The Economy is Organic: Reclaiming the Post-Crisis Development Agenda

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The notion of development theory in the 21st century presents an umbrella term encompassing a variety of different economic, political and social perspectives, rather than a unified school of thought. The divided nature of development theory arguably emerged as a result of the tumultuous course it has followed throughout the post-war era, characterized by notable successes and failures in its core mission of alleviating global inequality. In order to properly assess contemporary reevaluations of development theory and policy, we must first understand its origins and their impact on the way the global community thinks of development today.

In the essay entitled "Trends in Development Theory," Jan N. Pieterse (2013) provides a comprehensive overview of the history of development theory. Development theory differs from other fields of political thought due to its 'policy-oriented character,' meaning it primarily exists as a response to problems that arise in underdeveloped nations (i.e. the 'global South'). It also tends to place itself within broader, pre-existing theoretical frameworks that originated in the developed 'global North'. At its core, development theory concerns itself with questions pertaining to the nature of, and factors contributing to, global economic inequality. Disagreement over how to address these questions is what accounts for the variety of approaches to development the world has seen throughout the past century. A prevalent branch of 20th century development thinking emerged from the ashes of colonial economics, which conceptualized development as primarily pertaining to the appropriate management of colonial resources, later supplemented by efforts to consolidate these resources to strengthen the colonies' opportunities for national independence. 'Modern development thinking,' as Pieterse (2013) refers to it, placed economic growth at the center of development policy, prompting pivotal theories as Rostow's Five Stages of Growth and Big Push theory[1], as well as policies focusing on industrial and political modernization. This popular approach to development theory was later confronted by the emergence of alternative schools of thought, which sought to shift the debate towards issues of 'human development', focusing on the social development of individuals within developing nations. Under this view, the success of development policy was gauged in terms of its ability to expand aggregate social opportunities and choices, rather than in increases in national GDP. Ultimately, different approaches to development thinking are shaped by different interpretations of theory, history, political circumstances, causal relationships and methodology, interests at stake, and what policy changes are deemed desirable or 'good' (Pieterse, 2013). Rather than evaluating the merit of each individual approach, which would provide for an interesting but extensive discussion, I will now analyze the recent economic shocks that plagued many developing nations attempts at development and modernization, and what these shocks suggest in terms of how the global community should redefine its approach to development policy.

The bulk of the kind of development policy that characterized recent initiatives throughout the global South can be summarized in the following terms: if development in targeted nations is to be successful, it must consist of a combination of policy tools enabling privatization, trade, investment and interest rate liberalization, deregulation and fiscal discipline. In the 1990s, this approach to development policy was labeled the 'Washington Consensus,' (WC), a name that served to reflect the general agreement it produced amongst policy-makers and representatives of international financial institutions alike. Under the Washington Consensus, per capita GDP growth is taken as the primary indicator of a nations successful development, and can be achieved through initiatives geared towards integrating developing economies into the global market. Indeed, most work under the framework of the Washington

Consensus defended the existence of a causal relationship between trade liberalization and the effective reduction of poverty and inequality (Dollar and Kraay, 2004). However, while the WC reveled in relatively unchallenged popularity in the West, empirical evidence of its value became increasingly hard to find in the developing world. As outlined by Broad and Cavanagh (2000) in an essay entitled "The Death of the Washington Consensus?," the WC's exclusive focus on economic growth, measured by growth in per capita GDP, adversely impacted levels of inequality, environmental policy and labor standards in countless nations. For example, in their efforts to attract higher levels of foreign investment and implement free trade policies, several countries (including Vietnam, Guatemala, Malaysia and Mexico) raced to develop industries that favored poor working conditions in order to exhibit competitively low production costs. In addition to this, the adoption of the WC policy package enhanced developing economies' dependency on industrialized nations, an outcome which proved to be fatal in the wake of the most recent global financial crisis (Broad and Cavanagh, 2000). Suddenly, the steady flow of foreign capital and investment developing economies had come to rely on was stifled, with no remedial social insurance or safety net programs in sight. This lack of protection against financial shocks has been directly tied to the WC, namely due to the fact that it largely prioritized 'efficiency' and 'fiscal discipline' to the detriment of necessary social spending that could cushion fluctuations in capital flows (Birdsall and Fukuyama, 2011). Ultimately, the financial crisis produced a chaotic order in which WC policies and those who were most instrumental in promoting them (such as the International Monetary Fund and the World Bank) were viewed as the strongest agents of global inequality, rather than as those who would enable its successful eradication. While the road to recovery now seems longer and more arduous than ever, it is important for policy-makers from different nations to turn this crisis into an opportunity. Policy-makers must reclaim control over the global development agenda and reorient it towards policies that will effectively serve the most defining goal of development theory: to address the issues that inhibit economic and social growth in order to provide for the alleviation of global poverty and inequality.

Establishing a structurally sound framework for 21st century development theory has become a global imperative; especially considering the great potential this kind of discourse has to shape the global policy agenda (Barrett, 2007). This framework should first include a new understanding of the relationship between economic and financial globalization and development in order to minimize the debilitating costs that globalization has incurred for developing countries in the past. In a 2007 UN policy brief entitled 'Linking Globalization to Poverty', Machiko Nissanke and Erik Thorbecke provide a set of important policy recommendations to guide this debate. These recommendations are shaped by a key assumption, which contends that while there are still some gains to be derived from the integration of developing economies into the global market, this objective does not constitute a comprehensive 'anti-poverty strategy' in and of itself. In Nissanke and Thorbecke's (2007) view, economic growth can be good, so long as it is evaluated in terms of its structure and how its gains are distributed amongst the poorer factions of society rather than in terms of its growth rate. This implies a shift in traditional units-of-analysis, which was strongly reinforced by the United Nations Development Program's Human Development Index (HDI). As a measure of development, the HDI identifies a nation's literacy and mortality rates, as well as per capita income and living standards as crucial components to a said nation's growth.[2] Evaluating the success of policies applied to developing nations in these terms will provide for a more sensible approach to development theory as a whole. These efforts should be combined with the adoption of national policies geared towards enhancing developing economies' abilities to cope with and mitigate shocks to the global trade and financial system. The successful completion of this objective should be further ensured by the parallel pursuit of institutional reform that will enable governments within developing nations to handle the array of new challenges posed by globalization (Nissanke and Thorbecke, 2007).

The aftermath of the global financial crisis also served to highlight one of the weakest assumptions of the Washington Consensus and the wider neoliberal approach to development thinking. This assumption contends that there is one answer to the variety of issues stumping growth in the developing world, that a 'one-size-fits-all' policy package will effectively address all the challenges encountered by developing nations across the globe. But as Nissanke and Thorbecke (2007) and many others aptly remind us, the adverse effects caused by uneven global integration are 'context-specific' and thus felt differently across different nations. This requires an equally context-specific approach to policy recommendations for the future, one that would encourage different combinations of key policy tools such as the aforementioned social and security programs, institutional reform, investment and trade policy, and development aid. In a seminal contribution to contemporary development discourse entitled "The End of Poverty: Economic Possibilities for Our Time," Jeffrey Sachs (2005) paints a compelling picture of the multi-faceted nature of 21st century economic development and the ways it can serve to alleviate extreme poverty. Through the lens of an updated systemic analysis, Sachs (2005) identifies a number of key factors that cause economic development initiatives to 'break down' in targeted regions. Most importantly, Sachs (2005) contends that nations suffering from extreme poverty fall into 'poverty traps', where inefficiently low levels of capital per person paired with subsistence-level incomes prohibiting individual saving operate together to produce an inescapable trap, which furthers the cycle of extreme poverty indefinitely. In addition to this factor, developing nations are confronted with other difficulties stemming from their geographical location, low government investments in infrastructure, general governance failures, cultural barriers to development, a disadvantageous geopolitical context, lack of innovation and lasting demographic issues related to high fertility rates. These challenges were extremely prevalent in a number of countries that experienced negative economic growth between 1980 and 2000, including poverty-ridden developing nations like Bolivia, Cameroon, the Democratic Republic of the Congo, Ecuador, Guatemala, Honduras, Rwanda, and several others (Sachs, 2005). Thus, the international response to extreme poverty must expand its scope, moving past the narrow limits of pure economic policy to encompass broader socio-political initiatives.

This brings us to the final component of this discussion, which will seek to briefly outline the type of policies that should be included in a revised framework for global development efforts. Developing countries are currently plagued by their overwhelming financial dependency on the industrialized world, making the achievement of self-sustaining growth a core objective for the future. Targeted, well-distributed investment and aid from developed nations and international financial institutions will play an important instrumental role in fostering the kind of capital accumulation necessary to the achievement of this outcome (Sachs, 2005). To this end, the dynamics governing foreign aid will need to be restructured, following new principles that enable this aid to be more problem-specific, guided by pragmatism rather than theory, and serving clearly articulated goals within targeted nations (Whitfield, 2009). To supplement this effort, widespread institutional reform will need to follow, with particular emphasis placed on enabling institutions such as the IMF and the World Bank to operate synergistically with both donor and recipient nations in order to ensure that aid is strategically dispensed in the sectors that need it the most, such as agriculture, health, education, transport, communication, industry, technology and basic sanitation (Sachs, 2005). Incremental successes such as those achieved in West Africa (with the international efforts geared towards reducing the transmission of African river blindness), Bangladesh (with the promotion of modern mobile technologies through micro-financing) and the widespread efforts led by the United Nations Population Fund in securing global access to family planning serve to further validate the application of this revised framework for development policy (Sachs, 2005).

As conceded by John Williamson himself in a contribution to the IMF's 2003 "Finance and Development" quarterly, entitled 'From Reform Agenda to Damaged Brand Name,' the Washington Consensus has failed to deliver on its original promise to secure economic growth and prosperity in countless developing nations. The current debate on restructuring global efforts to reduce inequality in and amongst nations constitutes both a pivotal turning point in development theory and an opportunity to reclaim the global development agenda. In order to adapt to the challenges posed by constantly evolving dynamics of growth and poverty (which are no longer limited to the traditional division of wealth between the global North and South), the international community should take a leaf out of Amartya Sen's book.[3] Increases in a nation's GDP are immaterial if the gains are not properly redistributed throughout the various factions of its society; thus, the very barometers through which we evaluate the success of development policy should reflect concerns over the expansion of human capabilities within targeted regions. Endorsing reforms focused on ameliorating national living standards will help increase productivity in ways traditional neoliberal development policy never could, thus providing the necessary impetus to launch a number of emerging nations into self-sustaining growth. Ideally, this would result in the empowerment of those traditionally excluded from positions of influence in global affairs. In turn, this empowerment would foster participation from developing nations in the global policy agenda, ultimately producing a balance of decision-making power between the West and 'the rest' that reflects our increasingly multi-polar 21st century world order.

[1] These theories essentially encouraged developing nations to jump start widespread industrialization efforts within various sectors of their economies in order to 'catch up' with the developed economies of the North. These efforts were to be achieved through a 'big push' of foreign investment.

[2] United Nations Development Programme. “Human Development Index.” http://hdr.undp.org/en/statistics/hdi.

[3] Sen headed the alternative trend in development theory that emerged in the 1980s, which emphasized a ‘capabilities approach’ to policy, geared towards providing better social growth opportunities for populations within developing nations.

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