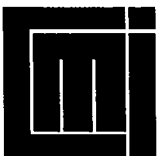


Development Theory: Recent Trends

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Preface

The 1992 Annual Conference of the Norwegian Association for Development Research (NFU) was hosted by the Chr. Michelsen Institute (CMI) in cooperation with the Centre for Development Studies at the University of Bergen. It took place at the Institute 21-23 May, and attracted more than 100 participants. The main theme was *Development theory*. The Conference included three sessions with invited speakers, two parallel sessions for presentation of papers, and the NFU Annual Meeting. Arve Ofstad, Arne Wiig and Marianne Serck-Hanssen (secretary) were responsible for the programme and organisation.

These Proceedings are arranged in three parts along the lines of topics discussed in the sessions at the Conference. It includes all contributions at the Conference, also the few that were not yet available at the time. Most of the papers have been revised and edited. The technical editing has been undertaken by Inger A. Nygaard.

We wish to thank the Norwegian Research Council for Science and the Humanities (NAVF) for financial support for the Conference, as well as for preparation and publication of these Proceedings.

The editors

Introduction

Arve Ofstad and Arne Wiig, Chr. Michelsen Institute, Bergen

Eight years ago, in 1985, the main topic of the Second NFU Conference was *Development theory and lessons from recent development*. Since then, momentous changes have taken place on the world scene, particularly in Europe, but also in Asia, Africa, and Latin America. The debates over development models, the role of the state, state planning and the market, private versus public ownership, as well on systems of government, democracy, public participation and human rights, have all come back to the forefront in practically all corners of the globe. In the developing world questions are again being raised whether economic and political liberalisation will promote economic growth and development in the longer run, and whether these changes will improve the conditions and opportunities for the poor.

Parallel to this, we also observe other major trends at the global scene, which we today may not be able to fully comprehend. One element is the global environmental awareness, which already is making its impact on policies. Another is the growing fundamentalism in several places, as well as other cultural reactions to general development and modernisation. Both of these trends may be elements of a major turn in development goals and objectives, of which we today only see a beginning.

It was therefore fitting that NFU again wanted to return to the topic of *Development theory*, to ask whether these global changes had impacted on the theories of development, and what analytical contributions are made from the various corners of development theories. At the same time, we know that within many of the disciplines on which development theories are based, new theoretical models and theories are being generated, that may well represent new contributions when applied to the arena of development. The purpose of some of the invited interventions at this Conference, was therefore to bring out some of these more recent contributions.

We believe that the Conference succeeded at least to some extent, in its objectives, as documented in the 14 contributions included in these

“radical” conservative rhetoric of monetarist and free-market policy prescriptions. Toye refuted many of the basic foundations of this development “counter-revolution” as untenable from a theoretical as well as an empirical point of view, and defended what he termed basically Keynesian policies of intelligent state intervention. The purpose of his keynote speech at the NFU Conference entitled *Dilemmas of development: New challenges, new theories?* was to review this position in the light of the quite dramatic changes that have taken place on the international scene since 1987, and to consider whether the theoretical debates on development would necessitate any new paradigms.

The collapse of the post-war regimes in the Soviet Union and Eastern Europe, the dismantling of the apartheid regime in South Africa, the return to democracy in many Latin American countries, and possibly also in Africa, have all been elements of a momentous change. This has induced some analysts to claim that there are now longer any alternatives to economic liberalism and liberal democracy, and that these forms therefore constitute the end-state of human development, towards which all societies will eventually gravitate. Francis Fukuyama (1992) has even coined this phase the *End of history*.

Toye disagrees, and claims that Fukuyama has mainly added neo-Hegelianism to well-known economic modernisation theory. He reminds us that previous arguments showing the flaws of a universal homogenous, linear modernisation theory, are still valid. Global modernisation is inherently a conflictual process, and technical progress does not “guarantee” a homogenisation of all human societies. It does not help to invoke a neo-Hegelian interpretation of history as the progressive self-realisation of the human spirit, culminating in the achievement of freedom, so that once this freedom is achieved, no greater achievement is possible.

On this basis, Toye argues that Keynesian ideas of a “managed capitalism” are not only conspicuous by their absence in the new discourse on *The end of history*, but may well be reinforced by experiences in countries of rapid economic growth in East Asia. Also at the international level, the case is being made again for global Keynesian policies. Toye’s arguments for “intelligent and selective government interventions” are similar to those developed by Bardhan in his paper in this volume.

In his final section, Toye takes issue with the proponents of the “new political economy” (NPE) of development. The NPE theories are based on the assumption that rulers only act in their own rational self-interest. However, intelligent government interventions for the purpose of managing capitalism as described above, require a government which is not only intelligent, but also reflects some degree of benevolence of the state. The

problem areas, but we would have liked to see more of Hveem's efforts at operationalisation, as attempted in the contributions by Sørensen, Bardhan, Skålnes, and Nordhaug.

With respect to the two former of these issues, Hveem argues in favour of a "middle road" between the underdevelopment school which is underlining the structural constraints and believing in a mechanistic role of the state, and the neo-liberals with their disregard for structural aspects and strong belief in the self-regulatory ability of the market. The need for a stronger focus on the interaction between various social actors and processes, is exemplified by a presentation of the interplay between the state and national interest groups in South East Asian countries. Mauritius is presented as another case showing the limited validity of strict structuralist approaches. These examples should be instructive for those that still believe in only one of the "old schools".

Hveem does not go much further into the debate on the ultimate goal of development, but refers to whether democracy and environmental considerations are to be treated as additional goals or integral parts of the development concept. In his opinion, democratisation should be regarded as much as part of the goal, as it is a means to reach the goal of development. We have some problems in accepting that his overloading of the concept of development to encompass all desired goals of mankind is helpful in our analysis of social change and development processes. Hveem himself also refers to inconclusive studies as to whether democratisation promotes or delays economic development, and it is in our opinion more important to sharpen the various concepts of democratisation and development, rather than confusing them. These issues were treated in more depth in session II.

The environmental issue brings up a similar conflict. Hveem refers to viewpoints in "the South" which basically regard environmental considerations as an obstacle to development. If so, there is conflict between environmental goals and the goals of (economic) development. The concept of *sustainable development* represents an attempt to merge the two. Hveem shows us how this debate may result in "the South" obtaining a new and stronger leverage on "the North" for the first time since the wave of independence in Asia and Africa. But he also argues that this dimension underlines further that development is a complex, multi-level, multi-actor system where political, socio-cultural and economic motives meet and sometimes clash, sometimes collude.

While both Toye and Hveem discussed broad development issues, *Karl Ove Moene* who is professor of economics at the University of Oslo, concentrated his lecture on the more recent contributions to economic

Session II: Democratisation, human rights, and development

In this session we wanted to focus on theories concerning the role of the state in relation to civil society in developing societies. In particular, we were interested in the renewed debate on the connection between political regimes and economic development, and whether more recent political development theory could contribute to a better understanding of the complexities of this relationship. Three lectures and three papers discussed these and related issues.

In his presentation entitled *Democracy and authoritarianism: Consequences for economic development*, professor **Georg Sørensen** from Århus University attacked these issues head on. He starts off with a review of the main arguments insisting that authoritarian rule is more suitable for promoting economic development, as well as of the critics of this trade-off thesis. The empirical analyses that have been undertaken seem to indicate that countries with authoritarian regimes more often experience faster economic growth than democratic ones, but the results are ambiguous, and the data and definitions are far from universally accepted. Sørensen therefore argues for a more sophisticated analysis, which accepts that the type of regime may have an influence on economic performance, but finds it necessary to differentiate between the very dissimilar entities covered by the terms "authoritarian" and "democratic". This is well illustrated in his comparison between democratic India and authoritarian China's development experiences over almost 40 years.

Sørensen's contribution is to propose three main types of authoritarian systems; the *authoritarian developmentalist regime* (China, Taiwan), the *authoritarian growth regime* (Brazil), and the *authoritarian state elite enrichment regime* (Zaire). In a similar way, he postulates two main types of democratic regimes; the *elite-dominated democracy* (India, Costa Rica), and *mass-dominated democracy* (Chile 1970-73, West Bengal 1977-). By employing these categories, it might be more easy to explain why an authoritarian developmentalist regime might succeed better both in terms of economic growth and in providing economic welfare than an elite-dominated democracy, while an authoritarian regime based on an elite out to enrich itself, will not perform in those terms. It also reflects that the economic development prospects of democratic regimes, especially as regards the underprivileged, will depend on the nature of the ruling coalitions behind the regime.

We find this differentiation very useful, and probably an important stepping stone for further research into the development/democracy relationship. Sørensen does not, however, discuss how these various types of regimes may emerge, remain stable, or change over time, except for

will nurture a *democratic culture*, by culturing democratic practices as well as culture a general consensus on the basic rule of the democratic game.

Sharif Harir in his presentation on *democracy in multi-ethnic societies; the African case* ends up in a similar belief in the new multiparty movement in Africa, which is more deeply rooted in the African realities of *ethnic diversity and cultural pluralism* than previous democratic experiments. But before expressing this optimism, he paints a very grim picture of the present state of affairs for the African state.

Sharif Harir is a Sudanese national and a visiting research fellow at the Centre for Development Studies at the University of Bergen. His starting point is that the present-day states in Africa are not nation-states, but cultural pluralities. The states were artificially created by the colonial powers, and both the institutions that were formed in order to rule the new states at independence, as well as the theories on which they were founded, were Western blueprints in sharp contrast to the complex realities of ethnic and tribal diversity, cultural pluralism and the resultant multiplicity of interpretative frames of reference. There is therefore a need for an almost complete reinterpretation of recent political history in Africa.

In his presentation, Harir provides a critique of the ruling elites and their dominant ideology which is putting almost all blame for the present political and economic decay on the "original sin" of colonialism, and present external (neo-colonial) forces. He then ventures into his own interpretation of this history: The nationalist coalitions of the anti-colonial struggles soon disintegrated, partly because they were based on a theory that did not coincide with realities. The road was short to politics of clientalism based on ethnic loyalties, but without the mutual respect and consensus-building of the pre-colonial past. The new African elite which assumed the reins of power at independence consisted of a small, urban-based and educated class, themselves a product of the colonial education system. Based on some of the notions of the imported democracy, segments of this elite established a hegemonic and dominant position which was used to suppress other segments, and turn the state into a vehicle for forwarding their own interest; the "privatisation" of the state. In this process, the common social basis between the state and society disappeared, and most of what can be termed the civil society has been in a process of disengagement from the ruling elite.

Harir argues that the concept of nation-building in Africa cannot be constructed on the European epistemology which presupposes an ethnic core, or a central fund of culturally-determined shared historical experiences, on which to base a nation-state. Most African states lack this basis, and attempts by the new elite to construct it artificially, have failed.

societies is not completely new, Bayart relates changes and developments *par le bas* with an analysis of the African state. He views this state as basically dominated by an elite of political and bureaucratic "entrepreneurs", utilising the state capabilities in their own private interests.

On this basis, Amundsen makes an attempt to analyze whether and what kinds of popular action might benefit the process towards democracy in Africa, and to draw some conclusions whether these social movements might eventually represent a countervailing power to the existing state apparatus. While we find the approach utilised by Amundsen interesting, we also find that this analysis is still very incomplete. Amundsen makes use of very broad generalisations, with little or no attempt to differentiate between various forms of reactions and organisations, and with no reference to empirical cases except by mention in the passing.

Unfortunately, also in his introductory pages on the afropessimistic setting, Amundsen (as Sharif Harir) tends to over-generalise without specification and differentiation. As underlined by the author himself, the (re-)discovery of informal popular intermediate and intermediary organisations and authorities implies that "society cannot be properly understood in terms of two fundamental and antagonistic core groups, the elite and the masses". Still it is all too easy to forget this, and lapse into these more populist concepts. We hope that Amundsen in his future works will further develop these theories and his analysis of responses "from below".

The paper by *Anne Hellum* also deals with the parallel existence of several cultures in many African societies and the present trends towards (formal) democratisation, but with a much more specific focus. In her paper on *gender, law and democratisation* she shows how the state and its laws mediate the gender and class conflicts inside society. Her starting point is that in Zimbabwe (as in several other African countries) there exists at the same time a "general law" based on the notion of individual rights and freedoms, and a "customary law" as well as traditional beliefs and moral codes based on group and extended family obligations. The two systems of laws and traditions have different implications for women's rights to marriage and divorce, and for control over her sexual, reproductive and productive capacities. Hellum shows, however, that even under customary arrangements, male control cannot be complete, and many women are capable of manipulating the rules and moral codes. It is generally assumed that women are given greater individual freedoms and more equality under the new laws introduced since independence. According to Hellum, the concept of individual consent is more complex, and provides a focus on direct and indirect gender struggles.

To a large extent therefore Taiwan seems to fit the Gerschenkron theses, particularly for the first period. In the second period of liberalisation, however, the pressure came neither from the new capitalist class, nor from the growing working class as it had in most European countries. Nordhaug suggests that the Gerschenkron thesis may be modified to say that it is the civil society created by capitalist development rather than the capitalists themselves, that press for democracy. He also makes a point of the role of an outside hegemonic power, the USA, on the Taiwanese economic and political transformation. Nordhaug's paper thus provides an interesting application of an existing analytical model in a new context, and in this process modifying it.

Session III: The state and the market

After a period with opposing groups on either side of the barricades fighting for more market or more state planning, some — including the World Bank — now argue for a more balanced relationship in the development process. This implies greater weight on the institutional framework for the functional area of the market, and on the character and quality of state activities. At the same time this creates a new role for the state, and represents new challenges concerning such issues as:

- * Does a balanced relation between the state and the market require that both are “strong” and effective? What is the essence in the concept of a strong state?
- * In many instances we are confronted by atomised and ineffective states as well as ineffective markets. In such a situation the question must again be raised what role the state can realistically play in a development process, and what reforms are necessary for the state to be able to initiate a development-oriented policy. One aspect of an ineffective state may be the degree of rent-seeking activities. Externalities, imperfect information as well as informal markets may generate imperfect markets.
- * Does a balanced relation between the state and the market require institutions and interest groups which *interact* with the state sector? How do different interest groups (including interest groups in the public sector) develop, and under what conditions can they hinder or create opportunities for the state to implement a policy that promotes development? The question must also be raised of the conditions under which the state can promote institutional arrangements which increase the

a region and between regions. The question remains however, whether this force of intervention necessarily has to be the state.

We agree with Bardhan that it is impossible to give general statements of which development strategy is more likely to provide the desired results (state regulation, market economy or decentralisation). Such statements are usually made rhetorically at the political scene, without reference to the specific empirical context. In most of the Eastern Europe, we still have not seen the success of the privatisation campaign, even though there has been an almost full agreement on the need for such a reconstruction of their economy. Also in Norwegian foreign aid policy, the concept of market solution and decentralisation has been given more attention. In our view, more attention should rather be devoted to creating incentives in the economy, that imitate the good incentives both by the market and by the local communities (concerning monitoring) particularly when also the market structures are weak and imperfect. The principal-agent theory in economics is a tool which possibly can be more integrated and developed in this process.

The question whether state autonomy is necessary for development and the circumstances in which negotiation games may end up in a prisoner's dilemma situation, as mentioned by Bardhan, is further elaborated in the paper by **Tor Skålnes**. By contrasting theories of state autonomy with a contractarian theory focusing upon negotiations between different interest groups and the state, Skålnes, in the specific context of Zimbabwe, asks why the country is currently undergoing structural adjustment? Despite 25 years of protection, the manufacturing sector has lobbied for reform. Agriculture is divided between commercial farmers, who favour liberalisation, and small-scale farmers, who do not. According to Skålnes, the pressure exerted by key interest groups for policy change contrasts with a large body of theory that emphasises the need for state autonomy if liberalisation is to take place. Skålnes also illustrates that key urban interests might under certain circumstances favour such policies, and that key rural interests might oppose it in contrast to what theories of urban bias would predict.

The stringent analytic approach pursued by Skålnes together with his empirical knowledge of the current political situation in Zimbabwe, makes this paper an original contribution. We want to emphasise three points. First, relative autonomy is usually related to authoritarianism. Second, the Zimbabwean case shows that autonomy is not a necessary condition for development. Third, the case of Zimbabwe illustrates that broad-based, centralised interest groups sometimes favour policies which may increase efficiency. In the context of Zimbabwe, his inductive methodology have

From a theoretical and empirical perspective, the rent-seeking literature still lack general conclusions concerning welfare aspects of rent-seeking activities and we agree with Andvig that we have to "rely on the judgement of the specific acts and institutions" in a specific country. On the other hand, placing this issue on the research agenda, may contribute to a reversion of traditional economic analysis in many fields eg. corruption may reduce the efficiency of state regulation and also the beneficiary effects of foreign aid.

While Andvig emphasises illegal activities within a hierarchy of bureaucrats, the paper by *Morten Heide and Odd Einar Olsen* focuses on activities in the marketplace which usually are not regulated by the state. In the first section, this paper describes previous research on the informal sector in developing countries in Africa, Latin America and Asia. It also examines the various definitions of the term and the disparate views of the informal sector that have characterised research and policy in the last two decades. The main section of the paper is an evaluation of the informal sector's significance for sustainable industrial development in third world countries. It is concluded that such a segmented informal sector is of great importance in the short run in generating employment, but is not sustainable in the long run.

However, we find their definitions very unclear. We are not sure if the degree of regulation is the critical distinction between formal and informal sectors. Furthermore, when economic sustainability is defined by the authors as "economic profitability generated in the unit of the firm...", it naturally follows that there are "two opposite views on the relationship between economy and ecology" (incompatibility versus growth as a precondition for sustainability). As a consequence, the policy options analyzed become too narrow. By introducing the welfare function of the society (not the firm), it is possible to discuss how to internalise external factors through the market mechanism (through taxes and subsidies). Simply postulating a conflict or a complementarity between economy and ecology easily ends up with imprecise statements like "the logical conclusion is that the economic system does not have the potential to incorporate environmental considerations".

We also miss a more thorough reference to the relationship between the informal sector and the overall economy. The structure of the informal sector reflects the overall structure of the economy, such as capital intensity, unemployment, regulations, etc. in formal sector. In our view, more theoretical and empirical work should be done to examine whether or not the informal sector may enhance the efficiency of the overall economy, and this paper reflects one partial approach to this study. For those that

Opening address

Desmond McNeill, Chairman of NFU

Introduction

Ladies and gentlemen,

To those of you who come from abroad: Welcome to Norway.

And to all of you, on behalf of the NFU, the Norwegian Association for Development Research: Welcome to our 1992 conference, on Development Theory.

Bergen is a very beautiful and historic city. And the conference has been carefully timed to coincide with the music festival. I hope you will enjoy both the conference and the city to the full.

The host for this year's conference is the Chr. Michelsen Institute, in association with the Centre for Development Studies, University of Bergen. And I want to begin by thanking especially the Chr. Michelsen Institute, and more particularly the three from CMI who have carried the greatest part of the burden — Arve Ofstad, Arne Wiig and Marianne Serck-Hanssen. As any of you who have had to organise a conference well know, there is a great deal of work involved. And it is due to the efforts of Arve, Arne and Marianne that we are here today, and that we have such an interesting and full programme. All credit and thanks to them.

In addition to the Annual Conference we will on Saturday have the Annual Meeting of the NFU. Most of you are members, and are encouraged to attend. To those few who are not members I strongly urge you to join. You will find brochures giving more information about NFU, as well as copies of NFU-NYTT, Forum for Utviklingsstudier, the NORDREC catalogue, and the Bibliography of Norwegian Development Research.

The theme for discussion at the Annual Meeting on Saturday is the financing of Development Research in Norway. This is always an issue of interest for NFU, but it is particularly relevant now that the whole system of research councils in Norway is being reorganised. Indeed, Stortingsmelding 43 of 1991/92 "Et godt Råd for Forskning" was issued

This is a subject I could go on about at some length, having worked on both sides of the fence. But today my concern is with the implications for development research, and more particularly for its quality.

The researcher is, by training if not by nature, out to disagree — to find the exception to the rule, the subtle failing of logic, the anomaly. And many researchers are also concerned with an in-depth study of the particular. Researchers thrive on variety, on complexity, even, perhaps, on intellectual conflict. But this is no basis on which to build consensus, or to agree global prescriptions.

I suggest that researchers, *as researchers*, should be wary of policy making. They should analyse the world as they perceive it to be, untainted by how they would like it to be. They may of course take on a role as advisers, consultants, but they should recognise that they are then crossing a line — between analysis and action — and that this is likely to draw them into unwarranted generalisation, unjustified simplification. In short, being too close to policy-making constitutes a threat to good research. Policy-makers need high quality analysis carried out by good researchers, but both would do well to recognise that there is an inevitable tension, sometimes amounting even to conflict of interest, between them.

And what of my second threat to quality: the mix of different disciplines which is another notable feature of development research?

I think it is useful here to distinguish between *multi-disciplinarity*, by which I mean disciplines working together in parallel, and what I shall here refer to as *cross-disciplinarity*, which implies working in concert. The former is what is required in planning and policy-making (for example, a team planning a district development programme). The latter — *cross-disciplinarity* — is what I believe is necessary for research. This requires a meeting, perhaps even a colliding, of minds at a much more basic level; and it is, in my view — much more difficult. It is also, however, potentially very fruitful, for a confrontation between two disciplines which focuses attention on basic methodological issues can be of benefit to both. In certain circumstances it may even lead to the development of a new discipline in its own right.

But true cross-disciplinary research is not easy, and those who work between disciplines often lead an uncomfortable life.

Because they mix too closely with other disciplines, development researchers are often marginalised within their own disciplines. There is a view, whether explicitly stated or not, which is held by many — that the development economist, anthropologist, geographer, or whatever, is doing work that is certainly peripheral, and possibly of low standard — as judged by those in the mainstream of their respective disciplines. Painful as it may

body of research concerned with sustainable development, and I sincerely hope that these lessons will not be forgotten.

Development research in Norway

So far I have been speaking of development research in general, but what I have been saying here applies equally, I believe, in Norway, where development research has, to a very large extent, been both cross-disciplinary and policy-related.

I should perhaps preface my remarks by saying that I am a relative newcomer to Norway, having arrived only in January 1987. I am also an economist by training, and one thing that I think is unusual about Norway is that economics has, relative to other countries, been a minor contributor in the field of development research.

Maybe this is changing. There is evidence of increased interest in development economics as a field of study. In this context, it is relevant to point out that this conference is unusual in having a large proportion of economists among the speakers. And if we turn to policy, it is also notable that economics is beginning to exert a rather greater influence on Norwegian assistance.

Although I myself am an economist, I have some reservations about this new turn of events. When I first came here five years ago, I was struck by how few development economists there were in Norway, and how limited was their influence on Norwegian aid. This contrasts with many other countries, and may in part perhaps, be attributable to the very different basis for Norway's interest in the Third World — which springs not from strategic or economic self-interest, but from a combination of missionary activity, solidarity with countries seeking independence, and support for the United Nations, especially those UN agencies directed towards peace and humanitarian ends.

There are some signs, however, that economics may exert rather more influence on aid policy in the future. To the extent that this can reduce wastage and expensive error this is to be wholeheartedly welcomed. But there can also be a danger of going from one extreme to the other. A recent editorial in *Aftenposten*, after making some comments on the uncritical "idealistic" nature of Norwegian aid, concluded: "Profitt må bli et hedersord i stedet for et skjellsord" ("Profit must become an honourable word, instead of a term of abuse"). Now, *Aftenposten* is a conservative newspaper, but I think it both fair and important to remark that even conservative development specialists have a considerably more nuanced view of the issue than this.

countries which could obtain material support from the Eastern bloc, or play off one against another in the Cold War, no longer have that option. De-linking from the world economy is not feasible either. But that need not and should not imply an uncritical acceptance either of the market system or of those economic theories which seek to justify it.

Indeed, the searchlight should now be focused more sharply on both the theory and the practice of the market system in the West. The fact that the life expectancy of an adult male is lower in Harlem, New York than it is in Bangladesh, or that half of all children in US cities never complete their schooling, should now become even more difficult to ignore. And the philosophical underpinning of the market system, and of neo-classical economics, should become an even more important issue for discussion.

The danger is not only that the market system becomes the dominant world force, but also economics — and more specifically neo-classical economics of a crude and simplistic kind — may become the dominant discourse. And, in part as a result, the policy prescriptions laid down for developing countries, whether in the Third World or the former Eastern bloc, may be crude and simplistic.

This is not a plea for the retention of the planned economy, the parastatal, the state farm. It is a plea to economists too see in the new events that have shaken the world the opportunity and the responsibility for analysis which is more — not less — specific; analysis which takes more account of variations between countries, between households, between the sexes; rejecting over-simplification and generalisation, if the empirical evidence does not justify them — even if this does make the work of the policy-maker more difficult.

“Getting the prices right” and “rolling back the state” are slogans. And the development researcher should be wary and critical of them — not because the state, per se, is a good thing, but because broad generalisations of this kind can be so misleading. It may well make sense, in a given country at a given time, to devalue; or to liberalise the market for agricultural products. But this need not imply that all activities — health and education included — are best left to the market. Even though the World Bank as an institution can be accused of simplistic analysis and global prescriptions, many of those who work there, including economists, do recognise that the world is not so simple. And researchers should support them in this view.

In intellectual, as in political terms, as long as your position is contrasted with, and defined in relation to, another, life is simple. To exaggerate is no risk, to simplify is no danger. But being the only player gives one a very

SESSION I: GENERAL DEVELOPMENT THEORY

1. Dilemmas of development: New challenges, new theories?

John Toye, Institute of Development Studies, University of Sussex

The challenge of a new world order

A gale of radical conservative rhetoric blew through the early 1980s. It took the frustrated and demoralised nations of the West by surprise and had consequences, both good and ill, that went far beyond the realm of rhetoric. An important part of this upheaval in the political world was concerned with economics and economic policy. Post-Keynesian economics, which had become almost a consensual foundation for Western macroeconomic policy, had its ascendancy overturned by the advocates of monetarist policies. The developing countries of the world were then hit by the backwash of these doctrinal disputes. The economics of development, as it has evolved up to that time, suffered its own counter-revolution. It was aggressively disparaged as intellectually worthless and politically motivated. It was also convicted of guilt by association with the Keynesian economics which had "failed". In place of the old development economics, welfare economics was set up as the proper guide to development policy.

The first edition of *Dilemmas of Development* (Toye, 1987) had two aims. One was simply to draw attention to the development counter-revolution and to provide a brief sketch of the views of some of its leading proponents. The other was to try and assess a selection of its key propositions, separating what seemed important and valuable in its critique of the old development economics from the tendentious and over-blown claims which it also made. The development counter-revolution contained enough of the latter for the critical assessment to become — in the euphemism of the day — quite robust at times. The original book was essentially a response to a phenomenon of the early 1980s, rapidly written, quite selective in its choice of themes and exhibiting an air of unfinished business. It was a *livre de circonstance*, and showed both some of the

development process. Have the pressures of these events brought not only fresher but also better responses from the intellectual world? Are more valid and valuable theories of development emerging? Just putting this last question forcefully reminds us that a truly original idea is a great rarity. Intellectual change comes much more from re-appraising the significance of familiar ideas than from discovering ones without precedent or pedigree. Indeed, as this paper shows, the "newest" ideas of all skip right back over the whole of the twentieth century. The freshly embroidered banners of the New World Order bear the strange devices "Back to the Future" and "Forward with G W F Hegel, 1770-1823".

The rise to power of Mikhail Gorbachev in the former Soviet Union in 1985 marked the real watershed of the 1980s, although the full extent of the changes which he was to usher in did not appear at first. Political liberalisation at home was combined with renewed, but largely unsuccessful attempts to re-start economic reforms. The autumn of 1989, however, revealed Gorbachev's unwillingness to underwrite militarily those regimes in Eastern Europe which opposed this kind of reform programme. Without his support, they proceeded to collapse like dominoes in a veritable liberal revolution (Toye, 1990). One immediate result was the rushed re-unification of Germany. Even more dramatic was the result that Gorbachev had fought vainly to avoid — the break-up of the Soviet Union, as member republics began to seek the same degree of national, liberal independence as the states of Eastern Europe had achieved. A similar but much more violent process of disintegration has destroyed the former Yugoslavia. Political change has continued, in all the successor states, to be much easier to bring about than economic reform. China, North Korea and Cuba alone have managed to stay relatively aloof from the wave of political liberalisation which Gorbachev initiated (Pérez-López, 1992).

The collapse of the post-war regimes in the Soviet Union and Eastern Europe has been accompanied by a dramatic realignment in geopolitics. The Cold War competition of two large blocs headed by super-powers (the United States and the Soviet Union) first eased and then was formally ended, and the consequences are still being untangled. In turn, the ending of the Cold War led to the defusing of a whole range of conflicts around the world in which the US and the former Soviet Union had participated, directly or indirectly.¹ This has produced the most radical changes in the

¹ A partial list would include the Iran-Iraq war, the Soviet withdrawal from Afghanistan, the Ethiopian and Angolan civil wars, the conflict in El Salvador, the insurgency in Mozambique and the independence of Namibia. The hostages held in Lebanon since 1985 have all been released and the preliminaries of peace talks on the Israel-Palestinian

