that rural economy does not get transformed entirely with the penetration of capitalism. There are certain aspects of rural economies which are preserved to serve capitalism. On the issues of two separate economies existing side by side one another, it is observed that there is neither difference between rural and urban economies nor between capitalism and peasant economies. Both economies are organically linked to one another. This is indicated in the economic recession which Europe experienced and the extension of same to the Third World. The rural economy supplies all the necessary industrial raw materials to the urban or metropolitan cities.

Furthermore, the distorted socio-economic structure means that there exist a considerable pre-capitalist sector and most often than not, they were diametrically opposed. The state in the Third World is always faced with the crises of expanding capitalist accumulation by the conflicts it generates. An informed study of Agrarian society in Nigeria has shown a history of peasant uprising. For example: Bakolori in 1982 when peasant agriculture was to give way to capitalist farming (FADAMA), the existence of a large urban mass displaced from the rural sector through large scale farming, absentee farming, etc, would serve to explain the sources of urban crisis such as Maitatsine, etc. The state in the Third World in many cases has to manage the crises emerging from the distortional destruction and the imposition of new socio economic systems and relations.

The heterogeneous social structure in accordance with the disintegration and distortion of the production and economic sectors in the Third World countries, the class structure is also disintegrated and distorted. Colonial incorporation broke up the old mode of production. Side by side with the modern section is the traditional sector that sometimes becomes blockage to the development of the modern sector. The internal changes such as the breaking up of the old system took place under specific circumstances under colonialism and semi colonial conditions.

These changes were not as a result of internal laws of the underdevelopment or traditional economy, but they were determined by the interest of monopoly capital. In this process of transformation and subordination of pre capitalist feudal and communal societies, the old did not completely disappear. The new was not built on the ruins of the old but amongst the remnants of the old. In addition, the penetration of

the modern society was not uniform even where it did so; the old system still retained its influence. For example, feudalism existed side by side with capitalism. Summatively, modern relations became associated with traditional relations. What we witness today is the existence of both the traditional and the modern society side by side; just as peasant subsistence agriculture exists side by side with capitalist form of agriculture.

Finally, foreign capital is interested in the destruction of old form of social relation as long as they impede capitalist accumulation. However, the externally induced capitalist development restricts the emergence of a proper capitalist class. The indigenous bourgeoisie is weak, and in this case their capacities to promote capitalist development are hampered by the nature of externally induced capitalist domination itself. It is this complexity in the class structure of the indigenous classes and their relationship to international capital through the mediating agency of the state that hinder the Third World countries dependent and underdeveloped.

### **Internal Factors and Dependence of the Third World**

There seem to be an ineradicable tendency among Third World countries that whenever we articulate reason (s) for our underdevelopment, we always heap the blame on our past colonial experience. As such we have mistaken historical explanation for historical justification for the persistent crisis of development but available evidences have shown that internal factors have contributed tremendously to the crisis of development in Third World countries. There are internal forces and productive structure that may prohibits the development of the productive forces. According to Tam David West (2003) the reason for the difference between us and the developed countries is that while the leaders are literally with every ticking of the clock seriously addressing the problem and concerns of the moment and finding solutions to them, in underdeveloped countries especially Africa, leaders expend their energies more in devising more and more sophisticated machinery for subverting the system, economically or electorally. They loot and subvert the system for their own self aggrandisement and indulgence. Basil Davison (1992), observed that by far the greatest singular contributor to Africa's continued underdevelopment is bad leadership. Leaders he added, who claim to be visionary but in fact have no vision at all for development. Internal factors play critical role to distort the processes of development. For example, values, leadership, discipline, corruption, the possibility of cultural resistance as well as the right of a tribal society to reject or accept change and innovations, as this diffused into the TWCs constitute these internal obstacles that can ruin the process of development.

## 4.0 CONCLUSION

It is important to point out that internal factors are also primary in as much as we relate them to that external factors. Such factors are essentially the lack of social and economic integration and the dual distorted socio economic structure. The existence of a disintegrated dual structure refers to the historical root of underdevelopment as explained from the external environment. In a nutshell, it can be posited that the internal structure of the underdeveloped countries is not only a product of the penetration of external and internal forces but that once this has become established, it provides the basis for maintaining such relations. In order words, source of underdevelopment and dependency are only partially explained by external factors, internal factors provided the catalyst for its success.

## 5.0 SUMMARY

This unit has attempted to explain how internal factors served as the catalyst to the external factors. As such, beyond the postulation of dependency scholars, internal factors also provide vintage to understanding the underdevelopment and dependency of the Third World countries.

## 6.0 TUTOR-MARKED ASSIGNMENT

Submit a three page essay, (A4, double line spacing) in which you are to:

1. Critically discuss how internal factors serve as catalyst to under development and dependency of Third World countries.
2. Explain the concept of dualism and discuss how it conditioned the underdevelopment of the Third World underdevelopment.
3. Discuss the impact of colonial economic policies on the underdevelopment of the Nigerian agricultural sector.

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## **UNIT 4 THE PARADOX OF GLOBALISATION AND THIRD WORLD**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Understanding Globalisation
  - 3.2 Characteristics and Dimensions of Globalisation
  - 3.3 Impacts of Globalisation on the Third World Countries
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

The main force propelling the world at the end of the 20<sup>th</sup> century is globalisation. The interest in globalisation is motivated partly by the thinking and perception that the fate of individual national and communities is more and more tied together.

Globalisation is neither a theory nor a concept but a process that captures the development of international system at different level from the more familiar concept of imperialism. It is a comprehensive term that describes the emergence of global society in which economic, political, social, environmental and cultural events in one part of the world globally comes to have a significant influence for people in another part of the world. It is also used or often seen in some cases as a triumph of capitalism over socialism with the end of the Cold War and collapse of the defunct USSR.

This unit is designed to explore globalisation as a current and forceful trend in the international political economy and identify its unique characteristics and its impacts which is paradoxical on the Third World countries would be highlighted.

### **2.0 OBJECTIVES**

At the end of the unit, you should be able to:

- explain the meaning of globalisation
- identify the distinguishing characteristics of globalisation
- describe the impact of globalisation on the Third World countries.

### 3.0 MAIN CONTENT

#### 3.1 Understanding globalisation.

Globalisation is a highly contested and a very complex process that can be understood in different perspectives, economic, social, political and cultural perspectives. But according to Ewan (1995) globalisation can be defined: from an institutional perspective as the spread of capitalism. Offiong (2001:1) defines globalisation as:

The multiplicity of linkages and interconnectedness that surpasses the nation-states, which together constitute the modern world system. It sets up a process through which events, decision, and activities in one part of the globe can and do have great consequences for individuals and communities in very distant parts of the world. Currently, he added, information, goods, capital, people, language, images, communication, crime, culture, pollutants, drugs, fashions entertainment, beliefs, among others, all immediately move across territorial boundaries.

In another development, Oman (1994:27) defines globalisation as:

Often used in at least two efferent implications in terms of their policy focus. In one sense, globalisation is used to mean multilateralism in which case the global trading system, multilateral trade liberalization and government policies are the focus. Here globalisation is understood to mean a multilateral towering of policy impediments to the movement of goods and services across national as well as regional boundaries. In another sense, globalisation is seen more as a macroeconomic phenomenon, driven by the strategies and behaviour of corporations; here, it is the changing dynamics of global competition and international competitiveness.

According to Boutros Ghali (1996: 3), globalisation is seen as:  
Creating world that is increasingly interconnected in which national boundaries are

less important, and it is generating both possibilities and problem.

In the light of the foregoing, globalisation can be defined as the process of intensification of economic, social and cultural relations across international boundaries. It is principally aimed at the transcendental homogenisation of political and socio-economic theories across the globe.

### **SELF-ASSESSMENT EXERCISE**

Briefly explain the meaning of globalisation in your own words.

### **3.2 Characteristics and Dimensions of Globalisation**

There are certain characteristics that distinguish globalisation from other historical forms of capitalist expansion such as imperialism, colonialism and neo-colonialism.

- i) The emergence of the Trans-National or Multi-National Corporations (T/MNC) as the major agent for the worldwide expansion of private capital and the capitalist market. This has brought about a fast growth in trade by transnational and multinational corporations.
- ii) It organises increasingly integrated economic and financial activity across national borders and produces, sources and markets its raw materials and products worldwide in its unceasing quest for competitive advantage. This has enhanced rapid growth in international financial transactions propelled by surge for Foreign Direct Investment (FDI) largely controlled by the Multinational Corporations (MNCs) thereby creating a global market.
- iii) Communication Revolution. This revolution makes possible both the speedy and safe transportation of goods and money to all corners of the world and an instantaneous all-day and all night communication from one end of the world to another. The diffusion of technologies and ideas through trade expansion of globalised transportations and communication. These have been facilitated by production and finance.

On the dimensions of globalisation, there are basically three (3) dimensions of globalisation.

- i. **Economic globalisation**  
Economic globalisation is assumed to promote growth and development of the Third World, through the principle of free

market economy, trade liberalisation, removal of subsidy, openness of economy for international competition, removal of trade barriers for other countries to penetrate and compete with local industries and firms, thereby bringing about efficiency and growth; devaluation of currency. Based on these, the International Financial Institution (IFI), donor agencies and advanced countries always impose political and economic conditionalities for Aids to developing countries. One the condition is democratisation which is designed to grant a peaceful trading environment for Multinational Corporations.

ii. **Political globalisation**

Political globalisation which is seen as external donor's political conditionality for aid is centred on democratisation and the promotion of liberal democracy. This liberal democracy is not quite different from capitalism and as such cannot address the development crisis of the third world countries.

- iii. The third dimension of globalisation is **Information and Communication Technology (ICT)**. It propelled and spread the policies, events, ideas of globalisation to different part of the world. The ICT revolution brought speedy spread of the ideas of globalisation to different part of the world at a quick and short notice.

### SELF-ASSESSMENT EXERCISE

Briefly describe the characteristic and dimensions of globalisation.

### 3.3 Impacts of Globalisation on the Third World Countries

The central feature of the idea of globalisation is that most contemporary problems cannot be adequately studied at the level of nation –state, which is –in terms of each country and its international relations, but instead needs to be seen in terms of global process of interconnectedness and interdependence which portends both possibilities and negative impacts on Third World countries.

Globalisation can be seen as phenomenon of capitalist expansion and accumulation. In order to promote expansion of this capitalist movement in the TWCs, the international financial institutions supported by the advanced capitalist countries have imposed a package of reform which includes, the downsizing of the state, withdrawal from economic enterprise, elimination of all state subsidies, deregulation of the economy, including external trade, currency devaluation, free flow of information, transparency in governmental process, policy predictability,



public accountability, and the rule of law and later multiparty democracy was added. In various ways, these reforms and policy platforms are source of conflict and insecurity in Third World countries.

Economists generally view globalisation rather positively. To Owan (1994:9),

Globalisation frees the forces of competition that help to channel the energies of people and the resources of countries into activities where they are likely to be most productive. They therefore see free global market essential to the future.

Calhoun, Light and Keller (1997:492) have raised two fundamental and interesting questions that will help us to appreciate the paradox of globalisation. In their work: **The Phenomenon of Globalisation**, they asked: Global Village or Global Pillage and secondly, whether globalisation is an opportunity or a threat? Are we on becoming global village or witnessing global pillage of the planet and its people?

Globalisation may have knit the world closely together through interconnectedness and interdependence but has also divided the world and its population into winners and losers across nations and regions of the world. Globalisation is thus, limiting instead of helping some people. In the light of this Offiong (2001:3) observes that:

Multinationals increase profits not through greater efficiency but by pitting countries and people against one another in a race to the bottom. Underdeveloped countries attract investors by offering them the cheapest labour, the lowest taxes and the least regulations; their national economies may show signs of expansion but at the great cost of falling or low living standard.

Third World Countries are trapped between this sustained and widespread opposition to the IMF and the WB induced reform and the pressure to implement the programme, have adopted four pronged strategies: Accommodation of local demands; Cooptation, Divide and rule and Repression. Globalisation has centralised and identified external access to and exploitation of Third World resources especially Africa, while marginalising and pauperising the Africa people. Trade liberalisation as demanded by the multilateral institutions has led to de-industrialisation of Third World countries.

Finally, globalisation is failing to reach all peoples in a positive way. Too many people in the Third World are excluded, unable to obtain access to the prosperity that globalisation offers.

### **SELF-ASSESSMENT EXERCISE**

Discuss the impacts of globalisation on Third World countries.

## **4.0 CONCLUSION**

Globalisation, seen as expansion of capitalism on a world scale, it can be concluded that capital now became global, transnational, informational, consumerist, neo-liberal undermining the nation-state, its macroeconomic plans, its collection, welfare state, its citizens sense of collective identity, its general caging of social life. Globalisation has therefore failed to reach all the people in a positive way. Too many people in the Third World are excluded, unable to obtain access to the prosperity that globalisation offers.

In addition, Third World societies have been dichotomised in terms of standard of living, quality of life and life styles. The dichotomous are self evident in the various forms of resistance to globalisation across nations of the TWCs. There are paradoxes of integration and marginalisation where there is exclusion of large section of the TW from the cutting edge of research and modern technology. There is also a paradox of culture and cultural isolation where global cultural homogenisation has succeeded in interjecting a small segment of TW societies into the global family while effectively disconnected them socially and culturally from people of their own country as a consequence.

## **5.0 SUMMARY**

This unit has examined the concept of globalisation and highlights of its characteristics from other forms of capitalist expansion noted and its impacts on the Third World countries discussed.

## **6.0 TUTOR-MARKED ASSIGNMENT.**

Submit a three page essay (A4, double line spacing) in which you are to:

1. Discuss the various definitions of globalisation known to you.
2. Critically evaluate the impacts of globalisation on Third World countries.
3. Mention and discuss the various dimensions of globalisation you know.

4. Discuss the impacts of trade liberalisation on the economies of Third World countries.

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## MODULE 4 THE POLITICAL ECONOMY OF THIRD WORLD DEVELOPMENT

- |        |   |
|--------|---|
| Unit 1 | Theoretical Explanations of States in the Third World |
| Unit 2 | The Role of the State in the Third World              |
| Unit 3 | Africa's Response to Development Crisis (NEPAD-APRM)  |

Unit 4 Finding Proper Roles for the State in the Third World

**UNIT 1 THEORETICAL EXPLANATIONS OF STATES IN THE THIRD WORLD**

**CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Background to the Theoretical Explanation
  - 3.2 The Command Economy
  - 3.3 Neo- Classical/ Liberal Models
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

**1.0 INTRODUCTION**

The political economy of the Third World matters to their social and economic development. However, the dynamics engineered by the interaction of certain social and political structures in so many TWCs are not propitious to development. In addition, the optimism expressed by early modernisation theorists regarding TWCs' economic development seemed ill founded during the 1980s in the face of deep economic declines in Africa and Latin America. In South Asia, Sub Saharan Africa and other TWCs, the war on poverty often seemed unwinnable. On the other hand, dependency theory's persuasive pessimism about the limits of development in the periphery seemed to have been belied by East Asia's spectacular growth from the 1960s into the 1990s.

In recent decades, research on the TWCs has often focused on its political economy- the dynamic interaction between the forces of politics and economy.

This module therefore focuses on several important issues as regards the role of the state as it relates to stimulating and regulating economic growth and development in the TWCs and what are the major strategies for development. In this unit therefore, effort will be made to explore the theoretical explanation of the role of state in promoting development. It will also discuss a number of alternative strategies or models prescribing the role of the state in Third World economies ranging from command economy to the very limited state intervention.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- identify the theoretical explanations of the state in the TWCs
- identify the major strategy relevant for the development of the TWCs
- review the theoretical debate about the developmental state.

## 3.0 MAIN CONTENT

### 3.1 Background to the Theoretical Explanation

Theoretical postulation on the evolution, nature and character of the state is crucially justified because it throws light on the role of the state, by using its apparatuses. It is therefore of great significance to understand the various theoretical explanations that are fundamental to their roles in the society.

The state, once the corner stone of development is now the millstone around otherwise efficient markets. States, especially in Third World countries have been described as the 'rentier state', the 'overextended state', the 'parasitical state', the 'predatory state', the 'lame leviathan', the 'patrimonial state', the 'prebendal state', the 'crony state', the 'kleptocratic state', etc. Such states, it has been argued are to delink, reduce or roll back, to stabilise the economy, deregulate, privatise the economy, to engage in good governance, to democratise themselves and society and create an environment for the private sector to thrive.

In the light of the foregoing, the growing interest in the nature and role of state therefore represents the revival of a major intellectual and theoretical concern of the 1950s and 1960s.

### SELF-ASSESSMENT EXERCISE

Briefly describe the theoretical background to the role of the state in Third World countries.

### 3.2 The Command Economy

Most of the dependency theorists believe that an exploitative relationship between core industrial nations and peripheral Third World countries is an inevitable outcome of capitalist trade and investment; they felt that only a socialist economy could achieve economic independence and development.

Theorists of the command economy have viewed market capitalist economies as anarchistic because they leave the most fundamental decisions over the allocation of resources and the determination of prices to the whims and caprices of the forces of demand and supply. They also believe in centralised state control over the economy. A command economy initially established in the Soviet Union has two main central features:

- the means of production are primarily owned and managed by the state that includes factories, banks, major trade and commercial institutions and retail establishment, etc
- decisions concerning production are not set by market forces but rather by centralised state plans.

However, the collapse of Soviet Union and Eastern European communist nations revealed or exposed the weaknesses of the centralised and command economy. Despite the phenomenal impacts of the command and centralised economy in the defunct USSR, China and even Cuba, its weakness overshadows their accomplishments. In Latin American countries, the state has often played a key economic role, seeking to be an engine of economic growth. In the period between the two World Wars, many Latin American nations first pursued state- led industrialisation. That process accelerated during the Great Depression of the 1920s and 1930s, when countries in the region had difficulties finding markets for their goods and raw materials exports and, consequently, lacked foreign exchange for industrial imports. Unlike the communist countries, Latin American nations left most economic activity in the hands of the private sector and did not centralise control over the economy.

In general, Latin America's development model introduced two important areas of inefficiency that will help us understand why it failed.

- i. Many state owned enterprises were frequently over-staffed and poorly run. Very few, if any, have the skilled and disciplined personnel required for effective performance.
- ii. The Latin America's model encouraged inefficiency in the private sectors. According to Handelman (2005:259-260), Government throughout the world have effectively used protectionist means to help infant industries get started during the early stages of industrialisation. But overtime, the level of protection needs to be scaled back or domestic firms will have little incentive to become more productive and internationally competitive. Instead, Latin American

protectionism, rather than serving as a temporary stimulus, became embedded in the economy.

Against this background, starting from the 1980s, almost all Latin American nations, forced by the region severe debt crisis economic depression reversed their earlier statist policies. While Latin America has been struggling since the early 1980s, a number of East and South East Asian economies have grown at a phenomenal rate. In fact, from 1960 to the late 1990s, these economies grew almost three times as fast as Latin America and five times as fast as Sub-Saharan Africa. The growth in these economies was essentially attributed to government, playing a key role in stimulating economic growth.

In conclusion, not only has the spectacular successes of the East Asian Tigers led to a re-evaluation of the role of state in development process but it has also raised the question of replicating their policies and experiences in other third world countries.

### **SELF-ASSESSMENT EXERCISE**

Briefly describe the command economy theoretical postulation of state's role in the development of Third World countries.

### **3.3 Neo- Classical/ Liberal Models**

Unlike the command economy model, the neo-classical or neo liberal model assigns government a very limited economic role. The state, it argues, should provide certain fundamental public goods such as national defense, police protection, a judicial system and an educational system. Neo classical economists insist that free market forces should determine production decision and set prices without government interference. They criticised government policies designed to stimulate industrial growth such as protective tariffs and import quotas that restrict free trade and thereby drive up prices of exports and imports; state subsidies to producers, consumers, and governments control on prices and interest rates. All of these measures distort the choices made by producers, consumers and government. Only when these artificial restraints are removed, will the economy grow and development be achieved.

In addition, reliance on market forces and the adoption of market driven export oriented development strategy was said to have led to efficient exploitation of the comparative advantage of the countries in cheap labour (new labour perspective) with its minimalist's view of the state is essential to Third World development.

Contemporarily, the neo liberal policies seemed to a large extent to have won over the debate against the advocates of extensive state intervention. However, that Africa and some Latin American countries and third nations have liberalised their economies, deregulating the private sector, removing trade barriers and freeing prices, government subsidies for industries and consumers have reduced, does not necessarily mean the neo liberal have won because these reforms resulted from the pressure from the multilateral institutions and the earlier statist models that failed.

In addition, the central issue is one of the state and the market but it is not a question of intervention thesis *Laissez Faire* a popular dichotomy but a false one. It is rather a question of popular division of responsibilities between the two and of efficiency in their respective functions. The relations between government and the market can be seen under the following interrelated categories:

- human and physical infrastructures;
- competitive climate for enterprises; and
- macroeconomic management and institutional development.

The most important investment government needs to make are on people. Markets in Third World countries often cannot be relied upon to provide people especially the poor with adequate education, health care and nutrition. For instance, a child born in Africa today is more likely to be malnourished than to go to school at all, and is more likely to die before the age of five than to go to secondary school.

The general observation is that governments in Third World countries have done too much of the things they cannot do well- regulating markets and producing ordinary goods and too little of the things they must do well-maintaining macroeconomic stability and making necessary investment. In core states of the world we all experience the state as a supplier of public goods and concerned with the efficiency of this provision. Equally important to our modern way of life is the state as a regulator and facilitator. Here the state operates macroeconomic and other policies to support the economy within its territory. It involves the roles of the state in producing the physical infrastructure for the smooth running of the economy. Undoubtedly, the most important theory of the state in capitalist social formations is the state as arbiter. Here, the state is deemed to be above the endemic conflicts of society and therefore can act as a neutral umpire in adjudicating disputes. These theories underlie most political activity within the core states of the world economy. It can therefore be said that theoretical explanation of states in Third



World countries are relatively superficial description of state's functions.

#### **4.0 CONCLUSION**

The state is seen as the harbinger and the main instrument of social change, progress and development which in the European content meant being the trigger for and projection of the modern institutions associated with industrial capitalism. During the 16<sup>th</sup>-17<sup>th</sup> century, major European powers were guided by the philosophy of Mercantilism which viewed nation's economic activity as a means of enhancing the political power of the state and its monarch. Government was viewed as both source, and beneficiary of economic growth. Mercantilism was challenged by 18<sup>th</sup> century economists, Adam Smith, who argued for a minimised state function that allowed market forces a relatively free hand. In the 19<sup>th</sup> century, Karl Marx, reacting to the exploitative nature of early capitalism, proposal assigning the state a dominant role, at least through the ownership of the means of production and centralised direction of the economy. Finally, in the 20<sup>th</sup> century, Sir John M. Keynes, responding to the great depression, advocated a substantial degree of government economic intervention but rejected Marx position of state ownership. All these provided the theoretical foundations and philosophical basis for the role of the state.

#### **5.0 SUMMARY**

In this unit, attempt has been made to expose you to the background that brought about the theoretical postulation of the evolution, nature and character of state that defines its role in promoting developments. Two basic theories have been explained: the command economy and neo liberal economic policies

#### **6.0 TUTOR-MARKED ASSIGNMENT**

Submit a three pages essay (A4, double line spacing) in which you are to:

1. Describe the command economic policies to the understanding of the roles of states in Third World countries.
2. Describe the neo-liberal economic policies to the understanding of the roles of states in Third World countries.
3. Identify the major strategy relevant for the development of the Third World countries.

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## **UNIT 2 THE ROLE OF THE STATE IN THE THIRD WORLD**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives

- 3.0 Main Content
  - 3.1 The Role of the State in Development
- 4.0 Summary
- 5.0 Conclusion
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

## **1.0 INTRODUCTION**

The purpose of the state has been a subject of intellectual and philosophical debates even among the classical and modern philosophers. This is because it is the wish of every Third World countries even the most corrupt and incompetent to promote development. The role of the state in promoting economic growth and social progress in the Third World countries has been a subject of contestation for the past 50 years. At the end of the Second World War, state led development strategy was embraced and encouraged in the TWCs intended to bring about industrialisation and entrepreneurship through intensive and deliberate effort and state intervention.

This unit is intended to explore the role of the state in promoting development. A key premise in this unit is the states and their political economy factors and the social underpinnings lie at the heart of why some states functions better than others. The dynamics engendered by the interaction of certain social and political structure s in many TWCs are not propitious to development.

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- explain the role of the state in development
- discuss why some states have been capable and more supportive of development than others
- outline what the role of the state should be in stimulating and regulating economic development in TWCs.

## **3.0 MAIN CONTENT**

### **3.1 The Role of the State**

The question of the state's proper economic role has been at the centre of political and economic debates for 100 years, first in the Western industrialised economies and more recently in Third World countries.

While shying away from a strict *Laissez Faire* or free market approach, Summers and Thomas (1995:423) advocates a limited role for government in development and the adoption of market friendly economic reforms. In particular, they maintain that a state should primarily invest in human and physical infrastructure, create a competitive climate for business and establish sound macroeconomic policies. The role of the state in promoting economic growth and development in the TWCs has been a subject of contestation among international development experts and policy analysts for the past 50 years after the end of the World War II, coupled with the emergence of newly independent states in Africa and Asia, the international community embraced a state led model of development intended to bring about development through deliberate and intensive effort and state intervention.

A review of the record identifies some important characteristics of successful government interventions. Most of these follow from the general principles of supporting rather than supplanting, markets and the related idea that the important thing for government is not to do things which individuals are doing already and to do them a little better or a little worse; but to do those things which at present are not done at all. Market development itself requires government action; this is because the establishment of the rules of the game by the government is crucial to the success of market reforms.

A remarkable transformation prevailing views about how governments best promote economic development has occurred in recent times. While it was once thought that government needed to occupy an economy's commanding heights by allocating credit, rationing foreign exchange, ensuring against dependence, and operating key industries; today it is widely accepted that government's responsibility for directing the production and distribution of goods and services should be much reduced and the private sector's role much enhanced. For some time now, the advice of the World Bank and International Monetary Fund has reflected the view that economic progress is impeded by government that seeks to supplant, rather than supports markets. In a synthesis of what has been learned to date, the 1991 report described the emerging consensus in favour of what was labeled the 'market friendly strategy', one in which government sustains rather than supersedes markets. According to the then World Bank President, Barber Conable, he summed up the prevailing remarks of the 1990 thus:

If I were to characterise the past decade, the most remarkable thing was the generation of a global consensus that the market forces and economic efficiency were the best way to

achieve the kind of growth which is the best antidote to poverty (Broad, et al,1995:434).

The challenge for Third World countries is to establish a strong and effective, but not overbearing state that can promote growth, equitable distribution, and a healthy environment, while avoiding unwarranted interference in the market, crony capitalism and authoritarianism. Even though many Third World countries have now embraced East Asia's Export Oriented Industrial Strategy, the recent Asian financial crisis demonstrates that even the most sophisticated and apparently successful development models can run into serious difficulties as new challenges develop and weaknesses surface.

The Economic Commission for Latin America (ECLA) was at the forefront of espousing such an approach. By the late 1970s, the state-led model of development had come under strain in Africa, as well as Eastern Europe and Latin America. State intervention in these countries was often wasteful with highly inefficient state enterprises or parastatals as a prime examples leading to bloated states that proved incapable of delivering development outcomes. This resulted in a succession of national economic crises.

By the early 1980s, a growing concern ensued from academics, researchers, policy makers calling for the abandonment of the state led model of development. This idea was championed by the IMF and the WB in what later came to be known as the 'Washington Consensus'. At the core of this theoretical postulation was the insistence that TWCs adopt Structural Adjustment Programmes designed to reduce the size and reach of the state. Instead, TWCs should rely on the market as the most effective mechanism for allocating resources and promoting economic growth. Key recommendations included eliminating government controls, promoting trade liberalisation and fostering a greater role for the private sector in the economy. According to the World Bank in World Development Reports (WDR) (1991:9),

Government intervention should be used sparingly and anywhere most needed. Put simply, government need to do less in those areas where markets work or can be made to work, reasonably well.

Structural Adjustment Programme (SAP) in the TWCs affected the provision and delivery of basic social services where neo-liberal policies had little or no solutions. Consequently, services lapsed, affecting the welfare of the poor in particular. The World Bank (1989) acknowledged the importance of the state in managing developments and social change

and brought back on the agenda the proactive role of the state in development.

The viability of development models based on free market principles has been challenged. It has been argued that the newly industrialising countries of East Asia have not totally had successful developments as experienced by their recent labour unrest and ecological destruction; that the socialist command economies failure was not due primarily to their eschewal of market mechanisms; and that policies of structural adjustment have not set the stage for sustained development. It is within this purview that Broad et al, (1995) advocates for development strategies that promote broadly representative government, equitable income distribution and ecologically sound policies.

#### **4.0 CONCLUSION**

Against the foregoing, we can conclude this unit by stating that, while it is now admitted that the state has played a central role in the development of Asian countries, it can be said that the roles of the state began with state led development in the 1950s and 1960s. This role was later criticised as inefficient and distorting in the light of the growing debts and macroeconomic instability in the 1970s and 1980s in Africa and Latin America. Later, the implementation of the structural adjustment programmes and market oriented reforms as prescribed by 'Washington consensus' compounded problems for Third World countries. Consequently, the role of the state in development is re-evaluated based on the successful experiences of state led development in several Asian countries.

#### **5.0 SUMMARY**

In this unit, effort has been made to present the role of the state in development from both statist and neo-liberal perspectives. The unit also established that the successes of any of this strategy in any country of the world cannot be replicated in other Third World countries because of their peculiarities.

#### **6.0 TUTOR MARKED ASSIGNMENT**

Submit a two page essay (A4, double line spacing) in which you are to:

1. Discuss the role of the state in promoting developments in the Third World.
2. Discuss why some states have been capable and more supportive of development than others.

3. Explain what the role of the state should be in stimulating and regulating economic development in the Third World.

## **7.0 REFERENCES/FURTHER READING**

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## **UNIT 3 AFRICA'S RESPONSE TO DEVELOPMENT CRISIS-NEPAD**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Africa at the Dawn of the 21<sup>st</sup> Century
  - 3.2 Background to the Formation of NEPAD
  - 3.3 Objectives of NEPAD
  - 3.4 APRM Strategy
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

Africa is an important continent with so much to offer to the world in terms of natural and human resources. It is the third largest continent with a population of over 500 million. Modern science recognises it as the cradle of civilisation. Paradoxically, it is the poorest of all the continents, weighed down by poverty, illiteracy, diseases, by a burden of un-payable debts, characterised with conflicts and war.

Africa had a very specific experience of the world system of slavery, colonialism and neo-colonialism associated with post independence governance crisis. Reviewing the situation in Africa at the beginning of the 21<sup>st</sup> Century, Aluko (2003:5) posted that:

Africa was the poorest region in the world with not less than half of its total population living on less than \$1 per day. Africa also accounted for only 1 percent of the global gross domestic produced and the most marginalised region with only 1.7per cent of world trade, and 1 out of 5 Africans lived under armed conflict, creating doubt about the continent's future.

To overcome this challenge, it is argued that African countries are required to consciously formulate a coherent ideology, based on the African conditions, peculiarities and heritages. This is predicated on the argument that the major obstacle to development of Africa is the predominance of foreign ideology such as capitalism and socialism. Retrospectively, there have been several attempts by African leaders to



provide the policy framework which will serve as a platform and guide Africa to development.

This unit will therefore explore Africa's response to the crisis of development through the framework of New Partnership for Africa's Development (NEPAD) through the instrumentality of Africa Peer Review Mechanism (APRM).

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- discuss the basis for Africa's response to development crisis
- explain the objectives of NEPAD
- explain the platform of APRM and its structure of operations.

## **3.0 MAIN CONTENT**

### **3.1 Africa at the Dawn of the 21<sup>st</sup> Century**

Available statistics on Africa at the dawn of the 21<sup>st</sup> century has shown that more than half of the population of Africa lives on less than US \$1 per day. The mortality rate of children under five years of age is 140 per 1000 and life expectancy of birth was only 54 years. Only about 58 percent of the population have access to safe water, the rate of illiteracy for people over 15 years was 41 percent. Africa has less than 1 percent of global trade with business done more out of the continent than within. Above all, most of the sub-Saharan countries depend on foreign aid to make over 50 percent of their annual national budget.

In the light of the foregoing, it can be observed that the poverty and backwardness of Africa stand in stark contrast to the prosperity of Advanced Capitalist Countries. Africa's place in the global community is defined by the fact that the continent is an indispensable resource base yet the poorest continent. Talking about war and conflict in Africa, it has been observed that between 1960 when most countries of Africa got independence and 1998, there are about 32 civil wars fought with over 7 million lives lost.

### **SELF-ASSESSMENT EXERCISE**

Briefly describe the situation of Africa at the dawn of the 21<sup>st</sup> century.

### 3.2 Background to the Formation of NEPAD

The emergence of New Partnership for Africa's Development (NEPAD) formed in July 2001, is the latest in a long line of policy frameworks, intended to place Africa on a path of growth or development. Before NEPAD there have been several attempts by African leaders to provide the policy frameworks, which will serve as a platform and guide to African development. However, the African Continent had been littered with failed initiatives, development plans and programmes of action. Of note were the regional initiatives of the Lagos Plan of Action in the early 1980s, Abuja Treaty establishing the African Economic Commission (AEC) in the early 1990s. All these initiatives failed essentially because they were dependencies driven. African backwardness and development challenge was blamed on external forces thereby exonerating post colonial elites; they also failed to consider issues of bad governance, corruption and accountability. In summary, these initiatives sought to externalise the sources of Africa's development crisis.

The process that eventually crystallised into NEPAD dates back to 1999 when, President A Bouteflika, President Thabo Mbeki, President Obasanjo and President Wade, were at the time the chairmen of the OAU (AU) the Non-Aligned and the G77 respectively. They seized the opportunity of their unique positions to address the problems of peace, security, as well as poverty and underdevelopment in Africa. President Mbeki became the arrow head of Millennium African Recovery Plan (MARP); soon after, President Wade sponsored the Omega Plan. Following the directive of the OAU (AU), both initiatives were merged to form NEPAD.

Conversely, NEPAD is distinct from the rest because it addresses Africa's development crisis such as bad governance and leadership. In addressing the problem of bad leadership and governance crisis, NEPAD internalises the source of development. Hence, NEPAD, according to Audu (2008:211) can be defined as:

The collective vision of African leaders to resolve the crises of governance and development in their region in the 21<sup>st</sup> century. NEPAD is therefore, Africa's home grown economic reserve plan.

The Organisation of African Unity(OAU) (now African Union(A.U.)), an umbrella body for independent African States endorsed and adopted the New Partnership for Africa's Development. This represents the latest attempt by African countries to promote economic and social development in this economically backward continent.

## **SELF-ASSESSMENT EXERCISE**

Briefly trace the origin and emergence of NEPAD.

### **3.3 Objectives of NEPAD**

The Objectives of NEPAD were designed to synchronise and regulate the Millennium Development Goals (MDGs). Essentially, the long term objectives of NEPAD is to eradicate poverty in Africa and to place African countries, both individually and collectively on the path of sustainable growth and development and thus halt the marginalisation of Africa in the age of globalisation. Talking about the prime aim of NEPAD, President Kaunda pointed that:

The prime aim of NEPAD is to foster closer economic cooperation with the developed world-works hand in hand with the U.S. Initiatives like African Growth and Opportunity Act (AGOA) which presents opportunities to African countries to access American Markets.

In addition, Isaac (2003:25) a member of NEPAD steering committee broadly specified NEPADs Objectives as:

- i) to eradicate widespread and severe poverty;
- ii) to promote accelerated growth and sustainable development;
- iii) to halt marginalisation of Africa in the globalisation process;  
and,
- iv) to restore peace, security and stability.

He summarised the objectives of NEPAD as constituting a bold and imaginative attempt to launch total war on the endemic problems of widespread poverty, severe underdevelopment, peace and security to Africa.

It is interesting to note that NEPAD seeks to achieve these objectives through a number of preconditions. One of these was that African countries must commit themselves, to the African Peer Review Mechanism (APRM). This was part of NEPAD's Democracy and Political Governance initiative.

## **SELF-ASSESSMENT EXERCISE**

Briefly describe the objectives of NEPAD.

### **3.4 APRM Strategy**

The declaration on democracy, political, economic and corporate governance also committed participating states to establish an African Peer Review Mechanism (APRM) to promote adherence to and fulfillment of its commitment. The Durban Summit adopted a document setting out the stages of Peer Review and the principles by which the APRM should operate. In 2003 the NEPAD Heads of State and Governments Implementation Committee in Abuja adopted a Memorandum of Understanding (MOU) on the APRM. It came into effect immediately with the agreement of six countries to be subject to the terms. Those countries that do not accede to the document are not subject to review.

In addition, the March 2003 meeting also adopted a set of objectives, standards criteria and indicators for the APRM. The meeting agreed to the establishment of a secretariat for the APRM and the appointment of a seven-person panel of eminent persons to oversee the conduct of the APRM process and ensure its integrity.

The APRM process is based on a self assessment questionnaire developed by the APRM secretariat and is divided into 4 sections viz: Democracy and Political governance; Economic governance and management; Corporate governance, and Socio economic development. Its questions are designed to assess states compliance with a wide range of African and International Human Rights treaties and standards.

The APRM questionnaire was formally adopted in February 2004 in Kigali, Rwanda, by the first meeting of the APRM, made up of representatives of the Heads of States and Governments of all states participating in the APRM. APRM is designed to provide a system of tracking non state operations in the delivery of services and with the corporate sector both of national level and at a developed community level.

The mandate of APRM is to encourage conformity in regard to political, economic, and corporate governance, values, codes and standards among African Countries and the objectives in socio-economic development within the NEPAD. It is however a voluntary mechanism open to any A.U member. As at 2011, 31 countries out of the 53 African Countries had joined the APRM.

For effective performance of the APRM, it comprises of the following structures:

- i) **APR Forum:** It is the committee of the Heads of States and Governments of the countries voluntarily participating in APRM. It is the highest decision making body. They appoint the APR panel, overlook the funding, discuss the country's reports and apply the peer pressure and transmit the report to the relevant A.U structures.
- ii) **APR Panel:** It is the management and executive arm of the APRM that directs and manages its operation. They are appointed to oversee the review process, to ensure the integrity of the process, to consider reports, and to make recommendations to the APR forum. It consists of seven persons.
- iii) **APR Secretariat:** The secretariat provides all the secretarial, technical, coordinating and administrative support services for the APRM. The Secretariat is based in Midrand, South Africa, not far from NEPAD Secretariat.
- iv) **APR Country Review Team:** They are appointed by the APR panel, one of whose members heads the team, and are constituted only for the period of the country's review visit. Their composition is carefully designed to enable an integrated, balanced, technically competent and professional assessment of the reviewed country.
- v) **APR Focal Point:** This is a national mechanism set up by a participating country in order to play a communication and coordination roles. It serves as a liaison between structure and continental ones such as the APR Secretariat and the APR panel.
- vi) **National Coordinating Structure:** Here, the actual implementation of the APRM at the national level happens.

#### 4.0 CONCLUSION

In conclusion, it is imperative to state that NEPAD has observed correctly that Africa's contemporary development crises arises from deficit of leadership characterised by bad governance devoid of accountability and transparency. It is also bedeviled by personal rule, neo-patriomonal politics, prebendalism and corrupt practices. NEPAD's attempt at situating the development crisis of contemporary Africa internally is a good development and its strategy of APRM is a good policy framework in that it creates synergy between the various regional blocs in Africa, ECOWAS, SADCs, etc. These regional blocs are to provide and harmonise tariffs and customs regime to ultimately promote greater intra regional trade.

The idea behind NEPAD therefore is noble, as it attempts to put Africa on a self reliant path to development where the processes are owned by Africans themselves. However, while we appreciate this initiative as a

giant stride aimed at pulling Africa away from the path of underdevelopment and dependency, what are its chances of success. Considering the fact that Africa's foreign debt profile is above \$200 billion and the economy of most of African states is not only structurally shallow but heavily dependent on primary sector and monocultural ; and how many of the national leaders have domesticated the policy focus of NEPAD and APRM at national levels. Above all, NEPAD is widely seen as idea that does not originate from Africa but part of the provision of what is referred to as the 'Washington Consensus' and the prescriptions of multilateral institutions as the best strategy to adopt for Africa's development.

## **5.0 SUMMARY**

In this unit, attempt has been made to explore Africa's response to underdevelopment and dependency crises through the instrument of the New Partnership for Africa's Development (NEPAD) where the source of the contemporary development crises of Africa is traceable to bad leadership characterised by poor governance, lack of accountability and transparency. It also examined the strategy of Africa's Peer Review Mechanism (APRM) where some of these governance crisis identified are to be tackled.

You are expected to have understood Africa's response through NEPAD and the strategy of APRM to promote good governance, accountability and transparency in Africa.

## **6.0 TUTOR-MARKED ASSIGNMENT**

Submit a three page essay (A4, double line-spacing) in which you are to:

1. Describe Africa's response to contemporary development crisis and explain the extent of successes and challenges.
2. What do you understand by NEPAD?
3. Mention the objectives of NEPAD and evaluate the efficacy of the instruments of APRM to the realisation of governance challenge in Africa.

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## **UNIT 4     FINDING PROPER ROLES FOR THE STATE IN THE THIRD WORLD**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Justification for Redefining the Role of the State
  - 3.2 Finding the Proper Role for the State in Third World
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

There is a widespread awareness that everything is not well with the state of States in the Third World countries. That calls for finding a proper role for the state. The need to find a new role for state in development has become imperative considering the experiences with state led development in East Asia on the one hand and Latin America and especially Africa on the other. Developmental states have been spectacularly successful in promoting growth and development in a number of Asian countries in recent decades in contrast; they have largely failed in Africa.

In addition, the need to redefine the role of the state has become imperative because a huge majority of TWCs have failed to develop to walk successfully the odious path of progress laid out so considerably by the dominant school of the post World War II and they have failed to develop viable nation states along the lines prescribed.

States in the Third World countries have evolved considerably since the late 1980s. In particular, the role of the state was rolled back in many places where attempts at state-led development had not been successful. At the same time, state effectiveness has remained missing ingredients in most places. Here, it is the design of this unit to gauge where states in Third World countries stand now and what should be their roles.

This unit shall therefore present the legitimacy and basis for re-thinking or redefinition of the role of the state and present a proper role for the state in promoting development in third world countries.



## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- identify the justification for a redefinition of the role of the state in the Third World
- identify the proper role of the state in promoting development in the TWCs.

## 3.0 MAIN CONTENT

### 3.1 Justification for Redefining the Role of the State

With political independence came the onerous responsibilities for inexperienced leaders of the newly independent states of the Third World of addressing the promises made to the people during the nationalist struggle. They asked their leaders for a life free from poverty, hunger and diseases. They asked for schools, and other social amenities. But it is impossible to realise those things without substantial economic growth. Political independence had given the newly independent Third World countries the power to unlock the door of economic and social progress but the question is how they are going to approach it. For them, only organised and forceful action could bring them economic freedom. Accordingly, they proffered their solution cited in Offiong (2001:16) thus:

Their point of departure was Marxist, their rallying cry, neo-colonialism, and their argument that the colonial system had survived independence and was thriving through a variety of devices-economic alliances engineered between former dependencies and nations, support of puppet regimes frequently come to power through corruption, deliberate sabotage of efforts at genuine inter-African unity, economic infiltration through loans and capital investment, even direct monetary control over emergent states whose finances remained in the hands of time colonial powers.

In trying to answer the question of what role should the state play in development, Third World countries were guided by two dominant ideologies in the era of cold war- capitalism and socialism. Some leaders felt that political independence was a sham shielding continued colonial economic domination. The structural adjustment programme advocated by the multilateral institution with its capitalist or neo-liberal frameworks were not designed to help Third World countries overcome

their economic and development problems. Instead, it seems to be a carrot and stick strategy to coerce Third World countries to open up their markets to the industrialised nations who themselves have not given up protection. It seeks to coerce Third World countries to abandon their nationalistic policies and programmes. The failures of structural adjustment programme have compelled even the most dogmatic institutions to recognise the positive role the state can play in the process of development.

In the light of this, socialism, with its strong state control economy was the solution with the national wealth being made to benefit its citizens. Influenced by the prevailing development economics theories, Western educated Third World elite's views development as economic development that would enable their autonomy from the North, and sought strategies to rectify the causes of underdevelopment rather ameliorates its effects. The state therefore, was to embark on planning and regulation and though this, government could mobilise surplus production for investment, and foreign aid would be carefully scrutinised, to be accepted only where clearly consonant with the goals of national development.

The second strategy of development was the very opposite of the first. This group consisted of pragmatic, capitalist materialist that encouraged continued association with the erstwhile imperialist powers. This group was in romance with the modernisation who argued that western powers had the key to solving global inequality. They also favoured foreign assistance and other forms of aid from their former colonial master.

Today, the collapse of the Soviet bloc's centrally controlled command economy and the poor economic performance of the remaining communist nation which have largely abandoned Marxist economics have discredited the advocates of state dominated economies.

At the same time, no government embraces full laissez faire (allowing market forces a totally free reign with no government intervention). In the real world therefore, Third World governments must decide where to position themselves between the extreme poles of free market and a command economy. However, one choice for the TWC is contentions because of the following:

- i) the fragile nature of many TWCs
- ii) their high level of Poverty
- iii) their poor distribution of wealth and income
- iv) their extreme dependence on International market forces
- v) their enlarged natural environment

- vi) many TWCs lacked a strong entrepreneurial class and substantial private capital for investment.

In the light of the above, state economic intervention traditionally has been more pronounced in Africa, Latin America and much of Asia than in the West. In recent decades, a world-wide trend toward neo-liberal economic policies has sharply reduced government economic intervention in both the developing and developed world. It is against this backdrop that Nandy (1999:264) has observed that state in these societies often looks today like some kind of specialised coercive apparatus or private business ventures.

Furthermore, the economic crisis of the 1970s, the demise of the theoretical armour for state intervention, the ideological hegemony of neo-conservatism in key funding institutions and donor countries. The palpable failure of development planning in many countries, stagnation and the crisis of accumulation- the socialist countries and the changing mood toward Third World countries and the cynicism of the development establishment about its counterparts in the recipient nations and all these pointed to government failures more insidious than the market failure that state policies had purportedly been designed to correct. However, although some of the argument against state intervention is based on an idealised and dogmatic view of markets, there is now widespread acceptance of market failure on the grounds of economies of scales, imperfect information, etc. While it is now admitted that the state has played a central role in the development of Asian countries, it is suggested that replication of the same is practically impossible in other Third World countries.

### **SELF-ASSESSMENT EXERCISE**

Briefly describe the justification for or rationale for redefining the proper role of state in Third World countries.

### **3.2 Finding the Proper Role for States in Third World Countries**

In thinking about development strategies for Third World countries, we must be able to blend the proper role of the state and market in the economy as a decisive factor. Finding proper roles for the states in Third World countries have become imperative because, states in the Third World today is the most demonised social institution, vilified for its weaknesses, it's over extension, its interference with the smooth functioning of the markets. The state once seen as the cornerstone of development is now seen as the millstone around otherwise efficient markets and has become not only dysfunctional in terms of the

management of larger societal issues but also by its withdrawal from state dominated economic and social space. The dramatic ascendancy of neo-liberalism; partly as a result of the rise and political triumph of capitalism over socialism created a formidable impetus for the need to rethink a new roles for the states especially in Third World countries. In addition, not only has the spectacular success of the East Asian Tigers led to re-reading and rethinking of the role of the states in the development process, but it has also raised the question of replicating. According to Mkandawire (2008:4),

The general conclusion is that market failure so prominent in development economies is still a problem that warrants government intervention and that since such failures differs in intensity, scope and location, a selective set of interventions is required. The most significant lesson has been the central role played by a developmental state in the process of development.

Since the mid 1990s, another shift in understanding the role of the state in development has become perceptible arising from in large part on the recognition that there has been a very different experiences of state led development in a number of Asian countries, especially South East Asia that underwent rapid economic growth and a radical socio-economic transformation, moving from being poor agrarian societies in the 1960s to producers of high technology value added goods by the 1990s. The 1997 World Development Report (WDR) was thus dedicated to rethinking the state role in development and re-affirmed the position that the state is central to economic and social development.

Finding a new role for the state is predicated on the recognition of the development success of East Asia which has led to the thinking on what states should do to accomplish development. Their experience has shown that even market based economies require functioning capable states in order to operate and to grow. This justifies the position of the report of commission for Africa recognising state capacity and effectiveness as a key bottleneck in Africa's ability to meet the Millennium Development Goals (MDGs). The effectiveness of the state is a key and critical variable explaining why some countries succeed whereas others failed in meeting development goals.

The states in the Third World is called to intervene in order to remove class biases in access to public services and redistribute income and probably asset from powerful; social classes to those whose economic and political power is currently insubstantial. Finding new roles for

states in Third World countries therefore, requires meeting the basic needs of the people which also implies lessening of the dependence of the Third World on the markets, capital and technologies of the industrialised; a greater potential for trade expansion among developing countries; an improvements in their terms of trade vis-à-vis the industrialised world; a reduced dependence on and role for multinational corporations and sophisticated technologies; a reorientation of development assistance.

A basic needs approach opens up the possibility of autonomous, self sustained growth for the Third World. This strategy would thus appear to be a core potent means of realising the Third World demands for restructuring of the world economy than endless, protracted strikes, violence and civil unrest. In addition, promoting development especially in the present global economic order is as much a political as well as a technical problem. That is, the problem is that of mobilising the political will to undertake radical change, as well as one of appropriate planning, resource allocation, etc. Two political prerequisites for basic needs approach is: i. an effective, decentralised and democratic administrative structure to translate policies into dreams and actions; and, ii. Mass participation in the development processes by the poverty groups.

According to Ghai et al (2005) to find a proper role for a developmental state it must possess at least two essential attributes. These are:

- i) the state must have the capacity to control a vast majority of its territory and possess a set of core capacities that will enable it to design and deliver policies
- ii) the project must involve some degree of reach and inclusion and have an institutional long term perspective that transcends any specific political figure or leader.

#### **4.0 CONCLUSION**

The choice of which strategy and what proper role the state should play in development is contentious because of the fragile nature of many of the Third World countries, their high levels of poverty, their poor distribution of income and wealth, etc. Consequently, governments have to intervene to play some of these roles. It is therefore not surprising that state economic intervention traditionally has been more pronounced in Africa, Latin America, and much of Asia than in the west with little or failed results. The problem associated with these failed states' intervention project was rooted in what can be described as state capture-where some powerful or influential interest groups used the state

to foster their own interest and extract rents rather than to promote a developmental vision.

Finally, as difficult as the political and economic task of establishing such state may be, it is within the reach of many Third World countries struggling against the ravages of poverty and underdevelopment.

## 5.0 SUMMARY

In this unit, attempt has been made to discuss the rationale for redefining the role of the state in development. It has also been stated that because of the fragile and peculiar nature of states in Third World countries, identifying proper roles for state is contentious but however conclude that if states are able to meet with some conditions, they can perform their role in the development of Third World countries.

## 6.0 TUTOR-MARKED ASSIGNMENT

Submit a two page essay (A4, double line spacing) in which you are to:

1. Identify and explain the proper role of state in the development of Third World countries
2. Identify the justification for a redefinition of the role of the state in Third World countries
3. Mention and explain why it is difficult to replicate the development success story in other states in Third World countries.

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## **MODULE 5      THIRD      WORLD      AND      THE CHALLENGES OF DEVELOPMENT**

Unit 1	The Nexus between Democracy and Development in the Third World
Unit 2	Third World and Democratisation Process
Unit 3	Third World and the Challenges of Governance (IMF and World Bank)
Unit 4	Third World, Foreign Aid and Dependency
Unit 5	Debt Crisis and the Third World

### **UNIT1      THE NEXUS BETWEEN DEMOCRACY AND DEVELOPMENT IN THE THIRD WORLD**

#### **CONTENTS**

1.0	Introduction
2.0	Objectives
3.0	Main Content
	3.1 Democracy and Development Nexus
	3.2 The Case for Authoritarian Regimes
	3.3 The Need for Democratisation of Development
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Reading

#### **1.0 INTRODUCTION**

The second half of the 20<sup>th</sup> century was characterised with the most dynamic Third World countries' economies typically governed by authoritarian regime. Almost all of Asia's most impressive economic miracles transpired under authoritarians or semi authoritarian developmental state. It is against this development that some have argued that authoritarian governments are better equipped to control wage demands from labour and to impose development plans. However, for every authoritarian success story, there have been several economic disasters, corrupt dictatorship throughout Africa, the Middle East, Central America, and the Caribbean have plundered their country's limited wealth and used the economy to reward their political allies. According to Handelman (2005:283),

Overall, statistical analysis of Third World economic growth rates in recent decades reveal that authoritarian government don't perform better than democratic ones.



It is against this backdrop that it is contended that government that need to appeal to a broad coalition of voters (democracies), are more likely to pursue policies that promote broadly based economic growth while governments that owe their incumbency to a small coalition of strategic allies (dictatorship) are more likely to be corrupt and to pursue policies designed to keep themselves in power no matter what the cost to the national economy. We can therefore say that democratic government and the world wide movement towards democracy may produce faster economic growth along with greater political justice.

It is in the light of this that this unit will attempt a discourse on the nexus between democracy and development in Third World countries.

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- discuss the link between democracy and development
- explain what democratisation of development means
- identify which regime between authoritarian and democratic regime is suitable for your country.

## **3.0 MAIN CONTENT**

### **3.1 Democracy and Development Nexus**

Human beings naturally love freedom. They want to be appreciated and respected, and to be allowed to develop their talent for self actualisation. They are also interested in those who govern them and under what system of government. Human beings are not only interested in the political aspects of their lives, but also in their standard of living and consistent striving for improvement in the quality of their livelihood. But improvement in the quality of life is dependent on levels of development. From the above, it becomes clear that democracy and development are directly related.

With the disintegration of Soviet Bloc communism and the expansion of democracy in Third World countries, a growing worldwide consensus has emerged in support of democracy as the best form of government. The early years of the twenty-first century were particularly hard for former dictators and quasi-dictators because it marked a decade of transition from authoritarian to democratic governments throughout the world. Authoritarian regimes throughout the world and especially throughout the Third World countries began to fall in the face of spreading democratic movements.

It is imperative to note that because development has so often been defined largely in terms of the economic, it has impliedly posed a question on the issue of the relationship between democracy and development. However, it has been observed that political condition characterised with democratic structures is the greatest impediment to development. Even though political independence brought about some changes to the formally colonised societies of third world countries, the character of the state remained much as it was in the colonial area. Hence Ake (1996:3) argues that:

State continued to be totalistic in scope constituting a statist economy. It presented itself as an apparatus of violence, had a narrow social base, and relied for compliance on coercion rather than authority.

The most debated aspect of utility of democracy is its relation between democracy and development. Consequent upon that, we can pose the question such as. Is democracy required or necessary for development? Are Third World countries better off in terms of development with authoritarian regimes?

In trying to provide answer to these questions, it is instructive to note that some of the elements of democracy are also some important aspects of what development means today. Some components of democracy such as rule of law, the consent of the governed, accountability and transparency are now universally accepted as being defining elements of political development.

The thrust of this argument is that democracy ensures accountability of rulers to the ruled with the result or expectations that rulers are motivated to allocate resources effectively and productively in order to be allowed to stay in power. Hence, democracy ensures that rulers limit their extraction of resources to what is optimal for growth and productivity. It can also be said that democracy commits rulers to avoid pursuing selfish interests rather than policies which optimise growth and collective well being.

### **3.2 The Case for Authoritarian Regimes**

A former leader of one of the most successful Third World countries Lee Kuan Yew cited in (Ake, 2003:80) observes that:

I don't believe that democracy necessary leads to development. I believe that what a country needs to develop is discipline more than

democracy. The exuberance of democracy leads to indiscipline and disorderly conduct which are inimical to development.

The London Economist cited in Ake (2003:581) also noted that:

Asia has had the fastest growing economies in the past 25 years without having the best democracies and suggesting that authoritarian government find it easier to get people out of poverty than democratic governments.

Against this backdrop those that argued that Africa, for instance, cannot deal with the crises of underdevelopment without embracing democracy at any rate, abandoning the legacy of authoritarianism must also consider some authoritarian military regimes in countries like Nigeria, and other authoritarian states like Zaire and even North Korea have done not so much in terms of development. Interestingly, authoritarian regimes are seen as sacrifices for the future of one's country. This is predicated on the assumption that in the context of early and middle stages of development, an authoritarian system may be more functional for supporting the modernisation process than democratic system. Authoritarian regimes in countries from Ferdinand Marcos of Philippines to Lee Kuan Yew of Singapore, from Ayub Khan during the second record of military rule in Pakistan to Mrs Indira Gandhi during the emergency in India. Other countries include Iran, Singapore, China, Taiwan, South Korea etc. These regimes have justified themselves as removing the roadblocks to future development. In contrast, India, Indonesia and Communist China all relied heavily on state planning for development and countries like U.S.A, Great Britain and the present India have embraced democratic government and have justified themselves by achieving high level of development.

The United Nation Economic Commission for Africa (UNECA) convened a conference in Arusha Tanzania, February, 1990. The main argument in that conference is that the absence of democracy is the primary cause of the chronic crisis in Africa. This takes us to the question, what type of democracy?

There are several democracies vying for preferment in a struggle whose outcome is quite uncertain in TWCs. However, democratic movement in the Third World countries is not a single homogenous movement with a coherent doctrines and an agenda. There are variations from one country to another but the groups which make up the democracy movement usually includes: political elites who have been denied access to political power, social groups which have been excluded from power and often

from their mere prerogatives of citizenship by religious, national, regional or ethnic discriminations, business people who deplore prevailing governance practices especially corruption, lack of accountability and transparency, and the rule of law, element of civil servants groups, workers and peasants and the international community, especially, the industrialised capitalist Western countries' development agencies and multilateral institutions such as IMF and World Bank. This group advocate for minimalist liberal democracy which focus on multi party elections. This is the kind of democracy that the disaffected political elites, business people and some intelligentsia want. This kind of democracy cannot address the fundamental problem of development in the TWCs.

On the other hand, the democracy that the masses wants is socialist democracy with emphasis on concrete rights and equality with substantial investment and upliftment and the empowerment of the ordinary people- This is the kind of democracy that can and will address the fundamental problem of development of the TWCs as experienced in countries like the U.S.A, Great Britain, India, China and even Indonesia.

### **SELF-ASSESSMENT EXERCISE**

Briefly discuss which is most appropriate for TWCs development between authoritarian and democratic regimes.

### **3.3 The Need for Democratisation of Development**

Democratisation of development means that the people possess their own development which becomes something the people do about themselves and their circumstance rather than something done for them. It means, most importantly, that development becomes a lived experience instead of a received one. It also means the people become the agents of development as well as its means and its ends. If the people are the agent of development, that is, those responsible for deciding what developments is, what values it is to maximise, they must also have ultimate control of public policy.

Social programmes are the central democratic initiation of an alternative development strategy. These initiatives have direct connections to people's lives, and their implications for social changes are more readily apparent than is generally the case of macroeconomic policies. Social programmes are a primary component in any democratic development because they meet real, basic needs of a wide spectrum of the population. Social programmes are for the people. They are integral to democratic development because they can be the foundations for effective popular participation. For instance, education gives people

knowledge, which enhances their analytic capacities, and builds their confidence, and directly contributes to their political power.

Finally, as Ake (2003) posits that, “if people are the ends of development, then their interest and well being is the measure of all things, the supreme law of development”. This will graduate to democratic development which emphasises, taking the people as they are, not as they ought to be, someone else’s image of the world. This has become imperative because colonialism gave Africa and some TWCs a legacy of a state which had near absolute control of society, polity and, economy and yet remained the private property of the rulers. Consequently, politics in most of these countries tendentiously negates its very essence, which is development. The debate on democratisation of development is centred on the call for dismantling state machinery and administrative planning, and its replacement by economic agents acting in a deregulated free market system.

### **SELF-ASSESSMENT EXERCISE**

Describe what you understand by democratisation of development.

## **4.0 CONCLUSION**

The intensifying crisis of underdevelopment in Third World countries is not conducive to the advancement of democracy. Too many people are engrossed in mere survival. The vulnerabilities of ordinary people, especially peasant are not conducive to a democratic citizenry. For instance, lack of education is a problem because it is bad for self esteem which is necessary for effective political participation; it devalues democratic choices because there is no choice in ignorance. Consequently, economic stagnation tends to nurture extremist politics which are not conducive to democracy. Democracy and development are therefore inextricably linked with emphasis on good governance as the link between them.

## **5.0 SUMMARY**

In this unit, attempt is made to explore the link between democracy and development with a view to unraveling the ambivalence surrounding them, particularly as regards their relationships. Within the context of the TWCs particularly Africa, we have argued that democracy remains a real harbinger of development.

## 6.0 TUTOR-MARKED ASSIGNMENT

Submit a two page essay (A4, double line spacing) in which you are to:

1. Describe the relationship between democracy and development and identify which should come first for your country.
2. Explain what you understand by democratisation of development.
3. Identify which regime between authoritarian and democratic regime is suitable for your country's development.

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## **UNIT 2 THIRD WORLD AND DEMOCRATISATION PROCESS**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Understanding Democratisation
  - 3.2 Waves of Democratisation and the Third World
  - 3.3 Causes and Consequences of Democratisation and its Impact on Third World
- 4.0 Summary
- 5.0 Conclusion
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

It is instructive to note that the politics of the last half of the 20<sup>th</sup> century and the first decade of the 21<sup>st</sup> century is not only remarkable but constitute unifying and accelerated processes of democratisation in the world. This phenomenon and its highlights were symbolised in the defeat of fascism at the end of World War II, as well as the rise of anti-imperialism and nationalism in the Third World resulting into the achievement of political independence of these countries in the 1950s, 1960s and even 1970s. The collapse of the defunct USSR, which also marked the triumph of capitalism over socialism, as well as the more recent rise of popular protests and favour of democratisation across the globe tends to indicate that the growing scope and relevance generalisation in world or global affairs. This unit therefore, is an exposition of democratisation process, its evolutions and relationships with Third World countries. This has become imperative as some have argued that democratisation is motivated or pushed by external donors who now link it to practical conditionality.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- discuss the concept and features of democratisation
- describe both external and internal factors that motivated it
- explain the impact of this wave on third world countries.

### 3.0 MAIN CONTENT

#### 3.1 Understanding Democratisation

Democratisation generally refers to a process of moving or a transition from an authoritarian system to a democratic political system. It embodies a transition, beginning with the dissolution of an authoritarian rule and consolidation for an enduring democracy. According to Nwabueze (1993), democratisation must involve concerted effort to instill the spirit of liberty, democracy and social justice in the people. In more specific terms, Nwabueze (1993:3) added that democratisation must involve the following twelve things:

- i) multiparty system under a democratic constitution having the force of supreme, overriding law;
- ii) a complete change of guards and the exclusion of certain other categories of persons from participation in democratic politics and governments;
- iii) a genuine and meaningful popular participation in politics and government;
- iv) a virile civil society;
- v) a democratic society;
- vi) a free society;
- vii) a just society;
- viii) equal treatment of all citizens by the state;
- ix) the rule of law;
- x) an ordered stable society;
- xi) a society infused with the spirit of liberty, democracy and justice; and,
- xii) an independent self reliant, prosperous market economy.

Democratisation, according to Osaghae (1999:5) is the process of establishing, strengthening or extending the principles, mechanism, and institutions that define a democratic regime. In another instance, Potter (2000:368) defines democratisation as:

A political movement from less accountable to more accountable government from less competitive (or nonexistent) election to fuller and fairer predicted civil and political rights, from weak(or nonexistent) to continuous associations to more numerous associations in civil society.

Democratisation can simply defined as the process of entrenching democracy.



From the definitions above, democratisation implies a process of getting to a stable or consolidated democracy or transitional process. It is therefore, instructive to note that a democratic regime is the ultimate goal of democratisation and the extent to which democratisation establishes these elements determine the extent of its success or failure. The process of transition from a military or authoritarian regime to a democratically elected government may be described as a process of democratisation. However, it is instructive to note that transition to civil rule as important as it is, and even constitute a prerequisite to a transition to democracy but democratisation goes beyond that. It involves the operation and institutionalisation of democratic principles, values, structures and processes leading to a fully sustainable democratic form of governance. Democratisation encompasses full operation of civil and political rights, as well as, effective political participation in policy, making through workable democratic institutions and redistribution of economic resources to enhance the political, social and economic empowerment and equality among the citizenry. Democratisation also involves liberalisation of the processes of governance through an active participation of civil society groups.

The ultimate of democratisation process is the consolidation of democracy. This can take place only when democratic institutions, practices, and values have become deeply entrenched in society. Democratic consolidation is a process through which democratic norms—that is— democratic rules of the game become accepted by all powerful groups in the society including businessmen, labour, religious groups, the military and no important political actors contemplate a return or reversal to dictatorship.

It is consolidated when it becomes, according to Linz and Stepan (1996) the only game in town, even in the face of severe economic or political adversity. According to Linz and Stepan (1996:15-16):

Behaviourally, democracy becomes the only game in town when no significant political opposition seriously attempts to overthrow the democratic regime or to promote domestic or international violence in order to secede from the state...Attitudinally, democracy becomes the only game in town when, even in the face of severe political and economic crises, the overwhelming majority of the people believe that any further political change must emerge from within the parameters of democratic procedures. Constitutionally, democracy becomes the only game in town when all of the

actors in the polity become habituated to the fact that political conflict within the state will be resolved according to established norms and that violation of these norms are likely to be both ineffective and costly. In short, with consolidation, democracy becomes routinised and deeply internalised in social, institutional and even psychological life as well as in political calculations for achieving goals.

In another development, Diamond observes that:

Consolidation is obstructed or destroyed causally by the effects of institutional shallowness and decay. If they are to become consolidated, therefore, electoral democracies must become deeper and more liberal. This will require greater executive (and military) accountability to both the law and the scrutiny of other branches of government, as well as the public, the reduction of barriers to political participation and mobilisation by marginalised groups; and more effective protection for the political and civil rights of all citizens. Deepening will also be facilitated by the institutionalisation of a political party system that stimulates mass participation, incorporate marginalised groups and forges vibrant linkages with civil society organisations and party branches and officials at the local level.

The above implies that democratisation involves the process of achieving broad and deep legitimation to the extent that all stakeholders and political actors (both political elites and the masses) believe that democratic system is better for their society than any other system or political regime and must be ready and willing to contain and contend with several constraints to democratisation process.

### **SELF-ASSESSMENT EXERCISE**

Briefly define democratisation and mention some of its basic characteristics.

### 3.2 Waves of Democratisation and the Third world

Third world countries have played a significant role in the world's most sweeping transition from authoritarianism to democracy. There can be no denying the fact that the worldwide trend towards democracy since the 1970s has been palpable. Samuel Huntington (1991) noted that the current surge of democratic expansion is, in fact, the 'third wave' that the modern world has experienced since the early 1800s. In each phase, democratic political forces and intellectual trends in key countries had a contagious effect on other nations.

The first democratic wave (1828-1926) by far the largest began under the influence of the American and French Revolutions (as well as the Industrial Revolution) and ended not long after the end of World War I. Change was largely confined to Europe and to some few former British colonies.

The second democratic wave, much shorter wave (1943-1962) was precipitated by the struggle against fascism during World War II and the subsequent collapse of European colonialism in Africa and Asia. In this period, democracy was introduced to a number of Third World countries, but in most cases, the new governments at best only met standards of electoral democracy.

The recent Third wave (1974-date) is the most popular and has drawn our attention because of its pervasive and seemingly lasting reverberations in Third World countries. The third wave transitions were so dramatic in the former Soviet Union and its European Communist allies. This wave of democratisation continued into the start of the new century with some notable setbacks in some Third World countries. At the close of the 20<sup>th</sup> century, Nigeria also restored to democracy on May, 29, 1999. It has been observed that as at 1974, only 27.5% of the world's countries allowed free and fair national elections. But by 1996, that proportion had risen to 63%.

The recent Arab Spring in North Africa and Middle East cannot be over-emphasised as it could serve as a trigger for further democratic reforms in Third World countries which has the tendency to shape the future of democracy in these countries. The unprecedented popular protests in North Africa, demanding for greater political freedom, human dignity and economic opportunity that captivated world attentions in 2011 and the subsequent resignation of long time autocrat in Egypt and Tunisia and the toppling of the Gaddafi regime in Libya and a shift towards a constitutional monarch in Morocco have the tendency to reshape state-citizen relation in the long run especially in other already democratic

state. The Arab uprising may generate some spillover effects to other countries.

One of the greatest lessons from the Arab spring is that democracy is not bestowed but earned by the citizens. Once initiated, it is not passive citizens or self-perpetuating governance model but one that requires the active engagement of citizens. Arab spring has instigated changes in expectations that Third World countries must own and control their government. The geo-political implications of the revolution have drawn the region into a global attention. The regional unrest has not been limited to the countries of the Arab as it has spread to neighbouring countries. The bid for statehood by the Palestine at the UN on 23 September 2011 is also regarded as drawing inspiration from the Arab spring after years of failed peace negotiations with Israel. The 15 October 2011 global protests and the occupy Wall Street movement which started in the United States and has since spread to Asia and Europe drew direct inspiration from the Arab spring.

Across Arab countries, Arab revolution have led to a new balance between social forces, as well as a new found awareness of the importance of working together. It has also ignited how difficult if not impossible it is to impose custodianship over state institutions. The Arab revolution can therefore be said to have commenced a new era that severs relations with authoritarian regimes and lays foundation for rule based on institutions representing the majority's choice and aspirations.

### **SELF-ASSESSMENT EXERCISE**

Briefly discuss the various waves of democratisation known to you.

### **3.3 Causes and Consequences of Democratisation and its Impact on Third World**

A number of factors both external and internal contributed to the most recent democratic transition or democratisation process in the Third World countries. The economic crisis that devastated so many Third World countries in the 1980s, revealed that authoritarian governments were no more effective and no less corrupt and were often less efficient than the elected governments that they had earlier. Furthermore, because dictatorship lack the legitimacy that free elections bestows on democratic governments, their support depends much more heavily on satisfactory job performance. In Africa, the gross mismanagement and corruption of both military and single party regimes eroded their support rapidly. In Latin America, even though military rulers performed relatively well, the debt crisis of the 1980s undermined their governments. Consequently, throughout the world, no sooner had

democratic upheavals occurred in one nation than they spread quickly to neighboring countries. As the democratic tidal wave swept forward, some authoritarian leaders began to get the message and prepared for democratisation.

The end of the cold war also permitted the United States to be more consistent in its defense of democracy. That is to say that U.S had no reason to coddle friendly Third World dictators whose friendship it had previously cultivated in the struggle against Soviet communism.

In addition, the struggle for democratisation in Africa and in most Third World countries resulted mainly from the crisis of legitimacy of the post colonial states and the inability of successive governments (Civil or Military) to respond positively to the needs and aspirations of the people. The African continent, as Jibril (1997) rightly observed:

Has been subjected to such terrible forces of: regression, extortion and the destruction of her human and natural resources. It is against these international or external and internal factors that Third World countries resorted to the struggle for democratisation as a way out of authoritarian and corrupt democratic regimes.

International and internal trends served as catalyst, providing TWCs, with incentive and opportunities to democratise and the TWCs reacted to those external factors which brought democratisation in TWCs.

### **SELF-ASSESSMENT EXERCISE**

Briefly describe external and internal factors that gave rise to democratisation process in Third World countries.

## **4.0 CONCLUSION**

In conclusion, it is instructive to note that until recently, most imperial viewpoints championed by multilateral institutions tend to promote the impression that politics ought to be, and remain divorced from economies. But after decades of consistent failure of various development processes advanced by these institutions and imposed on TWCs, they have finally come to advocate democratisation with its neo-liberal policy as the most required conditions for TW development; in addition to being the major defenses against the consistent tendency for foreign imposed economic policies and programmes.

## 5.0 SUMMARY

This unit has attempted to look at the concept of democratisation in its historical evolution and trends as it affects Third World countries.

## 6.0 TUTOR-MARKED ASSIGNMENT

Submit a three page essay (A4, double line spacing) in which you are to:

1. Discuss the concept and features of democratisation process you know.
2. Identify the various waves of democratisation process and explain its impacts on the Third World countries.
3. Discuss both external and internal factors that motivated democratisation process in Third World countries.

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## **UNIT 3      THIRD WORLD AND THE CHALLENGES OF GOVERNANCE**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Understanding Governance and Good Governance
  - 3.2 Good Governance and Third World Development
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

The concept of good governance has developed in the practice of relevant international organisations and some donor governments as a guide for rebuilding and reforming government structures. Hence, the international community has increasingly accepted good governance as the standard for democratic rule and consolidation and overall development of a country, especially Third World countries. The good governance agenda emerged in the 1990s out of a growing concern about the detrimental impact of state capture and other forms of distorted state interference on state capacity and developmental effectiveness. Out of a growing concern about this detrimental impact of a rent seeking, prebendal and kleptocratic state and its effect on state capacity to perform, the World Bank and International Monetary Fund (IMF) and donor agents in the 1990s began to emphasise the importance of governance or the way in which government and power are exercised.

One serious challenge that continues to be a source of concern to the post independent states of the Third World Countries (TWC) is the crises of underdevelopment. Even though development literature is replete with a plethora of diverse and divergent attempts to explain the origin, nature and character of the crisis; contemporarily, the World Bank sees it as the crises of governance. Until the early 1980s, when a considerable number of TWCs came under IMF/WB prescriptions, the dependency and modernisation perspectives jostled for dominance. By the end of the decade, coupled with the collapse of the former USSR, neo-liberalism championed by the IMF/WB emerged as the triumphant political and economic philosophy in the development literature of the TWCs, with their insistence on good governance.



It is against this background that this unit seeks to critically examine the extent to which WB/IMF's insistence on good governance is consistent with other policy framework required for TW countries developments or underdevelopment crisis.

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- define the meaning of governance and good governance.
- explain whether neo-liberal policy platform of good governance will promote Third World countries' development or not.

## **3.0 MAIN CONTENT**

### **3.1 Understanding Governance and Good Governance**

Even though governance and government have the same etymological root, governance as a concept is much broader than government. This is because it encompasses the process of carrying out the activities of government.

The definitions or meaning of governance vary, depending on who is defining it, and the interest he/she represents. However, according to Jeff Huther and Anwar Shah, (2005:40)

Governance is a multifaceted concept encompassing all aspects of the exercise of authority through formal and informal institutions in the management of the resource endowment of a state.

This line of argument is shared by a recent World Bank study that argues that:

Governance is the manner in which public officials and public institutions acquire and exercise the authority to provide public goods and services, including the delivery of basic services, infrastructure and a sound investment climate.

Despite the multiplicity of conceptual views arising from multidimensional approach to it, almost all the definitions share two broad practical implications. These are how we approach poverty reduction and development. These are: i. A governance perspective helps us to systematically think of a range of formal and information

institutions, structures, organisations, and stakeholders and their interdependent relationships and linkages in the context of public policymaking and their implementation as well as improving government performance and service delivery. In a well functioning governance system, each group has capacity to and helps create accountability relationships which ensure that a government provides public goods and services; public policy serves broad public interests as opposed to narrow individual interests; a check and balance mechanism control. On the other hand, in a weak governance system, groups lack capacity and accountability relationships do not exist.

The concept of governance has another important practical dimension. As an interdisciplinary and cross sectoral concept, governance plays an important role in the development process of the Third World countries. Governance is a variant of the political economy with politics dictating the pace of the economies while the latter sustains the former. The growing concern about the centrality of governance as a key variable for the explanation of underdevelopment and dependency of the TWCs acknowledges the primacy of politics as prerequisites for development. Governance is not a new expression in development studies and literature as it generally refers to the task of running a government or any other organised entity. The concept was popularised in the literature on development which sees the crisis of development of Third World countries especially Africa, as the crisis of governance. According to Boeninger (1991.6):

Governance refers to the good government of society. Good government according to him therefore guides the country along a course leading to the assigned good-development.

The term good governance describes government performance in relation to internationally established norms (or best practices), including freedom to organise political parties, holding public rallies, holding regular free and fair elections, upholding media freedom, respect for the rule of law, etc. In a nutshell, the notion of good governance refers to the smooth running of democratic institutions in any given country.

Good governance can be defined broadly as the responsible use of political authority to manage a nation's affairs. It is often treated as a basket of many practices: a professional civil service, diminution of corruption in government, a predictable, responsible and responsive, accountable and transparent administration, democratic decision making, the supremacy of the rule of law, independent judiciary, among others.

The most popular definition that has gained worldwide acceptability is the one given by the World Bank that sees governance as the exercise of political power to manage a nation's affairs (WB:1989:50).

The concept of governance is usually prefixed with the adjectival word good. The implication of this is that governance can be qualified good or bad depending on who is defining it. Hence, the definition of what good governance means is somehow tricky as what is good for one person, country, nation and organisation may not be the same for others. But according to Okpaga (2011:378),

Good governance is the process through which a state's affairs are managed effectively in the area of public accountability, responsiveness and transparency, all of which must show in the interest of the governed and the rulers.

### **SELF-ASSESSMENT EXERCISE**

Briefly discuss the concept of governance and good governance.

### **3.2 Good Governance and Third World Development**

At the heart of any progress or meeting development goals is the quality of governance. In general, there are at least five fundamental principles of governance that should guide a process in the pursuit of development goals.

- i. *Accountability.* Accountability implies probity, efficiency and effectiveness in resource management, public goods and service delivery. It also refers to government responsibility to explain its activities and responsiveness to the needs and values of its citizens.
- ii. *Transparency.* Transparency is about openness to public scrutiny and clarity in the decision making process in a government. It often refers to various measures of public information disclosures and access such as freedom of information acts and administrative procedure acts.
- iii. *Participation.* Participation is another key element of good governance. It implies citizens' engagement and empowerment in the decision making process. It underscores that everyone has fundamental rights to be recognised and their voices heard in policy making and implementation process. Participation is critical to improving efficiency, effectiveness, and sustainability of public service delivery and development projects.
- iv. *Social equity.* Social equity implies the fair, just and equitable management and distribution of public services and resources. It

also means that government and its services should treat all people, groups and regions regardless of age, gender, cultural or ethnic backgrounds as equals.

- v. *Rule of law.* Rule of law concerns the consistency, predictability and transparency of the law. It means that a country's formal rules and regulations are known to the public, equally applied to all citizens, and enforced in a predictable manner through transparent procedures.

In a similar vein, UNDP (1997), in examining the characteristics of good governance states that good governance is, among other things, participatory, transparent and accountable. These constitute the core elements of good governance.

It is imperative to understand good governance not only as a means to enhance existing approaches to development and poverty reduction but also as a vision of development itself. It is therefore increasingly adopted as postulated by the WB/IMF that good governance can enhance economic development. The World Bank (1989) effectively introduced the notion of good governance as a precondition for reverting Africa's crisis of development. The study further goes ahead to specify a set of policies which is closely related with governance as sponsored by neo-liberal scholars. Such policies include reduced state intervention in economic decision making, reduced public sector and more efficient transparent public sector administration, elimination of unnecessary public sector subsidies. World Bank (2003) expanded the conceptualisation of good governance in a publication titled: **Better Governance for Development in the Middle East, and North Africa** and gave a detailed component of good governance. Here the World Bank contends that:

Governance consist of the exercise of authority in the name of the people while good governance is doing so in ways that respect the integrity and needs of everyone within the state (World Bank, 2003:25).

In the light of this definition, good governance rests on two core values Inclusiveness and Accountability.

Inclusiveness means that all citizens are equally guaranteed certain basic rights including equality before the law and the right to participate in the governance process on equal basis.

Conversely, it means absence of exclusion and discrimination in all citizens' dealings with government.

Accountability in governance process on the other hand, according to (WB 2003:26), refers to the idea that those who are selected or elected as the case maybe to act in the name of the people and answerable to the people for the failure, as well as credited for their success. Expanding the concept of accountability further, WB identified two major cornerstones on which accountability rests. These are contestability and transparency. Contestability denotes that citizens should have choices among government leaders, policies and agencies, while transparency encapsulates citizens' rights to regular and periodic information or what public officials are supposed to be doing, what they are actually doing and who is responsible.

The issue of governance centres on the political, economic and corporate decisions. Nigeria, like most of the Third World countries had since 1986 attempted to join the global economy by implementing the structural adjustment programme, as prescribed for it by the IMF/WB which has brought a lot of hardships on the people. The economies of the Third World countries have worsened due to the unfriendly economic policies prescribed for these countries by the WB/IMF.

One of the notorious conditionalities that the WB/IMF imposed on Third World nations, whether seeking their assistance or not, has been not to offer subsidies to the potentially productive and technologically driven sector of the economy. The implementation of structural adjustment programmes in Nigeria, like other Third World countries, negates good governance in a fundamental way. It replaces government accountability to the people with accountability to WB/IMF. As Akokpari (2001:92) sees it:

It is this tendency of neo-liberal state to become unaccountable to its people that make SAP anti-thetical to democracy. He added, adjustment may prove inimical to democracy in the sense that it positions the states in a corner where they become more responsible and accountable to International Financial Institutions (IFIs) rather than to their own constituencies. The states are subject to international creditors who dictate details of economic policies, including the financial allocations to departments in the national budget. In this regard, not only do SAP truncate democracy but they also atrophy state sovereignty.

With regard to accountability and transparency, neo-liberal policies have made Third World countries to be more accountable to the IMF/WB.

## **SELF-ASSESSMENT EXERCISE**

Briefly explain how good governance has conditioned the underdevelopment and dependency of any Third World country.

## **4.0 CONCLUSION**

From the above, we have attempted to explore the link between the World Bank inspired implementation of neo-liberal policies and the demand for good governance in the Third World countries. Our analysis suggests that while the IMF/WB seeks to promote good governance in the Third World countries, the implementation of neo-liberal policies paradoxically undermine good governance and democracy and consequently truncate development and keep TWCs perpetually dependent and underdeveloped.

## **5.0 SUMMARY**

This unit has attempted a discourse on the concept of governance and good governance and established the link between good governance and the Third World countries' development in order to prove how the neo-liberal policies espoused by the IMF/WB and its attendant demand for good governance as a precondition for aids, loans and grants has kept the TWC perpetually underdeveloped and dependent. It also states that governance can be good according to the WB/IMF, if it has the basic ingredients of what makes a system acceptable to the generality of the people not minding its implications on Third World countries.

## **6.0 TUTOR-MARKED ASSIGNMENT**

Submit a three page essay (A4, double line spacing) in which you are to:

1. Describe the relationship between good governance and Third World Development.
2. Explain what you understand by the term governance and good governance.
3. To what extent can neo-liberal policy platform of good governance promote Third World countries' development?

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## **UNIT 4      THIRD WORLD, FOREIGN AID AND DEPENDENCY**

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  - 3.2 Theoretical Foundations to Foreign Aid
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- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

I want to believe that by now the concept of Third World and the conditions that brought it about is no longer strange or new to you. This unit focuses on the phenomenon of foreign aid and dependency of the Third World countries. The thrust of this unit is to establish how foreign aid by advanced countries has been used to perpetrate and condition the dependency of the Third World countries. The unit will also help you to assess the philosophical justification that is designed to promote economic development and welfare of the people of Third World.

It is expedient to begin the introduction by stating that that every independent country in Third World countries are at present trying or living on aid from the more developed or advanced countries, whether in the form of loans grants or giving of technicians. The philosophical justification that underpins foreign aid is to promote economic development but whether it has been able to do that or has even conditioned the Third World in a perpetual dependent condition constitute the thrust of this unit.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- know what foreign aid is all about in its varied forms
- know whether foreign aid has promoted development and welfare of people of the third world



- know how foreign aid has created economic satellites that would guarantee economic interaction between the advanced countries and the third world
- understand that aid is a mechanism or an instrument used by advanced countries and the multilateral institutions to entrap third world countries in aid dependency
- know that foreign aid is not an act done for selfless purpose but designed to promote donors economic interests around the globe.

### **3.0 MAIN CONTENT**

#### **3.1 Understanding what is Foreign Aid in its Varied Form and Nature**

Foreign aid, according to Development Assistance Committee (DAC) of the Organisation of Economic Cooperation and Development (OECD) is referred to as official development assistance around net official aid given by a country, multilateral institutions and non governmental institutions. It consists of grants and loans with a grant element of at least 25%. Grants or loans to TWCs are classified as Official Development Assistance (ODA) if they meet the following requirements:

- i. they must originate from the official sector in the donor country
- ii. the financial terms are concessional
- iii. the primary motivation of the grant or loan is the promotion of economic development and welfare of the recipient (aid receiving) country.

In addition to financial flows, ODA can also include technical cooperation and the administration costs to provide this aid. Official aid is disbursed to recipient countries from bilateral, multilateral or non-government organisation's sources that have promotion of economic development and welfare as their primary objectives.

In terms of forms and nature, there are three (3) broad categories or groups that provide aid:

- i. Bilateral donors
- ii. Multilateral agencies
- iii. Non-Governmental Organisations (NGOs).

Bilateral aids refer to nation to nation aids. This type is mainly determined or given for political consideration and in some cases granted specifically for development project. This form of aid was prevalent during the cold war era but fell as cold War came to a close.

Aids from multilateral agencies or institutions come in most access during periods of poor economic and political conditions, natural disasters, wars and civil wars. Multilateral aids generally refer to aids channeled through the institutions of World Bank and the IMF which it comes in form of loans and grants. It is instructive to note that these loans and grants are given with political strings attached.

Many Non-Governmental Organisations (NGOs) in the industrialised countries also provide aids. Non-Governmental Organisations such as Gate Foundation, CARE, The Red Cross and World Vision, etc. provides aids to developing countries. There are other thousands of NGOs that fund projects in the TWCs with some of the capital transferred coming from private sources. This include direct aid programme such as, Christian aids gifts from individuals and also commercial undertaking. However, not all capital grants that come from government are aids.

In the light of the foregoing, you are expected to note that, foreign aid, be it bilateral, multilateral and non-governmental organisations are exogenously determined. It is the donor's interest not the recipient's interest that determines the allocation of aids.

### **3.2 Theoretical Foundation for Foreign Aid**

For you to appreciate the relationship between foreign aid and Third World dependency, it is imperative to recapitulate the relative postulation of the modernisation school which provides the philosophical and theoretical foundation for foreign aid.

The modernisation school argues that the advanced countries make a positive contribution to the global economic development. The advanced countries are therefore, not responsible for the Third World countries development crisis but holds the key to their development by assisting in population growth control, increasing food production, introducing industrial technology and providing aid. According to W.W. Rostow, the most influential and popular scholar of the economic aspect of modernisation postulations, investments capital from the rich countries would boost the prospects of poor nations striving to reach the take-off stage of growth. Poor countries still striving to develop can use this money or investment to purchase fertilisers and high technology irrigation projects that can increase agricultural productivity as well as building power plants and factories capable of improving industrial output. It is against this background that it is conceived that the dignity of the world's poor country could never be secured without concessions from the rich countries' arrangement on trade technical cooperation and foreign aids.

This therefore eventually became the foreign policy thrust of the U.S.A and other western countries. Foreign aids therefore represent about 70 per cent of net external finance in memory of these Third World countries. Aid also represents a much more important source of foreign exchange than exports for most of these Third World countries. Furthermore, two reasonable arguments have been pointed out to justify these postulations: The first one is that aid is an act of charity from rich to poor countries. Here, it is expedient to note that individually and collectively, the rich nations have a responsibility to give because they see people in need. This informed the popular saying of “Third World poverty and first world responsibility”.

### **3.3 Foreign Aid and the Development of Third World Countries**

The role of Foreign aid in the growth process of TWC has been a topic of intense debate. Foreign aid is disbursed to recurring or recipient countries from bilateral, multilateral and non-governmental organisations sources. This consists of grants and loans from official sources that have promotion of economic development and welfare as their primary objectives. Bilateral donors in particular provide aids for many reasons, including; political, economic, strategic commercial and humanitarian. Reducing poverty is a core motive but usually to countries of key strategic importance as U.S. aid to Egypt and Israel, French and British aid goes disproportionately to former colonies.

The influx of foreign aid in East Asia was a crucial aspect of the capital formation process. Cold war tensions and the Korean war both had a strong influence on the flow of western aid into South Korea and Taiwan. According to one estimate, approximately 70 per cent of South Korea’s domestic capital formation came from foreign aid during much of the 1950s (Michael, 2005:342). In addition, according to Swaroop and Devarajan (1998) between 1960 and 1995, nearly 1.7 trillion dollars has flown from rich to poor countries as foreign aid donor agencies and government gives for the twin reasons of promoting economy growth and reducing poverty.

Africa, for instance, is the largest recipient of foreign aid. For example, net bilateral Official Development Assistance (ODA) from Development Assistance Committee (DAC) donors to Africa in 2008 totaled US \$ 26 billion, of which US \$22.5 billion went to Sub-Saharan Africa (Ekanayake, et al 2008).

The main role of foreign aid in stimulating economic growth is to supplement domestic sources of finance such as saving, thus increasing the amount of investment and capital stock. Even though foreign aid is

an important topic given its implication for poverty reduction and promotion of economic growth its efficacy is dependent on how the money or capital is judiciously expended and what sectors of the economy the fund is spent on that is capable of addressing the fundamental problem of development of that country.

### **SELF-ASSESSMENT EXERCISE**

To what extent has foreign aid promoted development and welfare of Third World countries?

### **3.4 Foreign Aid and Third World Dependency**

There is a dialectical relationship between aid from advanced countries and Third World dependency. For better understanding, we will start with a theoretical postulation by the dependency scholars on how foreign aid deepens Third World dependence.

Dependency as discussed in unit one of the first module of this course emphasises that the major decision which affect socio-economic progress within Third World countries are made by individuals, country and institutions outside those countries. It therefore implies a situation in which the economy of certain countries (TWCs) is conditioned by development and expansion of another economy to which the former is subjected. Dependency school, in response to the contention of modernisation school contends that the advanced countries have unjustly seized the wealth of the entire world for their selfish purposes. Hence, it argues that the over development of the advanced countries resulted from the underdevelopment of the TWCS. Dependency theorists therefore dismiss the claim that advanced countries programmes of agricultural and industrial technology, population growth control, and foreign aid help TWCs. They contend that the advanced countries simply acts in pursuit of profits, selling technology is a means of making money; and foreign aid is money given to the ruling elites, not to the poor majority in exchange for maintaining a favourable business climate for the Multinational Corporation (MNCS). They added that, the advanced countries cooperate with the elites of the TWCs to grow and export suitable crops such as coffee and Cocoa while at the same time preventing the production of staples consumed by local population.

Foreign aid focuses on promoting certain changes in the Third World countries that will enhance donor countries' economic expansions and dominance. This is done through the following ways:

- i. By encouraging reform in TWCs overall economic policies.
- ii. U.S. works to dismantle laws and institutions that prevent free trade.
- iii. They help to privatise state dominated economies. For instance, a \$3 million aid to support privatisation in Indonesian energy sector led to a \$2 billion award to an American firm for Indonesian first private power contract.
- iv. Foreign aid encourages TWCs to create a business codes and the law as dictated by the U.S. It there by helps to create a stable business environment that donor country's business firms needs to operate.
- v. It helps to create a new elite class of consumers in the TWCs. Having developed the appetite for western products, this very elite class is willing to drain their meagre foreign exchange to import those items.

To buttress the above, George Burrill (1966) in his essay entitled "U.S. Foreign Aids Helps America at Home" had observed that the relatively small amount of money the U.S spends on foreign economic assistance serves as an engine for American economic growth. In addition many aid programmes in donor countries cover an assortment of activities such as strategic and commercial initiatives, which often have a tenuous relationship with development.

Business interests are significant in donor countries in the award of aid. Nigeria's case with the US clearly demonstrates the significant role business interest play in awarding aid. Nigeria decided in 1986 to ban the importation of wheat and their basic food in an attempt aimed at boosting domestic agricultural productivity. U.S. food aided in Nigeria was tied to Nigeria importing wheat to the tune of \$250 million from the U.S. per year making Nigeria the 6<sup>th</sup> largest U.S. wheat importers. Agricultural groups in the U.S. demanded U.S. retaliation unless Nigeria re-opened its market to U.S. wheat.

Foreign aid is therefore used to create economic satellites that would guarantee regular sources of raw materials, cheap labour and markets for finished goods. Alkali (2003:31) had observed that advanced countries could achieve its foreign policy objectives through the use of multilateral loans, bilateral grants, technical assistance and even military aid. In an attempt to get the U.S. congress to agree to 3/ 100<sup>th</sup> (that is three third of one hundred) percent increase of aid over that of 1974, the state department listed some facts about the US economy. These facts are: 40 per cent of their foreign earnings come from the TWCs; nearly 33 per cent of its exports go to the TWCs, these create jobs for American; 25 per cent of U.S. investment in 1973 went into the TWCS. The TWCs therefore need America skills and capital resources to feed

their people, develop their resources and assure their people in equitable participation in the benefits of growth, exploit their natural resources in environmentally sound ways; and strengthen their cooperation in building a peaceful stable world community.

Contemporarily, aid volumes are declining and donor polices do not give priority to poverty reduction. Governments of the advanced countries do not appear to be making the transition from rhetoric to action. The volumes of resources available for poverty reduction is threatened both by aid budget cut as well as by the diversion of funds for other purposes such as emergency relief and debt forgiveness. It is within this context that Senator Simon(1966) of the American congress observed that Africa has two unfortunate distinctions, it is both the poorest and the most ignored continent and aid to Africa is considered expendable when resources are sought for other purposes even while Africa suffers from poverty, pollution and the scourge of Aids. Now that the cold war is over, Africa is of no strategic importance to the west as such it is not as profitable as other region in terms of foreign aid.

#### **4.0 CONCLUSION**

In conclusion, foreign aid is an instrument used to enhance and maintain the capitalist corporate structure of the rich and powerful nations and keep the TWCs perpetually dependent. Available evidence has shown that the fastest growing markets for the US and western countries' goods and services are in the Third World countries. US exports to Third World countries for instance, increased by nearly \$100 billion between 1990 -1995 creating about 1.9 million jobs in the U.S. Foreign assistance goes towards making Third World countries good consumers and America economy continues to boom mainly because the TWC buy the products.

We can also conclude that any government receiving aid is under great pressure to use it to further its own political self interests rather than channel it to those most in need. It therefore encourages the politicisation of economic life in TWCs.

Foreign aid also fosters a philosophy of dependency in which real income is increased by demanding, rather than by producing or creating more wealth.

There is no doubt that aid, if properly used and managed could have some benefits but most of the TWCs have become trapped in aid dependency. They must have aid to be able to maintain their present low quality of life, when it should be used to improve their long term prospects.

According to DAC of the OECD covering the period 1960-1985, entitled 25 year of development cooperation, it is noted that the most troubling shortcoming of development aid has been its limited measurable contributions to the reductions of poverty as distinguished from the relief of extreme poverty, especially in the rural areas of both middle income and poor countries (WBR 1990,). Donors of aid prefer to finance physical capital installations that keep their own firms and exporters and they are quite unwilling to support the operating costs of aid funded projects. But as we know, the bulk of the initiatives required for reducing poverty in the TWCs are in sectors such as health and education which make intensive use of recurrent resources.

Hence, World Bank (1999:128) had observed that ‘a substantial proportion of aid is provided at least partly for purposes other than to promote development. Finally, a subtler yet even more vicious method of political control with economic power is the use of foreign aid. This often opens the recipient economy to the manipulation of foreign donors and their agencies thereby keeping them perpetually dependent and underdeveloped.

## **5.0 SUMMARY**

Foreign aid is always accompanied with strings attached. The danger of receiving such aids reveals its dependent motive. Thus, aid has its ultimate motive, the desire of the donor country to extend its political influence on the recipient country. Aids, whether it is bilateral or multilateral will reflect donor preferences and not local priorities. Foreign aid can be donor enriching and recipient immiserating, hence, the so called transfer paradox.

## **6.0 TUTOR-MARKED ASSIGNMENT**

Submit a three page essay (A4, double line spacing) in which you are to answer one (1) of the followings:

1. Identify and describe one aid assisted project in any Third World country of your choice. Comment on the effectiveness or otherwise of the aid used.
2. Describe the dependent implications that may be involved in foreign aid on its recipient country.
3. To what extent should a TWC request or accept aid from the advanced countries?

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## **UNIT 5      THIRD WORLD AND DEBT CRISIS**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Basis for Borrowing
  - 3.2 Foreign Debt and Third World Debt Crisis
  - 3.3 Third World and Debt Management
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

We live in a global economy once often dominated, as in the 1920s, by International Financial Capital. It has been observed that before 1970, 90 per cent of all international investment was accounted for by trade and only 10 per cent by capital flows. Today, despite a vast increase in global trade, that ratio has been reversed with 90 per cent of transactions accounted for by financial flows not directly related to trade in goods and services. The accumulation of external debt is a common phenomenon in Third World countries, at the stage of economic development where the supply of domestic savings is low, current account payments deficit are high, and imports of capital are needed to augment domestic resources.

This unit seeks to provide an insight into the basis or justification for foreign or external loan and consequent debt burden and how it has conditioned the dependent and underdeveloped nations of the Third World.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- tell what debt crisis is all about
- discuss the basis and justification for borrowing
- explain the implications of debt crisis on third world countries.

### **3.0 MAIN CONTENT**

#### **3.1 Basis for Borrowing**

Progress and advancement in the world has been characterised and helped by interdependence, rather than isolation, by free flow of ideas, man, goods and capital from countries that are referred to as advanced or developed world of today such as USA, Great Britain, Japan, etc and other nations in Europe who at one point benefitted from this international capital mobility for their development.

According to the modernisation theorists, the first or advanced world is not the cause of the abject poverty and development crises of Third World countries but instead holds the key to solving global inequality by assisting in providing foreign aid and moneys. It is within this context that Third World countries are motivated to take loans from both bilateral and multilateral institutions of the West. Even though there is a strong correlation between debt and poverty, poverty and underdevelopment were the primary reasons why these countries resorted to external borrowing-resulting to debt.

Foreign borrowing, even though can be beneficial, providing the resources required to promoting economic growth and development, it has its costs. In recent years, these costs have greatly outweighed the benefits for many Third World countries. The main cost associated with the accumulation of large external debts is debt service- that is, the payment of amortisation (liquidation of the principal) and accumulated interest.

Debt can be classified into reproductive or dead weight debts. It is reproductive when loans are obtained to enable the state purchase some sort of asset. Money borrowed for acquiring factories, electricity, refineries constitute reproductive debt. Dead weight debt, on the other hand, refers to money borrowed or debt incurred by government for unproductive undertakings such as financing wars and events or current expenditure.

The crisis of public debt depends on whether it is external or internal debt. When a country obtains a loan from abroad (bilateral or multilateral) it means that the country can import from abroad goods and services to the value of the loan without, at time having to export anything to exchange when the capital and interest have to be repaid, the same country will have to get their burden of exporting goods and services without receiving any imports or exchange for debt financial investments need to be productive and well managed enough to earn a rate of return than the cost of debt service.

From the foregoing, it can be observed that while the United States, China, South Korea, and other advanced countries used or are using their own foreign loan for productive investment, most Third World countries failed to use foreign loans to develop the needed infrastructures required for the development. Thereby, making debt a crisis or burden to Third World nations.

### **SELF-ASSESSMENT EXERCISE**

Describe briefly the rationale for nation's foreign borrowing

### **3.2 Foreign Debt and Third World Debt crisis**

Debt crisis has assumed a prominent dimension in the third World countries as is making development very difficult. Third World countries are so tied to debt trap to the extent that virtually all their foreign exchange earnings are spent on debt service.

In the period between 1970 and 1992, the external debt of developing countries grew from \$68.4 billion to just under \$2trillion, an increase of more than 2,000%. The debt crisis has truly become a worldwide problem with serious economic implications for both developed countries and Third World countries. In fact, the debt crises of the 1980s called into questions the stability and viability of the international financial systems. Consequently, the democratisation process which culminated in the installation of democratic governments in Third World countries has the potentials to promote development in these countries but this potential is constrained by indebtedness or debt crisis. For instance, many severely indebted Third World countries, particularly those in Africa, are thus caught in a vicious cycle in which the repayment of debt creates a drag on economic growth, but accelerated growth is the only viable basis for escaping the confines of the debt trap. The external debt crisis of sub-Saharan Africa like its Latin American and other Third World countries is not yet over. A significant number of countries in the TWCs adopted a development strategy that relies heavily on foreign financing for both official and private sources. This according to Ajayi (2003:105) has meant that:

For many countries in the region the stock of external debt has built up over recent decades to a level that is widely viewed as unsustainable.

This has given rise to concerns about its deleterious effects on investment, development and principally the well known debt overhang. In Nigeria for instance, external debt is 65 per cent of Gross Domestic Product (GDP) while annual debt service is nine times the annual health

budget. Domestic debt is also an issue, ballooning to an estimated US \$8.6 billion by the end of 2001.

Foreign debt has further compounded the development crisis of the TWCs. According to Ghali (1992), talking about Africa and debt crisis, he described the external debt as a millstone around the neck of Africa. The debt burden creates difficult problems for the economic recovery programmes of most TWCs. For many African countries, multilateral debt servicing is currently both large and burdensome part of their obligation. As part of the effect of foreign debt on TW economies, it discourages investors. Foreign investors will not risk funds if domestic investors are not prepared to take the same risk.

Debt service repayments are perhaps the greatest financial hemorrhage that the continent has experienced. Debt service payment must be made with foreign exchange. In other words, debt service obligation are met by its export earnings. The heavy and unbearable external debt burden of Africa and Third World countries has led to the paradoxical situation that such countries have become net exports of capital to developed countries and multilateral financial institutions. Until significant debt relief is given to Third World countries particularly sub-Sahara Africa, these countries will remain in its dark tunnel of economic difficulties for many years. The burden of debt amortisation in terms of payment has tended to drain the nations resources and reduces the possible expenditure of resources on productive ventures difficult.

In Africa for instance, until 1970, debt was not an issue in the development of African countries. The reasons for this development, according to Bangura can be attributed to the following:

- i. The early post independent period in Africa did not witness any significant growth in the level of opportunities for the expansion of foreign investment capital.
- ii. Most African states found it difficult to raise loans from the international capital market as private banks were wary about advancing loans to Third World countries in the 1960s.
- iii. The ideology of development that predominated the 1960s acted to discourage heavy borrowing by Third World countries from the international capital markets and this was thought to be inappropriate for normal economic wisdom.

However, in the 1970s, the situation changed and most western creditors became anxious to offer loans to African countries. The reasons for this state of affairs according to Bangura cited in Ujo, (1995:143) include:

The world capitalist crisis which started in the early 1970s created a serious problem of profitability for many multinational companies. A serious problem of realisation was also created in which firms found it difficult to sell their products. Because of the general drop in business, banks were unable to make new borrowing as investors were skeptical about the investment climate and the prospect for global economic recovery. The events surrounding the Arab-Israeli war of 1973 which led to the Arab oil boycott of the West did not help matters. This is because the quadrupling of oil prices which resulted from the boycott plunged western industrial establishment into a further problem of increased production costs which in turn worsened the realisation problem.

A common outcome of the foreign debt crisis throughout the Third World was the increase in the power and influence of IFIs, particularly the IMF and WB, which had greatly diminished in the 1990s. As private sector lending dried up following the Mexican crisis of 1982, the IMF turned from its traditional role of lender of last resort to the only available source of external financial assistance and became the leading agency in the management of the crisis. Consequently, the IMF assumed a key role of restructuring the countries' foreign debt, conditioning financial assistance to the promotion of structural reforms along free market principles. Similarly, WB changed its role from lending money for Third World development projects in areas such as physical infrastructure to the promotion of structural reforms that involved fundamental changes in economic policy. As a result of these role changes, the IMF and WB's relations with Third World countries became highly politicised and open to the charge that unaccountable multilateral institutions were forcing democratically elected governments to adopt policies that hurt the poor and privileged the interests of the foreign interests over the welfare of the people. Foreign debt crisis has increased the IMF's position and influence over the economic and policies of the Third World countries. In addition, conditionality was at its strongest on issues of debt service in the early 1980s, and shifted towards structural reform in the later years and present decades.

### **SELF-ASSESSMENT EXERCISE**

Briefly discuss the Impacts of debt crisis on Third World countries development.

### 3.3 Third World and Debt Management

That most of Third World countries are heavily burdened by external debt is no longer news. What would perhaps be news; even good news is when these debts is adjudged efficiently managed, sustainable and promote development. But experiences over the years have shown that the management of these debts over the years has been weak and inefficient debt management has largely caused the debt problems to assume a burdensome dimension. The Nigerian debt management just like other TWCs, for instance, has taken the following dimensions.

- i) Continued increase in the debt stock even when no fresh ones are contracted;
- ii) Excessive borrowing in relation to weak profitability and poor export earnings;
- iii) Inappropriate borrowing terms; and
- iv) Inadequate information in the volume, composition, and maturity profiles of debts.

In addition, compounding the debt position of the TWCs is the poor and inefficient use of the loans, thus raising issues of poor governance and corruption. Most of the loans which, were procured with unfavourable terms, were either diverted or utilised for projects that were unable to generate funds for servicing the underlying debt.

The most effective strategy for debt management today is debt forgiveness and or cancellation and productive investment of the faculties in a transparent, accountable governance environment.

#### SELF-ASSESSMENT EXERCISE

Briefly explain what you understand by debt management.

### 4.0 CONCLUSION

The rationale for raising external loan by Third World countries has always been to bridge the gap between domestic gap and available resources capacity in order to accelerate economic development. In the light of that, no one would blame Third World countries for resorting to borrowing provided the proceeds are utilised in a productive venture that will facilitate the eventual servicing and liquidation of the debt. But instead, debts in Third World countries exist as the key mechanism for the transfer of wealth from weak to strong, from debt nations to international creditors, from tax payers and wage earners to the holders of paper claims and from productive to financial authority. It is therefore simply impossible to speak of any significant measure of development,

for as long as we are obliged to allocate so much of our lean resources for debt servicing.

In conclusion therefore, the struggle of TWCs to find their place in the global scheme of economic opportunity, political progress social advancement and cultural identity and above all development seemed to be fraught with external burden. However, the burden of the global debt crisis must be ultimately shared by all. Many of the developing countries may have to undergo a period of difficult adjustment. At the same time, industrialised countries will have to relax restrictive monetary policies and encourage imports from the developing countries.

## **5.0 SUMMARY**

Unequal trade challenges have plunged the poor countries of the world otherwise known as the TWCs into deep and deepening indebtedness to industrialised societies of the Western societies and Japan. According to the World Bank report (1993), the poor nations of the globe are indebted to the rich and powerful countries in excess of \$1 trillion. This staggering debt has become a financial yoke for these countries to bear.

This unit has examined how excessive debt drains the resources of poor countries, destabilises their economies making things worse for these nations already reeling from their narrow export oriented economies and lack of industrial capacity to the extent that they have earned for themselves millstone around the neck.

## **6.0 TUTOR-MARKED ASSIGNMENT**

Submit a two page essay (A4 double line spacing) in which you are to:

1. Describe how the debt crisis has conditioned the development of Third World countries and possible solutions to the debt crisis.
2. Discuss the nature of Debt Management in Third World countries.
3. To what extent has foreign debt conditioned the dependency and underdevelopment of Third World countries?

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