

**COURSE
GUIDE**

**POL 324
POLITICS OF DEVELOPMENT AND
UNDERDEVELOPMENT**

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INTRODUCTION

This course guide provides you with the relevant information about this course, including the course contents and the supporting materials to enable you excel in the study and proper understanding of the subject matter. It is also a compendium of the key issues involved in the study of the course. In other words it is intended to enable you have a 360 degrees view of the reasons why some countries are poor, while others are rich or not so rich. This also provides guidance on how to approach the course and how best to understand it. This is done through self assessment exercises and tutor- marked assignments which punctuate the entire units in all the modules. The countries which we used as case studies are intended to help you understand a practical applicability of the principles enunciated in the preliminary part of the course. These countries, China, India, Brazil, Mexico, Iran and Nigeria obviously earn their place in the study, for both explanatory clarity and strategic reasons in the discourse. Therefore I have no doubt that at the end the student will be properly equipped with the necessary tools of analysis, and the broad overview of the issues discussed, the style of writing, current examples cited which if properly utilised could also be useful in other courses where the emphasis is interdisciplinary.

WHAT YOU WILL LEARN IN THIS COURSE

The Politics of Development and underdevelopment is introduced with focus on the developing world. Issues such as revolution, cultural diversity, nationalism, authoritarianism and democracy are explored. The major focus of the course is how the incorporation of non-Western countries into the productive system of global capitalism has disrupted, distorted and shaped the political organisation and cultural identity of Third World states.

The first section of the course begins with an examination of how our understanding of the “Third World” has been constructed through Western concepts and theory and what this implies for the dynamics of power and knowledge between North and South. The second section explores the politics of diversity, revolution and economic change in the Asian cases of China and India. The third section looks at the experiences of Brazil and Mexico focusing particularly on industrial development, dependency, democracy and trade. The fourth section examines the military might and revolution, nation-building and religion and shifting power amongst social groups in the struggles for democratic development in Iran and Nigeria. However, you are expected to concentrate on the institutions of only three countries and should be prepared to follow political events in these countries that are reported in

the media. For this purpose, reading of a good general interest daily newspaper and a newsmagazine would be helpful

COURSE AIMS

This course aims to acquaint the student with the tools of analysis of the politics of development and underdevelopment. The tools would enable you to:

- reasonably apply the principles of the course in everyday living and reason(s) for development, underdevelopment, inequality and poverty
- broaden the your views on the dynamics of politics and economics side-by-side the society on issues of development
- expose you to the geographical spread of the issues involved (the geographical North and South) is relevant in the discourse, as an important aspect of political economy
- in this course specific case studies are treated for explanatory purposes.

COURSE OBJECTIVES

It is to note that this course has general objectives that it sets out to achieve. But each unit has its specific objectives, which is stated at the beginning of each unit. I advise that you read them before you start working through the unit. You may make reference to them in the course of the unit as self-assessment strategy.

The major and comprehensive objectives of this course are stated below. By meeting these objectives, it is expected that you have as well met the aims of the course. On successful completion of the course, you should be able to do the following:

- identify and explain development and underdevelopment
- appreciate the theories of development
- discuss the external agents of development and underdevelopment
- define and apply the role of revolution in changing the economies of the countries used as case studies
- explain revolution, religion, military rule and democracy in the Third world, and
- state the meaning of corruption and the solution(s) to Third world underdevelopment

WORKING THROUGH THIS COURSE

In order to successfully complete this course, the you are required to read the study units and other related materials. It is necessary to undertake practical exercises for which the you need a pen, a note-book, and other materials that will be listed in this guide. The exercises would aid you to understand and properly grapple with the concepts as you are presented. At the end of each unit, you will be required to submit written assignments for the purpose of assessment. At the end of the course, a final examination shall be written.

WHAT YOU WILL NEED FOR THIS COURSE

It is important that you reflect on preliminary courses on the foundation of political economy, in order to understand the basis for the existence of inequality and poverty. It is also important to have knowledge of colonialism and the history and government of African politics to assist you in understanding the reason(s) for development and underdevelopment as they stand, and why they have persisted. It is also important to read materials on trade relations and the dynamics of politics involved in order to understand why the weak (in this sense the developing countries) will continue to be marginalised in the process if they do not fight for their own emancipation. This if not done will continue to perpetuate poverty and underdevelopment. Other issues can be itemised as follows;

1. The course guide
2. Study units
3. Assignment file
4. Relevant textbooks including those listed under each course unit
5. Student may also listen to discussions on contemporary national and international issues on development
6. It is equally important that student access the internet on related issues as well as read political economy journals and write-ups and business newspapers.

COURSE MATERIALS

The major materials which are needed for this course are:

- 1 The Course Guide
2. Study Units
3. Textbooks and References
4. Assignment File
5. Presentation Schedule

STUDY UNITS

Politics of Development and Underdevelopment is a 3-credit unit 300 level course for undergraduate Political Science students. There are 4 modules of twenty-one units in this course, with a minimum of five units in each module. Specifically, module one contains six units. Each module and the units do not have the same length. In other words, some modules and perhaps units may be longer or more detailed than others, because of the nature and scope of issues involved. The four modules contained in this course are broken down as follows;

Module 1 Understanding Development and Underdevelopment

- Unit 1 What is Development?
- Unit 2 What is Underdevelopment?
- Unit 3 Theories of Development and Underdevelopment (Modernisation and Dependency as well as Sociological Theories)
- Unit 4 Critique of Modernisation and Dependency Theories
- Unit 5 Development in the Industrialised Economies
- Unit 6 Underdevelopment in Africa.

Module 2 External Agents of Development and Underdevelopment in the Third World

- Unit 1 Global Capitalism and Globalisation
- Unit 2 Britton Woods Institutions (IMF and the World Bank)
- Unit 3 Multination/Transnational Corporations (MNCs or TNCs)
- Unit 4 The Politics of Debt and Foreign Aid in Africa
- Unit 5 North/South Dichotomy and the Search for a New International Economic Order

Module 3 Revolution and Emerging Economies of Asia and South America

- Unit 1 The Rise of China
- Unit 2 The Growing Economy of India
- Unit 3 China and India on the March to the First World
- Unit 4 Industrial Development in Brazil
- Unit 5 Industrial Development in Mexico

Module 4 Revolution, Religion, Military Rule and Democracy in the Third World

Unit 1	The Iranian Revolution
Unit 2	Military Rule and Third world Development
Unit 3	Democratisation in Nigeria
Unit 4	Corruption as the Bane of Third world Development
Unit 5	Solutions to the Third world Underdevelopment

TEXTBOOKS AND REFERENCES

After the summary of each unit you will find a list of current and leading textbooks and relevant reading materials in the area(s) under discussion. I try as much as possible to provide you with the relevant information on the core issues in the discourse, but it may also be necessary to consult the list of provided texts in order to further expand your horizon.

ASSESSMENT FILE

This course provides two assessments in each unit, i.e. the self assessment exercise, SAE and the tutor- marked assignment, TMA. You are not meant to submit your answers on the SAEs. They are to assist you to appraise your level of understanding of the topic. You are to answer the TMAs carefully and keep them in your assignment file for submission and marking. This will count for 30% of your total and final score in the course.

TUTOR-MARKED ASSIGNMENT

Each unit has at the end a tutor-marked assignment which you are expected to answer as instructed and put in your assignment file for submission. The tutor-marked assignment questions are not contained in this course guide, but they can be found at the end of each unit from modules 1(unit 1) to module 4 (unit 5) the last unit for this course.

FINAL EXAMINATION AND GRADING

POL 326, will take three hours in the final examination, and carries 70% of the total course grade. The final examination will reflect the SAEs and TMAs as contained in the text which you are expected to have practiced. I strongly advise that you spend time in between your completion of the last unit and the examination to practice the entire course. This will definitely get you acquainted and prepared for the examination.

COURSE MARKING SCHEME

The following table breaks down the mark allocation for the course.

Assessment	Marks
Assignments (Best Three Assignments out of Four)	30%
Final Examination	70%
Total	100%

PRESENTATION SCHEDULE

Your course materials give you important dates for attending tutorials and the timely completion and submission of your Tutor-Marked Assignments. Do remember that you are required to submit all your assignments by the due date. You should guard against falling behind in your work.

COURSE OVERVIEW AND PRESENTATION SCHEDULE

Unit	Title of work	Weeks Activity	
Course Guide		Week 1	Assignment 1
Module 1	Understanding Development and Underdevelopment		
Unit 1	What is Development?	Week 1	Assignment 2
Unit 2	What is Underdevelopment?	Week 2	Assignment 3
Unit 3	Theories of Development and Underdevelopment...	Week 3	Assignment 4
Unit 4	Critique of Modernisation and Dependency Theories	Week 3	Assignment 5
Unit 5	Development in Industrialised Economies	Week 4	Assignment 6
Unit 6	Under-development in Africa	Week 4	Assignment 7
MODULE 2	External Agents of Development and Underdevelopment in the Third World		
Unit 1	Global Capitalism and Globalisation	Week 5	Assignment 1

Unit 2	Britton Woods Institutions (IMF/IBRD)	Week 5	Assignment 2
Unit 3	Multi/Transnational Corporations	Week 6	Assignment 3
Unit 4	The Politics of debt and Foreign Aid in Africa	Week 6	Assignment 4
Unit 5	North/South Dichotomy & the Search for a New International Economic Order	Week 7	Assignment 5
MODULE 3	Revolution and Emerging Economies of Asia and South America		
Unit 1	The Rise of China	Week 8	Assignment 1
Unit 2	The Growing Economy of India	Week 9	Assignment 2
Unit 3	China and India on the March to the First World	Week 9	Assignment 3
Unit 4	Industrial Development in Brazil	Week 10	Assignment 4
Unit 5	Industrial Development in	Week	Assignment 5
Module 4	Revolution, Religion, Military Rule and Democracy in the Third World		
Unit 1	The Iranian Revolution	Week 11	Assignment 1
Unit 2	Military Rule and 3 rd World Development	Week 12	Assignment 2
Unit 3	Democratisation in Nigeria	Week 12	Assignment 3
Unit 4	Corruption as the Bane of Third World Development	Week 13	Assignment 4
Unit 5	Solutions to the Third World Underdevelopment	Week 14	Assignment 5

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. You are provided exercises to do at appropriate points, just as a lecturer might give the students 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.

The objectives let you know what you should be able to do by the time the units have been completed. These learning objectives are meant to guide you in your studies. The moment a unit is finished, you must go back and check whether you have achieved the objectives. If this is made a habit then, you will significantly improve your chances of passing the course. The main body of the unit guides the student through the required reading from other sources. This will usually be 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, you should telephone the tutor for assistance. Remember that the tutor's job is to provide such help. You should not hesitate to call and ask for such assistance when needed.

1. Read this course guide thoroughly, it is your first assignment
2. Organise a Study Schedule. Design a 'Course Overview' 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 chose to use, 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 1 and read the introduction and 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 centre. 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 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 in the Course guide).

FACILITATORS/TUTORS AND TUTORIALS

Fifteen (15) hours of tutorials are provided as support for this course.

- The dates and location will be communicated to you as soon as they are ready
- Again the moment you are allocated to a group, the names and phone numbers of your tutors will be made available to you
- It would be the duty of your tutor to mark/assess and comment on your assignments and also keep a close watch on your progress
- You should try to submit your tutor- marked assignments on time, and also be at liberty to consult your tutor
- whenever you feel challenged in your work
- Attend your tutorials regularly and punctually in order not to leave any gap which may be difficult for you to close
- Active participation in class discussions is known to be of immense benefit to you as it helps to expose areas where you are inadequate
- This would assist in remedying the deficiency.

SUMMARY

The purpose of this course guide is to prepare your mind on the expectations of this course. You should therefore get ready for an interesting and fulfilling academic enterprise. It is my sincere hope and desire that at the end of this course, your perception, understanding and approach to issues pertaining to development and underdevelopment would be positively challenged. In the final analysis however, how much you gained will largely depend on how much you put into it, in terms of commitment and the zeal to succeed.

I wish you well in the entire programme, and particularly in Pol. 326.
Happy reading!!!

**MAIN
COURSE**

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MODULE 1 UNDERSTANDING DEVELOPMENT AND UNDERDEVELOPMENT

UNIT 1 What is Development?

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 What is Development?
 - 3.2 Characteristics of Development
 - 3.3 Scope of Development
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

This unit explains what development is all about. Also, it brings into play the contributions made by various scholars in defining the concept of development. It equally identifies the characteristics and scope of development.

2.0 OBJECTIVES

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

- define development
- discuss the contributions of development scholars to understanding the concept of development
- identify the characteristics and scope of development.

3.0 MAIN CONTENT

3.1 What is Development?

Today, we live in a world where many societies are extremely poor, while few others are exceedingly rich. In many countries in Africa, Asia and Latin America, millions of people are living in abject poverty. Lack of development has been said to be responsible for this appalling situation. What then is development?

While some people see development as Industrialisation and Modernity or even Westernisation and its artifacts such as cars, trains, refrigerators, television, computers, phone-sets, radio, electricity, textiles, schools, tarred roads, et cetera, for others, development has come to mean the Millennium Development Goals (MDGs). In other words, to them, development is the eradication of extreme poverty and hunger, illiteracy, maternal and child mortality, malaria and HIV/AIDS, gender inequality, and so on. Development is often used in an exclusive economic sense – the justification being that the economy has a pervasive influence in all societies and also, the economy is itself an indicator of other socio-political features of a society. But, development is a multi-dimensional concept, thus it could be economic, political, social, cultural or even human. Based on this fact, it has attracted a variety of definitions from various scholars of different orientations. Here are some of their views: Development is the progressive movement from traditional society to the stage of high mass consumption of goods and services. For any human society that wishes to develop, it must go through five stages of development as epitomised by the West, particularly the USA, and these include:

- (a) Traditional Stage
- (b) Transitional Stage
- (c) Take-off Stage
- (d) Drive to Maturity
- (e) Stage of High Mass Consumption.

W.W. Rostow

Development is a process of induced economic growth, of a social change in an internally stratified world.

Ankie Hoogewelt

Political development connotes the evolution of a political system to a desired state of being characterised by advanced political culture and political structure which entail “cultural secularisation” (the process whereby members of the society become increasingly rational, analytical and participant oriented in their political actions) and “structural or role differentiation” (the process whereby old roles are transformed and new types of roles emerged coupled with an expanded capacity of the political system to perform conversion function, system maintenance function and adaptation function). All these are necessary for state-building, nation-building, political participation, economic production, and authoritative distribution of resources.

The industrialised Western Societies exemplify political systems where there are cultural secularisation and structural differentiation.

Almond Gabriel and Bingham Powell

Social development is the bundle of technological, subsistence, organisational, and cultural accomplishment through which people feed, clothe, house, and reproduce themselves, and explain the world around them, and resolve disputes within their communities, and extend their powers at the expense of other communities as well as defend themselves against others' attempt to extend power.

Ian Mor

Development is an overall social process which is dependent upon increased capacity of members of a society to master the laws of nature (that is science) and apply such laws in the production of tools (that is technology) with which they can control their environment to meet their immediate and future needs. It cannot be seen purely as an economic affair because other segments of the society are also involved.

Walter Rodney

Development is the improvement of the living conditions of the people.

M. M. Yusuf

From the foregoing submissions, it is clear that development scholars are divided over what constitute development. While some of them see it from economic perspective, others view it from the political angle, yet still, some others think it is a socio-cultural phenomenon. Despite their differences, they all agree that development entails progressive change. Generally, development could be defined as a holistic process through which a society experiences economic and socio-political transformation which improves the living conditions of its inhabitants. It entails both quantitative and qualitative improvement in all spheres of a given society. It is the attainment of the desired state of being.

Development is the gradual, and sometimes rapid metamorphosis of a society from a state of lack to a state of plenty, quality life and happiness. The industrialised countries of the world such as the US, Britain, France, Germany, Russia, Canada, Japan, China et cetera, have achieved development, while it is still a mirage in the Third world Countries, especially those in Sub-Saharan Africa. Moreover, what is more desirable to all countries of the globe, today, is not just

development, but a development that is sustainable. Sustainable development is that which “meets the needs of the present generation without compromising the ability of the future generations to meet their own needs” (Bruntland Report). It involves the prudent use and conservation of available resources and the transfer of technology and skills as well as national norms and values from one generation to another.

From the views of western scholars on development, it could be deduced that they are not only ethnocentric and ideological, but also tend in some instances, to confuse economic development with economic growth. Although we will not at this juncture critique the Western scholarship on development because that will be treated later in unit 4, it is worthy to note here the general characteristics of development.

3.2 Characteristics of Development

In spite of the ambiguous nature of the concept of development, it has some identifiable features. Some countries have been able to achieve development and as a result, their values and institutions have become the yardsticks for determining and measuring development around the world.

A country is said to be developed if it has the following characteristics:

- Adequate social infrastructures such as constant electricity, good network of roads, potable water, well equipped and functional schools and hospitals and sound communication networks
- Adequate Security to protect lives and property
- Good governance and political stability
- Industrialisation
- High savings and investments
- Strong economy creating jobs and wealth
- Self sufficiency in food production
- Adequate human capital and technological know-how
- High standard of living for the majority of the people
- Low level of unemployment
- Low level of poverty
- Low level of crimes

Moreover, according to the United Nations Development Programme (UNDP), societal development can be measured using the Human Development Index (HDI) and this includes:

- High life expectancy
- High literacy level
- High income level

In other words, for any society to be regarded as developed, it must be able to provide those basic amenities that would prolong the life of its inhabitants, provide education for the majority of its citizens as well as good jobs that can fetch them enough income to live a quality life.

However, the above UNDP indices of development have been criticised on the ground that they do not take into cognisance societal inequalities and the quality of education that is being given to the people as well as some other vital indicators of development. Majority of the citizens of a society for instance may have access to education, but that education may not be qualitative. The HDI on education is calculated based on number of people who have access to education; it fails to take into account the quality of that education. It is quality education that is needed for development.

Also, the income level in a society may rise as a result of increase in the Gross Domestic Product (GDP), but the bulk of the income may be concentrated in the hands of the privileged few – the political and the economic elites. The UNDP's HDI on income is based on the rise of national income, and not on national income distribution. It has been discovered that if the income rise is not fairly distributed, societal inequality will increase. The gap between the few elites and the rest of the society who are in the majority will continue to widen even as the GDP and national income increase.

Despite these few reservations, Human Development Index (HDI) is still a yardstick for measuring development.

3.3 Scope of Development

We have said earlier that development is a multi-dimensional process, thus its scope is very broad. It ranges from economic, political to socio-cultural. It also includes factors like national infrastructure, technology, transportation systems, information communications and technology, and military preparedness.

Economic Development: This is a dimension that readily comes to mind whenever development is mentioned. This is because of the primacy of the economy in shaping other sectors of human society. The economy is the foundation of a society, and if it is strong, it will have positive impact on the political system which is the super-structure.

However, if the economy is weak, it will have inimical effects on the political system. In fact, it is the economic system that produces the resources to be allocated. And if the resources are not produced in the first place, there will be nothing to allocate.

Economic development entails increase in the wealth of a nation through expanded production of goods and services. It includes the rise in agricultural production, manufacturing and construction as a result of the introduction of better skills, techniques and technology. Also, it includes, but not limited to increase in GDP, rise in exports, job and wealth creation, high per capita income cum high standard of living.

Suffice to state here that economic growth is different from economic development though, some western scholars would want us to believe that the two are the same. Economic growth entails increase in GDP, but that increase may not translate to development. The GDP and the economy may sometimes grow as a result of improvement in just few areas of the economy such as crude oil production and, or the price of oil in the International Oil Market. It may also be induced by increase in the production of goods and services by a few Multinational Corporations (MNCs) whose subsidiaries are domiciled in the country, or due to bountiful agricultural harvests which may increase export of cash crops. This will in turn increase external revenues for the government (economic growth). But such revenues may not be utilised to improve the well-being of majority of the people which economic development demands. In this case, there is economic growth without corresponding economic development. This shows that increase in GDP may only bring about increase in revenues or incomes of both the government and the privileged few in the society.

Also, unlike economic development, economic growth is not concerned with whether the increase in revenue and income come from the utilisation of all sectors of the economy, or just few sectors. Moreover, it is not interested in whether the increasing national income is evenly distributed or concentrated in the hands of few individuals.

Economic development is economic growth accompanied by certain desirable changes such as improvement in the utilisation of all the (or important) sectors of the economy and these include; agriculture, manufacturing, human capital, industrialisation, social infrastructure, mining of both solid and liquid minerals and so on. If the economic growth comes from one narrow source, the country cannot be said to be experiencing economic development or transformation. For example, the per capita income of Kuwait is greater than that of Israel because of billions of dollars it makes from oil (only one source). But Israel is more

developed than Kuwait because virtually all sectors of its economy is properly utilised and developed.

Economic growth must be accompanied by a general improvement in all, or at least, important sectors of the economy, for there to be economic development,. Also, the national income must be evenly or fairly distributed in such a way that its concentration in a few hands will be avoided. The peoples' general welfare should rise along the GDP. If the vast majority of the citizens remain poor, ill-educated and unemployed or underemployed, then there is no economic development even if the GDP and the economy are growing. There is no doubt that there cannot be economic development without economic growth, but there can be economic growth without economic development as the foregoing analysis illustrates. Economic development is characterised by high income, large savings and investments, high standard of living, relative economic equality coupled with industrialisation.

Political Development: This aspect of development is also very important. Politics is not only central to the making of development, but also vital to its sustenance. Political development is attained when a political system is able to enjoy popular legitimacy, articulate and aggregate public interests, authoritatively allocate resources as well as maintain law and order through strong and functional institutions. In the opinion of Lucian Pye, equality, capacity and differentiation are the three important features of political development. Gabriel Almond described political development as the capacity of the political system to effectively perform rule-making, rule adjudication and rule application functions. A society is said to have political development if there is accountability and transparency in political leadership, respect of the rule of law, constitutionalism, and periodic free, fair and credible elections or selection process as well as political stability.

Most importantly, political development entails strong institutions that have legitimate authority to guarantee equilibrium in the system through proper management of identity crisis, political participation crisis, distribution of resources crisis and national integration. It involves optimum performance of the institutions of state such as the legislature, the executive, the judiciary, the police, the military, etc.

In contemporary times, political development is equated with liberal democracy. Thus, countries with matured democratisation processes are regarded as having political development. However, experiences have shown that there are countries that do not practice liberal democracy, yet, they have political development. For example, Russia and China have their own peculiar styles of leadership which the West often

considers as undemocratic because they are not in consonance with the tenets of liberal democracy. Surprisingly, they have been able to use these leadership styles to achieve good governance which is the hallmark of political development.

On the other hand, there are some nations that have been practicing liberal democracy for years, yet they lack political development. A typical example is Nigeria. What this means is that it is more correct to associate political development with good governance than a particular ideology or form of government. Moreover, it is most unlikely that economic development can take place without political development first. This is because it is the political development that provides the needed leadership that would steer the ship of economic development. Political development is characterised by good leadership and political stability.

When we talk about governance, it is important to note that it is a multi-layered concept. This is so because it involves a lot of issues, including even the family. For instance, how one manages his family could be said to involve some aspects of governance. Again, how the community, local government, state, central/federal government and the emerging issues in the process of globalisation (HIV, AIDS, Food Security, Migration, Poverty, Maternal Mortality, Ignorance, etc) are handled or managed involve governance. Our major concern however is, the role governance plays in national development.

For purposes of clarification, we shall attempt to define governance in order to properly situate it contextually. In doing this, we need to historicize it, since it was not a buzz-word until perhaps recently. As observed, "... until the later 1980s 'governance' was not a word heard frequently within the development community". (de Alcantara, nd). However, the word 'governance' has been routinely used for centuries to refer to the exercise of authority within a given sphere. It was employed as a synonym for the efficient management of a broad range of organisations and activities, including modern corporation (corporate governance) or university, to the issues of global governance, presently. The concept may have been applied to many situations in which no formal political system could be found, it still implies the exercise of a political process. It involves "... building consensus, or obtaining the consent or acquiesce necessary to carry out a programme, in an arena where many different interests are in play", (de Alcantara, nd).

In its wide applicability however, the term has been referred to the basic problems of political order, such as legitimacy and efficiency. More so, the lack of any necessary linkage of the term to the state has made it

useful to a growing number of participants in the development debate in recent times. Again, the relative morality of the term 'good governance' in the international arena has facilitated attempts to reform state programmes and bureaucracies in many countries by appeal to technical and less political standard, than that evoked by calls 'for the reform of the state'.

As it stands, attempts have been made to define governance by researchers and intellectuals alike. It has been defined as "... the traditions, institutions and processes that determine how power is exercised, how citizens are given a voice, and how decisions are made on issues of public concern" (Institute on Governance). According to the United Nations Development Programme, UNDP, (1997) report, governance is "... the complex mechanism, processes, relationship and institutions through which citizens and groups articulate their interests, exercise their rights and obligations and mediate their differences". In other words, governance is not synonymous with government, but a "... process whereby societies or organisations make their important decisions, determine whom they involve in the process and how they render account".

Socio-Cultural Development: This is another essential dimension of development. It entails improvement in social infrastructure. Regular supply of power, potable water, good road networks, functional and quality schools, sound communication network, good health care system and adequate security, are some of the characteristics of social development.

Also, human capital falls under socio-cultural development. This entails optimal harnessing of human potentials which translate to increased human knowledge and skills. Human capital is very vital because without it neither economic nor political development is possible. Lack of development in the Third world has been largely attributed to the dearth of human capital. In a knowledge economy where ideas and skills are necessary catalysts, human capital is inevitable. It is the fulcrum of societal development.

Moreover, socio-cultural development involves the evolution of national norms, values and identity. All these are pre-requisite for nation-building and national integration which are in turn necessary for total societal development.

4.0 CONCLUSION

Development means different things to different people. To some people, it is the improvement of the economy, while to others, it is a political transformation. Yet to some others, it is a social change or movement towards a desired state of being. At the epi-centre of development is man. Hence, the ultimate goal of development is to improve the people's welfare and quality of life by harnessing the available resources, and creating resources where they are not available, to meet their immediate and future needs.

No society fully embodies all the development ideals, but there are some societies that have approximated or achieved these ideals to a reasonable degree. Such societies are regarded as developed.

5.0 SUMMARY

This unit has been able to define Development as the holistic process of gradual or rapid metamorphosis of a society to a desired state of being characterised by improved standard of living and quality life. It entails progressive change or significant transformation in a society. It also brought to the fore the views of some development scholars about the concept of development. Rostow defined it from economic perspective to mean economic growth. Almond and Powell viewed from political angle to mean political evolution of a society characterised by increased structural differentiation and cultural secularisation. Rodney saw it as a social process via which people master science and technology with which they cater for their basic needs and that of their environment.

The unit has also shown the multi-dimensional nature of development by explaining its economic, political and socio-cultural scope as well as its contemporary characteristics which include; adequate social infrastructures, expanded human capital, strong economy, political stability, low rate of unemployment and crimes, high standard of living and so on. Development does not mean presence of abundant natural resources, but the prudent management of material and human resources to ensure the greatest happiness of the greatest number of people in the society.

SELF-ASSESSMENT EXERCISE

- i. State briefly your understanding of the concept of development.
- ii. Describe the contemporary features and scope of development.
- iii. Does presence of abundant human potentials and mineral resources translate to development? Substantiate your answer with adequate illustrations.

6.0 TUTOR-MARKED ASSIGNMENT

What is development?

7.0 REFERENCES/FURTHER READING

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UNIT 2 WHAT IS UNDERDEVELOPMENT?

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 What is Underdevelopment?
 - 3.2 Features of Underdevelopment
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor- Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

This unit attempts to explain the concept of underdevelopment. It also examines the causes as well as the manifested characteristics of underdevelopment in the Third World countries.

2.0 OBJECTIVES

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

- define underdevelopment
- identify both the external and internal causes of underdevelopment in the Third World
- discuss the features of underdevelopment.

3.0 MAIN CONTENT

3.1 What is Underdevelopment?

In more recent times, the phenomenon of underdevelopment has gained momentum in both national and international discourse. Maybe because, as the global wealth continues to increase in this age of globalisation, only very few nations are gaining and progressing from such expansion, while others, many of whom are found in the Third World, have continued to experience underdevelopment. Despite the billions of dollars that annually go into the eradication of underdevelopment, it seems the problem instead of reducing, is increasing.

Underdevelopment is not absence of development, nor the absence of human and natural resources. It means the inadequate or insufficient level of development in the Third World as a result of the exploitation or

the under-utilisation of their human and material resources, or a combination of both factors. Underdevelopment depicts an appalling situation where the human and socio-economic potentials of a given society have either been externally exploited to the detriment of its inhabitants, or have not been fully or optimally harnessed by the government for a better and quality living of its citizens.

Underdevelopment makes sense only as a parameter for comparing levels of development across the globe. Every society has developed in one way or another. Some societies have developed more by being able to master science and technology and deploy such superior knowledge in the production of tools with which they meet their needs, and even exploit, subjugate and dominate other societies that have “lesser” knowledge of science and technology, and this, directly or indirectly stagnates development process of the latter while accelerating the development of the former.

Underdevelopment is a consequence of Industrial Revolution. Many countries of the world have been experiencing underdevelopment for more than 250 years – since the Industrial Revolution. Before then, the level of development in all societies across the globe was relatively equal though there were little variations in some cases. Every society before then, have developed in one way or another at its own pace, and to address its own peculiarities. There was no naked exploitation of one country by another as such before then. Precisely, for centuries, great empires like those of China, India and what is today known as the Arab nations were the leaders in wealth and technology. But their technological innovations did not take off to become a revolution in the production of goods and services.

However, the Industrial Revolution took the globe like a storm and altered development equations across the world. The Industrial Revolution led to the use of machines in production, and this led to mass production which generated surplus value, and this led to capitalism which created the quest for profit maximisation, and this led to imperialism (subjugation of other nations in search for raw material, cheap labour and markets for finished goods) which led to colonialism, and this led to neo-colonialism which is said to cause underdevelopment in the periphery. The transformation of production, thus embarked on, has helped the West stay the leader in new technological development.

While the exploiting powers or the industrialised capitalist states (example, USA, Britain, France, Germany, Japan, etc) are described as “developed” or “core” or “metropole” or “centre of the periphery” or “rich” societies, the socio-economically exploited societies are described as “undeveloped” or “poor” or “periphery” or “satellite” or

“underdeveloped” or “Third world” or most recently, “developing” countries. The term “underdeveloped” is fast disappearing in international lexicon because it is considered derogatory, and it is being replaced with “developing” which is considered to be more polite and courteous.

However, the term underdeveloped is still closely associated with the Dependency School who believe that in the global economy, there are centrifugal forces at work, strengthening the already rich core, while keeping the periphery poor, and in a state of permanent underdevelopment. The underdeveloped countries are found mostly in Africa, Asia and Latin-America (though with few exceptions following the recent socio-economic development in Brazil, China, India and Asian Tigers –Taiwan, Singapore, South Korea and Thailand). Underdevelopment depicts the poor socio-economic conditions of the developing countries.

In his work – *The Political Economy of Growth*, Paul Baran argued that it was the search for the external outlet to invest economic surplus that indirectly led to underdevelopment. He defined economic surplus as the difference between society’s actual current output and its actual current consumption. Economic surplus can be saved and invested, but it can only be generated if a country produces more than it consumes. By producing more and consuming less, the industrialised capitalist nations generated and saved a lot of economic surplus, but without corresponding internal outlets for investing the accumulated surplus. This compelled them to search for and create external outlets for the investment of the economic surplus. This led to imperialism and later, colonialism and neo-colonialism. That was why the ex-colonies (satellite states) were created and designed to serve as avenues for investments, and most importantly, as markets for finished goods from the colonising powers (the metropole). Manufacturing which would later shape and define global economy was never encouraged in the satellite states. All these, individually, and in combination led to the underdevelopment of the productive forces which have continued to undermine development process in the Third World.

In his own view, Andre Gunder Frank asserted that the colonising states constitute the “Centre” of development, while the colonies constitute the “Periphery”. Underdevelopment is not original nor the starting point of the periphery, rather it is a result of the stagnation of their development by their contact with Western Capitalist system and colonialism. This contact incorporated the colonies into the world capitalist system at a subjugated position, and thereby created development in the core and underdevelopment in the periphery. The centre (which is capitalist)

cannot engender any meaningful development outside its domain. Andre Gunder Frank described this process as “the development of underdevelopment”.

In consonance with the above view, Walter Rodney, in “How Europe Underdeveloped Africa” posited that:

Imperialism was in effect the extended capitalist system, which for many years embraced the whole world – one part being the exploiters and the other the exploited, one part being dominated and the other acting as overlords, one part making policy and the other being dependent.

Moreover, apart from the aforementioned factors which now manifest in the form of globalisation, bad leadership and corruption appear to be some of the major causes of underdevelopment in the Third World. Virtually all the countries experiencing underdevelopment today have a history of corruption, bad governance and political imbroglio.

3.2 Features of Underdevelopment

Underdevelopment is a feature of underdeveloped states. These states have certain characteristics that mark them out from the developed nations of the world. These include the following:

- Imperialism, Slave Trade, Colonialism, Exploitation and Dependency
- Export of Primary Commodities (such as cotton, rubber, cocoa, groundnut, palm oil, crude oil etc)
- Low Manufacturing Activities
- Corruption and Bad Governance
- Political and Social Instability
- Inadequate social infrastructure (such as electricity, potable water, good roads, well equipped schools and functional hospitals, etc)
- Weak Economy
- Weak Institutions
- Obsolete Technologies
- Low Per Capita Income
- Low Standard of Living
- Low Life Expectancy
- High Poverty Rate

- High Unemployment Rate
- High Crime Rate
- Insecurity
- Living on Charity

All these above stated problems are common to all countries of the world that are presently experiencing underdevelopment though their magnitudes vary from one country to another. At one point or another of their history, the underdeveloped countries were all annexed, enslaved, colonised and exploited by the industrialised capitalist states. Their economies were designed to be dependent; hence they could only produce primary products whose prices are often unjustly determined by the industrialised capitalist nations. This, combined with corruption and bad governance that later ensued, resulted in the non-provision of the basic amenities of life.

All these factors collectively weakened their economies, and the implications have been abject poverty, poor standard of living, social inequality and wars. Today, most of these countries depend largely on charity to eke out a living, or to even survive.

4.0 CONCLUSION

There is no doubt that imperialism, slave trade, colonialism and neo-colonialism have been largely responsible for underdevelopment in the Third World, and internal factors such as corruption, bad governance, and political instability are also integral part of the problem and therefore, should always be taken into cognisance in the analysis of underdevelopment anywhere in the world.

5.0 SUMMARY

In this unit, we argued that underdevelopment is not absence of development or dearth of human and material resources, rather it is the inadequate level of development in the Third World which is caused by either external exploitation that dates back to industrial revolution and has continued till now in form of globalisation and, or the under-utilisation of the available human and mineral resources by the governments of the Third World countries as a result of corruption and bad governance. Underdevelopment could only be understood in relation to development. It is fallout of the industrial revolution and the consequent export of capitalism and imperialism by the capitalist Europe, USA and Japan to the rest of the world, and the resultant exploitation of human and material potentials. It is also partly caused by internal factors in the Third World such as crass corruption and bad

leadership. Underdevelopment is a feature of developing societies which are characterised by lack of basic social infrastructure, weak institutions, weak economy, backward technology, dependency, high unemployment rate, pervasive poverty, high crime rate, social crises and poor standard of living.

SELF-ASSESSMENT EXERCISE

- i. “Underdevelopment is not absence of development.” Discuss.
- ii. Apart from imperialism and more recently, globalisation, what are the other causes of underdevelopment in the Third World?
- iii. “Underdevelopment is a feature of underdeveloped societies.”
- iv. Describe the features of underdeveloped societies and cite appropriate examples.

6.0 TUTOR-MARKED ASSIGNMENT

“Underdevelopment is not absence of development”. Discuss.

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UNIT 3 THEORIES OF DEVELOPMENT

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 What is Theory?
 - 3.2 Modernisation Theory of Development
 - 3.3 Dependency Theory of Development
 - 3.4 Political Economy of Development
- 4.0 Conclusion
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1.0 INTRODUCTION

Both Western and Third World scholars have come up with various theories aimed at explaining development and underdevelopment. Such theories attempt to reveal why some countries are developed, while others are not; why some countries are exceedingly rich, while others are extremely poor; and why some countries appear to be amenable to change and development, while many others seem to be vulnerable to retrogression and underdevelopment, as well as how underdeveloped countries can fast-track and achieve development. This unit vividly explains these various theories with particular emphasis on Modernisation and Dependency theories.

2.0 OBJECTIVES

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

- define a theory.
- explain Modernisation and Dependency theories.
- apply these theories in your analysis of development and underdevelopment around the world.

3.0 MAIN CONTENT

3.1 What is a Theory?

A theory is a set of ideas that are logical and which establishes a correlation between causation of a phenomenon and its effects. A

theory does three things – It helps us to understand (describe), explain and predict a phenomenon.

Therefore, theories of development help us to comprehend and analyse the concepts of development and underdevelopment as they relate to the world we live.

3.2 Modernisation Theory

This is the oldest theory of development. Modernisation theory sees development from the prism of western civilisation. Its major exponents include Gabriel Almond, Bingham Powell, David Coleman and Lucian Pye. Also, some classical economists and sociologists such as Adam Smith, W.W Rostow, Henry Maine, Ferdinand Toennies, Emile Durkheim, Max Weber, and so on, did make significant contributions towards the advancement of modernisation theory. According to this School of Thought, development simply means industrialisation and modernity which are exemplified by the Western industrialised capitalist nations.

Almond and Powell in their essay titled “Comparative Politics: A Developmental Approach”, and Almond and Coleman in their piece titled “The Politics of Developing Areas” argued that development is the evolution of a political system through series of stages, from a traditional state to modernity characterised by equality, cultural secularisation and structural differentiation. Cultural secularisation is the process whereby members of the society become rational, critical and analytical in their socio-political actions. Their orientations towards politics become pragmatic and participatory as a result of the increase in their knowledge of the political objects, norms and values (Cognitive Orientation) and also because of the increase in their feeling of attachment, involvement and rejection of the political objects and issues (Affective Orientation), as well as the increase in their objective judgments and opinions about the political objects and issues (Evaluative Orientation). When this happens, a participant or civic political culture replaces parochial and subject political culture which initially characterised the political system. On the other hand, Structural Differentiation is the process whereby roles change in the society. Old roles are transformed and new roles accompanied by new structures to perform them emerge. Division of labour and specialisation ensue, and this results in the total transformation of the society. At this point, the society achieves development having attained its optimum cultural secularisation and structural differentiation, and as a result, acquired the capacity to maintain law and order, to attract socio-political participation, distribute resources and privileges accordingly, and to win

the loyalty, support and commitment of its citizens which is nation building.

Lucian Pye while elaborating the above mentioned views of Almond and Powell, noted that a society is developed to the extent it has “development syndrome which includes: equality (popular involvement in political activities and socio-political recruitment based on achievement rather ascription), capacity (government’s ability to influence its subjects and execute policies), and role differentiations (division of functions and specialisation). With attributes, the society would be able to manage crisis of identity, crisis of legitimacy, crisis of participation, crisis of distribution and crisis of integration.

They all agreed that a society’s development is tied to its capacity to strike a balance between demands and support or inputs and outputs, and restore system equilibrium by performing satisfactorily rule making, rule application and rule adjudication functions. For these scholars, the industrialised capitalist countries have achieved these attributes and that is why they are developed. The Third world countries lack these characteristics and that is the reason for their underdevelopment. Therefore, the Underdeveloped World can achieve development by imbibing the development attributes of the Capitalist West.

Also, some Western sociologists have attempted to explain why the West is developed, while the Third world is not, and how the latter can achieve development. In his view, Henry Maine submitted that development is a movement from a society characterised by status to the one characterised by contract. A status society is ascriptive, particularistic and non-individualistic, while a contract society is achievement oriented, universalistic and individualistic.

To Ferdinand Toennies, development emanates from *Gemeinschaft* to *Gesellschaft*. *Gemeinschaft* society is tradition and status bound. Life chances and life styles are determined by birth and there are little or no chances for individualism and tendency to act according to market norms, hence, *Gemeinschaft* is similar to Maine’s status society. On the other hand, *Gesellschaft* is analogous to contract society, and in such society, there is room for individualism, and people’s socio-political actions are guided by market norms. It is rather a clear case of consanguinity and co-residentship.

Furthermore, Emile Durkheim theorised that the pre-modern society is characterised by mechanical solidarity, while organic solidarity is the feature of a modern society. Mechanical solidarity and organic solidarity

share similar characteristics with *Gemeinschaft* and *Gesellschaft*, respectively.

Max Weber also described two types of societies – (1) Traditional society which is characterised by traditional authority whereby legitimacy of authority rests on the belief system and the sanctity of the local norms and values the le as a type of society where society. (2) Modern society which is characterised by rational, legal and bureaucratic authority whereby legitimacy of authority lies on acceptance of the laws made by men and those who enforce such laws and orders.

Talcott Parson further theorised that traditional and modern societies have five characteristics. For Traditional society, these include; (1) Affectivity (influenced by emotions in their socio-political actions); (2) Collective-Orientation (acting in groups such as family, age-grade, religious fraternity, etc); (3) Diffuseness (Diffusion of roles and relationship such that the whole of the personality is involved); (4) Particularism (judgement is not based on universally accepted principles, but rather on limited beliefs); (5) Ascription (social status and reward are based on birth instead of achievements). On the other hand, modern societies are characterised by neutrality and objectivity, self-orientation, specificity, universalism and achievement.

For these scholars, the Western countries are Contract, *Gesellschaft* and Modern societies and that is why they are developed, while the Third World countries are Status, *Gemeinschaft* and Traditional societies and that is why they are underdeveloped. Therefore, the only way Third World countries can achieve development is by discarding their traditional feature and emulating the values and norms of the West.

Moreover, Western economists were not left out in this quest for a theory that can explain the causes of development and underdevelopment across the globe. Adam Smith attributed the increase in the wealth of nations to development which was made possible by the increase in production and capitalist principles. Similarly, W.W. Rostow described development as economic growth which could only be attained by passing through five stages which he called “Stages of Economic Growth”.

These include:

- (1) the Traditional Stage
- (2) the Transitional Stage

- (3) the Take-off Stage (where savings and investments increase significantly and revolutionise tools and methods of production)
- (4) the Drive to Maturity Stage
- (5) the High Mass Consumption Stage. In Rostow's calculation, it is only the USA that has attained the stage of high mass consumption, or even surpassed it. He argued that every society that desires development must go through these stages of economic growth, and that the Western countries that are developed today passed through these stages to achievement. Therefore, non-Western countries that desire development should copy the development paradigm of the West.

All in all, the modernisation theorists see development from the prism of western civilisation. For them, development means industrialisation and modernity or Westernisation. They argued that the West is developed because it has certain socio-political and economic attributes that are amenable to positive change and development. The underdeveloped states don't possess such attributes, thus they lack development. But, they can achieve development by trying to be like the West via the imbuelement of Western culture. Today such Western culture expresses itself in form of capitalism or globalisation which advocates for liberalisation and market economy where the so-called "invisible hands of the forces of demand and supply" regulate the economy.

3.3 Dependency Theory

Dependency theory is also known as Underdevelopment theory/the Radical School of Thought/the Neo-Marxist theory. It came as a direct response to the short-comings of the Modernisation theory in explaining why the core is developed, while the periphery is underdeveloped. Its proponents include; Andre Gunder Frank, Walter Rodney, Frantz Fanon, Samir Amin, Claude Ake, et cetera.

Dependency theory sees development and underdevelopment as two sides of the same coin in the sense that they are the inevitable outcomes and the physical manifestations of the World Capitalist system and its inherent contradictions and exploitations. The theory classified the world into two – the Core or Centre (which is made up of the industrialised capitalist nations), and the Periphery or satellite (which is made up of the colonised and poor countries of the world). Dependency theory argues that the export of capitalism by the West to other parts of the World and its resultant colonialism cum neo-colonialism is responsible for the underdevelopment and dependency of the Third World. Capitalism is driven by the quest for profit maximisation, the theory argues. The quest for profit maximisation compelled the

Europeans to search for cheap raw material, cheap labour and markets for their finished goods. This led to colonialism and the subsequent neo-colonialism through which the resources of the colonised were, and are still being exploited. In this regard, Claude Ake in his classic work – *A Political Economy of Africa*, submits that:

The contradictions of capitalism not only transform it, they also transplant it. The transplanting of capitalism arises from those contradictions which reduce the rate of profit and arrest the capitalisation of surplus value. Confronted with these effects, it was inevitable that the capitalist, forever bent on profit maximisation, would look for a new environment in which the process of accumulation could proceed apace. Capitalists turned to foreign lands, attacked and subjugated them and integrated their economies into those of Western Europe.

This is perhaps why V. I. Lenin submitted that “imperialism is the highest stage of capitalism”. Colonialism and neo-colonialism led to the incorporation of the economies of the colonised peoples in the world capitalist economic system at a subjugated position. This produced two consequences in the world – development in the industrialised capitalist states, and underdevelopment as well as dependency in the colonised or Third World countries.

The process of underdevelopment, laments Immanuel Wallerstein, started as far back as 16th century (1450-1640) during mercantilism and slave trade, and later, colonialism, during which the Western Europe enriched itself with the human and material resources it siphoned from the other continents, particularly from its colonies in Africa and Latin America where millions of slaves and huge raw materials were transferred to Europe. The plunder of Africa or rather, Asia and Latin America by European capitalist powers, enhanced development in Europe in one hand. On the other hand, it led to underdevelopment of the colonies and their dependency on the former for survival.

That is to say that the development of the Centre is as a result of the exploitation and the consequent underdevelopment of the periphery. Therefore, the relationship between the Periphery and the Centre could be likened to that between a seed and a plant. Just as a seed has to die in order to germinate and give life to plant, the periphery had to be underdeveloped in order to give development to the Centre. But while the relationship between a seed and a plant is natural and symbiotic, that between the Periphery and the Centre is man-made and parasitic.

Andre Gunder Frank, like other Dependency theorists, believes that the Periphery feeds and nourishes the Centre with its cheap labour and cheap primary commodities (cocoa, cotton, palm oil, rubber, groundnuts, crude oil, etc), while the Centre stagnates and underdevelops the Periphery with its capitalist greed, export of expensive finished goods, unfavourable terms of trade and exploitative international politico-economic capitalist policies and institutions such as globalisation, the IMF and the World Bank. All these factors individually and collectively, have led to underdevelopment of the Third World Countries and their seeming perpetual dependency on the Industrialised Capitalist States.

Therefore, the Dependency School of Thought recommends that the only way the Third world can achieve development is to “delink” their economies from their source of exploitation and underdevelopment which is the International Capitalist Economic System, and chart a new path to development which should be built on socialist principles rather than on the foundation of exploitation of one country by another which capitalism advances.

3.4 Political Economy of Development

Our discussion here focuses on how Political Economy perspectives can help us develop greater clarity about the forces promoting and impeding better development outcomes. Scholars have looked at the issues from various stand points, as we also noted in our discussions. Some perspectives believe that development can take place only in a democratic system, while others contend that development can easily be attained in an autocratic and authoritarian regime.

However, development across the globe has occurred both in autocratic and democratic regimes. Even so, some regimes who claim democratic credentials today did not demonstrate the full elements of democratic regimes as we know them today. In other words, there were at the point of inception some elements of autocracy or authoritarianism, which enabled them to drive development. The same cannot be said about Africa, because the level of development in Africa today seems to have defied all development theories.

It is important to understand the nature of development and purpose of democracy in Africa. Ekeh (1993: 53 – 54) has identified four major issues, as follows;

- 1) The impact of modernisation theory in the early 1960s which emphasised economic prosperity as an essential condition of

- stable democracy. This was the basis for the quantum of economic assistance by the U.S. Government to a number of African countries in the 1960s, and which was a miniature representation of the Marshall Plan for Europe;
- 2) There was a strong emphasis on institutional building as a precondition for the emergence of stable democracies in Africa, in order to ward off the appeals of communism in Africa;
 - 3) The setting of intellectual agenda in the 1960s for the study of democracy from political sociology, (as represented by the works of William Kornhauser's *Politics of Mass Society*; Tocqueville's Theory of pluralism; Seymour Lipset's *Political Man*; and Gabriel Almond and Sidney Verba's *The Civic Culture*, which laid emphasis on the sociological and psychological factors and conditions which also anticipated the favoured political culture of democracy in Africa,; and
 - 4) The assumption in the 1960s that lucky nations would become democracies while less fortunate ones would fall apart.

All these perspectives are political economy efforts to drive development. In essence, there is always this interplay of politics and economics side-by-side the society in the process of development.

4.0 CONCLUSION

Both Modernisation and Dependency theories have made bold attempts to explain the genesis of development and underdevelopment in our world. Both Schools of Thought have increased our understanding of the two phenomena, thus we are now placed in a better position to analyse the sources of the wealth of nations and development in one hand, and on the other hand, the causes of global inequalities and underdevelopment. However, each theory has its own short-comings. These will be discussed in unit 4.

5.0 SUMMARY

This unit has been able to extensively explain the two major theories of development – Modernisation and Dependency. The Modernisation theory sees development from the prism of Western civilisation. Its advocates include Gabriel Almond, Bingham Powell, Lucian Pye, W. W. Rostow, etc. To this School of Thought, development means industrialisation and Western modernity, or simply put, Westernisation as exemplified by the Industrialised Capitalist Nations of the World. According to Modernisation theory, these countries have been able to achieve development because they are Capitalist, Contract, Gesellschaft, Modern, and Democratic societies characterised by progressive

attributes such as liberal economic tendencies, participant political orientations, equality before the law, innovative capacity, division of roles and specialisation. Modernisation theory argues that the Third world countries are underdeveloped because they lack the above stated characteristics of the West, and therefore, the only way they could develop is to copy the Western culture and its development patterns. In other words, they should embrace capitalism and adopt Western institutions and technology.

On the other hand, Dependency theory debunked the validity and relevance of Modernisation theory in understanding and explaining the underdevelopment of the Third World. Its exponents include; Andre Gunder Frank, Walter Rodney, Cluade Ake, etc. The theory argues that the underdevelopment of the Third World countries is a direct consequence of the development of the Industrialised Capitalist Nations who exploited the resources of the former through imperialism and neo-colonialism as well as via the incorporation of the Third World economies into the global capitalist economic system at a subjugated position in which the Third World produce what they do not consume (cash crops like cocoa, cotton, rubber etc) and consume what they do not produce (finished goods like milk and tea, radio, television, car, refrigerator, air-conditioner, generators, computers, phones, etc). Also, in this capitalist incorporation, the West fix the prices of the goods and services, hence the Third world exports (mainly primary commodities) are under-valued and under-priced unlike the finished goods from the West which are over-valued and over-priced. All these have led to the underdevelopment and dependency of the Periphery (Third World) on the Centre (Advanced Capitalist nations). The only way out of underdevelopment according to the Dependency theorists, is total delinking of the Third World from the international capitalist system.

SELF- ASSESSMENT EXERCISE

- i. What is the central thesis of Modernisation theory?
- ii. Discuss Dependency theory.
- iii. In your own opinion, what factors are responsible for underdevelopment in the Third World and global inequalities, and how can they be solved?

6.0 TUTOR-MARKED ASSIGNMENT

Explain the major crux of modernisation theory and dependency school of thought.

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UNIT 4 CRITIQUE OF MODERNISATION AND DEPENDENCY THEORIES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Shortcomings of Modernisation Theory
 - 3.2 Shortcomings of Dependency Theory
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
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1.0 INTRODUCTION

In the previous Unit, we discussed the various arguments of Modernisation and Dependency theories. This unit critiques each of these theories in order to bring out their short-comings. It also recommends a synergy of the strengths of both theories in addressing the crisis of development in the world today.

2.0 OBJECTIVES

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

- discuss the limitations of Modernization theory
- discuss the limitations of Dependency theory
- give a balanced view of development theories and apply such views in the analysis of development and underdevelopment issues around the world

3.0 MAIN CONTENT

3.1 Shortcomings of Modernisation Theory

We have earlier explained that Modernisation theory sees development as industrialisation and Western modernity which is a consequence of certain progressive values that are possessed only by the advanced capitalist nations of the world. It argues that the Third World nations do not have such values, and that is why they are underdeveloped. Therefore, if they want to develop, they should imbibe western culture and adopt its institutions.

However, a critical examination of Modernisation theory will reveal that it is not only deficient and conjectural, but also myopic and misleading. Below are some of the deficiencies of Western scholarship on development which Modernisation school of thought represents.

1. Modernisation theory is ethnocentric, euro-centric and teleological. It regards western culture and institutions as the best and superior to other nations' cultures. It presents western values as progressive and amenable to development, while others are not. In essence, it regards development as a unilinear process which can only be achieved by imbibing western culture and adopting its institutions. In this way, development becomes synonymous with "trying to be like the West" or Westernisation. Therefore it has an end in view. But history has shown that other societies without Western culture and institutions can develop. A typical example is China. In fact, every society (both western and non-western) has a capacity to develop, and all societies had developed in one way or another, though some have developed more than others, like Ancient Egypt was once leading in Africa and was known to be the cradle of civilisation. Britain once led in Europe. China once led in Asia. Therefore, no culture is superior to another culture development wise. What matters most is the ability of the people of any nation to transform their culture to trigger off development in order to meet their immediate and future needs. That is to say that development cannot be "Westernisation". Even the West is a new comer when it comes to the origin of development. It has been anthropologically proven that Africa is the cradle of human civilisation.
2. Another misleading argument of Modernisation school of thought is that the Third World can develop by acquiring the artifacts of Western civilisation, or better put, western technology. For years now, underdeveloped states have been importing Western-made cars, electronics, textiles (suits, shoes etc), and even western type of buildings, yet the Third world is still not developed. Although few elites in the Third world drive the best of Western-made cars and build mansions as their houses, in most cases there are no good roads to drive those cars, and their mansions exist side-by-side with slums. The Third world in some instances lack the technical-know-how to operate and maintain these technologies, and thus depend on the West for their operations and repairs. The West has even capitalised on this deficiency of skills and knowledge in the Third world countries and made them a dumping ground for Western products and obsolete technologies. Today, across the Third world states, there is the

presence of all the artifacts that make the West developed, but in all these states, it is either these artifacts are in short-supply, or substandard, or dysfunctional. Thus, there are roads but they are full of potholes, there are schools but they are ill-equipped, there are hospitals but they are not functional, there is electricity but it is epileptic. All these indicate that importation of western technology does not translate to development. In fact, it appears that the more the Third world states import western technology and culture, the more underdeveloped they become.

3. Moreover, Modernisation theory is unscientific and imperialistic because it is both value-laden and ideology-bound. It tries to foist on the Third world countries western ideology of capitalism as the answer to their underdevelopment. In this regard, Claude Ake in his master piece titled “Social Science as Imperialism: the Theory of Political Development” argued that Western scholarship on development amounts to imperialism because it tries to impose capitalist values on the Third world. He further asserted that the two Western criteria for development – structural differentiation and cultural secularisation are abstracted from familiar Political Science characterisation of the distinctive features of the Western political systems. Based on this fact, development becomes synonymous with Westernisation and the quest for development becomes a matter of making developing countries more like the West. That is to say the study of the Third world in the context of this theory of political development is to explore how it can be like the West.

The exponents of Modernisation theory have always argued that no other ideology apart from capitalism and its institutions can bring about development. But we have seen the communist Russia and China achieve development under socialism. Again, the Modernisation school recommended capitalism (which is now in the guise of market economy or globalisation) as the only therapy for development crisis in the Third World. Under globalisation, the Third world countries are made to believe that they could achieve economic growth and development if they open up their economies and embrace liberalisation, and allow the invisible hands of market forces to regulate their economies.

However, the Third world countries have since adopted capitalist ideology, yet it could not bring the promised development. Today, they have embraced globalisation by opening up their economies, removing national barriers to foreign trade and investments, privatising their public enterprises and deregulating

the public sector, yet, the promised economic growth and development are nowhere to be found. In fact, it appears the more they opened up their economies through privatisation, liberalisation and deregulation, the more exploited, dependent and underdeveloped they have become. This shows that this particular recommendation by Modernisation theorists is aimed at furthering exploitation, dependency and underdevelopment in the poor countries of the globe, rather than fast-tracking their development.

4. Modernisation school of thought has also been criticised for being a historical. In other words, the theory fails to take into cognisance the historical events that shaped and reshaped the cause of development around the world. It underplays the impact of slave trade on Africa's development. But it is a known fact that during slavery millions of able-bodied Africans were forcefully taken to Europe and America thereby denying Africa the needed man-power for development. Also, Modernisation theory de-emphasises the impact of colonialism on development and how different types of colonialism affected countries of the world differently. It is on record that Africa where Extractive Colonialism took place witnessed more exploitation than colonies in South America and Asia. In fact, from all indications, colonialism and neo-colonialism penetrated and disarticulated African economies and structured them in such a way that they would perpetually remain dependent and underdeveloped. This is partly the reason why Africa seems not to be succeeding where other colonised continents such as Asia, have succeeded.
5. Modernisation theory is riddled with fallacy of taxonomic dualism. Thus, it divided the entire world into two opposite societies – the rich nations in one side and the poor nations on the other side. The theory assigns development and everything good to the advanced nations, while it assigns backwardness and everything that is bad to the poor nations. Thus, the advanced capitalist Western nations are democratic, accountable and responsive to the needs of the people, stable, command loyalty from the citizens, progressive, creative, innovative and inventive. On the other hand, the poor nations are undemocratic, unaccountable, unstable, non-progressive, lack legitimacy, creativity, innovation and invention.

However, social realities have shown that no continent is completely made up of rich nations, so also no nation is completely developed where all its citizens are rich, and contains

everything that is good. Even in advanced societies like America and Britain, there are rich and poor people and there are also good characters and people with questionable character. Likewise in underdeveloped nations like Nigeria, there are both poor and rich people, and there are those that have good character and others who do not. In other words, every society, be it developed or underdeveloped has both positive and negative sides. The difference between the developed and the underdeveloped is that in the former there is significant level of social infrastructure and majority of its citizens experience high standard of living, while in the latter there is deficit of social infrastructure and majority of its citizens are poor. Again, the poor nations are scattered all over the globe, they could be found in Asia, Africa, America and even Europe. Hence, poverty has no geographical limitation though Africa appears to be the worst hit by the disease. From the foregoing, it is incorrect to dualise the world the way Modernisation school did.

Moreover, this dual classification sees the West as being superior, while the Third world is inferior. And as long as the Third world students and scholars as well as policy-makers continue to accept the Western theory of development and anchor their quest for development on it, they in effect acknowledge their inferiority and the superiority of the West. Thus, their drive for development becomes a manifestation of their belief in their own inferiority and the reinforcement of that belief. This would translate to looking up to the West since they occupy the superior and enviable good state of being. With this type of mind-set the will to assert one is undermined, and the tendency to be dependent on the West is reinforced, and the Third world peoples become increasingly available for Western exploitation and domination.

6. Furthermore, Modernisation theory is concerned about order and system maintenance, thus it consigned development to a static status when it is a known fact that development is a dynamic process. The theory advocates for the maintenance of the status quo in the name of system stability or equilibrium, but it is factual that some societies have experienced development through a revolution or radical departure from the status quo. Typical examples are Russia after the Bolshevik revolution and China after the Chairman Mao's revolution. Moreover, it appears that part of the solution to the Third world underdevelopment problem would be radical change from the culture of corruption and impunity.

3.2 Shortcomings of Dependency Theory

In recapitulation, Dependency theory is also known as Underdevelopment School of Thought. It blames the West for the underdevelopment of the Third World. The theory argues that underdevelopment is a consequence of colonialism and neo-colonialism which led to the exploitation of the resources of the Third world and the ensued incorporation of their economies into the global capitalist system at a subjugated position in which their human and material resources further exploited by the industrialised capitalist nations. It states that independent capitalist development in the periphery is impossible, and therefore the only way the periphery can develop is to delink totally from the world capitalist system and chart a new path of development. As strong and convincing as the Dependency theory is, it still has some limitations. These include the following below:

Firstly, the Dependency theory's broad notion of Centre-Periphery relations in the global state economic system is ambiguous. The lumping of developed nations in one bloc tagged "centre" or "metropole" assumes there are commonalities among all developed nations whether capitalist or socialist. Also, the lumping of the underdeveloped nations into another bloc tagged "periphery" or "satellite" assumes that all underdeveloped have the same level of exploitation and underdevelopment. But we all know that there are variations in real world situations. For instance, Dependency School said that it is the advanced capitalist West that exploits the Third world. But in recent times, advanced socialist countries like China and Russia, have joined in this exploitation by making the underdeveloped countries dumping ground for weaponry and substandard electronics. Again, there are some advanced capitalist states that export primary commodities like crude oil. An example is Canada. Can we then say that Canada is also being exploited through her export like the underdeveloped countries? Moreover, there are some underdeveloped nations that produce finished goods and export such goods to other countries. An example is South Africa which apart from diamond, exports car (a finished product). Can we then say that South Africa (an underdeveloped country) is exploiting other underdeveloped countries through the export of its finished goods, but on the other hand, it is also being exploited by other capitalist nations any time it exports its diamond?

The critics of Dependency theory are of the view that its exponents should revisit their Centre - Periphery classification and tools of analysis, and come up with a more representative schema that would accommodate the differences particularly in economic relations among nations of the world.

Secondly, the Dependency School is so much consumed by the exploitation of the resources of the Third world nations by their ex-colonisers that it ignores the role of corruption, bad governance and political instability in the underdevelopment of the Third world nations. Although the impact of imperialism and neo-colonialism on Africa's development for instance, cannot be overemphasised, and neither can the role of corruption and bad leadership be underplayed. It is obvious that the presence of large scale corruption and bad governance in the Third world have led to the mismanagement of huge material and human resources, and this has contributed in no small measure to its underdevelopment.

Therefore, it is wrong for the Dependency theory to attribute the crisis of development in the Third world to only colonialism and Western exploitation. Other factors such as corruption and political imbroglio are also impediments to Third world development.

Thirdly, total delinking from the global capitalist system is one of the major recommendations of Dependency School as the only answer to the Third World development crisis. It argues that the underdeveloped states cannot achieve development as long as they remain incorporated into the world capitalist system.

However, experiences of the Asian Tigers like Taiwan, Singapore, and South Korea have shown that the underdeveloped countries can achieve development while still engaging in, or being part of the global capitalist relations. Also, Dependency theory fails to appreciate the law of relativity and interdependence of nations of the world because no nation is an autarchy or has all it requires for its development. On this note, the idea of total delinking or isolationism from the global economic system becomes likely impracticable, unfashionable and unprofitable. What appears possible however, is selective or partial delinking through a new international economic order in which the terms of trading and other economic relations should be mutual and beneficial to both the developed and underdeveloped nations.

4.0 CONCLUSION

It could be deduced from the fore-going analysis that Modernisation and Dependency theories have some limitations. However, both of them did offer useful explanations about the possible causes of the crisis of development in the Third world particularly Africa. What is therefore needed is to build a synergy between the propositions of both Schools of Thought and use it in tackling the problem of underdevelopment, exploitations, inequalities and social unrests around the world.

Both theories seek to provide answers to why the Global South lagged far behind the Global North in terms of comparative level of wellbeing and development. They also explain why the development experiences within the Global South differs so widely. Indeed, the diversity evident in the Global South invites the conclusion that underdevelopment should be explained by a combination of factors.

5.0 SUMMARY

This unit has critiqued the modernisation and underdevelopment theories of development. It revealed that while Modernisation theory is unscientific, ethnocentric, ideological and historical, and amounts to imperialism as it tries to foist on the Third World capitalist values, Western culture and institutions which deepen exploitation and dependency rather than development, Dependency School on the other hand, suffers from fallacy of over-generalisation and the neglect of internal factors like corruption and political instability in shaping and perpetuating the problem of underdevelopment. Despite all these limitations, both theories have some strong points which if synergised, could be useful in tackling the problem of development in the world.

SELF-ASSESSMENT EXERCISE

- i. Why is Modernisation theory inadequate for understanding, explaining and solving the crisis of development in the Third world?
- ii. What are the limitations of Dependency school of thought?
- iii. “The two major theories of development are parallel lines that can never meet.” Discuss.

6.0 TUTOR-MARKED ASSIGNMENT

According to Claude Ake, “the tenets of modernisation theory are not only untenable but also amounts to imperialism.” Do you agree?

7.0 REFERENCES/FURTHER READING

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UNIT 5 DEVELOPMENT IN THE INDUSTRIALISED ECONOMIES

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 A Brief Appraisal of Development in the Advanced World
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

Having critiqued the theories of development and unveiled their various limitations, we are now better placed to reappraise development as it applies to the industrialised countries of the world.

2.0 OBJECTIVES

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

- analyse objectively development in the advanced world
- itemise the Third world's contribution to the development of the advanced countries.

3.0 MAIN CONTENT

3.1 A Brief Appraisal of Development in the Advanced World

Most scholars and policy-makers from the industrialised countries of the world have always argued that their development was as a result of their progressive culture, strong democratic institutions and good leadership which are superior to, and are lacking in the Third World (W.W. Rostow and others). In other words, development in the advanced nations, is a consequence of their good values, creativity, inventions and innovations. To them, the underdeveloped nations have made no contributions to the development of the industrialised nations, that in fact, even the little development in the Third world is as a result of their contact with the industrialised capitalist West, without there would have been no development at all in the Third world particularly Africa.

Although it could be disputed that Western values are superior to non-western values because no culture is superior to another, it is a known fact that their creativity, disciplined political leadership and strong democratic institutions contributed significantly to their development. But that is not to say that the Third world countries did not contribute to such development. If the truth must be told, the material and human resources of the Third world nations especially those in Africa and South America not only contributed, but also sustained, and have continued to sustain development in the industrialised countries of the world particularly the West. Just imagine the following scenario.

1. Imagine if there were no slaves from Africa and South America to work in the European and North American Plantations. This would have significantly reduced production of goods such as refined sugar. The reduction in production would have translated to reduction in profits. This would have reduced the amount of savings for new investments and research which are all necessary for development. Europe and North America would not have developed at the rate they did if Africa, Asia and South America did not provide the needed man-power in form of slaves to work in their plantations and as a result, boost production, profits, savings and investments as well as research, which sustained their development.
2. Imagine if there was no imperialism and the Third world nations were not colonised. Their cheap raw materials wouldn't have been exploited to service industries in the West after the industrial revolution. The implication would have been, since the machines required raw materials to produce goods, most of the industries in the West would have closed operations as a result of lack of raw materials, while some others would have operated at losses instead of profits because of the expensive and few raw materials from Europe. If this had happened, invention and innovation would have been discouraged and industrial revolution stalled, and the pace of development in Europe and America substantially reduced.
3. Imagine if the Third world economies were incorporated into the global capitalist system at a just and fair position, and in which they also produce and export finished goods. The Third world would have been making enough gains and surplus values and would not be experiencing unfavourable balance of payment. Based on this, there is every likelihood that the Third World development would have equaled or be close to that of the industrialised countries.

4. Imagine if the global terms of trade and other international economic relations are designed and implemented for mutual benefits of all the participating countries, Africa would not have been contributing just about 1% to the global trade. The world resources would have been symbiotically shared and this would have translated to even global development with some little variations.

Imagine also if thousand of skilled Africans did not migrate to the US and Europe, there would have been shortage of human capital to fast-track development in the industrialised world. It is on record that an average of 30,000 Africans migrate to the US and Europe every year. About 25% of doctors trained in Africa work abroad in developed societies. In the United States alone, African immigrants are the highest educated set of immigrants. There are about 640,000 African professionals in the US, and about 360,000 of them hold PhD, about 120,000 of them are medical doctors from Nigeria, Sudan, Ghana and Uganda. Others are professionals who are making their mark in various fields of human endeavours (Archbishop Ndungane cited in Igwe, 2010). The implication of this is that through brain drain, human capital is exploited from Africa to fine-tune development and refresh the population in the advanced countries of the world. Hence without such exploitations, development in the advanced countries would have been slow or even stalled. Although Africa also benefits from such human capital relations in form of brain gain, the benefit is not substantial and its positive impact on Africa's development is very little.

SELF- ASSESSMENT EXERCISE

- i. Critically assess development in the advanced nations of the world.
- ii. In your own opinion, could development in the advanced nations, have proceeded without the resources from the Third world countries?

4.0 CONCLUSION

Having imagined all these possibilities, it is now understandable that Europe, North America and Japan and even emerging economies like China, India, and South Korea, would not have developed at the speed they did if not because of the ever-flowing stream of human and material resources from Africa in particular. Although internal factors such as creativity, industrial revolutions, disciplined political leadership and progressive values contributed significantly to the development of

the advanced nations, exploitation of African resources may the Third world remains the life-wire that sustains that development.

5.0 SUMMARY

This unit has objectively reappraised the issue of development as it applies to the advanced nations. It revealed that development in the advanced world is a function of both internal and external factors which include advanced nations' creativity, inventions and committed and accountable political leadership and democratic institutions (internal factors), as well as the exploitation of Third world resources particularly Africa (external factor). Without the external factor, development in the advanced nations would have been slow and perhaps unsustainable.

6.0 TUTOR-MARKED ASSIGNMENT

“Development in the Western Capitalist countries is a function of both exogenous and endogenous factors.” Explain.

7.0 REFERENCES/FURTHER READING

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UNIT 6 UNDERDEVELOPMENT IN AFRICA

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 A Second Look at Underdevelopment in Africa
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
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1.0 INTRODUCTION

Africa has the highest number of underdeveloped countries of all the continents in the world. In fact, underdevelopment has become synonymous with Africa. More often than not, African leaders and scholars blame the West for their underdevelopment especially as it relates to their economic predicaments. But there are indications that apart from external exploitation, there are other internal factors that have contributed to Africa's underdevelopment. This unit takes a second look at Africa's underdevelopment with the aim of finding out the internal obstructions to the continent's development.

2.0 OBJECTIVES

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

- explain underdevelopment in Africa objectively
- state those internal impediments to Africa's development.

3.0 MAIN CONTENT

3.1 An Appraisal of Underdevelopment in Africa

Africa is the richest continent in the world in terms of natural resources, yet it is the poorest continent in terms of socio-economic development. The story of Africa is that of a continent with a paradox of being so rich, yet very poor, so endowed with human and material potentials, yet very underdeveloped economically and otherwise.

Walter Rodney and other exponents of the Dependency School of Thought traced Africa's underdevelopment to imperialism and colonisation through which Africa was partitioned in Berlin Conference

of 1884/85 by foreign invaders - the European Powers, and its development stunted by the exploitation of its resources. For Rodney, an indispensable component of modern underdevelopment is that it expresses a particular relationship of exploitation - the exploitation of one country by another. All of the countries named as "underdeveloped" in the world are exploited by others; and the underdevelopment with which the world is now preoccupied is a product of capitalist, imperialist, and colonialist exploitation. Africa and Asian societies were developing independently until they were taken over directly or indirectly by the capitalist powers. When that happened, exploitation increased and the export of surplus ensued, depriving the societies of the benefit of their natural resources and labour.

However, it is true that colonialism and neo-colonialism obstructed, and have continued to obstruct in no measurable way Africa's quest for development, it is a more fundamental truth that internal factors have impeded Africa's development more than any other factors. Just consider the following possibilities:

1. Imagine if after the flag independence there was no corruption in Africa, and its resources were judiciously managed by its leaders, the condition of social infrastructure in Africa today would have improved significantly, and poverty would have been a history, or reduced to a reasonable degree. It is on record that African countries since independence have made billions of dollars from the export of their natural resources, but over 90% of such revenues has been either embezzled or mismanaged by their political leaders. For instance, it is believed that in Nigeria alone, about 400 billion dollars have been stolen from its externally generated oil revenues, and siphoned to private foreign accounts by the past political leaders. Imagine what that amount could have done if it was prudently utilised to provide basic amenities in the country, electricity supply would have been sufficient and regular, schools would have been well-equipped, hospitals would have been functional, all roads would have been tarred, many industries would have been built and sustained, standard of living would have risen, and poverty level would have been very low and inconsequential, and most importantly, underdevelopment might not have continued after independence.
2. Imagine if there was no political instability in Africa after independence, the continent would have experienced more development. It is on record that immediately after independence, most African states were engulfed by military coup, rancorous struggle for political power and the resultant prolonged political

imbroglio and civil wars, all of which hindered, and have continued to obstruct development efforts in Africa. From North to South, East to West, there is hardly any country in Africa that has not experienced either military take-over or civil war, or both. The stories of Sudan, Tunisia, Zimbabwe, Rwanda, Kenya, Ghana, Congo, Liberia, Somalia, Nigeria and numerous others, are that of countries torn apart by coup d'état, autocratic leadership, political instability and civil war. Any wonder Claude Ake submitted that "by all indications, political conditions in Africa are the greatest impediment to development". The African political elites are so much overwhelmed by the struggle for state power that everything else including development is marginalised. This is partly and largely responsible for Africa's underdevelopment.

3. Also, imagine if there was continuity of economic policies by successive governments or regimes in Africa. What we have seen over the years among the various military and even civilian governments in Africa is a situation where each government came to power with its own economic and development agenda that was entirely different from its predecessor's. There is no continuation in public policy of government. This partly explains why there are many uncompleted or abandoned development projects across various countries in Africa. This is not surprising because most African politicians play politics of rancor and bitterness, and see their opponents as political enemies, and vice versa. Hence, if the opposition happens to grab power, its first preoccupation is usually to dismantle all the features of the old regimes including their economic policies irrespective of how good and developmental such policies may be. This is part of the reasons why Africa is underdeveloped.

Imagine if there is patriotism and commitment on the part of African political leadership to embark on auto-centric development and, or to utilise judiciously loans from the IMF and World Bank which are sometimes given with good intentions, most African countries would have experienced development while still being part of the global capitalist system just like the Asian Tigers. Even the Millennium Development Goals (MDGs) would have been achieved long before now. Sadly and regrettably, Africa, more than any other continent, lacks patriotic and committed political leaders who are interested in the general good of the people.

SELF-ASSESSMENT EXERCISE

- i. “Europe exploited Africa, but Africa underdeveloped Africa.” Discuss.
- ii. “Africa’s underdevelopment is man-made, hence its solution lies in the hands of man.” What do you think is the solution to underdevelopment in Africa?

4.0 CONCLUSION

From the analysis so far, it is very clear that apart from colonial legacies, there are also internal factors such as corruption and political instability which are strong impediment to Africa’s development. It is therefore high time that African political leaders stopped blaming imperialism for the continent’s economic woes. It behooves the African political leadership to rise up to the occasion through self rebirth and self-designed development strategies to rescue Africa from the abyss of poverty and underdevelopment.

5.0 SUMMARY

This unit has been able to re-assess underdevelopment in Africa. It unveiled how both imperialism and internal impediment of corruption and political instability have combined and arrested Africa’s development. It argued that African would have developed if its political leaders have pursued development with patriotism, commitment, vigor and honesty.

6.0 TUTOR-MARKED ASSIGNMENT

“Political leadership is the greatest impediment to development in Africa”. Is it true?

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MODULE 2 EXTERNAL AGENTS OF DEVELOPMENT AND UNDERDEVELOPMENT

Unit 1	Global Capitalism and Globalisation
Unit 2	Britton Woods Institutions (IMF and the World Bank)
Unit 3	Multinational/Transnational Corporations (MNCs or TNCs)
Unit 4	The Politics of Debt and Foreign Aid in Africa
Unit 5	North/South Dichotomy and the Search for a New International Economic Order

UNIT 1 GLOBAL CAPITALISM AND GLOBALISATION

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7.0	References/Further Reading

1.0 INTRODUCTION

This unit examines the impact of international capitalism and globalisation on the Third world. It interrogates the present construction of the global economic system which from all indications is enriching some few countries in the North while at the same time deepening poverty and underdevelopment in the South. In other words, it unveils the evils of global capitalism and how globalisation is a veritable instrument for their perpetuation.

2.0 OBJECTIVES

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

- identify the origin of global inequality
- explain why globalisation is affecting different nations of the world, differently
- state why in the Third world especially Africa the “state” is still needed to pilot the economy.

3.0 MAIN CONTENT

3.1 Global Capitalism and Globalisation

3.2 Global Capitalism

The Third world nations particularly those in Africa are underdeveloped today not because of the incorporation of their economies into the global capitalist system, but because of “how” their economies were incorporated. Colonialism and neo-colonialism disarticulated and monetised the Third world economies and made them to be part of the global capitalist economy at a subjugated position. From the out-set, their economies were designed to produce mainly primary commodities or raw materials to service the industries in the Metropole. The Metropole or advanced capitalist economies were designed to produce finished goods that are marketable both in the Periphery and in the Core or Centre.

Again, the international regulations guiding the exchange of the raw materials from the Periphery and the finished goods from the Core are formulated and executed by the advanced capitalist nations to their advantage, but to the detriment of the Third world countries. The advanced capitalist nations deploy their exalted position in the global economic system to fix the prices of both primary commodities and finished products even though they often claim that such prices are not fixed by any country, but rather by the invisible forces of demand and supply which guide market economy. Prevailing realities have revealed that the so-called invisible market forces are very visible and are often manipulated by the advanced capitalist nations using their high influence in global institutions such as the World Trade Organisation (WTO).

International trade is essential to developing countries because having been integrated into the global capitalist order, international trade has become the major source of external revenue with which they could pursue development. However the problem with global trade is that it is

tilted in favour of the industrialised nations. The terms of trade and payment system are always unfavourable to the Third World countries particularly those in the South of the Saharan Africa. The forceful and unjust incorporation of the African economies into the international capitalist economic system at a position in which they produce what they do not consume (cash crops often exported to the industrialised countries as raw materials), and consume what they do not produce (finished goods such as cars, tea, electronics, ICT, etc) has continued to make Africa vulnerable to this open exploitation by which the advanced capitalist nations buy the raw materials at cheap prices and process them into industrial goods which they sell back to Africa at exorbitant prices. They use their privileged position in global affairs to fix both the prices of raw materials and that of finished goods. This usually results in trade deficits and unfavourable balance of payment in Africa because African countries often end up importing more than they export. The table below shows this great disparity in global trade.

Table 1: World Merchandise Trade in 2010

REGIONS	EXPORT VALUES (IN DOLLARS)	WORLD TOTAL
Europe	5.6 trillion	38%
Asia	4.6 trillion	32%
North America	1.9 trillion	13%
Middle East	916 billion	6%
CIS (Russia and Ukraine)	588 billion	4%
South America	575 billion	4%
Africa	500 billion	3%
TOTAL	14.679 trillion	100

Source: World Trade Organisation (WTO) 2011 Press Release

From the above table, it is obvious that in 2011 Africa contributed only 3% to the global trade. In 2012, Africa's contribution has even fallen to less than 2%. The reason is not because its goods are too small in terms of quantity, or amount of time and energy spent on their production, but because its goods are mainly primary products which are usually under priced by the industrialised nations. This is unlike finished goods from the industrialised world whose prices are very high as fixed by them.

Not even the World Trade Organisation (WTO) which came into existence in 1995 to address the deficiencies and the inherent prejudices of the Defunct General Agreement on Trade and Tariffs (GATT) which was established in 1948 to regulate trade among nations, has been able to tackle this injustice. Not even the creation of World Trade Tribunal

by WTO to address and redress disputes and breaches of rules and regulations arising from international trade could right this protracted wrong in global trade relations.

The bitter truth is that the WTO, typical of any element of global capitalism, is serving the interests of the rich capitalist nations which have been deploying different strategies to reinforce and perpetuate their domination of the global economy. Globalisation appears to be the latest strategy of this capitalist domination agenda. It is this that we now turn to.

3.3 Globalisation

Globalisation is a short form for a cluster of interconnected phenomena and the term is used to describe, alternatively, a process, a policy, a predicament or the product of vast invisible global forces producing tremendous changes worldwide. The leading analyst on globalisation is Thomas Friedman, (see the World is Flat...)

Globalisation can be seen from two different perspectives – globalisation as interdependence of nations and globalisation as imperialism. For the Liberal School, globalisation is process of greater integration and interdependence of nations for mutual benefits and global development. Francis Fukuyama in his book titled “the End of History and the Last Man Standing” opines that globalisation represents the victory of political and economic liberalism that is evidenced in the triumph of the western ideas and values and the exhaustion of viable systemic alternatives to western liberalism. For the advocates of globalisation, nation states should open up their economies through deregulation and removal of all national barriers to international trade and investments in so as to enjoy fully the inter-dependency, mutual exchange of goods and services as well as development opportunities which globalisation offers. They further argue that “government has no business in business”, and therefore should not intervene in the economy, but play minimalist role.

On the other hand, Radical School of thought views globalisation as the universalisation of capitalism through international economic policies with the aim of deepening the incorporation and dependency of the peripheral states on the developed capitalist nations. “Globalisation has come with new alliances that are purely economic and ideological...the forces that control the globalisation process are capitalist with an agenda of promoting economic liberalisation and enthroning capitalism on the world stage as the global ideology” (Babawale, 2007). For the antagonist of globalisation, it is a well calculated strategy by the North

to expand the operations of their Multinational Corporations for profit maximisation using the Information and Communication Technology (ICT). This however exploits and impoverishes more the already underdeveloped countries of the world. Based on this very fact, they regard globalisation as the highest stage of imperialism since it subjugates the Third World and appropriates its wealth to the West.

For the purpose of this course, the definition offered by the radical school appears to be more realistic and in tandem with the prevailing realities in the Third world. There is no doubt that globalisation offers some positive opportunities or gains to the entire world. For instance, it makes states of the world to be more interconnected and interdependent through trade and investments enhanced by improved Information and Communications Technology (ICT) like computers, mobile phones, internets and so on. In the words of Akinboye (2008), globalisation has brought a tremendous revolutionary transformation on our planet as a result of changes that have also taken place in ICT, all of which have cumulatively led to the villagisation of the globe. The interconnectivity emanating from globalisation is such that what affects one country can be seen and felt across the world, or can even affect or influence many other countries that are thousands of miles away. This is because the world has become a global village networked by ICT. Hence with just a click of buttons, you will know, see and even contribute to what is happening in any part of the world, even the most remote. The good thing about this global development is that there is now more global response to world issues or disasters such as Tsunami, climate change, terrorism etc.

However, whatever the gains of globalisation may be, its fallouts far outweigh its gains. It has integrated the world economies such that whatever affects one country particularly the big powers affect the entire world. In other words, it transfers the problem of one country to other countries that perhaps do not contribute to the problem. For instance, the Global Recession which lasted between 2007 and 2009 started in USA, but spread like wild-fire to other countries of the world including Nigeria.

Also, the effects of globalisation differ from one nation to another. While the industrialised nations gain more, the underdeveloped nations gain less. Moreover, the underdeveloped nations are more adversely affected by globalisation than the developed nations. The reason being that unlike the latter, the former are characterised by weak social infrastructure, low export prices, unfavourable terms of trade, debt crisis, and lack of bargaining power in international relations.

Khor (2000) laments that globalisation is very uneven process with unequal distribution benefits and losses. The uneven and unequal nature of the present globalisation process is manifested in the fast-growing gap between the world's rich and poor people, and between developed and the developing countries, and in the large differences among nations in the distribution of gains and losses.

Therefore, the argument that the Third World states like Nigeria would reap bountifully from globalisation if they open up their economies is misleading. For example, over the last few years, it has been observed that the more Nigeria embraced globalisation through privatisation and deregulation, the more underdeveloped it has become. In fact, experiences have shown that un-checkmated globalisation is a double-edge sword. Even USA which champions globalisation around the world is aware of this simple fact. That is why the state (government) is still central to the US economy. The State still pays unemployment allowance to the unemployed Americans. Also, when the US was hit hard by the global economic meltdown in 2008, President Barak Obama came up with a government intervention policy known as "Bailout" through which the government rolled out billion of dollars to bank-roll and save some of the troubled US companies such as the AIG, General Motors (GM), Citi-Bank etc, from bankruptcy and collapse, having been hugely affected by the global financial crisis. This is the same country that has been compelling the Third world governments not to intervene in their economies, but rather liberalise and allow the market forces to be the regulator.

SELF-ASSESSMENT EXERCISE

- i. "Global capitalism has produced comparative price advantage for the West in the world trade." Discuss.
- ii. Has globalisation enhanced or undermined development in the Third world?
- iii. Do you think Africa is ripe for non-government intervention in the economy?

4.0 CONCLUSION

The recent global financial crunch (2007/2008) has opened the eyes of many leaders of various countries to see the complex social and environmental consequences of unrestrained markets which globalisation advocates for. Global capitalism which is today in the guise of globalisation is founded on the foundation of exploitation of many by a privileged few, and that is partly responsible for the global inequalities and the resultant class struggle cum development crisis

across the world. Therefore, it behooves the Third world nations to exercise some caution while dealing with globalisation otherwise they will be totally consumed by it. It is also worthy to note here that the Third world countries especially those in Africa are not yet ripe for full liberalisation and globalisation.

We therefore conclude that the reduction of state to a minimalist status as prescribed by globalisation will eventually lead to the crucifixion of the state. But economies in the Third world particularly those in Africa still require the full attention of the state or government to provide not only the enabling ecology for businesses to thrive, but also the ever-needed adequate regulations. Allowing the market forces to regulate African economies with their weak institutions will only result in further exploitation, hardship and underdevelopment.

5.0 SUMMARY

In this unit, we have been able to critically examine the phenomena of global capitalism and globalisation. We argued that global capitalism in all its various manifestations was designed from the outset to enrich the industrialised capitalist world at the expense of the Third world development. We further asserted that the forceful disarticulation, monetisation and the unjust incorporation and subjugation of the Third world economies into the world capitalist system in which they produce what they do not consume, and consume what they do not produce, has produced an unfair comparative price advantage for the western finished goods as over the primary products of the Third world. This has contributed to more development in the West, but has deepened underdevelopment in the Third world particularly Africa. Finally, it is advised that the governments of the Third world states to be very careful as they engage in the on-going globalisation process so as to mitigate its fallouts while maximising its gains.

6.0 TUTOR-MARKED ASSIGNMENT

“Globalisation has continued to have both positive and negative impacts in the Third World.” Discuss.

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UNIT 2 BRITTON WOODS INSTITUTIONS (IMF AND WORLD BANK)

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 IMF and World Bank
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

This unit examines how the major International Financial Institutions have been contributing to the development and at the same time underdevelopment of the Third world countries particularly those in Africa. It uncovers how loans from the IMF and the World Bank to the periphery facilitate “development” on one hand, and how conditions usually attached to such loans further underdevelopment on the other hand. The unit also unveils how the developed nations used their high voting power and influence to design and manipulate policies of these institutions for their benefits, but to the detriment of the poor nations of the world especially those in Sub-Saharan Africa.

2.0 OBJECTIVES

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

- analyse the contribution of the International Financial Institutions to global development
- state the contribution of the International Financial Institutions to global inequality and underdevelopment in the Third world
- identify the central role of funding and politics in deciding who gets financial assistance and under what conditions, from global financial institutions such as the IMF and the World Bank.

3.0 MAIN CONTENT

3.1 IMF and World Bank

The International Monetary Fund (IMF) and International Bank for Reconstruction and Development – IBRD (World Bank) were conceived

in 1944 during the United Nations Monetary and Financial Conference in Bretton Woods, New Hampshire, United States of America. They came into existence in 1945 when their articles of agreement were signed by the first member states. However, in the trade area, the General Agreement on Tariffs and Trade (GATT) was also established, and after GATT transformed in the 1990's to World Trade Organisation (WTO). While the major mission of the World Bank was to help the countries that fought the 2nd World war to rebuild their devastated economies, the IMF was to provide the needed global financial services such as adequate funding, sound financial advice, global trade and balance of payment management, and to carryout technical /financial research and make available the reports of such research to countries that may need them so as to improve global economy (Blanco and Carrasco, 2012). With the help of America's Marshal Plan combined with the efforts of both IMF and World Bank, European economies were rebuilt and development was restored to Europe.

Since then, the functions and focus of the IMF and World Bank have shifted to mainly developing countries that are still having enormous economic problems, and are in dire need of development. However, these Bretton Woods institutions have not been able to replicate what they did to European economies after the world war 11, rather they have become veritable instruments in the hands of the developed nations particularly the capitalist West who are their major financiers and decision makers, for the exploitation and underdevelopment of the periphery.

The advanced capitalist countries have been able to perpetrate and perpetuate these exploitation and dependency in the Third World partly because they are the major financial contributors to the IMF and World Bank, They have the highest voting powers in these institutions, and they do not hesitate to use such powers to benefit themselves at the expense of the Third World. By virtue of their financial contribution to these global financial institutions, the Western nations are the decision makers and as such they dictate who gets what, how and when. This is a clear manifestation of the aphorism that he who pays the piper dictates the tune. The G-7 members (United States, Canada, United Kingdom, France, Italy, Germany and Japan) are top contributors to the World Bank and IMF, and together they control over 40 percent of the votes. The US is the only country with a super-majority power to block any decisions of the World Bank. The World Bank president is always an American and the president of IMF is always European. Therefore, the developing World has little or no say over the policies of these international financial institutions.

There is no doubt that the World Bank and IMF support development in the Third world countries by given them loans or grants for development projects such as rural electrification, rural telephony, health care, construction of dams and irrigation channels for agricultural production, urban renewal (construction of street roads, waste management, and provision of potable water and street lights in some urban cities) and some other World Bank and IMF Assisted Projects.

However, the conditions that are usually attached to these loans and the manner in which the projects they are meant for are executed do more harm than good to the economies of the Third world. In Africa for instance, the interest rate IMF and the World Bank attach to their loans for countries in the continent is so high that at times one wonders if these institutions are really development-oriented, or are they profit-oriented? It would have been a different thing if these institutions are commercial banks or enterprises whose major goal is profit maximisation. In a situation where they were set up with a mandate to fast track global development, it becomes worrisome when these global financial institutions pay more attention to interest rate on loans and profit making rather than development. Even the conditions for servicing such loans are sometimes designed in such a way that the recipient countries cannot fulfill them, and as such would have to pay through their nose to service the debt and arrears that would accumulate over time. Any wonder many countries in Africa suddenly became heavily indebted nations and had to be granted debt relief so that their already bankrupt economies can remain afloat.

Another inimical condition usually attached to loans from IMF and World Bank is the insistence by these institutions that the recipient countries must not only pay for consultancy which often takes half of the loan, but also purchase the materials that would be used to execute the projects from the West, notably the major financial contributors to the institutions. The consultants are of course expatriate from the institutions or the West. The danger of this is that consultancy alone consumes significant percentage of the loan thereby leaving little or nothing for the execution of the projects. Also, the recipient states spend huge part of the loan on importation of materials which otherwise could be sourced or produced locally. For example, in 2010/2011, the World Bank granted Nigeria millions of dollars on loan to control malaria which is one of the major child killer diseases in the country. However, one of the conditions attached to the loan was that Nigeria must import the materials for the programme such as “insecticide treated mosquito nets” from America and Europe. We all know that Nigeria has the local capacity to produce insecticide treated mosquito nets of course, but she was not allowed to do so. Then fundamental question is: if developing

countries are not allowed to produce goods as simple as mosquito nets, how can they attain self-sufficiency or even development which the World Bank claims to be facilitating? These strategies are not only inappropriate, but also constitute impediments to the developing countries quest for sustainable development.

Moreover, imposition of market economy driven reforms has become a constant feature or condition of IMF and World Bank loans. It is a known fact that more often than not the so-called development partners foist on developing countries reforms that are based on market economy principles through the IMF and World Bank. Most at times, they don't mind cooperating with even corrupt regimes in the Third World inasmuch such regimes agree to open up their economies so that the so-called invisible hands of forces of demand and supply would regulate the prices of goods and services.

Polanyi (1944) has argued that this very principle of self-regulating market is not only untenable, but also utopian because government always intervenes and regulates the economy even in advanced capitalist nations like Britain, USA, etc. A recent example was the use of billions of dollars as bail-out (giving public money to distressed private companies) by the US government during the 2008 and 2009 global economic melt-down to save companies like the General Motors (GM) and Citi-Bank from bankruptcy and possible collapse. In fact, the imposition of open market system on the developing countries is being used to exploit them because once they open up their economies; the developed nations do not waste time to saturate the Third world markets with cheaper and more quality goods which often have competitive edge over the locally made goods. This creates low demand for locally produced goods, but high appetite for foreign goods. The implication is that local industries are kicked out of business due to low patronage, and the dependency of developing countries on industrialised nations is deepened.

It is worthy to note at this juncture that some of the IMF and World Bank led Reforms in the Third World are at times in conflict with the internal development plans of developing countries. This is what Ake (1996) called 'competing agendas' and according to him, "nowhere is the conflict more evident than in the rift between the Bretton Woods institutions and African governments over approaches to African Development. The Structural Adjustment Programme (SAP)" of 1986 in Nigeria is one of such IMF/World Bank led reform and development initiative that had catastrophic consequences on Nigerian economy. Up till today, Nigeria is yet to recover from the negative impact of the austerity measures and the devaluation of naira which were part of SAP.

Nevertheless, the IMF and World Bank are sometimes unwilling to fund development programmes in the Third World countries or even help them when they are experiencing economic crisis. A typical example is the inadequate funding of the Millennium Development Goals (MDGs). It is on record that the MDGs may not be achieved by the year 2015 largely because of the failure of the World Bank and IMF perhaps donor agencies to meet their financial pledges to the MDGs. But the same institutions are always ready to dish out billions of dollars to help the Western nations whenever they are in economic crisis. For example, the IMF has committed billions of dollars in bailout to the Euro-Zone Debt Crisis with little conditions attached. Nobody is asking Greece, Italy, Poland and Spain to use their Foreign Reserve to solve their debt problem. If Africa countries were to experience such debt crisis, it is unlikely that IMF would extend such gesture to them, and moreover, the IMF would have compelled such countries to use their Foreign Reserves and tackle the problem just as it happened during the debt relief in which Nigeria for instance had to spend 12 billion dollars of her Foreign Reserve on debt-buy-back so as to have 18 billion dollars debt relief.

SELF-ASSESSMENT EXERCISE

- i. Discuss how the top financiers of IMF and the World Bank influence the policies of the institutions and determine who gets what, how and when from the institutions.
- ii. Judging from the prevailing global economic problems, do you think the world still requires the services of the IMF and World Bank? Explain.
- iii. Suggest ways to manage the IMF and the World Bank so that every country, be it rich or poor, developed or underdeveloped, capitalist or socialist, can benefit evenly or fairly from the institutions.

4.0 CONCLUSION

From the foregoing analysis, it is clear that the international monetary machines such as the IMF and World Bank are double edged sword which on one hand support global development, on the other hand contribute to the underdevelopment of the Third World through its policies. We therefore conclude that these International Financial Institutions are more or less veritable instruments in the hands of the advanced capitalist countries for deepening dependency and underdevelopment in the Third World states particularly those in Africa. Thus, they should be reformed in such a way that their policies will always benefit both the rich and the poor countries of the world

irrespective of a country's financial contribution to the institutions or voting power in the institutions.

5.0 SUMMARY

We have been able to appraise the activities of some global financial institutions such as the IMF and the World Bank. These institutions were set up to fine tune global economic development through provision of adequate loans or funding and economic advisory services to nations of the world particularly the poor ones. Unfortunately, these institutions have not satisfactorily fulfilled this mandate in the Third World. They have rather become a willing instrument in the hands of their major financiers which happened to be America and Europe, to perpetuate the international capitalist economic order and foist capitalist policies on the Third world which in the short-term and long-run benefit the West at the expense of the Third World. The overall objective is to deepen dependency and underdevelopment in the Third World for the economic well-being of the West.

6.0 TUTOR-MARKED ASSIGNMENT

“IMF and World Bank are sometimes used to further the exploitation and underdevelopment in Africa and the Third world in general.” Do you agree?

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UNIT 3 MULTINATIONAL CORPORATIONS/TRANSNATIONAL CORPORATIONS (MNCs or TNCs) AND GLOBAL DEVELOPMENT

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Multinational/Transnational Corporations
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor- Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

There is a raging debate among scholars and policy makers about the role of Multinational Corporations (MNCs) in global development. To some analysts, MNCs contribute positively to development particularly in the Third World. To others, MNCs are agents of underdevelopment in the Third world. Yet, to some others, MNCs play both positive and negative roles in the Third World development.

This unit therefore examines the activities of MNCs in the Third world so as to bring to the fore their pros and cons which invariably contribute to development and underdevelopment.

2.0 OBJECTIVES

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

- analyse the activities of MNCs in developing countries
- pinpoint the contributions of MNCs to global development and underdevelopment.

3.0 MAIN CONTENT

3.1 Multinational Corporations (MNCs) are also sometimes known as Transnational Corporations (TNCs)

Since World War II, (WWII) one of the key non-state actors that plays an increasingly powerful role is the corporate actor. There are basically three different kinds of corporate actors, MNC's, TNC's and Business

Alliances. The first two are most prevalent in International Political Economy. Whilst most people do not bother to make a distinction between MNC's and TNC's, there is a distinction worth making. MNC's are generally referred to as national companies that have foreign subsidiaries. In a sense they are clones of the parent company. TNC's generally have a local perspective when it comes to sales, service, public relations and legal affairs, but they have a global perspective when it comes to parts, machines, planning, research and development, finance, marketing, pricing and management. In essence, TNCs usually view themselves as separate non-national entities. This distinction may be easily blurred.

In more specific terms MNCs are foreign private enterprises whose parent companies and headquarters are located in the home countries of their owners, but have subsidiaries spread across different other countries of the world. The operation and management of the subsidiaries are directed from the headquarters which are located thousands of miles away. MNCs operate in the various sectors of the economy ranging from oil and gas, mining, banking, manufacturing, electronics, automobile, construction to ICT. Examples of MNCs in Nigeria include: Shell Petroleum, Chevron, UAC, Toyota, Kia, LG, SAMSUNG, Thermocool, Nokia, MTN, Standard Chartered IBTC and numerous others. The cardinal goal of these companies is profit maximisation and repatriation of such profits to their home country. The benefits and costs attributed to MNCs have been many and complex. This has made them highly controversial non-state actors, especially in the global South where MNCs are frequently seen as the cause of exploitation and poverty.

There is no doubt that MNCs do make some positive contributions to the development of their host country. For instance, they pay royalties and taxes to the government of their host country. Thus, they are potential source of revenues to the government. Also, MNCs do provide employment to the indigenes of their host communities. Some of the indigenes or citizens of the country where MNCs are sited are usually employed to work in these companies. This helps in solving the unemployment problem. Moreover, MNCs in fulfillment of their corporate social responsibility do provide social infrastructure in their host communities. In other words, they sometimes help the government to provide basic amenities such as roads, hospitals, potable drinking water, schools and electricity for the well-being of the citizenry. In some instances, they give scholarship to the indigenes of their host communities.

However, MNCs particularly those operating in Africa do engage in insalubrious practices which directly and indirectly further underdevelopment. First is the unwholesome act which emanates from their mode of operations. It has been discovered that MNCs secretly engage child labour. In an attempt to make huge profits, MNCs now site their subsidiary plants in countries with large population like China, India and Brazil where labour is cheaper. They produce their goods in such countries and export them to other countries at high price. In addition to this, some MNCs do employ under-age children to work in these factories, and worst still these children are usually under-paid. Some of the cases of child trafficking if properly investigated may have links to some of these MNCs factories. This act amounts to child cum human capital exploitation which is neither good for the development of such countries nor the Third world where most of these children are trafficked from.

Second, although MNCs in the Third world do employ citizens of their host countries, such employees are usually under-paid when compared to their foreign counterparts working for the same MNCs either in the host country or home country. For instance, while a Nigerian manager in Chevron may be earning 400 thousand naira monthly as salary, a foreign manager with even less qualification may be earning 20 thousand dollars monthly. When this is converted into Nigerian currency, it runs into millions of naira. This amounts to exploitation, and the implication of this exploitation is that workers of MNCs in the Third world are paid salaries barely enough for subsistence. Thus, at the end of every month, they are left with little or nothing for savings and investments. This partly explains why there is low savings and investments among developing states. And without big savings and investments, economic development is likely to remain low or unattainable.

Third, since the primary objective of MNCs is to maximise profit, they do not hesitate to compromise quality of goods and services meant for the Third world consumption. Hence, some electronic gadgets and other goods exported have been found to be less in quality when compared to those consumed in the advanced nations. Although we acknowledge the complicity of the Third world leaders and comprador bourgeoisie who in order to make abnormal profit partner with the MNCs or even encourage them to produce and export substandard goods to their countries. Worst still, the prices of these goods are very exorbitant when compared to what they cost in Europe and America. Hence, cars, refrigerators, air-conditioners, TV and radio sets, handsets, etc cost less in oversea markets. This unjustifiable variation in prices amounts to exploitation of the Third world resources and the danger of this is that the Third world countries are exploited of their hard earned monies and their foreign

reserve depleted to service trade and payment deficits. This often leaves them with little or no funds for capital projects and development. Fourth, in some cases, the MNCs do not keep their terms of contract nor abide by the rules and regulations which ought to guide their operations in their host country. Most at times, MNCs abuse international best practices just in an attempt to save cost and maximise profits. In Nigeria for example, there have been cases where Multinational oil companies operating in the Niger Delta failed to carry out Environmental Impact Assessment on prospective oil blocs or fields before exploration. Apart from illegal bunkering and vandalism which do cause oil spillage, there have been several cases where oil spillage was the fault of the multinational oil companies which sometimes use substandard oil facilities and cut corners in order to make more profit. Gas flaring has become constant feature of oil exploitation in the Niger Delta. All these have led to air, land and water pollutions and total environmental degradation in the region. The implication of this is that the fauna and flora in the Niger Delta have been destroyed and the people's means of livelihood (fishing and farming) endangered, and this directly and indirectly retards their development. In 2010, the United Nations Environmental Programme (UNEP) Report on Ogoni land revealed that the oil spillage there and the subsequent environmental damage was caused by Shell's negligence and non-adherence to the International Best Practices as regards to taking proper care of the environment where crude oil is being exploited. According to the Report, the damage caused by the oil spillage in Ogoni land alone will cost about 1 billion dollar (that is about 150 billion naira) to be cleaned. Up till date, the company (Shell Petroleum) has done nothing to clean up the oil spillage and compensate the Ogoni people. Other oil producing communities have similar story in respect to the activities of the multinational oil companies. It is worthy to note at this juncture that these multinational oil companies cannot try this breach of international best practices or allow oil spillage or gas flaring in their home country.

Fifth, on the surface it may appear that MNCs inject capital into the economy of their host country through Foreign Direct Investments (FDIs). Even if they do, "FDI has a negative effect on domestic savings, as it gives room for the recipient country to increase its consumption. FDI generates... negative effects on the flow of foreign exchange on two accounts: financial and trade. On the financial side, FDI brings in capital but also leads to a stream of outflow of profits and other investment incomes. This outflow increases through time as the stock of foreign capital rises. Thus, FDI has a tendency to lead to decapitalisation" (Ghazali cited in Khor, 2000). In other words, MNCs promote and indulge in capital flight.

In Nigeria for instance, MNCs make billions of dollars in profit every year, but more than 80% of this surplus value is repatriated to their home countries to advance and consolidate development, whereas nothing or little is invested back into the Nigerian economy which is in dire need of capital and development.

Furthermore, MNCs sometimes deliberately cause political instability in their host country by sponsoring military coup d'état in order to remove any government whose policies they consider unfavourable, and replace it with a puppet one that will accept bribe and allow them to cut corners. With their enormous wealth and international connections, MNCs has the capability to finance and execute military coups. An example was the forceful overthrow of Salvador Allende's government in Chile in 1973 in which a multinational corporation (International Telegraphs and Telecommunications) doing business in the country sponsored (Babawale, 2007). It is believed in some quarters in Nigeria that the bloody coup of 1976 which led to the death of the then military Head of State – Gen. Murtala Mohammed, was sponsored by some MNCs that considered the government's reforms to be unfavourable. The implication of MNCs-induced political instability is that it creates unfriendly environment for investment and allows corruption to thrive, and this is anti development.

MNCs are only interested in profit making. The only reason why they pay taxes, create jobs and carryout some corporate social responsibility is because such acts are necessary for their operations and existence as well as continuous exploitation of the resources of their host country. Accordingly, (Blowfield, 2005) argues that the presence or absence of international companies in a country can affect its development, but we should not lose sight of the fundamental fact that such companies engage with developing economies for commercial reasons, not developmental ones. Although there may be areas of overlap between development and business goals, it is important to understand where there are gaps and contradictions.

SELF-ASSESSMENT EXERCISE

- i. How do MNCs contribute to the development and underdevelopment of the Third World?
- ii. What role does politics play in shaping the activities of MNCs in the Third World?
- iii. Describe the positive and negative impacts of the MNCs operations in Nigeria citing appropriate examples.

4.0 CONCLUSION

From the prevailing social realities, it is clear that the activities of MNCs in the Third World contribute to development, and at the same time furthers underdevelopment. MNCs are ready to do anything including killing and pollution of the environment so as to maximise profit. We therefore conclude that the on-going underdevelopment crisis in the Third World is partly caused and deepened by the exploitation of the Third World resources by the MNCs together with their conspirators – the comprador bourgeoisie.

5.0 SUMMARY

This Unit has been able to define Multinational Corporations (MNCs) as those foreign enterprises whose parent companies and headquarters are located in their home country, but have subsidiaries sited in different countries of the globe. MNCs engage in almost every sector of the economy – namely; banking, manufacturing, oil and gas, ICT and so on. Their major goal is profit maximization. They contribute to the development of the Third World through provision of revenues to the government, employment to the citizens of their host country and social services to their host communities.

However, MNCs also contribute to the underdevelopment of the Third World through their exploitative activities which includes; child labour, human capital exploitation, price of goods exploitation, quality of goods compromise, capital flight and political instability. All these they do through the help of their partners in exploitation – the comprador bourgeoisie.

6.0 TUTOR-MARKED ASSIGNMENT

Explain the role of MNCs in the development of the Third world.

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UNIT 4 THE POLITICS OF FOREIGN AID AND DEBT IN AFRICA

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Foreign Aid in Africa
 - 3.2 Foreign Debt in Africa
- 4.0 Conclusion
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1.0 INTRODUCTION

This unit looks at the impact of foreign aid and debt on Africa's development. To do this, it examines the politics of external assistance and debt in Africa. It argues that most foreign aid to Africa has strings attached which in a long-run undermine development in the continent. Also, foreign debt has been deployed by the developed countries of the world and their International Monetary Machines to intimidate the Third World countries into accepting and implementing liberal policies which often lead their economies into deeper crisis.

2.0 OBJECTIVES

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

- identify how foreign aid is used by advanced capitalist countries to undermine Africa's development
- establish a link between the crisis of development in Africa and the politics of foreign debt
- explain why the advanced capitalist nations are always willing to give foreign aid to African countries despite the prevalence of corruption and bad leadership.

3.0 MAIN CONTENT

Politics of Foreign Aid and Debt in Africa

3.1 Foreign Aid in Africa

Foreign aid is the material and non-material assistance which a country that is in need receives from another country, other countries and, or international aid agencies. Foreign aid comes in a variety of forms and is used for a variety of purposes. Some aid consists of outright grants of money, some of loans at concessional rates, and some of shared technical expertise. Most foreign aid bilateral and is termed Official Development Assistance (ODA) - meaning the money flows directly from one country to another. Another increasing portion is now channelled through Global Intergovernmental Institutions, like World Bank and hence, is known as multilateral aid. The motives/purposes of aid is targeted at poverty reduction, through economic development, environmental protection, reduced military spending, enhanced economic management, promotion of democratic governance and human rights, etc.

In other words, it is any financial, material or human assistance from a donor country to a recipient country. That is to say foreign aid may be in form of money, humanitarian (e.g. rescuers, medical doctors, lawyers, engineers, etc) or materials such as food, medications, building materials, weaponry and so on. Almost every developed nation has an aid agency through which it renders help to poor countries of the world. One of the most famous of such aid agencies is the United States Aid for International Development (USAID) which gives billions of dollars in aid to poor countries across the world particularly those in Africa, Asia and South America. Poor countries receive aid from the rich nations and international organisations like the United Nations, European Union, World Bank, etc, to address one developmental need or the other. Thus, on the surface, foreign aid may be given for the provision of social infrastructure; or to support democratisation policies; or to cushion the effects of natural disasters such as drought, earthquake, tsunami, flooding, etc, or to wage war on terrorism.

War and crisis have made most countries in Africa so poor that they depend largely on foreign aid to survive. A typical example is Somalia which is referred in most literature as a “failed state”. Moreover, all countries in Africa including Nigeria receive one form of foreign aid or another. However, there is hardly any of such foreign aid that has no string attached to it. In some cases, foreign aid is tied to a particular reform or liberal policy or project of the donor nation. Such reform or

project is more often than not designed to promote economic well-being and influence of the donor nation at the expense of the recipient country. In fact, foreign aid is sometimes used to promote imperialism in Africa.

For example, the use of foreign aid to promote European languages such as French etc, to the detriment of developing countries' indigenous languages and values. This often creates cultural vacuum in the Third World. Unfortunately, development is imbued in culture and the best way to kill a culture is to destroy its language. All these mechanisms only serve one purpose – deepening of imperialism or neo-colonialism by inculcating Western values and culture on the Third world so as to perpetuate the parasitic dependent relationship between the West and developing countries.

Another good example is that sometime foreign aid is debased from the urgent primary needs of the recipient country. For instance, Egypt receives about 1.3 billion dollars worth of military aid from the US every year. This is a country that many of its people still don't have access to basic social amenities like constant electricity, good network of roads, functional hospitals, well equipped schools and so on. Imagine if the foreign aid to Egypt for military training and acquisition of weaponry is rather given for job creation and provision and improvement of social infrastructure. Surely, if that is done, millions of Egyptians will be lifted out of poverty.

It is important to note that, many donors have become frustrated with the slow growth rates of many Global South recipients. They resent the aid recipient countries do not have the core Western values that they believe are crucial for progress and prosperity, and they see this as standing in the way of development. They have thus grown increasingly insistent on 'conditionality' or demands which the aid recipients must meet to receive assistance. On top of this, Global South countries complain that the Global North donors should provide 'trade not aid', to improve their global position. They see aid as an inducement of neo-colonialism and neo-imperialism. They also resent the conditionality criteria for receiving aid imposed by the IMF and other multinational institutions.

They thus advocate for trade and investments as substitutes for aid.

There is no doubt that insecurity is one of the major banes on Africa's development. But the rising insurgency, terrorism and insecurity on the continent are consequences of the rising unemployment and poverty. This therefore requires economic solution rather than military crackdown. Moreover, foreign aid is most times tied to liberal policies such as privatisation and deregulation under which the Third world

countries are compelled to open up their economies with promises of rapid economic benefits. Regrettably, such policies usually end up in compounding the problems of the Third world rather than solving them. The truth is the more they opened up their economies, the poorer they have become, whereas the richer the advanced capitalist nations have become.

3.2 Foreign Debt in Africa

Many countries of the world borrow external loans to finance their revenue deficits and development needs. In the fourth quarter of 2012, the United States had the highest foreign debt in the world at nearly USD16 trillion. The United Kingdom was second, USD10.1 (see, Global Finance @; www.gfmag.com/component/content/article/119...). Foreign debt or external debt is part of the total debt that is owed to creditors outside the country. The debts include money owed to private commercial banks, other governments, or international financial institutions like the IMF and World Bank. The debt may be comprised of fees for goods and services or outstanding credits due to a negative balance of trade. Total foreign debt can be a combination of short-term and long-term liabilities. Some Africa countries obtained foreign loans from International Financial Institutions (IMF and World Bank) and bilateral sources with the intention of using them to fast-track development, but that never happened. Rather the loans they collected deepened their underdevelopment more. Most observers of international affairs believe that the origin of Africa's debt crisis could be traced to the "petrodollar recycling" of the 1970s. During this period, the price of crude oil rose geometrically in the international oil market. Thus oil exporting countries made billions of dollars, but some of them particularly those in Africa and Latin America in an attempt to build massive social infrastructure so as to achieve rapid development, started borrowing foreign loans thinking that the oil boom would continue, and with billions of dollars accruing to them from the sale of crude oil, they could easily repay the cheap loans. However, the global economic recession of the early 1980s gave a blow their dreams. Following the recession, the price of crude oil in the international oil market dropped, exports of developing countries decreased, the value of dollar increased relative to other currencies, global interest rates increased and the foreign reserves of the developing countries dropped since they relied on them heavily for their international transactions. Worst still, their foreign loans started to double since they carry floating interest rates which increase along global interest rate (Carrasco, 2007).

To compound the situation, the creditor nations and institutions later started attaching additional conditionality to the loans. First, the floating

interest rate metamorphosed into compound interest rate. It was this development that really caused debt crisis in the Third World especially in Africa because the debtor countries' debts skyrocketed at a speed that made it increasingly difficult not only to repay the debts, but even to service them. Year after year, the debts kept accumulating - both in principal and in arrears. The cost of debt servicing alone became very high such that it surpassed the amount borrowed. This was and is still the fate of most debtor nations. To give life to this analysis, let us use Nigeria to illustrate. Before the debt relief granted to Nigeria in 2006, she owed approximately 34 billion dollars to the London and Paris Club of Creditors. But the truth is that actual total amount that Nigeria borrowed was only 17 billion dollars, and she had spent 18 billion dollars on servicing and repayment. Despite the fact that Nigeria spent more than the amount she borrowed (\$18 billion - \$17 billion), she still owed 34 billion dollars. This was the major reason why the debt profile of developing countries doubled from 500 billion dollars to 1 trillion dollars between 1980 and 1985, and doubled again between 1985 and 2000 (Carrasco, McClellan and Ro, 2007). The implication of this was that money which the debtor nations would have used for development is often spent on debt servicing and repayment. This has become one of the major sources of capital flight and underdevelopment in Africa.

Furthermore, another issue worthy of note is "odious debt". Alexander Sack cited in Carrasco et al (2007) remarked that a debt is presumed to be odious if it satisfies the following criteria: First, if it was contracted by a despotic and corrupt regime. Second, if it was not used for the general interests or needs of the citizenry and third, if the lenders knew about the first and second situations, but continued to lend the money. Examples of odious debts abound in Africa. In South Africa, IMF and Bilateral Lenders ignored the apartheid regime' crime against humanity, and continued to pour in billions of dollars to the government. At the end of the Apartheid, the successor government was saddled with a foreign debt worth 21 billion dollars. Another good example is Nigeria where the various military regimes were lent billions of dollars by the London and Paris Club of Creditors, the IMF and World Bank. Most of these loans were either used for white elephant projects like the Ajaokuta Steel Mill, or used to buy properties like houses in foreign countries or siphoned into private bank accounts domiciled in the USA and European Banks. No wonder *Le Monde* (1990) cited in Igwe (2010) revealed that:

Every franc given to impoverished Africans comes back to France or is smuggled into Switzerland by African bureaucrats and politicians.

And the most pathetic aspect of this is that a significant percentage of the siphoned money which is deposited in foreign banks indirectly comes back to Africa as loans on which interest must be paid. This is why some scholars are of the opinion that the popular perception of Africa as “heavily indebted continent” is sometimes misleading. The truth is that despite Africa’s debt liability, it still remains a “net creditor” to the rest of the world particularly the capitalist North. Africa’s foreign assets far exceed its foreign liabilities. The problem is that while these assets are owned by private Africans most of whom cornered the commonwealth of their various countries, the liabilities are public and owed by African people at large through their governments. The accumulated capital flight from Africa in the past four decades is estimated at 700 billion dollars in real terms, and over 900 billion dollars if interest earnings are added. This overwhelmingly exceeds its overall debt stocks (Ndikumana and Boyce, 2011a).

Apart from capital flight caused by debt servicing and repayment, more than half of the loans borrowed every year are siphoned out of Africa. Often at times, the loans depart the same year they are borrowed with significant proportion ending up in private accounts at the very foreign banks that provided the loans in the first place. The same International Financial Institutions or creditor nations that made the official lending would help the corrupt African leaders that were entrusted with borrowing for their countries to misappropriate the loans. The same creditors would turn blind eye on the illicit wealth accumulation by the corrupt African leaders, and even offer them the comfort and protection of the banking secrecy laws, to pursue unlawful and parasitic enrichment. The same creditors would turn back and say ‘African leaders are corrupt’ and that is why the loans were mismanaged by them (Ndikumana and Boyce, 2011b). In this way, enormous wealth is siphoned out of Africa to the developed North. In other words, the wealth of the poor countries is used to subsidise and finance development of the rich nations of the world. What an irony!

Moreover, even the so-called debt relief has not saved Africa from this exploitation. More often than not, debt forgiveness is granted after the actual debt or loan has been indirectly repaid by the debtor nation through debt servicing. Worst still, in most cases the debtor nation is compelled to pay half of the accumulated arrears and interest on the debt or buy back significant percentage of the total debt in a single settlement, as one of the conditions to have the remaining part of the debt cancelled. No wonder Chiakwelu (2009) describes the Nigerian Government payment of about 12 billion dollars to the London and Paris Club of Creditors so as to have 18 billion dollars debt relief, as “the

largest transfer of wealth in the modern time” by a relatively poor country to wealthy nations.

Africa is a continent beset with dire problems – diseases, wars and economic instability are still ravaging the continent, the least thing that Africa needs at this difficult time is enormous capital flight in the name of debt-buy-back or debt servicing, Every penny in Africa is needed to curb these array of problems so as to improve the quality of life in a continent that is regarded as the cradle of human civilisation.

SELF-ASSESSMENT EXERCISE

- i. How do the donor nations use foreign aid to advance their political and economic interests in Africa?
- ii. Does odious foreign debt contribute to the underdevelopment of Africa? Explain.
- iii. Why are developed nations often willing to give foreign aid and loans to African countries despite the pervasive corruption and lack of good leadership among African politicians?

4.0 CONCLUSION

Foreign aid and loans to Africa serve more the interest of the donors and the creditors. The politics of foreign aid and debt is used not only to unduly influence African economy, but also to control its resources for the benefits of the advanced nations of the world. We therefore infer that foreign aid and debt have done more harm than good to Africa’s development.

5.0 SUMMARY

So far, we have been able to analyse the politics of foreign aid and debt in Africa. We have shown that other than development, foreign aid and debt are being used by the advanced nations to promote their economic interests in the Third world. This is usually done to the detriment of the Third world economies. Just as most foreign aid is tied to liberal reforms and projects that will consolidate the undue influence of the donor nation on the recipient nation’s economy, foreign debt is designed to empty the foreign reserves and external revenues of African countries. The overall aim is to deepen dependency and economic exploitation in Africa.

6.0 TUTOR-MARKED ASSIGNMENT

“Foreign aid has done more harm than good to Africa’s Development.” Discuss.

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UNIT 5 NORTH/SOUTH DICHOTOMY AND THE SEARCH FOR A NEW INTERNATIONAL ECONOMIC ORDER

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 North/South Dichotomy
 - 3.2 The Call for a New International Economic Order
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

This unit brings context and understanding to the dichotomy between the developed North and the underdeveloped South. Also, it examines the call for a new international economic order as the only way to bridge the ever rising gap between the developed nations and the Third world.

2.0 OBJECTIVES

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

- identify why the rich nations are getting richer, while the poor nations are getting poorer
- explain why underdeveloped nations are calling for a new order for global economic relations
- analyse the reasons the status quo ante in the international capitalist economic system may last for a long time despite its deficiencies.

3.0 MAIN CONTENT

North/South Dichotomy and the Search for a New International Economic Order

3.1 North/South Dichotomy

The earth is divided into two hemispheres, north and south, at the equator. This divide represents a popular way of describing the inequalities that separate rich and poor states. By and large, these two

groups are located on either side of the equator. Global inequalities arise from exploitation of many countries by a few others and this exploitation manifests itself in global capitalism, imbalance terms in international trade and payment, biased policies of international monetary machines and exploitative activities of MNCs and their home governments in the periphery. All these have polarised the world into two – nations that are exceedingly rich and others that are extremely poor. While the rich nations are mainly found in the north of the equator, the poor ones are mainly found in the southern hemisphere. This is the reason why the former is referred to as the “North” while the latter is referred to as the “South”.

The North or West is characterised by political stability, economic prosperity and development, whereas the South is riddled with political instability, economic stagnation, war and crisis cum underdevelopment. The South always blames the North for its underdevelopment which it attributes to imperialism, colonialism and neo-colonialism. On the other hand, the North often refutes this blame, but rather attributes the lack of development in the South to its internal factors such as retrogressive political and socio-economic culture, bad leadership, corruption as well as war and crisis. At a time, even some Western economic theorists did argue that underdevelopment is only a stage in the development ladder. For example, according to W. W. Rostow’s thesis on Five Stages of Economic Development, underdevelopment is only a stage that nations pass through on their way to becoming developed. Thus, nations of the world will all get rich and developed in a matter of time.

However, the existing social realities around the world have shown that the classical economic theory of development was wrong. Since the World War II, the income gap between rich and poor nations has widened dramatically. While in 1950 the poor countries had an average per capita income of \$164, the industrialised countries’ per capita income averaged \$3,841. Hence the income differential was \$3,677. Three decades later, in 1980 to be precise, as the per capita income in the industrialised countries soared to \$9,648, the poor countries’ income only rose to an average of \$245, thus the absolute income gap nearly tripled to \$9,403. This was clear evidence that the rich countries are getting richer, while the poor countries are getting poorer in terms of relative wealth. In the thirty-year period, the little income increase in the poor countries was an average of \$2.70 per year – an amount less than what a North American might spend for a lunch. Even up till the new century, the gap has continued to increase. By 2001 for instance, the gap has even become greater as the rich nations’ income increased to \$26,710, while the poor countries averaged only \$430 in gross national income, yielding an income differential of \$26,280. This means that the

relative gap had become even greater by 2001 than it was in 1980, with the income of the low-income countries equal to only 1.8 percent of that of the industrialised countries. In other words, since 1950 the relative gap between rich and poor countries had widened by 60 percent (Seligson, 2008).

Mitchell Seligson further argues that the Third world countries are in double jeopardy because apart from the rising gap between them and industrialised nations, there is another growing gap separating their own rich and poor citizens. Therefore, many poor people who live in poor countries are not only falling behind the citizens of rich nations, but also the more affluent or bourgeois countrymen.

Also, it will be misleading to speculate that the gap between the rich nations and poor countries will soon be narrowed simply because sometimes the economic growth rates of the latter out-perform those of the former. For example, it will take Pakistan with a population of 152 million people, 1,152 years to close the gap, while emerging economies like China where economic growth rates have been far higher than in the industrialised countries, will spend 64 years to close the gap on the assumption that China would maintain a steady economic growth for many decades (Passe-Smith, 2008). The continuous exploitation of the rest of the world by the United States and Europe has produced what (Mayer-Foulkes, 2006) describes as the “great divergence” which is the simultaneous emergence of development and underdevelopment.

The consequences of the ever increasing gap between rich nations and poor states can be seen every day. In international arena, the tensions between the North and South dominate debates in the United Nations and other international fora. The poor countries now demand a New International Economic Order (NIEO) so as to stem many years of economic exploitation of the South by the North and ensure symbiotic international economic relations and benefits.

But before we turn to the call for a New International Economic Order (NIEO), it is worthy to note at this juncture that both the developed nations and the Third world countries have all contributed to the prevailing underdevelopment in the latter and the ever-increasing global inequalities. Thus, factors such as neo-colonialism, unjust terms of trade, exploitative activities of MNCs, biased policies of IMF and World Bank, corruption, political instability and war have all contributed both individually and collectively, to the crisis of development around the world.

3.2 The Call for a New International Economic Order

...tensions and disagreements between developed and developing countries continue: the latter expect a greater degree of special treatment than industrialised countries have afforded them. This demand was expressed comprehensively in the New International Economic Order and the Charter of Economic Rights and Duties of States promoted by UNCTAD in the 1970s. Although the Charter was never accepted by developed [sic] countries and is now dead, the political, economic, and social concerns that inspired it are still present. The Charter called for restitution for the economic and social costs of colonialism, racial discrimination, and foreign domination. It would have imposed a duty on all states to adjust the prices of exports to their imports (Matsushita, Schoenbaum and Mavroidis, 2003).

The above assertion by Matsushita et al brings context and understanding to our subject of discussion. In the 1970s, the Third world through the United Nations Conference on Trade and Development (UNCTAD), pushed for a New International Economic Order (NIEO) which is a set of proposals asking for fair terms of trade; increased development assistance; transfer of technology to the developing nations; debt cancellation; internal control of the operations of MNCs in the developing nations' territories; central planning as against free market; replacement of Bretton Woods institutions which have benefitted the West most particularly the United States; with democratic and mutual international financial organisations and so on. The central thrust of NIEO is the restructuring of global economy so as to permit greater participation of, and benefits to developing countries. The call for NIEO has led to the North-South Dialogue (a discussion between the industrialised and developing countries on economic relations and development) which culminated to the declaration and adoption of "a Programme of Action and a Charter of Economic Rights and Duties of States" by the UN General Assembly in 1974. Nevertheless, the North-South Dialogue could not convince the industrialised nations to accept the NIEO entire proposals.

The Third world demand for a New International Economic order emanates from three facts: First, that there is something fundamentally wrong with the prevailing International Capitalist Economic System which needs to be corrected. Second, that something wrong is blamable on the past and present exploitative policies of the industrialised Western countries. Hence, they should atone for their exploitation of the Third world resources by accepting the obligations of the New International Economic Order. Third, that a change in the International Order requires a massive shift of political and economic powers from

the domination of the West to the voting General Assembly of the United Nations as well as the restructuring and democratisation of the UN Security Council and IMF, World Bank cum WTO in order to give the Third world countries fair representation and voice in global affairs particularly those that affect their economies. Unfortunately, the Third world lacks the political capability and economic wherewithal to alter the prevailing global order and institute the proposed New International Economic Order (NIEO). Thus, NIEO can be a reality only when the great powers particularly the super power – the United States of America support it.

However, the industrialised capitalist nations have refused to accept and support the call for a New International Economic Order on the ground that the development aid they give to the Third world is enough to transform its economy and atone for the perceived injustice in the past and present economic relations, if any.

The North also argued that even if they were to compensate the South for Trans-Atlantic Slavery and Colonialism, “who should the compensation go to?” they asked! Is it to the Third world countries who sold their countrymen and women into slavery, or to the descendants of the ex-slaves who are now domiciled in Europe and America and whose living standard is better when compared to those in their ancestral homes in Africa and Asia?

Moreover, the industrialised North equally argued that corruption, bad leadership and political instability are the major bane of Third world’s quest for sustainable development, other than the prevailing International Economic Order.

Having faced strong resistance from the industrialised North, the Third world countries tried to promote their development through regional blocs aimed at fostering greater political and economic cooperation and integration. For example, in Africa, the New Partnership for Africa’s Development (NEPAD) was evolved. However, as a result of pervasive war and crisis in the continent, and lack of political will, consensus and commitment among African leaders, NEPAD has not achieved its goals, and it is unlikely to do so in a foreseeable future.

SELF-ASSESSMENT EXERCISE

- i. What is the cause of global inequality and the North-South Dichotomy?
- ii. Is the New International Economic Order a reality or just a mere political rhetoric of the Third world? Explain.

- iii. Why has the North-South Dialogue failed to solve the problem of exploitation and global inequalities?

4.0 CONCLUSION

The prevailing inter-play of powers and intrigues in International Politics as regards to the Third world call for a New International Economic Order (NIEO), it is very obvious that the industrialised North will continue to oppose such moves, and any future attempt to restructure the present International Capitalist Economic System, because allowing such restructuring is tantamount to relinquishing their privileged position in global economic relations. That will amount to end of their economic exploitation of the South and the consequent decline of their global influence and dominance and economic development. Based on these facts, we therefore conclude that the industrialised North preserve and maintain the status quo ante in the International Economic Relations because the system still favours them.

5.0 SUMMARY

In this unit, we have been able to dissect the various arguments about the North-South Dichotomy and the call for a New International Economic Order (NIEO). We said that there is a general consensus over the dramatic increase in economic gap between the rich and poor countries, and its grave consequences for global development. However, there are divergent views between the developed North and the underdeveloped South over the real causes of this ever-increasing economic disparity. While the South attributes its underdevelopment, and the rising global inequalities to the past and present exploitative policies of the industrialised capitalist North, on the other hand the North is quick to refute the allegation, but rather attributes the South's underdevelopment and global inequalities to corruption, bad leadership, war and crisis that characterise most countries of the southern hemisphere. We reconciled these accusations and counter-accusations between the North and the South by arguing that both sides of the Spectrum have contributed to the crisis of development across the world through imperialism, exploitative policies, corruption and bad governance. We equally revealed that the North's fear about the New International Economic Order is that such order will ultimately alter its privileged international economic position and dominance and subsequently decline its global influence and economic growth and development. Not even the North-South Dialogue has been able to allay this fear; hence the antagonism between the two-sides of the dichotomy, continues.

6.0 TUTOR- MARKED ASSIGNMENT

What are the major causes of global inequality? How do they relate to the North-South dichotomy?

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MODULE 3 THE EMERGING ECONOMIES OF ASIA AND SOUTH AMERICA

Unit 1	The Rise of China
Unit 2	The Growing Economy of India
Unit 3	China and India on the March to the First World
Unit 4	Industrial Development in Brazil
Unit 5	Industrial Development in Mexico

UNIT 1 THE RISE OF CHINA

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1.0 INTRODUCTION

China is the most populous country in the world and the fastest growing economy in the world as well. It is also a significant political power. It hosts one-fourth of the global population. China's global impacts are highly significant in terms of trade, investment, the environment and governance. The birth of China as a nation in recent history lies on the bitter civil war between the Communists and Nationalists in the twentieth century, when the nation was harassed by Japanese colonialism which was not only exploitative, but also oppressive and inhuman. The atrocity committed by Japanese during this occupation has remained a subject of discord between two Asian powers, especially when the Japanese tried to justify her action in a history text which generated the "textbook controversy". However, the victory of Mao Zedong led communist fighters over Chiang Kai-shek's Kuomintang (KMT) in 1949 and the declaration of People Republic of China on October 1 same year marked the turning point in the struggle of China against perceived imperialism. The war against Japan was effectively won with end of the World War II and the defeat of Axis powers in 1944. Consequently, the Mao led government inherited dilapidated state,

wrecked by both civil and international wars, embedded in agrarians economy in a sub-continental scale, but mobilised under the communist ideology which became the foundation of state building.

This unit is the brief story of the rise of China from the dust of civil and international wars in 1949 to the second biggest economy, sixty years after, highlighting the revolution; the post Mao reforms on trade and foreign investment and the restructuring of the industrial sector in the light of competitive mode and the need for profitability in State- Owned Enterprises (SOEs).

2.0 OBJECTIVES

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

- discuss the centrality of the revolution in the foundation of modern Chinese economy
- highlight post Mao reforms on trade and investment
- explain the perennial restructuring of the country's industrial sector to meet the challenges of the 21st century.

3.0 MAIN CONTENT

3.1 The Chinese Revolution

Revolution is “a social phenomenon involving fast-moving fundamental changes in the social, economic, cultural production relations in society, and which are associated with the coming into position of dominance of a new ruling class” (Nnoli, 1986:92). The Chinese Revolution reflected all the variables of the above definition, as it led to the end of the liberal government of the Nationalist Party in China and its replacement with another set of ruling elites of Communist school, led by Mao Zedong in 1949. Understandably, Revolution is a long term process which does not end with the insurrection, war and violence as well the overthrowing of the order, but also include the post violence effort at state and nation building which reflect the dominant ideology of the dominant elite in a given society. Therefore, the aspect of the Revolution in the Asian country discussed in this section dwells majorly on the post 1949 socio-economic policy of the communist party which becomes the foundation stone of modern Chinese-economy.

With the United States support of the Nationalist General Chiang Kai-Shek during the civil war and his subsequent defeat and self exile in Taiwan, the communist China cut-off relationship with America and Japan which by and large had remained the global and regional capitalist

powers respectively, hence, the reshaping of the state according to communist dictates. Land was seized and redistributed to the landless peasant, so also was ban of private ownership of the means of production. By 1951, the “three anti/five campaigns were launched to eradicate corruption across the urban centre and culprits were sent to labour camp for correction.

The first five year plan (1953 – 58) had the thought of reduction of Chinese over dependence on agriculture which was supported by the Soviet, who provided the needed resources for the building of industrial plants. The success of this projects reduced Chinese dependence on agriculture as well as Soviet assistance. There was price control mechanism and education was given priority to increase the literacy rate of the Chinese, so also was the collectivisation which encourages large scale forming with the coming together of small land holders to work and share the proceeds of the land. More so, the hundred flower campaign” opened the government to criticism, which was later suppressed and culprits punished for anti-revolutionary ideas and postures.

However, the development was successful leading to the second five year plan tagged “the Great leap forward” by Ween (1958 – 62).

“The Great Leap Forward” involved the further amalgamation of the small collective farms into larger Communes, which farmers worked on. Some of the peasants were assigned to provide labour for infrastructural development as well as work in the iron and steel industry. The grains so produced were collectively harvested and proportion sent to the central government for redistribution and export, so also was the production quotas in steel production. However many believe that this period coincided with famine due to scarcity of grain and witnessed violence against the people and the environment. Consequently, the government relaxed the commune system and encouraged small farmer holding to reduce the effect. China imported grains from Australia and Canada to supplement domestic production.

Observing the gradual emergence of the new elite and the tendency to appropriate the gain of the new era by this group, Mao Zedong launched the “Cultural Revolution” in 1966 to keep the state in perpetual Revolution. Red Guard was formed and sent across board to check the excesses of government officials at all levels. Urban dwellers and students were sent to the countryside where they were taught by the peasants on the primacy of agriculture and other rural living. So also was the establishment of “barefoot soldiers” whom the peasants train as health workers to meet with the increasing needs of the rural people. In net, there was mass relocation and dislocation of people across the

country, disruption the conventional family lifestyle. By the time it was declared over in 1969, as some argued in 1976, the social inequality in the distribution of state resources was reduced and the integration of the various strata of the society further strengthened. It also marked beginning of fast-track economic growth (Gao, 2008), advances in science and technology as illustrated in the launching of satellite, explosion of the first H-Bomb as well as the commissioning of Chinese first nuclear submarine, Mao Zedong, the founder of People Republic of China died on September 9, 1976 which marked the end of the Revolution.

3.2 The Post – Mao’s Reform of the Economy

Chinese economy remained close until the visit of President Richard Nixon in 1972, when the West started to established diplomatic relationship with the communist state and ban on foreign Direct Investment was formally lifted. However, it was the passing of new law permitting Joint Venture by Deng Xiaoping in 1979 that provided the needed framework for its implementation. Some four Special Economic Zones (SEZ), were established and given preferential tax-regime and administrative free hand to foreign firms operations in Shenzhen, (border near Hong Kong), Xuhai (border near Macau), Shantou (border near Taiwan) and Xiamen (directly across Taiwan straits).

Interest was the lower taxation of 15% of income of foreign affiliated firms in the zones compared with the 33% prevailing rate for the domestic firms, so also was the tax holiday of two years. Besides, the zones were set up outsider the industrial hubs of China to avoid the contamination of the domestic industries and economy. The success of the four SEZs opened the door for the approval of fourteen coastal cilices with similar concessions. Again, the monopoly of Foreign Trade by the state needed as these foreign firms were allowed to export their products and import raw materials with relative ease. However, domestic firms had to do same through state controlled mechanisms, illustrating the operation of two regimes in one state, since the domestic firms where bound to pass through Foreign Trade Companies (FTCS) established by the government. Unlike the Foreign Invested Enterprises (FIEs), domestic firms’ imports were not duty free. These Measures exert more tariff and non-tariff barrier on the domestic firms’ participation in the global market; while encouraging foreign investment primarily for expert to other countries.

By 1986 further liberalisation of the export trade was achieved with the introduction of “Twenty Two Regulations” which removed the restriction of the location of Foreign Invested Enterprises (FIEs) and

also reduce their taxes especially those invested in “export oriented” projects and “technological advanced” projects which improves the technological capacity of the domestic industry. In most cases, the Central Government handles the initial approval of the establishment of these FIEs but the administrative controls were left in the hands of the provincial authorities. The net effect of these was the pouring of Foreign Direct Investment in the 1980s which slowed down after the Tiananmen Square killing of 1989. By the turn of 1990, Hong, Kong and Taiwan investor took advantage of cheap labour for export processing of their product to every part of the globe. The Japanese as well as Western Multinationals also invest in China in order to benefit from the large market. All said, China reformed her economy in such a way that export is encouraged while the domestic market is shielded from the dumping of Western countries – hence the tightening of the import procedures for the domestic firm. These contributed to China’s emergence as the “export machines of Asia”; with this policy of export consciousness, balance of payment has always been in the favour of this communist state.

3.3 Industrial Restructuring in China

Big industrial layout and heavy plants were the common sites of industrialisation across the world in the twentieth century and China was not left out of the rush for these plants, especially with soviet support which was critical in the First Five Year Plan discussed earlier. This continued throughout the last part of the last millennium, but the first decade of this century has witnessed the change from “the bigger-is-better” concept of industrialisation and the drive for science and technology intensive industry. Naughton (2005) observed that “the 11th Five Year Plan (2006 – 2010) lays emphasis on human resources technology development and scientific approach to development”. This position has signaled Chinese desire to transform the economy from the low cost exported machine to a highly technological hub capable of delivering the best in the competitive global economy. Already development in the Information Technology Sector is moving towards the achievement of this goal as state dominance of the industrial sector is highly skewed toward natural resources and utilities sectors; while “hybrid mixture of ownership and corporate governance patterns has been combined with aggressive policies to foster alliances with global leaders in industry and research facilitating the speedy “development of management and innovation capabilities” (Ernst and Naughton, 2008). The Central Government using legend computer (now Lenovo) has evolved Management Buy-Out (MBO) as a strategy for the privatisation of the hi-tech sector which involve the licensing of innovation made in government owned institutions to pioneer researchers and managers as a

way of encouraging innovation and setting up private individual on sound footing to run the IT Industry. Thus today, Chinese Industrial Sector has the hierarchy of the central government at the top running important and large state owned firms, while at the bottom lies most of the Town and Village Enterprises (TVE); initial commune structures and the small State Owned Enterprises (SOEs) converted to private owners through the MBO policy which has ensure orderly transition of these firms from public to private ownership.

Again, the government control firms in the critical sectors were committed to the newly (2002) established state – Owned Assets Supervision and Administration Commission (SASAC), whose responsibility amongst others is to ensure the focus of individual firm on “core competencies” to ensure profit maximisation. Understandably, Government firms are not waste pipe through which public funds are wasted but they are restructured and mandated to make profit like any other private business entity, hence they remain the veritable instruments of state capitalism in the communist state: a paradox indeed. All told, China has the largest continuous national history (about 400 years) and was politically, militarily and economically dominant in its region for most of that period. After the liberalisation reforms and neo-Confucian cultural revolution in the late 1970s, China began to make appreciable progress. Massive external (manufacturing) investment was first attracted based on education and cheap skilled labour while equally massive internal investment has been mobilised in modern infrastructure and urban facilities. A key feature of China’s rapid growth is seen to have been its ability to reform its economy very quickly to become more efficient. Indeed, China has huge human resources and potential markets. It has a high class education system. Past obstacles have been successfully navigated. All these have positioned China, formally regarded as a sleeping giant to awaken and play an increasingly active role on the global stage.

SELF-ASSESSMENT EXERCISE

- i. Highlight trade and investment reform in Post Mao China.
- ii. Identify and discuss the paradox of state capitalism in the communist China.
- iii. Identify the contributions Mao Zedong in the foundation of modern China.
- iv. Identify the restructuring strategies of Chinese industrial sector in the 21st century.

4.0 CONCLUSION

China in modern history emerged into the cold war environment at independence, but successfully adapted herself to the task of national building. The consciousness of self- sufficiency and export- driven strategy given her superior balance of trade and payment at all time, making it the fastest growing economy despite the global economic recession of 2008. Chinese ingenuity in adapting to changes in the global economy and the effectiveness of these strategies remain a source of discourse in years to come.

5.0 SUMMARY

The People Republic of China was founded on the communist ideology but has successfully practiced state capitalism which encourages export and discourages import as well as copy technologies and adapts them to the environment with high level of innovation of managing the economy in the ever changing world.

6.0 TUTOR-MARKED ASSIGNMENT

Identify and discuss the paradox of state capitalism in communist China

7.0 REFERENCES/FURTHER READING

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UNIT 2 THE GROWING ECONOMY OF INDIA

CONTENTS

- 1.0 Introduction
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- 3.0 Main Content
 - 3.1 The Indian Economy in Early Days (1947 – 75)
 - 3.2 Evolutionary Deregulation of the Economy (1975 – 90)
 - 3.3 The Post – Crisis Growing of Indian Economy Since 1991
- 4.0 Conclusion
- 5.0 Summary
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1.0 INTRODUCTION

India is a Third World country with all the negative indices inherent in the countries of the South. Her position at independence was pathetic due to the challenge of food security which had “culminated in the deaths of three million people in Bengal in 1943 – 44” (Corbridge, 2009) as famine ravaged the region. She is the second most populous country in the world after China, with a sub-continental landmass submerged in agrarian economy with the attended underdevelopment and general poverty common to all primary producers in the World Economy. This unit therefore is a short narrative of the turnaround in the Economy of India. Analysing the policy of central planning of Nehru in post independence leading to “Hindu growth”, the evolutionary deregulation from 1975 and adoption of liberalisation as the result of balance of payment crisis, which has boost the economic growth and reduce poverty in the Asian country.

2.0 OBJECTIVES

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

- identify the era of government planned and regulation of economy in India
- discuss the gradual process of deregulation of Indian economy and its impact
- explain in the growth of the economy after the crisis forced deregulation in 1991.

3.0 MAIN CONTENT

3.1 The Early Days of Indian Economy (19457 – 75)

The British granted India Independence in 1947 after about two centuries of attempt at Empire building without corresponding economic development. Although, there was heavy investment in the rail system; which crisis – crossed major town and cities, as well as the effort at developing. Punjab colonies, its system of both property and commercial law and the textile industries in Ahmadabad and Bombay, maybe, the Bihar and Orissa iron and steel industry; much were left undone, especially in Bengal where the permanent settlement of 1793 encouraged feudal land tenure system. More so, British culture of regarding anything indigenous to the people as backward and primitive dealt serious blow on the Indian craft industries and promoted the importation of finished goods from Britain, a common colonial practice of keeping the colonies as the producers of primary product and market for finished goods as discussed earlier.

India, 19478 to 1950 was a transition period, when the parliament played the role of Constituent Assembly leading to the emergence of Federalism and parliamentary republic, with an onerous task of nation building of the divergent ethnic and nationalities into a stable and prosperously nation capable of meeting the basic needs of the people. This responsibility fell on the shoulder of Prime Minister Nehru, after the death of Gandhi in 1948. Given the logical consistency of populist theory and its practice in the Soviet Union, Nehru favoured a centrally Planned Economy which was functional as evidence in Moscow to facilitate the integration of his 565 princely states and provide direction of the conservation component states officials who may not see the need for long term planning.

Conscious of the disadvantage of comparative advantage theory and practice to the Third World, the Development Plans of 1950 and 60s understood the danger of remaining a primary producers and the double jeopardy of price and quantities demanded resting in the hands of the developed North; therefore adopted the strategic of encouraging and protecting local infant industries with high tariff barrier against importation of those goods produced in the country. This strategy required the importation of heavy machines and equipments which led to balance of payment deficit. Again, Foreign Direction Investment was not encourage as the economy was meant to self-sustaining, Nehru and his team believed that personal and government savings would form the pool of the resources needed for the development which was to be complemented by foreign aid and grants from friendly nations. The large

scale industrialisation was envisaged to be the foundation of transforming Indian steels, pouter and chemicals into finished products, which would be affordable to the teeming population. Agriculture was also an asset in planned system as land reforms would release excess land held by unproductive local feudal lords to those with the capacity to generate optimum outputs.

It must be understood that Central Planning means government intervention in the Economy; hence legal frameworks were on acted to give backing to the policies. In 1948; the Industrial Policy Resolution reserved three sectors to the state which was increased to fifteen in 1956. However, the industrial licensing came through the Indian Development and Regulation Act of 1951 (Franked, 2005) which mandated government permission for embarking on commercial activities in certain key sectors. Thus government's ambition of large scale industrialisation and capital intensive development led to neglect of agriculture as reflected in the second five year Plan 1957 – 62 when agriculture had 17.5% allocation as against 34.6 in the First Five Year Plan. These polices resulted in over dependence of the economy on foreign aid including United State Food Aid. Compounded by heavy defence spending blue to war with China in 1962 and Pakistan in 1965, inflation sets in with the decline in stable food production leading to heavy criticism of the Nehruvian economics policy at his death in 1964. Lai Shastri took over the leadership from Nehru and immediately embarks on reform until his death in 1966. He gave priority to agriculture and relaxed the state grip on the economy, which was followed by the devaluation of the currency and liberalisation of import.

This attracted further and aid and foreign direct investment which did not go down well with Indian industrialist, who at the time enjoyed government protection. Again, Indira Gandhi who succeeded Shastri added impetus to the reform by further devaluation of the Rupees and cultivation of high yielding Mexican wheat as advised by the United states resulting in the doubling of India food grain production by 1970, hence the elimination of dependence on United States food aid and reduction of the level of poverty as well. The relaxation of the state control was however short-line, as the internal politics of the congress party which threatened Indira Ghandhi position forced her into alliance with Communist Party of India (CPI). Marxist orientation and Indians perception of the limited liberalisation as United States directed policy forced the government to embark on the next round of state driven and autarkic era of India industrialisation history between 1969 and 1974 generating the monopolies and Restrictive Trade Practice Acts of 1969 and the Foreign Exchange Regulation Act of 1974. While the former intended to control large private companies; the later restricted the

equity participation of foreign interest to 40%. Besides key sectors of banking, insurance, copper, steel and food grain business were nationalised (Panagariya, 2008). These measures failed to improve the economy as expected and hence prepared the ground for the second phase of Indian Economic Development.

3.2 Evolutionary Reforms of Indian Economy (1975 – 1990)

The rate of economic growth and development in other Asian export oriented countries such as Singapore, Taiwan and China became challenging to the Indians, with several reports generated within the think-tank tilted towards the reform of the economy and the reduction of state control of the economy. Such Reports include that committee on import and export policies; report of the committee on controls and subsidies (Ministry of Finance), Report of the Commitment on Trade Policy (Ministry of Commerce) and Reports on Industrial Licensing and Related MRTP Aspect (Ministry of Finance, 1985). These Reports indicted the developmental state model, centrally planned which was to make the state autonomous from dominant elites and interest groups. The entrenched interest at local level did not share the central government vision, rather they embarked on protection and promotion of primordial agenda inimical to overall objectives of the central government. Worse still, the state was hijacked by three vested interests; the rich farmers (who objected to agrarian reform), industrial bourgeoisie (indigenous businesses who benefit from the state induced scarcities and obstructed competition and innovation) and corrupt bureaucrats (who made so much wealth form the “permit – License – Quota Raj (Government Licensing of 1951) which was part of Import Substitution Industry (ISI) and almost all of whom enforced unproductive rent-seeking behaviour on smaller businesses and ordinary citizens (Corbridge, 2009; Frankel, 1978 ;Barhand, 1984; Bhagroat, 1993). Accommodation of this interest within the government led to waste and inefficiency as public good was hardly promoted leading to the growth rate of about 2.0% described as “Hindu’s growth rate in the 70s.

However, the Ghandis (Indira and Rajiv) in the 1980s initiated gradual reform withdrawing overbearing state control of the economy. A coupled of joint venture agreements were struck in the automobile industry. Indira dumped the populist and anti-foreign capital slogans and expunged most of the obstructive aspect of the monopolies and Trade Practices Acts of 1969 which caged the expansion of mega businesses in the key sectors. These businesses were allowed to source for credit outside the shores of India. Most importantly, concrete steps were taken to curtail the excessive tendency of Indian labour in the organised

sector; so also was tax concession given to private investors as encouragement to move. These measures stimulated the economy led by private sectors which complemented permeated impact of Green Revolution Technology from Punjab to West Bengal as a result of government massive investment in irrigation and power. Thus, by 1989 – 90, the percentage of Indians living in absolute poverty was said to be reduced to less than 39% compared with 51% in 1977 – 78 (Corbridge, 2009). Again, Rajiv Gandhi's interest in electronics and radio as an ex-pilot align his interest in the technological development of India. Hence, his regime deregulated the telecom sector hitherto dominated by the government and created centre for the Development of Telemetric which produced switch for telephone exchanges in the rural areas and was subsequently license to private company for mass production. Besides the information Technology received boost with the marriage of technocrats and engineers the Department of Electronics in the Prime Minister's office who supported the excellent engineers produced within the country higher institutions and colleges in their ambition in entrepreneurship. They were licensed leading the emergence of India as an IT hub with comparative advantage of low wage, cheap imported computer and excellent institution of higher learning which could still be attributed to the vision of Nehru in the planning of the education sector the Indian state.

3.3 The Post – Crisis Growth of Indian Economy from 1990

The evolutionary reforms of the preceding section did not include, the much needed export orientation as practiced by other Asian states neither were multinationals encouraged to invest in the country which to a large extent would have government resources to concentrate on other sectors. These were compounded with the increase in government expenditure in the education sector in the backward and caste society. This took a chunk of resources considering the numerical strength as well as the subsidisation of grains to the poor, industrialist and expenditure on defence. More so, tax evasion was rampant as state officials engaged in sharp practices leading to loose of revenue. The government was relying on commercial borrowing from banks that were skeptical of political climate with the assassination of Rajiv Gandhi in 1989, the rise in oil price at the outbreak of Gulf war, the end of cold war and disintegration of the Soviet Union – a major source of grants and aid. The net effect of these and other factor was the looming financial crisis due to growing fiscal deficit in government expenditure which stood eased at 10.1% in 1990.

This provided the needed opportunity for reform minded technocrats within the government to push for further withdrawal of government

control of the economy, the devaluation of the currency, economic globalisation and private entrepreneurship. Given the unsustainability of the governments source of funding import obligation and danger of default on such obligation; understanding its impact on the economy in May 1991, opposition to pro-liberal reforms was less compare to any other period in the history of India, therefore import substitution orientation was downgrade for the upliftment of export oriented economy. With Dr. Manhoman Singh as the Finance Minister India approached the International Monetary Fund for conditional loan which enabled her to meet the obligation and restructure the economy; although not entirely to the dictates of the Bretton Woods Institution since the inputs of Indian technocrats were respected. More so, India enjoyed more flexibility in conditionality than any average country in dealing with the IMF. This saved India from the embarrassment since her Foreign Reserve was only enough to Finance two weeks' worth of import.

Consequently, the Rupee was devalued by about 20%. There was deep cut in defence spending as well as subsidies for exports, sugar and fertilizers (Corbridge, 2009). The obnoxious and corruption riddled industrial licensing of 1951 was “dismantled in all but 18 designated industries (including drugs and pharmaceuticals, cars and Sugar), and for all locations save for twenty – three cities with populations above one million people where licenses were still required for new ventures or project expansion” (Corbridge and Hariss, 2000: 153). Better still, Foreign Direct Investments were allowed in India which attracted thousands of Multinational companies across the globe. Tariff liberalisation also came into effect which reduced the cost of production and encouraged completion in goods and services within the country. Indira Gandhi's Foreign Exchange Regulation Act (FERA) of 1974 which restricted foreign equities to 40% was replaced with the framework which allowed 51% foreign equity; a read impetus for foreign investment which hitherto, was an aberration.

The net effect of the reform is the fast development of the economy and globalisation of Indian economy and companies. Bharati enterprises for instance, in partnership with foreign companies is not the largest in India expanding even to Nigeria, so also is the Infosys, a software company with initial start-up capital of \$250 in 1981 by young engineers produced in Indian Tertiary institutions which has grown to \$4billion by 2008 despite less than half a million dollars sales as at 1989. The automobile has also witnessed a rave evolution as Tata has become a global brand, acquiring steel companies across the globe and produced the cheapest car - Nano in 2008 acclaimed to be the world cheapest car, sold at \$2,500. Again the corporate citizens have learnt good business

practices with the opening up and partnership with others across the globe and entrepreneurial talents and skills freed for innovation; resulting in new and competitive product across board.

The reform also promoted the efficiency of the stock Exchange. The initial resistance of Bombay Stock Exchange to reforms and computation led to the establishment of National Stock Exchange in 1993 which became the largest by 1995 and fully computerised, forcing the Bombay institution to follow thereby enhancing transparency in the sector as “India received 24 billion Dollars each between foreign direct and portfolio investment, respectively, between 1992 and 2002” (Tendulkar and Bhavani (2007)). The Telecom Sector also expanded, as noted as mobile telephony surpasses the fixed lines which were controlled by the government. Rural Telephony gained momentum and the monopoly of the government owned MNTL and BSNL was broken, bringing about efficiency and wider reach. So also was the Aviation sector, which was open to the Private Airline for the first time in the 1990s generating the Air Corporations Acts of 1994 which liberalised the sector leading to the surge in Airline traffic from 13 million in 2000 to 37 Million in 2008. There was another success story in the Indian Railway where increasing the numbers of coaches and increase in freight rate for heavy goods like iron ore has lead to the turn-around of the hitherto ailing industry. All said the reform brought transformation to the infrastructural sector, thus contributing to the continuous growing of the economy at GDP of 7% per annum.

Internationally India has become an important actor. Forming the ‘I’ in BRICS group of nations, India plays an important role in the leadership of the emerging markets and developing nations. India boasts of a culture of entrepreneurship and innovation, pioneering in the globe IT services industry and has a global Diaspora that are leaders in various fields.

The growth of the Indian economy is somewhat unusual in that it has done so with very little export. Compared to a country like China that has relied heavily on manufacturing products for export, India has exported very little. But one of the great strengths India has in growing its economy is its very good education system. India has become a major player in the high tech field because of its highly educated workforce.

SELF-ASSESSMENT EXERCISE

- i. Discuss the major phases of Indian economic development.
- ii. Identify the variables which influenced the development of Indian economy between 1947 and 1974.

- iii. Identify the major changes in the economic policies and why?
- iv. Highlight the major economic reforms of post 1991 India.

4.0 CONCLUSION

The post cold war era coincided with the financial crisis; the spring board of reforms which led to the current growth of the economy. The Western financial institution such as International Monetary Fund (IMF) can be pertinent in development if the technocrats of the beneficiary countries understand the nitty-gritty of their countries and what is needed to be done. This will curtail the acceptance of all the conditionality and policies of the foreign institution which most of the time undermine the interest of the beneficiary state.

5.0 SUMMARY

India was underdeveloped at independence in 1947 because of British exploitative policies. The founding fathers turn to excessive control of the economy which breeds corruption and inefficiency. However, reforms especially in the post-cold war era generated a lot of development and hope which is ongoing.

6.0 TUTOR-MARKED ASSIGNMENT

Discuss the main phases of Indian economic development.

7.0 REFERENCES/FURTHER READING

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UNIT 3 CHINA AND INDIA: ON THE MARCH TO THE FIRST WORLD OR CORE STATES

CONTENTS

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- 2.0 Objectives
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 - 3.1 Features of Core States in World Economy
 - 3.2 Comparing China and India with Core States
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1.0 INTRODUCTION

The first two units of this module concentrate on the reformation and restructuring processes which enhanced the economic development of India and China; leading to speculation that the third world countries can “catch-up” with the first world or to put it differently; there is a possibility that the periphery states would meet up with the core states in terms of “economic development. These units, following the speculation reminds you of the dominant features of the core states in world economy and compares them with prevalent situation in China and India. This is to help you in understanding the position of these countries and the possibility of further development.

2.0 OBJECTIVES

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

- analyse the concept of core states in world economy
- measure Indian and Chinese Economies with core states
- state their position in the world economy system.

3.0 MAIN CONTENT

3.1 Features of Core States in World Economy

In module 1, unit 5, you were introduced to the Theory of World Economy, especially the Core, Semi-periphery and periphery states’ stratification which incidentally shows that the core states are in the “First world”; the semi-periphery – second world the features of the core states or first world in the global economy. Please note that the core states

are sometimes referred to as “North” in the political economy parlance whose features include:

- a) Power broker in the world system devoid of external manipulation by other actors
- b) Control by dominant world capitalists who manipulate internal and external environments to utmost advantage
- c) Upholding the liberal capitalist values of modernisation as pathway to development among others.
- d) Controls and indoctrinates world media on capitalist orientation and centralises entrepreneurship and innovation in technology as the twin factors for economic growth and development.
- e) Possession of military and diplomatic skills and might to further perceive interest in the global arena.
- f) Headquarters of the multinational/ transnational corporations, from where market expansion and domination strategies are conceived and hatched.
- g) Governmental support of economic infrastructure and provision of subsidies to enhance capital accumulation.
- h) Preference for Liberal Democracy and promotion of the fundamental rights of the citizenry.
- i) Flexibility in political stratification as well as social mobility within the strata of the societies.
- j) High industrialised and capital intensive approach to production of goods and rendering of services.
- k) Ownership of Foreign Direct Investment instruments and global market domination
- l) Possession of preference for cultural values as portrayed by the media – facilitating cultural colonialism for market expansion and individualism.
- m) Net exporters of value added products and importers of primary products from the Third World.
- n) The net consumers of global energy and other resources.
- o) The hubs for Information and Communication Technology (ICT) where Research and Development (R & D) are highly prioritised.
- p) Highly diversified economies, focusing on the production of multi-purposes manufacturing products compared with the extractive economy of the Third World.
- q) Possession of high per capita GNP. For instance, the core states had an average of USD 27, 680 in 2000, compared with USD 1,230 of the Third World.
- r) High literacy, low population growth, excellent infrastructural facilities and low death rate.
- s) High standard of living, low cost of living, low inflation and rate of unemployment.

- t) The greatest source of global pollution; especially, the emission of greenhouse gases.

3.2 Comparing China and India with Core States

China and India are two Asian countries whose development is a subject of discourse in different fora with some speculation of “catching – up” with core developed states of Europe and North American. The Big Question is: are they really catching up?

Answering this puzzle would amount to the total acceptability of the modernisation theory, part of which includes liberal Democracy as the best political system for holistic development. China cannot be said to be a democracy by Western standard; and is compounded by her preference for communist ideals, while the parliamentary Democracy of India is rubbished by the caste system; which fails to guarantee equality of the citizens as demanded by General suffrage.

Development therefore must be understood as a function of utilisation of countries best cultural values and the application of foreign ideas and culture beneficiary to the countries. This is what these countries have done. Chinese were bound together by Confucianism under Manchu dynasty that was defeated in Opium wars of 1841 – 42 by Western imperialist, supplanting it with ideological chaos, leading to the disintegration of the society as capitalism and its exploitative creed took over the country. The endemic poverty experienced by the peasants who were the majority within a decade of western invasion of the Chinese Economy led Taiping Rebellion between 1850 – 1864 and Niem Rebellion in the south about the same period and Boxer Rebellion of 1900 – 1901.

The Western style democracy which emerged after the end of Manchu dynasty in 1911 with the declaration of China Republic did very little to unite the people under Yat-sen and Yuan Shih-Kai leading to Mao led Peasant Revolution, which uprooted western style capitalism in 1949. Thus, the Chinese learning from history understand that the importation of western capitalism cannot develop the state but open it for exploitation, hence the preference of communism to provide “Chinese Revolutionaries with the dialectal conception of historical movement towards a modern society through the struggle against feudalism capitalism and imperialism” (Misra and Lyengard, 1988). It becomes arguable that the Chinese do not see development through the prism of the West and not eager to compete or be compared with the core states hence the preference of associating and sympathising with other third world countries on global issues and indeed, on the obnoxious regimes

governing the global system, notably the unfavourable nature of the World Trade Organisation treaty on Trade and Tariff.

Nevertheless, “with USD 2.5 Trillion foreign currency reserve, China stands out as a counter weight to IMF influence (Igwe, 2010:7); an assertion which gives credence to Chinese wealth and also negates the universality of modernisation, as meaningful and visible development can take place without bogus democratic structure and the accompanying paraphernalia required for lending from the Western institutions ridden with corruption and contradictions. After all “the country almost singlehandedly led the world out of the global recession that began in 2007” (Igwe, 2010: 7), a feat the core states could not when they were themselves severely affected. Again, China is in the forefront of helping the European Union (EU) to resolve the ongoing debt crisis; pointing to indication that China may as well be ahead of core states in terms of economic stability development and growth.

On the other hand, the 1793 settlement policy effectively sanctioned feudalism, side by side with imperialism which lasted till independence, which did not give the indigene clear ideological base of running the country and was compounded by the murder of Mahatma Gandhi in 1948 whose Ahinsa (non violence); classless society, renunciation, trusteeship and Sarvodaya (uplift of all) which would have generated general good. Thus, China was lucky to have a strong character like Mao Zedong who had clear vision of what to do, compare to India who murdered such visionary leader like Gandhi.

The net effect is the tottering of India like any other Third World Country, until recent pro-liberal reforms which has improved the economy considerably; “not that Indian levels are yet on a par with those of China” (Corbridge, 2009). Given this scenario, India is on the path of modernisation which started at independence but with high control of the liberalisation, which has not fully opened up the Economy to the exploitation dictates of the West but adapted and copied their technology and innovation in management. Nevertheless, the uneven development which reveals disparity between the East and the West as well as the Caste system undermined the economic status of some citizens has retained substantial negative indices associated with underdevelopment, which effectively leave India as a Third World Country in the periphery. “Indian Economy will be the third largest economy in the world sometime in mid-2030s (trailing only behind the USA and China). Nominal average per capita incomes in India were just over \$1,050 in 2007, rising to \$4,550 in PPP terms. Still placing India in the World Bank’s band of low income countries, but edging it closer to middle income status.”

SELF-ASSESSMENT EXERCISE

- i. Locate the position of China and India in the structure of world economy.
- ii. Outline 10 features of core states.

4.0 CONCLUSION

The stratification of state in world economy has helped to highlight the outcome of interplays in specific economic milieu. However, development is a function of cultural values inherent in every society given historical antecedents and the adaptability of policies to the prevailing reality at all times. Hence China's Economic Development defies Western model and surpasses them, whereas India is in the process of catching up with the core states or first world.

5.0 SUMMARY

Scholars see core states of world economy as models for developing states. However, the achievement of China has defied the path followed by the West, and has sometimes surpassed the achievements of core states, and yet identifies with the developing countries. India on the other hand is on the pathway to core states status given the western projection into the next three decades.

6.0 TUTOR-MARKED ASSIGNMENT

Locate the position of China and India in world economy.

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UNIT 4 INDUSTRIAL DEVELOPMENT IN BRAZIL

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Industrial Revolution in Brazil
- 4.0 Conclusion
- 5.0 Summary
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- 7.0 References/Further Reading

1.0 INTRODUCTION

Latin America shares almost the same experiences with Africa. Both continents were colonised and exploited. Soon after their independence most countries in these two continents experienced series of military coups, counter-coups, political dictatorship, and corruption in government. Thus at a point in history, Africa and Latin America were at the same level of development and underdevelopment and were facing similar developmental problems. But along the line, some Latin American countries took bold steps to simultaneously minimise external economic exploitation and end internal political instability, corruption and bad leadership. Today, the story is different as some countries in Latin America have revolutionised their economies, conquered underdevelopment and achieved relative development, while most countries in Africa are still wallowing in abject poverty and underdevelopment of the highest order. This unit uses the industrial development in Brazil to tell this success story of Latin America.

2.0 OBJECTIVES

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

- identify how Brazil came out of underdevelopment through industrial revolution
- state how development can be achieved by the Third World using the lessons from Brazil.

3.0 MAIN CONTENT

3.1 Industrial Revolution in Brazil

Brazil is perhaps the largest economy in Latin America and the world's seventh largest economy according to IMF and World Bank. It has a staggering population of about 160 million. It was colonised by Portugal. The origin of its people could be traced to different nationalities and continents across the world such as Europe, America and Africa. Brazil, like most countries in the Third world experienced imperialism, dictatorship, corruption and underdevelopment. But today, it has been able to turn around its economy and is now on the march to sustainable development. Although Brazil still regards itself as a Third World nation, its booming economy as well as strong development strides points otherwise. The big story is that Brazil (a once underdeveloped nation) is conquering underdevelopment through good policies and industrial revolution.

In the 1930s, Brazil was regarded as a "sleeping giant" because of its moribund economy. At this period, the Brazilian economy was built entirely on export of primary agricultural products such as cocoa, cotton, coffee, sugar, and tobacco, and it experienced deficit balance of payments in its trade relations. The situation even got worse when the country began to witness series of political instability occasioned by military intervention and corruption in government which led to resources mismanagement that made majority of its citizens to be poor. As at then Brazil was characterised with economic stagnation, increased poverty, debt crisis, social vices and socio-political uncertainties.

However, since the end of World War II, the Brazilian political elites have been taking pragmatic steps towards containing poverty and underdevelopment. And today, this has paid off. The actual concerted effort towards development of Brazil started in the 1940s, and its economic transformation peaked between 1947 and 1960 after which the pace of industrial expansion slowed down, largely because the existing economic infrastructure could no longer sustain the same high rate of growth. But the development tempo was rejuvenated again between 1970 and 1980. Since then, both past and present military and civilian governments have sought to promote Brazilian development and international influence. The positive role of the past military regimes in this direction has made Brazil one of the very few states where a dictatorship has successfully pioneered and spearheaded economic development. This successful authoritarian capitalist approach to the development of Brazil has been described by various development scholars as the "Brazilian Miracle."

First was the import substitution and nationalisation of foreign properties in Brazil so as to limit the inherent foreign economic exploitation and influence and to provide opportunities for the citizens to become potential participants in the building of the economy. This was followed by a state-led industrial policy and independent foreign policy anchored on economic diplomacy. Under these policies, the Brazilian political leadership while creating an enabling environment for foreign investments to flourish, adopted selective liberalisation and used legal and administrative frameworks to protect its domestic industries in order to enable its citizens to compete with the influx of foreign companies and be co-drivers of the economic transformation.

The dynamism and magnetism of the Brazil's economic policies attracted and accelerated the inflow of financial and industrial transnational capitals and investments across the various productive sectors of the economy. This led to rapid economic growth and development. Hence, the Brazilian development accomplishments appeared to have invalidated some of the arguments of the Dependency School which had declared that the Third world cannot develop by following the capitalist path because exploitation and stagnation are inevitable when international capital penetrates a Third world economy.

Brazil understands the importance of diversification, hence its industrial revolution was and subsequent economic policies were aligned to the diversification of the economy into five key productive sectors – Agriculture, Oil and Petrochemicals, Automobile and Manufacturing, Mining and Steel, and Utilities. It also knows the imperative of regional integration and cooperation, thus it has promoted economic integration of Latin American economies, first through the Southern Cone Common Market (Mercosul) and the Union of South American Nations (UNASUR). Through this mechanism, it ensured greater cooperation with its major rival – Argentina, and other Latin American economies. This also led to reduction of trade barriers and directly or indirectly created markets for Brazil's industrial goods and agricultural products. Thus with its virile economy, Brazil has been able to build overwhelming political and economic influence in the Latin American Region, sometimes containing the influence of the United States in the Region's affairs.

Moreover, through good economic planning and diplomacy, it has spread its exports across the four large poles of origin and destination in terms of foreign relations with Europe accounting for about 30% of Brazil's international trade, North America accounting for 22%, Latin America with 28% and Africa and the Pacific Rim accounting for 20%.

The implication is that no one single nation or region can hold its economy at ransom if conflict of interests arises.

Under its agricultural reforms, it increased the production of not only its export/cash crops, but also ensured there is food sufficiency for its teeming population. The implication is that Brazil is not a food-importing nation today. It has more than enough food to feed its people and to export to the rest of the world.

Under manufacturing, Brazil has been able to acquire and sustain automobile capacity such that it now produces cars and buses for export. It may interest you to know that most of the luxurious buses being used in the transport industries in Nigeria were made and imported from Brazil. In 1997 alone, Brazil produced more than two million vehicles and earned almost US \$5 billion from exports; motor vehicles accounted for almost 10 percent of the total value of Brazil's exports for that year. It is forecasted that in no distant future Brazil might become the fifth biggest car producers in the world.

Also, Brazil has succeeded in using its crude oil wealth to fast track its development. Following the discovery of oil in 1973, the Brazilian Petroleum Company (Petrobras) was established to manage the oil resources just like Nigeria's NNPC. Since then, Brazil through Petrobras has been able not only to exploit and refine its own oil, but also export refined oil to other nations of the world. Petrobras has even transformed into a Transnational Corporation whose subsidiaries now spread across the globe prospecting for, and refining crude oil and undertaking other profitable ventures while remitting profits from such businesses to its parent company in Brazil which in turn returns the overall profit to the government coffers.

The Brazilian military has since decided to give democracy a chance, thus for over three decades now, Brazil has been under a democratic rule. And every democratic administration always strives to consolidate Brazil's development and to extend its global influence. For instance, under President Collor, Brazil initiated and executed an economic policy which became known as the Collor Plan through which about 115 billion dollars worth of private investments were attracted. Furthermore, under President Lula da Silva, Brazil initiated and supported moves for more bilateral and multilateral relations and decision making mechanism so as to counter unilateralism which has come to dominate the present politics in international organisations and among nations. Also, under President Rousseff, Brazil is trying to establish its presence and extend its influence in Africa through export of finished goods and investments to Africa. Under President Figueiredo, attempts were made to penetrate

Africa through 'Counter-Trade-Deals' and this was very successful. Most importantly, concerted attempts have been made to narrow the gap between the rich and the poor in Brazil through income redistribution and provision of social utilities. Capitalism no matter how practiced will always enrich a few at the expense of the majority. It is then left for the government to use social security networks or welfare system to redress this inequality that accompanies capitalism. Brazil has been able to redress this social and income gap through a welfare program called "Bolsa Familia" which is a form of democratic socialism through which the poor are provided with social services at little or no cost. This has lifted many out of poverty, hence majority of Brazilians are not poor though there are still isolated cases of extreme poverty in some segments of the society like in the ghettos.

All these accomplishments, individually and in combination have made Brazil to become a regional power in the Latin America and an important global actor. It has a strong and ever-growing economy, staggering external investments, robust balance of payments and foreign reserve, and above all democratic socialism that takes care of the poor and other inequalities emanating from its capitalist system.

Only recently Brazil together with four other emerging economies have formed an economic bloc called – BRICS being an acronym for Brazil, Russia, India, China and South Africa. It is believed among analysts that these four economies with the exclusion of South Africa might overtake the USA and become the super powers in no distant time because of their rapid economic development.

Indeed, Brazil on May 25, 2013, announced the "cancellation or rescheduling" of up to USD900 million of debt owed by 12 African countries, on the occasion of the 50th Anniversary of the African Union, (AU). This is a reflection of Brazil's growing prominence in the global political scene and the increasing relevance of its relations with African countries.

SELF-ASSESSMENT EXERCISE

- i. What role did political leadership play in Brazil's development?
- ii. Can the Third world countries achieve development while still being part of the International Capitalist Economic System? Explain.

4.0 CONCLUSION

From the fore-going analysis, it is very clear that good political leadership and economic policies have been the brain behind the success of Brazilian development. We therefore conclude that by following the Brazilian approach, the Third world countries can escape underdevelopment while still engaging with the International Capitalist System.

5.0 SUMMARY

In this Unit, we explained that Brazil was once colonized, exploited and underdeveloped. It also experienced military dictatorship, political instability, corruption in government, economic stagnation and poverty. However, through concerted state-led industrial policies, the country was able to transform its economy and achieve rapid development. Today, the level of poverty in Brazil is low and manageable. The country has also grown in regional and global political and economic influence because of its strong and booming economy. It has achieved economic integration in Latin America through Mercosur and emerged the region's super power. Brazil is believed to be one of the fastest growing economies in the world and has joined other four emerging economies to form an economic alliance called the "BRICS" which is believed would play influential role in global economic relations and politics in the nearest future.

Finally, we concluded that the Brazilian experience could serve as a lesson to the Third world countries which are still wallowing in abject poverty and underdevelopment. With good political leadership and economic policies, development is possible for the colonized and exploited peoples of the earth.

6.0 TUTOR-MARKED ASSIGNMENT

"Political leadership has been instrumental to Brazil's economic development." Do you agree?

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UNIT 5 INDUSTRIAL DEVELOPMENT IN MEXICO

CONTENTS

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- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Industrial Development in Mexico
- 4.0 Conclusion
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1.0 INTRODUCTION

Mexico is one of the most industrialised and influential countries in Latin America. It is the second largest economy in Latin America. It also shares similar industrial development experience with Brazil. Just like most countries in Africa and the Third world in general, Mexico was once colonized, exploited and underdeveloped. Also, it has experienced dictatorship, political imbroglio, political corruption, debt crisis, social conflicts and economic stagnation. However, through the formulation and implementation of sound and dynamic industrial policies, Mexico has been able to escape from the strangle-hold of underdevelopment. Today, Mexico has achieved a relative development. This Unit therefore explores the Mexican experience of industrial development so as to show once again that development is a function of good political leadership and sound economic management.

2.0 OBJECTIVES

At the end of this unit, you are expected to:

- understand how Mexico achieved relative development
- apply the development experience of Latin American countries such as Mexico in providing solutions to Africa nay Third World development crisis.

3.0 MAIN CONTENT

3.1 Industrial Development in Mexico

Mexico is in Latin America. It was colonised by Spain. Its population is about 110 million. It has devised and implemented several strategies

aimed at achieving not just development, but a development that is sustainable.

At first, Mexico adopted import substitution and state-led industrialisation to pursue its development. Under this policy, the state established many industries, provided basic infrastructure and the indigenous businesses enjoyed protectionism. This policy worked and resulted in relative development premised on agricultural expansion and export of primary products. Mexican economy then was stable and strong. This happened in 1960s and 1970s.

As at then the Third World countries in general were in dire need for development, but they did not have enough capital. Hence when the global economy went into recession in 1970s and 1980s and the price of oil in the international oil market rose dramatically, many oil producing countries particularly those in Latin America and Africa saw it as an opportunity to develop further by collecting foreign loans to finance their various development and industrialization projects believing that the high prices of crude oil would remain and would allow them to pay off their foreign debts with ease. It was under this illusion that Mexico together with other Latin America countries such as Brazil, Argentina, etc, borrowed foreign capital to finance their various industrialisation efforts.

However, this turned out to be a development disaster. The price of oil later dropped, and the exchange rate of the US dollar increased in geometrical progression. The implication was that the cost of debt servicing and repayment increased more than five folds thereby making it very hard or impossible for countries like Mexico who had borrowed from the IMF and other Western financial institutions or banks to repay or service their debts. Mexico was the first to be hit hard by the debt crisis, hence in August 1982 Mexico defaulted when its Finance Minister, [Jesus Silva-Herzog](#) declared that Mexico would no longer be able to service or repay its debt. Mexico declared that it couldn't meet its payment due-dates, and announced unilaterally, a moratorium of 90 days. This affected the inflow of foreign capital into Mexico and nearly crumbled its economy. Mexican government responded by trying to raise money from internal sources to finance its development policies. But its existing social infrastructure and pace of development could not march its rapidly growing population. Also there was a great surge in migration of Mexicans to the neighbouring country—the United States, in search of greener pasture.

The need to speed up industrialization in order to stem this ugly situation compelled the Mexican government in the mid 1980s to

abandon the import substitution and state-led industrialization strategy in favour of deregulation and liberalization which opening up the economy and the drastic reduction in state's intervention in the economy. The aim was to encourage local and foreign investments in the production of finished tradable goods so as to transform Mexico into a key export platform in the world particularly in North America. It was believed that this strategy would transform the manufacturing sector and stimulate the rest of the domestic economy onto a long-term path of high growth and development so that Mexico would become a major exporter of not only raw materials but also finished goods. In the words of Carlos Salinas, liberalization policy was aimed at "attracting foreign investments and technology so that Mexico would export manufactured goods not people."

The reform culminated in the launching of the North American Free Trade Agreement (NAFTA) in 1994 by the United States and Canada and Mexico. The free trade initiative was a path-breaking compromise to drastically reduce barriers to intra-regional trade. This was followed by a full compliance with GATT/ WTO provisions, and thus excluded subsidies, tax cuts, trade protection schemes or performance requirements on their beneficiaries.

On the surface, the Mexican Liberal approach appeared to be a huge success. Between 1994 and 2002, FDI inflows into Mexico skyrocketed to a yearly average of \$13 billion, nearly three times more than the yearly average of \$4.5 billion between 1988 and 1993. Then, Mexico ranks among the top three developing country recipients of global FDI. Moreover, as hoped, about half of the FDI flowed into manufacturing. Exports increased by nearly 50% after the passage of NAFTA in 1994 and manufactured goods accounted for nearly 90% of total exports. In the face of the failure of many developing countries to attract FDI despite their embracing integration policies, "Mexico became a poster child for neoliberal globalization". Regrettably, "Many environmental trends are worsening in Mexico. Between 1985 and 1999, the estimated economic costs of environmental degradation—including rural soil erosion, municipal solid waste and urban air pollution—amounted to 10% of annual GDP."

Although these liberal reforms achieved some of the intended goals, they also created many challenges for the Mexican economy. The liberal integration strategy increased FDI inflows, productivity and manufactured goods and exports. However, the large growth of the manufacturing sector has generated a persistent and growing trade deficit. Exports grew fast but imports grew faster. Unbalanced import-dependence and the trade deficit it generates suggest that the integration

strategy as currently constituted may not be financially or economically sustainable in the long term.

Also, FDI-led integration with the regional and global economy has done little to promote sustainable industrial development in Mexico. Domestic growth and investment were stagnant and high job growth, innovation and indigenous technological capacity increase as well as environmental improvements did not materialize. Relying heavily on cheap labor and imports for productive inputs, the foreign manufacturing sector remains largely disconnected from the domestic Mexican economy.

Lastly, Mexico is currently battling drug war which has devastated the internal stability and largely affected the economic life. The drug Lords have masterminded the death of several security Chiefs and informants. Several innocent citizens have also been killed in the process. However, the government is determined to wipe out the menace of drug business and serious deep blow has been done to the cartel, as several of the kingpins have either been killed in gun battle or in their resistance to arrest, or already behind bars.

SELF-ASSESSMENT EXERCISE

- i. What lessons can the Third World learn from the development experiences of Latin America states like Mexico?
- ii. Suggest what you think is the best development paradigm for the Third World countries. Give reasons for your suggestion.

4.0 CONCLUSION

We have seen from the foregoing analysis how the Mexican government alternates between state protectionism and liberalization or market economy in pursuance of its development. The successes and failures of the Mexican experience have revealed the strengths and weaknesses of both state-led development and market economy approach. We therefore conclude that the best way to promote development and engage in the current globalization process and maximize its gains while minimizing its fallouts is to combine selective state protectionism with selective liberalization or what we call “hybrid approach”. Through this approach, the state would be able to galvanize both internal and external resources to advance development. Even the most advanced nation - the United States of America is indirectly applying this hybrid-strategy even when it is preaching total liberalism and deregulation around the world.

5.0 SUMMARY

In this unit, we explained how Mexico – the second largest economy in the Latin America region has been able to advance its industrialization and development by alternating between state protectionism and liberalisation. First, it adopted state-led industrialisation approach and when this was not accelerating the pace of its development as wanted, it quickly changed to deregulation and liberalisation aimed at reducing the intervention of state in the economy and attracting foreign direct investments. Both approaches have had positive and negative impacts on the Mexico's quest for sustainable development. We therefore concluded that the best strategy for the country and other countries seeking development is "hybrid approach" which entails combining the strengths of protectionism and liberalism or adopting selective protectionism and selective liberalism. This approach would maximise the gains of both the state-led development process and market economy driven paradigm while at the same time minimising the fallouts inherent in both.

6.0 TUTOR-MARKED ASSIGNMENT

"Total liberalisation may not be the best development paradigm for the Third World." Explain this statement by using the Mexican experience.

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**MODULE 4 REVOLUTION, RELIGION, MILITARY
RULE AND DEMOCRACY IN THE
THIRD WORLD**

Unit 1	The Iranian Revolution and Development
Unit 2	Military Rule and Third world Development
Unit 3	Democratisation in Nigeria
Unit 4	Corruption as the Bane of Third world Development
Unit 5	Solutions to the Third World Underdevelopment

**UNIT 1 THE IRANIAN REVOLUTION AND
DEVELOPMENT**

CONTENTS

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Background to Iranian Revolution
3.2	Causes of Iranian Revolution
3.3	Stages of Iranian Revolution
3.4	Impact of the Revolution on Iranian Development
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Reading

1.0 INTRODUCTION

In the first unit of module three, the concept of Revolution as embedded in the Marxist model was discussed as practiced by the Chinese which was the first step of the development of modern China. However, Iranian Revolution was not Marxist- oriented but Jacobin, and a reactionary exercise against the perceived domination of Western institutions which were not only exploitative but also anti-Islamic and offensive. This unit therefore focuses on the circumstances which led to the Revolution, the process of the Revolution, as well as the uniqueness and impact of the event on the development of Iran as a third world country; bearing in mind that we accept the liberal scholars definition of Revolution” as a sudden change in the location of political power, expressing itself in the radical transformation of the sovereignty, legitimacy and of the social order... such transformations could not normally occur without violence, but if they did, they would though bloodless, be revolutions” (Kamenka, 1974).

2.0 OBJECTIVES

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

- highlight the socio-political situation leading to the Iranian Revolution
- identify the role of religion in Iranian Revolution
- state the contribution of the Western influence to the Revolution
- assess the impact of the Revolution on the development of Iran.

3.0 MAIN CONTENT

3.1 Background to Iranian Revolution

The Shah Dynasty came to power in Iran in 1925 after the overthrow of Qajar Dynasty due to its military weakness as manifested in its failure to tackle the military incursion of Britain and Soviet Union on the Iranian territory. The change was confirmed by Iranian parliament on December 12, 1925 by the Iranian Parliament known as Majlis.

Reza Pahlavi the new monarch, set for himself a task of modernizing the otherwise agrarian, traditional and Shiite Muslims dominated population who were insulated from westernization process. This he did by sending some of his subjects to schools in Europe, where they were expected to learn the western way of life. The Shah also embarked on the development of the infrastructure such as the rail transport system which opened up the country leading to urbanization of the population. This was done simultaneously with rapid development of the educational sector, which led to the growth of educated elements and the emergence of professional middle class and industrial working class. Governmental institutions were centralized and strengthened in modern sense. However his policy of avoiding dealings with Soviet Union and Britain, but close relationship with the German and others especially in the field of technical expertise portrayed him as an ally of Germany during World War II. He was subsequently arrested and exiled despite his declaration of neutrality in the conflict, which strengthened the British and its allies' exploitation of Iranian oil resources through Anglo-Iranian Oil Company who had the sole mandate to exploit and market Iranian oil. The Allied forces also took control of Iran's communications and railroad; transportation supplies to Soviet Union from the Persian Gulf. Thus plundering the resources of the state in the absence of central government as personalised by the monarch.

Although, Mohammed Reza Pahlavi was allowed to take over the throne of his father, the occupation of Iran by the Allied forces ended in 1946

with the withdrawal of the Soviet troops from the northern part of the country. Within this period the Parliamentary Election took place which elected the Majlis, leading to the election of Mohammed Mossadegh as the Prime Minister of Iran. Of interest is the pressure from Iranians since 1930's for the nationalisation of the Anglo-Iranian Oil Company and reduction of foreign influence on the state, as well as the need for the Shah to remain ceremonial monarch, deferring to the parliament. These led to confrontation between the new Shah and the parliament since the monarch needed to retain state power in order to continue with the reform processes of his father. The highlight of the tussle was the nationalisation of the British owned oil company by the Prime Minister, which was opposed by Shah fearing the impact of the resulting oil embargo by the Western countries on the economy of Iran. The Shah fled Iran at the climax of the crisis known as "Abadan" and came back after Americo-British staged coup which led to the arrest of Mossadegh in 1953.

Undoubtedly, this event amongst others clearly portrayed the Shah as a Western ally in the cold war environment. He embarked on the construction of massive infrastructural facilities, introduced the "White Revolution" which extended voting rights to women, eliminated illiteracy and reformed the land tenure system as well as legal equity in marital issues. These reforms led to the flourishing of the new middle class and the dominance of Iran as regional politico-economic hegemony in the Middle East. The Shah also celebrated the 2,500 years of Persian Monarchy in 1971 and replaced the Islamic calendar year 1355 with imperial Calendar year 2535. Thus, referencing the foundation of Persian Empire over the birth of Islam as practised by all Muslims.

The modernisation and westernisation of Iran would ordinarily be a remarkable achievement for the Shah, but considering the fact that Shia Islam was accepted as Iranian state religion in 1502 during the time of Safavid dynasty and played dominant role in the state; its cleric independence from state control and their power to mobilize their followers against constituted authority with the numerical strength of 90% of the population made it difficult to swallow any measure seen by the cleric as anti-Islamic to pass without comment, hence massive discontent over reforms inclined to individualism as against the collectivism of an Islamic Umma, as well as western culture which was always antagonistic to Islamic injunction.

3.2 Causes of the Iranian Revolution

Central to the kick-off of the Revolution was the reaction of Iranians to the socio-economic changes of 1960s and 70s. The capitalist agricultural reform which followed poor land reform programme, the increase in the educated elements, employers of rural background who migrated to the urban centres and became worse hit by the economic downturn of the late 70s, formed the bulk of demonstrators which requested for a change in the administration of the country. The intelligentsia and the urban middle class also felt the impact of the inflation, poor agricultural output which led to food shortage and the uncertainty endemic to such state of affairs. Thus they demanded for a secular nationalism which coincided with the demand for better living condition by rural immigrants. The merchants and organised craftsmen (Bazaar) were also affected by the increases in state power, especially with the expansion in industrialisation and the attempt of Shah and his cronies to take over the organisation of Bazaar who were the major sponsors of the independent Shia Cleric, also generated dissatisfaction among this class whom the regime saw as a threat to their existence.

Contrasting this situation was the increase in the oil revenue which went into personal purse of Shah's state officials, although much was used for infrastructural development and other modernisation programme, still a new class of wealthy Iranians emerged, aristocratic and upper families who had access to the oil wealth. Over a million state employees were under state controlled labour union which made agitation for better working condition unrealistic and western expatriates dominated the Iranian oil industry, thereby, furthering the alienation of the Iranians from their wealth.

The Shah's economic and foreign policies made him more puppet of the west than he actually was. Foreign investments were needed for development, hence American companies were involved in joint venture with private and state companies in almost all critical sectors of the economy. More so, the increase in the oil revenue did not translate into reduction of Iran's dependence on the Americans for military hardware. It does appear that substantial part of the oil wealth was used in the purchase of arms and ammunition, when the masses were in dire need of basic needs of life. More so, there were about 20,000 American military advisers in Iran as at 1976 who were granted diplomatic immunity from prosecution necessitated by oil wealth and the need to please United States Security concern in the region, hence it is said that between 1972 and 1976 the Shah government spent 10 billion US Dollars on weapons and was expecting the delivery of further 12 billion Dollars worth of armament, when he was overthrown. Besides, his earlier installation by

the combination of America and British CIA and M16 respectively in 1953 further proved to the nationalistic Iranians in religious and secular circle of his “puppet” status to the west (Brumberg, 2001; Shirley, 1997).

Politically, the Shah lacked political foresight to recruit supports within the Shia religious leadership, since when they were excluded from governmental power, the Shia encountered political tyranny (Andrian and Apler, 1995: 89). These supporters would have countered Khomeini’s campaign against him. The Shah was also despotic and recalcitrant tactically as he violated the Iranian constitution of 1906 which provided for Constitutional Monarchy (Marckay, 1998: 218) and applied full instrument of state coercion (the SAVAK) on the dissent; dwelling on the repression of the Marxist elements, when the widely accepted religious opposition organized, gained momentum and eventually undermined the legitimacy of his regime. He also establishes Rastakhiz party as a sole and monopoly party with compulsion of membership and dues.

Besides, he was accused of negligence of governance and playing of statements during the oil boom and personalisation of government and playing political elites against one another, as well as discouraging initiative and refusal to allow the official to cooperate for fear of regicidal conspiracies. In the absence of fully functioning Shah as it was because of ill-health, the system could not function.

Above all, the Shah’s gross disregard and insensitivity to Islamic Religion in his 1976 changing of the Islamic calendar to imperial one making the birthday of Cyrus the founder of Persian Empire, the first year instead of the Hijra or flight of prophet Mohammad from Mecca to Medina, the overnight dramatic change from 1355 to 2535. He was also said to be extravagant, morally declared elitism in policies and corrupt. Again, the equity of women in marital issues and granting of full franchise to women, were seen as unethical as well as the elaborate celebration of 2,500 years of Persian Empire where stupendous wealth was displayed through massive importation of foods, drinks and luxurious goods from western countries, entertaining foreign quests.

Not the least is the personality of Khomeini and his charisma; self-confidence and conviction in carrying the masses along with messianic figure, inspiring thousands to dream of martyrdom in fighting Shah’s regime as well as his shrewdness in winning the supports of the liberals and Marxists by not mentioning his intention. Again the organisers of the protest in Iran made the Iranian security forces; the SAVAK to appear as novice and brutal than they were, which was an ingenuous invention, facilitating the revolution, so also was their rhetorics which

articulated popular grievances to the Shiites who comprised 90 percent of the population (Andrain and Apter, 1995:89).

As highlighted above, economic growth heightened income inequalities between urban and rural areas and within the cities. Rapid social upheaval sprung from urbanisation, incipient industrialisation, secular education, and the spread of mass media. All these changes brought political, economic and cultural dependence on capitalist core societies in North America and Western Europe. These attracted reaction from the populace who sought nostalgically to return to serenity which was part of past Islamic society.

3.3 Stages of Revolution

The Iranian Revolution can be divided into three stages: The Dawn of the New Era, The Consolidation of Islamic Republic and the Cultural Revolution which is an ongoing process.

Following the home coming of Ruhollah Khomeini and the departure of the Shah in February, 1979 there was little resistance to the Revolution. Khomeini appointed Prime Minister for the interim government and ordered his followers to ignore the martial law order issued by Shah's Prime Minister, Bakhtiar. He also proclaimed Jihad against the security forces disloyal to the revolutionaries (Moin, 1000: 2005). This gave Marxist guerillas and revolutionaries the needed impetus to loot the Police Armory and public building which forced the Army to declare neutrality in order to save the institution from disintegration. This marked the end of Pahlavi dynasty with the going into hiding of Prime Minister Bakhtiar and eventually self-exile in France. Khomeini announced the committees for the Islamic Revolution and formed Islamic Republican Party with Beheshti, Bahonar, Khamenei, Hashemi and Abdolkarim as leaders. This marked the Dawn of New Era in Iran.

Consolidation of the Islamic Republic came with the organisation of National Referendum between 30 – 31st March, 1979 to decide if Iran should be an Islamic Republic and the outcome was 98.2% in favour of it. By May 5, the Islamic Revolutionary Guards Corps was established by Khomeini through a decree and by June, Khomeini launched attack on non theocratic elements especially the intellectual. He also challenged the liberals and Marxists who opposed the new draft constitution which contained council of guardians to veto unislamic legislation which was approved by Khomeini and their advocacy for constituent assembly to deliberate on the new constitution; he labeled them as counter revolutionaries and declared that "No westernized jurists are needed to write the constitution, only noble members of the clergy" (Moin, 2000: 218) and thereafter worked on making the

Velayate Faqih (Governance of the Jurist) popular across the country. Khomeini promulgated new press law to counter opposition to his policies which was enforced with the banning of Ayendegan – the widest circulated newspaper for opposing Velayah Faqih. He closed down all political parties except few voiceless ones and released his Hezbollah thugs against oppositions of press censorship and Marxist groups as a reprisal for protesting against him. Between August and October 1979, the Assembly of experts inaugurated by him fabricated a constitution with Khomeini as the vali-el-faqih, whose power included the “commander of the Armed forces.”

The ex-shah’s visit to the United States for cancer treatment was politicised as evidence of American plotting and the need to tolerate the great Satan (Moin, 2000: 220) which was aggravated by the photo of Prime Minister Barzagan handshake with an American official interpreted as “the return of American influence.” The outcome of the anti-American sentiment was the occupation of the United States Embassy in Tehran known as the Iran Hostage crisis which lasted for 444 days. It was a major instrument of Khomeini’s propaganda to consolidate himself in power, especially with the failure of “Operation Eagle Claw”, an American rescue initiative aborted by sandstorm. The failure of Prime Minister Barzagan to get the needed support for the eviction of the student from the US Embassy forced him to resign with all members of his cabinet which was accepted by Khomeini. The first President of the Islamic Republic Abdolhassan Banisadr was also impeached due to misunderstanding with Khomeini. These events further consolidated Khomeini and his group grip on power, so also was the Nojeh failed coup attempt and the invasion of Iran by Iraq which further whipped up nationalistic sentiment and united the people under Khomeini against other internal oppositions.

The third stage of the Revolution was the Cultural Revolution which is ongoing. It started on March 21, 1980 with Khomeini’s move against the intelligentsia. He made it clear that the universities must become Islamic. By June, a decree to that effect was issued by the government and the Islamisation of the universities began, justifying its necessity, Khomeini declared: “We are not afraid of economic sanction or military intervention, what we are afraid of is western universities and the training of our youth in the interest of the west or East (Bakash, 1984: 122). The universities were invaded by the Hezbollahis which led to their closure for more than two years. The Islamisation was also extended to the state bureaucratic structures which led to the discharge of 20,000 teachers and nearly 8,000 military officers as well as 700 professors. This lasted till 1987, but has a standing body known as the Supreme Cultural Revolution Council, with 33 members and currently

chaired by the president of the Islamic Republic - - Mahmond Ahmadinejad. This council continues to ensure that education and the core of Iranian culture are in perfect harmony with Islamic injunctions as directed by Ayotollah Khomeini.

3.4 Impact of the Revolution on Iranian Development

Politically, the Revolution turned Iran to the foremost theocratic state in modern history, as Khomeini introduced Islamic Government in line with his book titled "Islamic Government of Governance of the Jurist". This enabled Iran to maintain independent foreign policies and maintained total control of internal milieu even during the war. Economically, Iran took control of its oil resources and harnessed all the resources for her development. It was a form of delinking from the exploitative relationship that characterises third world oil producers and the parasitic western countries. Although the oil glut of late 70s and early 80s affected the economy negatively, alongside great power conspiracy, still, massive leaking of the country's wealth was checked by the government. However, the issues of equitable distribution of nation's wealth continued to remain a subject of debate till date.

Intellectually, it was a great blow to scientific and technological development of Iran. The Cultural Revolution led to brain drain with the sacking of about 700 professors within a short time, so also was the closure of the universities, as well as the censorship of educational materials in line with Islamic dictates, this hardly gave room for liberal education. However, Iran has succeeded in recovering from the initial shock in this sector, which has led to her acquisition of nuclear technology, the current bone of contention with the west, still her educational system remains closed.

The aftermath of the Revolution has enhanced Iranian cultural identity as an Islamic state and curtailed excess consumption of western goods which affect balance of trade and payment as well as trade relationship. It has controlled most of the wild and unrealistic lifestyle of the west currently copied by most Third World Countries which has condemned their domain to a dumping ground of western manufacturing goods, thus protecting the domestic industries and maintain job for her population.

However, corruption continues to mar the Islamic Iraq government which has reduced the respect that the people have for the government. The poverty rate is still high and others are still living in affluence, especially those in government. This call to question the equality of men as preached by Islam and promised during the revolution.

SELF-ASSESSMENT EXERCISE

- i. Discuss the centrality of the Revolution to the development of contemporary Iran.
- ii. Highlight five policies of Shah which were unIslamic.
- iii. Outline and discuss five factors responsible for Iranian revolution.

4.0 CONCLUSION

Iran's revolution began with a popular democracy movement and ended with the establishment of the world's first Islamic state ruled by Islamic religious leaders called Mullah. The revolution in Iran shook the world because the Shah had an army of 400,000 men in strength with sophisticated weaponry as well as the backing of the western powers. But this was the demonstrated power of the general will of the people over the interest of the selected few. It took Iran through virulent times but later became the springboard for modern day Iran. It has curtailed the western influence and helped the country to fashion her developmental model which is ongoing and has cumulated to the acquisition of nuclear technology. The development in years ahead will determine the continuity of the revolution and its impact.

5.0 SUMMARY

Iranian Revolution was a Jacobin model or type social change which was later personalized by Ayotollah Khomeini who transformed it to Islamic Revolution and formed Islamic Government – the most outstanding theocratic state in modern era. All anti-Islamic elements and practices were purged from the state alongside the dominance of the western influence and exploitation. Iran started the process of Nation building again in 1979 which is ongoing under the supervision of the supreme cultural council. Reasonable achievement is recorded already but the outcome of nuclear crisis with the west is critical to further development.

6.0 TUTOR-MARKED ASSIGNMENT

Discuss the centrality of revolution to the development of contemporary Iran.

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UNIT 2 **MILITARY RULE AND THIRD WORLD DEVELOPMENT**

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Military Intervention in Third World Politics
 - 3.2 Reasons for Military Intervention
 - 3.3 Features of Military Rule
 - 3.4 Military Rule and Development in Nigeria
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1.0 INTRODUCTION

The role of the military in state and nation building cannot be over emphasised. It is the ultimate instrument of coercion and legitimating of force in every given state. It is the power behind the throne and palace and is expected to be under the command of a legitimate leader of the country for the protection of territorial integrity of the state and promotion of peace, security and stability within the state. However, the military in the post-Independence Third World appropriates the role of government to itself by overthrowing the respective civil administration in their country. This unit therefore looks at military adventurism into the politics of the Third World Countries, reasons for and features of military rule as well as their impacts on the development of these states, with special reference to Nigeria.

2.0 OBJECTIVES

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

- identify coup d'état as the method of military intervention in third world politics
- state reasons for military intervention in Third World politics
- highlight features of military rule
- discuss the role of military in the development of Nigeria.

3.0 MAIN CONTENT

3.1 Military Intervention in the Third World Politics

For the military to take effective control of government in their intervention in politics there must be a coup d'état, defined as "a political act directed at the authority by seizure of power through the direct use of, or the threat of the use of violent force" (Obi, 1999). This is always carried out by a handful of conspirators who secretly plotted against the incumbent office holders, to eliminate them either through death or by force from the office. As a show of force, the coupists also occupy strategic government installations and are located to cow the public to submission. The event is always marked by messianic messages from the conspirators discrediting the activities of the incumbent and promising rosy future for the masses. It must be noted that coup d'état is different from Revolution, since the major objective is the leadership change without consideration for socio-economic changes; however revolution may involve an act of coup plotting.

Part of the crisis of development was the prevalence of military intervention in the Third World Countries within a decade of political independence from the colonial masters, in African countries in particular. General Mobutu Sese Sekou took power in the Congo on November 25, 1965, so also did General Sogho in former Dahomey (now Benin Republic) in November 29, 1965, Colonel Bokassa in Central Africa Republic on the New Year day of 1966, Colonel Lamizana in Upper Volta (now Burkina Faso), four days after and the five majors struck in Nigeria on January 15, 1966. The trend continued and by mid 70s more than half of the African states were under one form of military rule or had experienced threat of military intervention.

The same could be said of Latin America, Argentina, Brazil, Chile, Peru as well Indonesia, Vietnam, Pakistan and both sides of Korea. Thus, military rule was almost a standard in the Third World in the better part of the Cold War which was due to weakness of the political structures and processes in post colonial states, the prevalence of economic crisis, and the institutional role of Military as the custodians of national defence.

Many attributed the development to colonial legacy such as bureaucratic emphases on hierarchical compliance and discipline with little or no respect for public accountability, responsiveness and participation, since colonialism itself was philosophically and organisationally elitist, centralised and absolutist, hence the destruction of the vestiges of democratic culture it met in Africa as elsewhere and replaced this with

massive alienation of bureaucracy under an all powerful central authority (Williams, 1995). The thesis of the argument is that the culture of despotism and absolutism as reflected by the colonial rule was carried over to the post-colonial states by the statesmen who took over power from the colonial over- Lords which was responsible for the crises experienced by the these Third World Countries; since they discourage opposition and perpetuated their hold on power arguing that the problem of development demanded complete unity of purpose and therefore criminalised political dissent (Ake, 1992). The fall out of political monolithism was coup d'etat which was also undemocratic, the same way colonialism and single party hegemony characterised post-colonial states before the intervention of the military. Therefore military intervention in the third world and African in particular was to consider the culture of despotic personalised rule as exemplified by the Colonial Rule and their civilian successors in the third world countries, with the sole aim of capturing the commonwealth for expropriation just as was done by the colonialist.

3.2 Reasons for Military Intervention in Third World Politics

The Third World Countries are new states with fragile structures norms and values. Thus the post independence era was a learning process for most of its leaders. Amazingly, many of them saw it as opportunity for self perpetuation and aggrandizement therefore arrogated the power of the state to themselves in a majestic manner. This led to patrimonialism and clientelism which promote corruption and waste. There are also the challenges of the underdevelopment of civil political institutions (corrupt administrations, political fractiousness, etc), and the corporate interest of the Military, as well as personal ambitions of military leaders. With intolerance to opposition and the employment of the state resource for self-perpetuation, the only means of socio-political change as the military take over which was always welcome by the masses. However, these explanations are not mutually exclusive. Personal, organisational and societal factors are intermingled.

The political class in Third World Countries always see election as a zero-sum game which calls for the employment of all means in real politik to get to power. The inter and intra party wrangling as experienced in Nigeria in the First Republic led to political violence, instability and general sense of insecurity which beckoned on the military as the last hope for the restoration of law and order because of her perceived neutrality in the political landscape of the country.

More so, the military itself is part of the society. They see and understand the game as played by the politicians especially access to political power which translates into control of the state resources, hence ambitious officers also use the military as a platform to actualize their ambition of ruling their respective countries and gain access to the sources for personal and group gain as done by the politicians.

This may as well explain Muamar Gaddafi's coup in Libya in 1969, Abdel Nassers coup in Egypt and Mengistu Haile Mariam's coup in Ethiopia. This also explains the background to counter coup, since the military is seen as a loyal, disciplined and united institution, they ought not be any division except for self interest as exemplified by General Abacha coup against Third Republic as well as Colonel Dimka aborted coup against Murtala Mohammed in Nigeria.

The intervention as a corrective regime sometimes is plausible if Ghana political history is x-rayed, especially the two interventions led by Flt Lt Jerry Rawlings. At the first intervention, he organised an election and successfully handed over power to the civilians, but the political mismanagement brought back Jerry Rawlings and his men in a more bloody way. Such intervention can be said to be inspired by Patriotism and the need to correct the idiosyncrasies of Third World leaders, today Ghana is better off as politics of impunity and the ends justifies the means has given way for a more democratic open and accountable society which has enhanced stability and development.

Furthermore, interconnectedness of the global system makes comparison and duplication of events desirable. This was played out as a coup in one country generated ripples in other countries. This may account for the succession of military intervention in Africa between 1960s and 80s: Mobutu in Congo, November 1965, Soigho in Dahomey four days after, Bakassa of Central Africa Republic on January 1, 1966, Lamiza in Burkina Faso, four days after, and the five majors in Nigeria eleven days after. The trend continued as most of the African states were ruled by Military Juntas. Indeed, the organisation of African United was almost like a club of military top brass in the continent due to the infectious nature of military intervention in the continental politics at time.

Besides, the neo-colonial nature of Third World Countries makes them excessively open to outside influence especially those of the multi-National Corporations whose presence are prominent in these states. The MNCs lobby and sustain corrupt governments which protect their interest and whenever a government appeared to be injurious to their interests, they work relentlessly to ensure its change. Thus there were speculations that the coup against President Allendes of Chile was a

fallout of his policy against the MNCs and the same has been said to be the reason behind failed coup against General Murtala Mohammed in Nigerian, and International Telegraph and Telegram (ITT) has been fingered. Relating to this was the Cold War environment which required a strong ruler to protect the interest of superpower bloc which the leaders belongs to, hence, there was deliberate effort by the two power blocs to counter each other in the politics of the Third world where they recruited supports through support for military intervention for their ideological interest. Such interests include the continuous exploitation and expropriation of the Third World resources to the metropolis, especially the western metropolis.

3.3 Features of Military Rule

The first sign of military rule is the forceful taking of power from the incumbent government through coup d'état. Here power runs through the barrel of the gun as against the ballot box in a democratic system. The populace is not consulted because of the secret and conspiratorial nature of coup plotting, hence the required force is marshaled by coupists to overthrow the government and take over strategic locations, so as to ensure the compliance of all and sundry. Dissidents are silenced and all the key incumbent government officials arrested or eliminated in order to remove resistance from taking over power. This indeed is the first indication of military takeover in the Third World Countries

The military always suspend the existing constitution of the states in order to operate. The constitution most of the time provides for the separation of power between the three arms of government. However, since the military are not elected, they find it convenient to suspend the constitution and ensure that fusion of power reigns. This accounts for the executive during the military rule performing legislative duties, as the legislative arm is worst hit by military intervention. In Nigeria for instance, the suspension of the First Republic constitution led to the formation of the Supreme Military Council, which was rebranded as Armed Forces Ruling Council by General Babanginda in 1985 and Provisional Ruling council by General Abacha; they all perform both executive and legislative functions with the suspension of the constitution which provided for the National Assembly as a separate arm of government.

The suspension of the constitution does not mean that the military rules without law; far from it. They rule with decrees and Edicts chunked out by the military Rulers. The Decrees are made as exigencies demand and as such are not thorough, neither are they done in consultation with the masses or any constituency. Hence the laws are always stringent and

most of the time are made to curtail the rights of the citizens, as the regime sometimes feel threatened. Some of the Decrees and Edicts are retroactive in nature, so as to enable them persecute suspected opposition and dissidents. Others are hinged on the exigencies of development, such as the land use Decree which vested the ownership of the entire land in the country in the hands of federal government; thereby depriving communities and families entitlement to ancestral and communal properties which has been criticised by Nigerians. The same criticism greeted the obnoxious Decree No. 34 of 1966. This compared with the fiscal federalism of Nigeria at independence to a unitary state which has hampered the general development of the country.

Ironically, the military who expect the citizens to obey the laws are not law abiding. They show utter disregard for the rule of law. This regime abhors court injunctions and other rulings contrary to their interest. Indeed, the military rulers are the law unto themselves and dare not subject themselves to the control of any order or authority in a given state; hence the tyrannical nature of military rule.

Note worthy is the self perpetuation in power by military rulers which were removed by counter-coup or societal pressure. As stated, the suspension of the constitution removes the tenure limitation as enshrined in the constitution, as such change of government is left in the hands of the junta who exploit it to consolidate their holds on power and eliminate or silence all the perceived progressives who dare challenge their policies. Pressure for democratisation by western allies produces self-succession, as constitutions are fabricated and manipulated to ensure that incumbent military ruler is returned back to power as a civilian leader, hence many maneuvered themselves into live presidency, while others spend more than two decades as the head of their respective countries. Instances to this abound; Muamar Gaddafi in Libya, Mobotu Sese Sekou of Congo, Gnassingbe Eyadema of Togo, Augustus Pinochet of Chile, Museveni of Uganda, Hosni Mubarak of Egypt and Pol Pot of Vietnam.

3.4 Military Rule and Development in Nigeria

Military Rule in Nigeria just like any other social model has diverse perceptions. One school of thought sees the military as unprogressive, lazy and conservative institution, capable of taking over power with brute force but incapable of resolving multi-dimensional socio-economic and political challenges facing the third world countries. Leading this pack includes G. Mosca, M. Needleless, A. Vogt and B. Abrahamson. On the other hand is the modernization school of thought of Military Rule, notably among them are J. J. Johnson, S. P. Huntington and Lucian Pye.

According to this view, the military has all it takes to modernize the Third World countries through their training and exposure to Western orientation and technology as well as unified and hierarchical structure which hasten decision making and ensure compliance, hence a veritable institution for third World development and modernisation. Our assessments therefore are anchored on these two perspectives.

From the moderniser's perspective the military stepped in during political stagnation in 1966 which would have led to the demise of the Nigerian State and stabilized the nation despite diverse challenges of late 60s and 70s which is laudable. Others include the following, political reconstruction as observed by Tonwe (2011):

- i. Introduction of the Presidential System of Government
- ii. Re-organisation of Nigeria into 36 States and Federal Capital Territory.
- iii. Introduction of Tripartite Federal System
- iv. Political Neutralisation of Traditional Authorities
- v. Promulgation of the Land Use Decree.

The list is not exhaustive, however, but it seems as the modernizers are more concerned with structural changes without considering the normative imperative central to socio-economic development of Nigeria. This gives credence to the opposing view of military rule as too conservative for the development of Nigeria.

To start with, every form of constitutional suspension is an indication of political decay, so also is the personalization of governmental institutions, which are central in military rule. The absence of specific tenure as well as the clientelist and patrimonial culture lead to political backwardness. The net result of these is endemic corruption which pervades Nigerian body polity as the culture of impunity and absence of accountability turn rulers to demi-gods, thereby promoting kleptocracy which is the bane of societal development in Nigeria. This has made Nigeria's national identity to be synonymous with corruption, the pillar of underdevelopment of the third world countries and Nigeria in particular. Again, the military have continuously protected the interest of the neo-capitalist interest in the country culminating to the hanging of *Ken-Saro-Wiwa* and others as the climax of crisis of the National underdevelopment and the conspiracy between the personalised state and the Western MNCs in liquidating and expropriation of Nigeria resources to cushion the insatiable greed of the duo. The net effect is that critical sectors of the country are not developed and the environmental degradation becomes endemic leading to poverty, diseases and despair as well as political insatiability as witnessed in the

country today. It must be said that successive intervention by military in Nigerian politics effectively removed self-correcting mechanisms inherent in every political unit, as every system has the tendency of self-regeneration over time. These interruptions over a long period have led to the absence of democratic norms and values in the Nigerian state and the promotion of violence and militarisation of every sector of our national lives which is inimical to the overall development of the nation. Given that stable democracy is an important aspect of a modernized society, the military is an aberration in all ramifications. Thus Obi (1999) summarises that “even those theorists who saw the military in the third world as modernisers and promoters of development have had to recant their optimism in the face of overwhelming evidence that military interventions have contributed to crisis in the third world.”

SELF-ASSESSMENT EXERCISE

“Military era were wasted years in the socio-political development of Nigeria” Discuss.

4.0 CONCLUSION

Military Rule is an aberration in contemporary politics. It was tolerated during the cold-war and sometimes intervened due to the idiosyncrasy of Third World Leaders; but overtime they started exhibiting worse excesses than their civilian counterparts which damage the image of the military. The endemic political decay experienced in Nigeria and indeed across Africa and other Third World nations makes this model unsuitable and generally outdated in 21st century governance.

5.0 SUMMARY

Military Rule is the intervention of the Armed Forces in the politics of Third World Countries through *coup d’etat*. It was rampant during the first two decades of independence in African states which co-incided with the cold-war. Generally seen as corrective regimes to politicians’ idiosyncrasies it later became more terrible and intolerable. However, in Nigeria, some schools believed in the mild achievement of successive military regimes while others regard them as opportunists. Nevertheless, there is a general consensus on the rejection of military rule in the country, as this is counter-productive to the developmental strategies and well being of the country.

6.0 TUTOR-MARKED ASSIGNMENT

“The military era were wasted years in the socio-political development of Nigeria.” Discuss.

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UNIT 3 DEMOCRATISATION IN NIGERIA

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 What is Democracy/Democratisation
 - 3.2 Features of Democracy
 - 3.3 Democratisation in Nigeria
 - 3.4 Democratisation and Development in Nigeria
- 4.0 Conclusion
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1.0 INTRODUCTION

You are quite familiar with the concept of democracy and democratisation which are common in our daily discussion as political scientists and indeed Nigerians, with the regular conduct of elections – National, State, Local and Bye elections by the Electoral Commissions. Indeed democracy/democratisation is much more than the conduct of regular elections (although this is part of it); it covers the process and structures of the state/government as well as the normative principles regulating inter-personal/governmental relations in a given political milieu. This unit dwells on Nigeria's experience on democratisation after series of autocratic rules and correlates it with Development of the Nigerian state.

2.0 OBJECTIVES

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

- outline the numerous definitions of democracy/ democratisation
- highlight some features of democracy
- identify democratisation processes in Nigeria
- enumerate the impact of democratisation//democracy on the development of Nigeria.

3.0 MAIN CONTENT

3.1 What is Democracy/Democratisation

It is a common knowledge to hear a roadside mechanic saying, “This is democracy, I know my right!”; a rhetoric common to all and sundry in Nigeria today. But whenever these laymen are asked to define or explain “Democracy”, their answers are always simple “this is not military rule”. Hence the abdication of power by the military juntas is equated with democracy by common man on the street. Yet to some clerical staff, democracy has much to do with periodic elections, during which they vote for candidates of their choice and may also give them the right to protest especially over the increase in the pump price of patrols as it has become a tradition in Nigeria. Thus the concept of Democracy gives different meaning to different people based on their level of education, exposure as well as experience in the society, although such understanding may not be all-embracing, but is comforting to note that the concept is not strange” to Nigerians at all; and has given you an entrance to greater understanding of the concept as a student of development politics. But democratisation simply is the process of building a culture (i.e. strong institutions/structures and attitudes) of participatory democracy. Without going into the complexities of definition of democracy, we can see democratisation as the deepening of democracy.

The term “Democracy” is derived from the Greek word “demos” meaning “the people” and “kratia” is translated as “rule” or “government”. Studying the form of government, Plato and Aristotle labeled the activities of the Greek city state of Athens as democratic, since there was (a) equal participation of all freeborn in the political activities of the city state called the polis’ (b) promotion of public debate before decision making in a harmonious atmosphere; and the (c) supremacy of law in the affairs of the state, which was respected by all in the polis. This Athenian model is termed “Direct Democracy” which is not suitable for large population as we have in the modern Nation States; hence today, we have indirect or represent model. The concept of Democracy has as many definitions as the scholars in the field, some consider it as a form of government, while others are statist, yet some others take a societal look at the concept especially as it is related with liberal capitalism. Some have equated contemporary democracy with liberal democracy.

According to Abraham Lincoln

- *Democracy is the government of the people, by the people and for the people.*

According to A. V. Dicey (1905)

- *Democracy is a form of government in which the governing body is a comparatively large fraction of the entire nation.*

According to James Bryce (1921)

- *Democracy is the rule of the people expressing their sovereign will through the votes.*

According to Larry Diamond (1988:4)

- *Democracy is a meaningful and extensive competition among individuals and organized groups (especially political parties), for major positions of governmental power.*

According to Burns (1934:26)

- *Democracy is a system of government in which those who have authority to make decision that have the force of law acquire and retain this authority either directly or indirectly as a result of winning a free election in which the bulk of adult citizens are allowed to participate.*

According to David Held (1993:16)

- *Democracy is a cluster of rules and institutions permitting the broader participation of the majority of citizens in the selection of representatives who alone can make political decision.*

According to Schmitter and Karl (1991)

- *Democracy is a system of governance in which the rulers are held accountable for their actions in the public realm by citizens acting indirectly through competition and cooperation of their elected representative.*

According to Luckham and White (1996)

- *Democracy is a procedural system involving opening political competition with multiparty, civil and political rights guaranteed*

by law, and accountability operating through an electoral relationship between citizens and their representatives.

According to Stuart Flexner (1987: 342)

- *Democratisation is the processes of becoming democratic i.e. It pertains to democracy.*

Central to these definitions is the participation of citizens in decision making through their elective representative. Hence, this implies the popular sovereignty over the rulers and the perceived inherent legitimacy of the government on the people. However, these definitions dwell on political rights to the detriment of the economic man which is essential in enjoying the socio-political rights exercised through voting and other activities.

3.2 Features of Democracy

Robert Dahl (1995: 71 – 75) identifies seven institutions which he termed “polyarchy” necessary in modern democracy which distinguish it from any other forms both historical and theoretical. These institutions are highlighted below:

1. Control over government decisions about policy is constitutionally vested in elected officials.
2. Elected officials are chosen and peacefully removed in frequent, fair, and free elections in which coercion is absent or quite limited.
3. Virtually all adults have the right to vote.
4. Most adults also have the right to run for public offices in these elections.
5. Citizens possess rights are effectively enforced by judicial and administrative officials, to freedom of expression, including criticism of and opposition to the leaders or party in office.
6. They have access, and an effectively enforced right to gain access to sources of information that are not monopolised by the government of the state, or by any other single group.
7. They possess an effectively enforced right to form and join political organisations, including political parties and interest groups.

According to him “when we speak today of “democracy” or a “democratic country” we generally mean a country in which these seven institutions exist.”

Added to the checklist include:

- a) Public accountability which demands that the government should be answerable to the people the source of its legitimacy where the real sovereignty lies.
- b) Government by consent, requiring the consultation of the people by government through mass media and consideration of public opinion in decision making.
- c) Equal weight of individual votes from the electorates to those elected into the legislature. This eliminates any form of discrimination against any person based on socio-economic variables and ensures that majority, in terms of vote count is central to decision making even in the committees of the National Assembly.
- d) Recognition of the Minority Right in terms socio-cultural factors, such as race, gender, religion as well opposition parties. The central notion here is the protection of the right of the minority to have a say and maintain their status without harassment or intimidation by the majority or dominant group in the society.
- e) Constitutionalism which entails the supremacy of the constitution over any person or group of persons in the state. Constitution creates public institutions which are meant to safeguard the general interest and checkmates the excesses of operators in the political system. Once constitutionalism is rooted, primordial policies are eliminated and the state is more autonomous as the final arbiter between group and interest in the system.

3.3 Democracy/Democratisation in Nigeria

Democracy was introduced to Nigeria by the Hugh Clifford Constitution of 1922, through the Elective Principle which authorizes the election of four Nigerians – three from Lagos and one from Calabar into the Legislative Council, under Limited Franchise. Nigerians of annual income of £100 who might have resided in these cities for a minimum of twelve months were eligible to vote for the elections in these cities. The impact of this development was the upbeat of political activities with formation of the first political party in the country – Nigerian National Democracy Party in 1923, by Herbert McCarthy. This party won the 1923, 1928 and 1933 legislative council elections in these two cities and facilitated the agitation for further democratisation process in the council. This must be understood given the autocratic nature of colonial Rule which did not give room for broad based indigenous participation and representation in decision making in the country.

The continuous demand of the educated elite for participation in governance and indeed self-government generated the formation of Nigerian Youth Movement in 1936 and the National Council for Nigeria and Cameroun were also formed to put pressure on the British to further democratise the existing system. Aided by the Atlantic Charter of August 9, 1941 which supported the right for self-determination by people all over the world as the new principle of Post World War II, the demand for further opening resulted in the Richards' Constitution of 1946 which increased Nigerian representatives in the legislative council to twenty – eight. The constitution also provided Regional Assemblies for the three regions, which served as the Electoral College for the indirect election of twenty four indigenous members to the legislative council out of the twenty-eight. The remaining four continued to be elected directly as provided for in the Clifford Constitution. More so, Nigerians outnumbered the Britons who have only sixteen officials in the council, empowered to consent to legislation before it becomes a law by the governor. Again, there was improvement on the limited franchise as £50 was required as the annual income for voters as against the £100 stipulated by the Clifford's constitution. However, the constitution was fabricated without consultation with Nigerians and the executive arm continued to be highly personalised and appointed by the Governor, so also was the restriction of Nigerians to discussion rather than participation in the management of the country's affairs.

The inadequacy of Richards' democratic experiment and persistent pressure from Nigerians for greater participation and democratisation led to the replacement of Arthur Richards with John Macpherson, who did not only acknowledge the weaknesses of Richards' effort at democratisation of the country, but took concrete steps to correct them. Macpherson therefore embarked on nation-wide consultation with Nigerians across board. This was followed by series of conferences from the village, divisional, provincial and the regional levels. The recommendations of the regional conferences were submitted to the general conference of 1950 in Ibadan.

The resolutions and recommendations was submitted to the legislative council for ratification before it was passed to the secretary of state for the colonies for final approval. This constitution came into effect on June 30, 1951, with a provision for the House of Representative whose one hundred and Thirty (130) members were elected through Regional Assemblies with full power to legislate for the whole country and sometimes override the legislation of the Regional Assemblies. At regional level, the legislatures were empowered by the constitution to legislate on limited matters clearly specified on concurrent list such as education, agriculture and local government. However, the executive

arm of government was less democratized as the British continued to denominate, even at regional levels, but twelve indigenous ministers were appointed from members of the House of Representatives (four from each region) to increase Nigerian Element at Council of Ministers, under the Chairmanship of the Governor which was the chief policy making body of the Central Government. This implies Nigerians involvement in the management of the affairs of their country for the first time at the highest level with such numerical strength. The constitutions also enfranchised all tax-payers in the country.

The limitation of Macpherson's constitution was corrected to some extent by Littleton constitution of 1954 after the London conferences of 1953 and Lagos conference of January 1954. This constitution fashioned out Federal Structure for the country, with unicameral legislature whose members were elected directly by the electorates. The Regional Assemblies were further strengthened make laws on the concurrent and residual list. The electoral system gave way and ministers were still appointed from the House of Representatives. It gave greater autonomy to the Regions with the creation of the position of Regional Governors who were given the power to levy taxes and developed their regions. Thus, regional civil services were created as well as judiciary. However, the status of the council of Ministers remained the same and the Governor-General at the centre as well as the Regional Governors were still powerful enough to negate legislation both at Central and Regional levels. They were still British officials. Nevertheless, there was improvement in Nigerian participation and management of their affairs. The weaknesses of the Littleton constitution – absence of Prime Minister, fear of minorities and probable date for national independence, amongst others led to the London Conference of 1957, 1958 and 1960. The outcome was the granting of self government to Western and Eastern Regions on August 8, 1957, the creation of the post of Prime Minister occupied by Tafawa Balewa in 1957, the creation of Senate as the upper house – thus the introduction of Bi-cameralism at independence. In deed these conferences led to the democratisation and restructuring of the polity and establishment of institutions leading to the attainment of independence on October 1, 1960 and the subsequent Republicanism in 1963. Thus at independence, the British supervised democratisation process ended in Nigeria and resumed during the military regime of General Muritala Mohammed/Obasanjo in 1975.

Fortunately, this administration laid the foundation for Constitutional–Evolutionary model of military disengagement from politics which entails absolute withdrawal and neutrality of the Armed Forces in the process which is distinguished from the Military – turned political model witnessed in Africa as in Ghana during Jerry Rowling

metamorphosis in 1992. Constitutional evolution lays emphasis on methods and procedures such as writing of a new constitution, convocation of Constituent Assembly empowered to debate and ratify the draft constitution, lifting of ban on political parties activities political restructuring and delimitation of constituencies and electoral processes to determine the successors to the military and formation of the new government. Consequently, despite the death General Muritala Mohammed , Obasanjo implemented the democratisation of the regime to the letter, starting with the creation of additional seven states and constitution drafting in 1975 – 76, Local Government Re-organization, Reforms and Elections as well as summoning of a Constituent Assembly to deliberate on the Draft constitution (September 1976 – October 1978); Electoral Constituency delimitation and lifting of ban on political party activities (October 1978), Elections into the state and Federal executive and legislative arms in 1979. Thus the administration adopted the American model of Presidential system of Government in 1979 in the Federal structure with Executive President, Bi-cameral legislature and multi-party system, with Shehu Shagari and his National Party of Nigeria (NPN) emerging as the ruling party at Federal level. However, this democratic experiment was suspended with the military intervention of General Buhari on December 31, 1983.

Attempt at democratisation was made by General Babangida between 1985 – 1993. He created two government founded political parties. The Social Democratic Party (SDP) and the National Republican Convention (NRC). After series of manipulation in a convoluted transition programme by General Babangida, the process came to a halt with the annulment of the June 12, 1993 perceived to have been won by Chief – Moshood Abiola of the Social Democratic Party (SDP). The stepping aside of General Babangida and subsequent inauguration of Interim National Government headed by Chief Ernest Shonekan Created a legal pitfall which lead to its demise by General Abacha coup in November 18, 1993. However, Abacha's attempt at democratisation was designed for self-succession which ended with his sudden death on June 8, 1998 and the emergence of General Abdulsalam Abubakar as the Head of State on June 9, 1998.

Abubakar had the shortest democratisation programmes which lasted for about eleven (11) months within which he organized elections in various tiers of government. He did not bother to create states and other time wasting institutions but rather adopted the 1979 constitution with minor modifications and renamed it as 1999 constitution. Three political parties were registered for the elections and the Peoples Democratic Party (PDP) was declared the winner and has indeed been the ruling

party since the inauguration of the Fourth Republic which has lasted well over a decade; the longest in Nigeria's political history.

All said democratisation process in Nigeria can be divided into two phases: democratisation into nationhood under the supervision of the British colonialist and transition to democracy after interruption by military rule.

3.4 Democratisation and Development in Nigeria

The correlation between democratisation and development in Nigeria can be summarised as follows:

- a) Democratisation leads to the evolution of governmental structures and institutions which accelerates the march to nationhood.
- b) Democratisation in the colonial era was synonymous with political development during the colonial rule and remains an index of societal development in modern era
- c) The giant strides in the development of the infrastructural facilities by the Regional Governments during the First Republic was made possible by the democratisation of the political process.
- d) Democracy leads to openness, transparency and accountability which account for the discovery and recovery in some cases stolen money by corrupt officials. It was not common during the colonial and military era.
- e) Socio-political Rights of the citizenry are guaranteed and enjoyed more during democracy than the authoritarian colonial and military rules.
- f) Democratisation leads to political stability which encourage foreign direct investment as witnessed since its inception in May 1999. This is a far cry from the pariah state status accorded Nigeria during the inglorious days of Abacha regime.
- g) Democracy enhanced Nigeria's image in the committee of nations and contributed to debt relief package secured by Obasanjo administration. Nigeria's economic woes would have compounded, if such debt burden was to be serviced during this global economic meltdown. Though this is also arguable, because some have contended that the transaction was like taking coal to New Castle and that the money should have been used to develop critical infrastructure.
- h) Democracy has generated a healthy competition between the component units in the Federation on developmental project, which has forced some leaders to work harder than their military administrators' counterpart.

The tenure certainty and duration has enhanced stability and peaceful change of government which is central to the general development of every society.

SELF-ASSESSMENT EXERCISE

- i. To what extent is democratisation desirable in the development of Nigeria?
- ii. Define democracy in your own words which summarise these definitions.
- iii. Highlight the three successful democratisation process in Nigeria.
- iv. Identify major development in your state since 1999 democratic dispensation.

4.0 CONCLUSION

Democratisation led to accelerated political development in Nigeria in the colonial era, especially after the Second World War. It played a pivotal role in the development and adjustment of major structural and normative institutions in the country, thereby leading to the general development of the Nigeria state. Its suspension and abuse are always signs of decay which should be checkmated by all.

5.0 SUMMARY

We defined Democracy as a system/form of government which reflects the representation, participation and consent of the governed. Its major feature is people oriented. It was introduced into Nigeria through constitutional Development by the British and has been operational despite occasional hitches by military interventions. It has positive impact on the overall development of Nigeria.

6.0 TUTOR-MARKED ASSIGNMENT

To what extent is democratisation desirable in the development of Nigeria?

7.0 REFERENCES/FURTHER READING

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UNIT 4 CORRUPTION AS THE BANE OF THIRD WORLD DEVELOPMENT

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 What is Corruption?
 - 3.2 Causes of Corruption in the Third World
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 - 3.4 Corruption and Africa's Development
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1.0 INTRODUCTION

The concept of corruption needs no introduction to the students of the Third World Social science; but the understanding of its embodiment as well as impact in every facet of modern life may escape our mind from time to time. This unit therefore raises the premises of understanding corruption, not only as a social malfeasance but also the excruciating effect on the development or underdevelopment of the Third World Countries, purposely to reduce our tendency to blame outsiders for our woes and look inward for panacea to the socio-economic and political challenges facing us. After all, global capitalism came with some benefits which other Third World countries in Asia and Latin American succeeded in tapping into, why not Africa and Nigeria in particular? This unit may as well produce the answers to this and other related questions.

2.0 OBJECTIVES

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

- identify some definitions of corruption
- identify causes of corruption
- highlight dimension of corruption in Africa
- discuss the effects of corruption on Africa development.

3.0 MAIN CONTENT

3.1 What is Corruption?

Going to the street to ask this question will generate divergent answers; ranging from bribery, kickback, favouritism, extortion, fraud, embezzlement and other vices. This means that acts of corruption permeate our every day life and is not strange to the layman in our society as some of them are involved at micro level through their encounter with the police, tax collectors, judiciary officials as well as with teachers who demand for money or any other victual in exchange for one favour or any other victual in exchange for one favour or the other. Howbeit, majority are quick at pointing the accusing finger on the government and its officials as the embodiment of corruption, while excusing themselves for the misdeed. The buck-passing may as well make it difficult for single definition to capture corruption, as the acts are better known and described than its definition; nevertheless, the following attempts are worth mentioning:

According to Khan (1996)

Corruption is any act which deviates from the rules of conduct, including normative values, governing the actions of individuals in a position of authority or trust whether in the private or public domain, because of private-regarding motives (that is non public or general) such as wealth, power status, etc....

According to Ikoiwak (1986)

Corruption is the betrayal of public trust for individual or groups gain

According to Lawal (2006:2)

Corruption is the violation of a public duty in exchange for (or in anticipation of) personal pecuniary gain, power or prestige... such a violation of the law includes such practices as bribery of public officers, the falsification of public records, the embezzlement of public funds and the fraudulent sale of public lands and other natural resources.

According to Sen (1999:275)

Corruption is the violation of established rules for personal gains and profit.

According to Atlas (1968)

Corruption is a symptom of dysfunctionality of the relationship between the state and the people characterized by bribery, extortion and nepotism.

According to World Bank (1997:3)

Corruption is the misuse of public powers for private gains.

The foregoing definitions centre on the violation of the laid down rules of state by agents or operators of the state for personal gains, hence corruption is a deliberate act of any agent of the state in the utilization of the commonwealth or resources within a given purview for self aggrandizement or repatriomonalism. This typology is referred to as political corruption which is different from petty or bureaucratic, as well as the private citizen swindling of unsuspecting victims for perceived advantage; is of common knowledge to all in the society. It could be elitist, as Nnorom and Adisa (2008) succinctly put it:

Political corruption is ... the abuse of entrusted power or private illicit act committed by the political leaders before, during and after office... perpetrators are political leaders or elected officials who are vested with public authority and bear the responsibility of representing public interest.

It is this abuse and betrayal of public trust, offices status at the highest level in every given society, especially, the third world countries that generate interest and call for discourse as we are doing

3.2 Causes of Corruption in the Third World

Almost everybody would identify the root cause of corruption to be the government in a given society as it is the general belief of the populace that the government has the magic wand for every societal problems, but little do they know that the government is an extension of the society which depends to a large extent on the prevailing culture as determined by societal variables and dynamics.

However, corruption can be an offshoot of socio-cultural and ideological imperatives as well as institutional structure as identified by Klitgaard (1988).

The recent history of the Third World Countries is marked by the activities of European colonizers which transformed the socio-political as well as the economic structures of these states. Colonialism by nature did not encourage transparency and accountability to the indigenous people and besides, the process of colony acquisition were characterizes by fraud and intimidation, so also was the colonial role which encouraged the whites to live in affluence and subjected the indigenes to sub-human treatment. This culture of impunity and Kleptocracy as exemplified by colonialism laid the foundation for corruption in the Third World countries, as political leaders after independence step into the shoes of the colonialist and imitate their ways of life in the administration of the colonies as an instrument of accumulation of resources for expropriation to the home country. This may as well explain the obsession for offshore account by Third World leaders.

Onimode (2003) identifies greed, individualism and selfishness, the building blocks of capitalism as part of the causal factors of corruption in the Third World. Citing the survival of global capitalism's on the primitive accumulation in the peripheral economies as the major impetus for corruption. This lends credence to Halliburton scam in Nigeria involving Siemens as well as the involvement of international oil companies in the corruption mire of the Nigerian state. Indeed all the inflated contract and over invoicing are done in collaboration with foreign clients, which always benefit from such dirty deals. It is also global capitalism which provides for secret coded account by Swiss Bank as observed by Levi(2003) which encourage the siphoning of money from the Third World Countries abroad; without such facility for easy movement of such resources and the security thereof, many Third World leaders would find it difficult to rape the country for personal interest. Thus global capitalism has provided encouraging mechanism for corruption, as such stolen money tall in the economies of the major western power which are handy for further expansion of capitalist activities within the western countries and sometimes, re-channeled as loans to Third World countries with stringent conditions and stratospheric interest overtime. Added to this is the "Green Room" meeting or negotiation with Third World leaders during trade and investment meetings which indeed is an open secret for bribe giving and taking which sums up in the lopsided trade and development agreements detrimental to the third world development.

Poverty, a by-product of corruption also empowers corruption. This is so; as the civil societies are too poor and sometimes are not conscious of the need to demand explanation from their leaders. A civil society which depends on the government for patronage finds it difficult to hold the same government accountable for its actions. The argument that the

Third World leaders find it more comfortable to impoverish their people so that they may not be able to challenge their activities seems to gain ground, as the greatest weapon for docility of a population is poverty and ignorance; and this seems to work for them. After all it is when the basic needs are met that human beings will have the capacity to gather and think of socio-political and economic rights. Therefore, without vibrant civil society capable of holding the leaders accountable for their actions, corruption excels and flourishes as witnessed in the Third World countries. The activities of the vibrant civil society in the West to a large extent have checkmated corruption tendencies of their leaders.

Institutional structure identified by Klitgaard (1998) as instrumental to corruption include: the monopoly of power by officials; the degree of discretion that officials are permitted to exercise and the degree to which there are systems of accountability and transparency in an institution.

The monopoly of power by officials in Third World Countries is enormous, especially in the provision of infrastructural facilities and descent to sensitive documents. The drama generated by the sudden illness of late President Yar'Adua and the colossal fraud perpetrated by his cronies would not have been possible; if the institution of the presidency did not vest on him the ultimate power even in comatose to the detriment of the entire country. The same can also be said of the issuance of Certificate of Occupation (C of O) to land owners which requires the assent of the Governor. Most of the time the processes leading to Governor's signature is burdensome, and officials extort money from the public in the guise of moving the files from one place to the other. The same also goes to those who oversee contracts agreements, as bribe and kickbacks formed part of the negotiation since such individuals are saddled with the sole responsibility of signing such contract papers. In most cases due process as required by the law is not followed and sometimes the laws are too weak to checkmate the activities of the government officials. Over-centralisation of power in the hand of few leads to corruption, after all power corrupts and absolute power corrupts absolutely.

The degree of discretion that officials are permitted to exercise is another factor encouraging corruption. Effective taxation has remained a mirage in most Third World countries and indeed Nigeria, since the tax officials responsible for assessing the companies and manufacturers at their discretion abused it as avenue for making money for themselves, thus the government is surcharged, as business concerns are under-taxed while the officials smile back home with bribes collected in order to reduce the taxes of the clients. The same is said of the custom officers who are also responsible for collection of import and export duties. Besides, some of the monies so collected are diverted into personal

accounts thereby denying the state the much needed fund for development. The “Immunity Clause” is also part of the large discretion given to the Governors and their Deputies in the 1999 constitution (as amended) which has become cover for corruption in the country, since they cannot be prosecuted while in office; the tendency to temper with evidence while in office and the capacity to utilize the loot in defence of action after leaving office becomes the rule of the game as witnessed in the case of James Ibori of Delta state and other ex-Governors whose cases are still pending in the law courts. More disturbing is the involvement of institutions, responsible for oversight functions; the Faruk Lawan and Femi Otedola Saga in the fuel subsidy probe laid bare the danger of granting enormous discretion to officials when it comes to indictment of corporate with enormous resources; as it has served as a quick avenue for blackmail and money making by the state officials.

Governmental institutions in the Third World Countries are not transparent and accountable to the people emerging from prolonged period of authoritarianism, the civil society is at nascent stage as discussed earlier on, but the officials themselves also erect barriers such as “official secret acts” which restricts information on government activities. Even the Freedom of Information law passed recently in Nigeria contains certain clauses which could hinder the openness of information to the masses. Also as mentioned, the indictment of National Assembly in Executive corruption makes it more worrisome, because if the National Assembly cannot effectively hold the Executive accountable for its actions then transparency in government business cannot be guaranteed. More so, the so called due process are but on a paper. All said, the weak civil society and the collaboration of the legislative arm with the executive has made accountability and transparency a luxury, which Third World countries could not afford as it is in Nigeria.

3.3 Dimensions of Corruption in Africa

Transparency International 2008 Corruption Perceptions Index shows that eight countries in West Africa were among the 20 bottom rank and Somalia, the most corrupt. The indictment of the report was no doubt a true reflection of the situation in Africa where systemic corruption as defined by Igwe (2010:90) as a “situation in which the major institutions and processes of the state are routinely dominated and usurped by corrupt individuals and groups”, is the order of public life. Celarier (1996) avers that about \$30 billion Dollars estimated aid sent to African found their ways into foreign accounted in the same way about 500 billion Dollars of Nigerian commonwealth may have been stolen from the treasury by successive military regimes (The Guardian, August 29,

1999). The late strongman of former Zaire (new Congo DRC) Mobutu was said to be 8 billion USD worth at the time, he was forced out of power by the ravaging rebel led by Laurent Kabila (Hope 2000). A sitting minister of transport was reportedly forced to resign for giving an American girl friend 100,000, US Dollars. This implication (The Ghanaians News, September/October, 2006) of this capital flight was captured by the United Nations Conference on Trade and Development (UNCTAD Report of 1999:102).

It has been estimated that 70 per cent of privately -owned wealth (excluding land) was held abroad in 1992, and that Africa's private capital stock would be three times higher than it currently is, if that wealth had simply been retained at home. Assets of such magnitude could make a crucial contribution to Africa's economic take-off if they could be mobilised for productive investment.

On the other hand is the prevalence of electoral fraud across the continent. This will be discussed in details in the next unit. However, it forms part of political and systemic corruption and is termed "primitive accumulation of votes" by Ibeanu (2007:6) who defines it as winning of votes by the use of both objective and structural violence and disregard of the rule of law, due to the character of the state in Africa which rules out a politics of moderation and mandates a politics of lawlessness and extremism (Okolie, 2010). Thus gerrymandering, electoral manipulation, disenfranchisement, vote buying, ballot stuffing, box switching and inflation of figures, under-aged voting, misreporting of votes, doctoring of results as well as intimidation which manifests in attack on polling stations and voters, economic and legal threat and widespread violence are part of electioneering processes in the continent. With these, elections are merely used to rationalise existing disempowerment and ballot box now becomes a symbolic means of legalising illegality and renders participatory democracy ineffectual. The implication is sit-tight syndrome, a symptom of neo-patrimonial and distributive state specialising in clienteles and economic and financial crime. This is the root of political instability as witnessed in Cote d'Ivoire, Kenya, Zimbabwe, Guinea Bissau, Egypt and Tunisia before the uprising and Cameroun as in Uganda. It is this Kleptocratic governments formed after fraudulent elections which are not accountable to the people but themselves which fan the embers of systemic corruption that has permeated every facet of the society.

Accordingly millions of dollars are diverted by these governments through frivolous expenses such as "security votes" which estimate is not specific and expenditure not accounted for by the central and state governments in Nigeria. Sharing of such illicit money always generate

conflict between political entrepreneur and the sponsored, as was between Late Alhaji Adedibu and Governor Rasheed Ladoja, in Oyo state and crippled governmental activities as was in Anambra during Governor Mbadinuju and his sponsors and the much celebrated Governor Ngige and Chris Uba saga. Added to these is the religiosity of the corrupt as millions of Dollars are channeled into pilgrimage to the Holy land of Mecca and Jerusalem by the three tiers of government. This is another means of setting political cronies and siphoning off the commonwealth in the underdeveloped economies of Africa (ibid).

The World Bank's Stolen Asset Recovery initiative estimates that cross border flow of proceeds from criminal activities, corruption and tax evasion stand at USD 1 trillion and USD 1.6 trillion per year half of which comes from developing and transitional economies of Africa. Thus, it may be said that, the continent is experiencing vicious circle of corruption which ends with capital flights to the developed economies.

3.4 Corruption and Africa's Development

Nigeria's former President Olusegun Obasanjo was quoted by Akanbi (2003:123), as having said:

We have for many years held the view that corruption, in all its ramifications, is the greatest single impediment to our national aspiration....Corruption checkmates all vision for a morally strong and economically prosperous society. Indeed, corruption is an antithesis of development and progress.

Also,

Democracy and good governance have remained elusive as the ballot box has become a metaphor for disempowerment. Popular participation in governance has waned to new irretrievability; and the increasing frustration and anguish have combined to kill the spirit of voting and political participation (Okolie, 2010).

Again,

Corruption is not just one of the causes of intractable poverty in Africa. It is the root cause (Herrick, 2005:12).

There is no gainsaying that corruption has remained the greatest singular factor retarding the growth and development of the African continent despite the enormous natural and human resources. Its negative impact is felt in the administrative, economic and socio-political sectors as highlighted in the citations quoted above and briefly discussed below.

Administrative capacity of Nigeria and indeed Africa has not developed due to the recruitment of political cronies into the civil and public services who are not qualified. This affects their training, development and capacity to man their respective offices, hence mediocrity becomes the norm in the system and corrupt practices and loyalty to personalities becomes the yardstick for promotion against meritocracy. The sum total is the consistent weak administrative structure and culture difficult to anchor any complex envelopment model as expected of modern bureaucrats. Hence, the inefficient public service which has become the hallmark across board in the continent and Nigeria in particular.

The economic impact of corruption can be simplified by observing the enormous unemployment due to long term economic decay and its multiplier effects snowballing into monumental poverty problems such as homelessness, urban vagrancy and the disturbing emigration of skilled workers, academicians, exacerbated by ever increasing capital flight and infrastructural deficiency and decay, which further increase the demise of many manufacturing outfits, thus compounding the situation of the saturated labour market. The net effect is unending austerity measures and increasing national debt whose impact is felt by the poorest of the poor – living below one US Dollar a day. Thus a summary of economic impact of corruption is poverty and underdevelopment in Africa and Nigeria in particular.

Socio-politically, electoral fraud leads to obstructionism and erosion of interest of the citizenry as well as the legitimacy of government. Thus weakening democratic principles and practice and engender clientelism and repatriomonalism which re-enforce corruption in other sectors of the society. Lack of accountability and transparency as are common in such government as in Nigeria generates institutional decay and glorification of personalized rules, hence, the rule of law is trampled upon and constitutionalism becomes a mirage. This clearly explains the level of political decay as experienced across Africa and Nigeria in particular. With the accompanying instability and violence highlighted

through insecurity of lives and properties; a hallmark of our daily experience among others in this part of the world.

SELF-ASSESSMENT EXERCISE

- i. *Corruption is the bane of Africa Development.* With concrete examples discuss the impact of corruption on the development of the Nigerian state.
- ii. What is your understanding of corruption? Explain with domestic examples.
- iii. Identify the benefits of corruption in Africa. Illustrate with clear and specific examples.
- iv. Outline and discuss briefly four causes of corruption in the Third Countries.

4.0 CONCLUSION

Corruption has remained the central factor of the world underdevelopment and indeed Africa. It leads to capital flight, brain drain, political instability and clientelism and distributive politics as well as economic decay and poverty which generate numerous negative indexes of underdevelopment as witnessed in these states across the world.

5.0 SUMMARY

We have discussed the centrality of corruption to the underdevelopment of the Third World countries and indeed Africa in this unit. Corruption is generally regarded as any act leading to the abuse of trust and personal advantage of an agent of the state or its associate. We identify structural and normative factors facilitating corruption and its manifestation in the socio-political and economic sphere of the Third World and indeed Africa. We undertook a discourse to correlate the relationships between corruption and development in the African continent and concluded that they are not compatible as empirical evidence overwhelmingly suggests that corruption is antithetical to Third World development.

6.0 TUTOR-MARKED ASSIGNMENT

“Corruption is the bane of Africa’s development.” With concrete examples discuss the impact of corruption on the development of the Nigerian state.

7.0 REFERENCES/FURTHER READING

Franz Fanon. *The Wretched of the Earth*.

Igwe, Stanley (2010). *How Africa Underdeveloped Africa*. Port Harcourt: Professional Printers and publishers.

UNIT 5 SOLUTIONS TO THIRD WORLD UNDERDEVELOPMENT

CONTENTS

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1.0 INTRODUCTION

This is the last unit of this module and indeed, the course itself. We believe that the course has helped you to understand the problems of the underdevelopment of the Third World Countries and Nigeria in particular. The relevant question is obvious: is there no way out for the Third World to develop? Or put differently: is there no hope for the Third World Countries? Of course, there is, which is the basis for this course and in essence this unit. The focus here is to x-ray possible policy strategies and measures capable of providing the much needed panacea for the syndrome of underdevelopment.

2.0 OBJECTIVES

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

- discuss the role of culture in resolving underdevelopment
- highlight the essence of good governance in development
- identify the importance of diversified economy in development
- discuss the power of zero tolerance for corruption in the development of Third World countries
- highlight the need for south-south co-operation.

3.0 MAIN CONTENT

3.1 Cultural Re-Orientation

Culture is conventionally seen as the total way of life of a people. Tylor (1871) in his classic: “Primitive Culture” defines culture as that complex whole which include knowledge, belief, art, morals, laws, customs and any other capabilities acquired by a man as a member of society. It is generally transferred from generation to generation through symbolic representation and communication and which involves the fabrication and interpretation of symbols in most cases through audio-visual media like words, pictures, discussion and writings. Culture can be said to have three levels; tangible, values and assumptions – tangible – aspect that can be seen, touched and felt; values – the beliefs, taboos, ethics and rules; assumptions – perception of reality which may true or false.

The global capitalism works on cultural imperialism overtime. This is a system of making the culture and taste of the indigenous people to look inferior to the imperialist. In the Third World, colonial administrators, Christian Missionaries as well as anthropologists were the main instruments of changing the ways of the indigenous people and enthronement of the Western culture which in essence was to create the desire for food, clothing, education, religion and other aspect of western culture. The creation of this desire transformed into the demand for western products which empirically is the backbone for the expansion of markets for the finished products of these countries; and indeed the basis for the lopsided trade relationship between the North and the South; and the fabrication of Dependency syndrome.

The fallout of this is the internationalisation of Western Culture, as Africans and other indigenous values were trampled upon as irrelevant, unprogressive, backward primitive, conservation, traditional and unscientific; compared to the assumed modern, civilised dynamic and scientific values of the Europeans and her allies. This was concretised by the western education which further indoctrinates Africans and other Third World Nations to the point of unquestionable preference for the Western culture as evidence in the adoption of Jewish/European names, religions, languages and the craze for western music, dances, dresses, housing, household appliances as well as diet. The sum total of these is that the Third World countries consume much of what they do not produce and produce much of what they do not consume leading to perpetual unfavourable balance of Trade and Payment; an essential index of underdevelopment. The situation is more pathetic in this era of globalisation when Information and Communication Technology has eliminated the national boundaries which would have reduced the

domination of the local values by the predatory western values through internet, satellite television and radio.

Given the negative tendency of this historical reality, there is therefore urgent need for cultural reorientation of the Third World countries. Indigenous religious crafts, art industries, cloths, music, dances and diets are not inferiors as they are made to be seen. This can be done by evolving a national ideology which generates national consciousness and enhances national cohesion and integration. In this course, the Iranian revolution revealed the efficacy of this strategy, as it was a reaction of the dominant Shia Muslims against the encroachment of global capitalism and its paraphernalia. The Islamic code was uplifted to national ideology which acted as the cohesive force for national integration and collective action. Although, Iran may not be among the elite countries of the world; her economy is not excessively open to the overwhelming exploitation and manipulation of capitalism. Again, the much celebrated Chinese success based on the adoption of communist ideology which was more appealing to the peasant, galvanising the citizenry into the collective action against the pro-liberal nationalist and the eventual establishment of a communist state obsessed by autarky and opened to gradual reforms and adaptation to the dynamics of international system. The outcome is the amazing transformation of her economy. One must also note that, at a critical point of these countries history, cultural revolution was instituted which remains ongoing, thus checking the influx of foreign ideas and culture which might contaminate the fabric of the societies and open them to capitalist exploitation and antics.

3.2 Good Governance

The ideas of good governance exist in the ethical concept of utilitarianism, promotion of general good above personal and primordial interest. As a concept, it gains currency of recent majority to differentiate existence of governance for its sake and people oriented governance. It is defined as “predictable, open and enlightened public policy, a bureaucracy imbued with professional ethos, rule of law, transparent processes and a strong civil society” (World Bank Report, 2007). Eneanya (2009) succinctly refers to it as “the ability of those in leadership positions to manage a nation’s affairs in a popularly acceptable manner by shaping its political, economic and social environment to meet the standards set by the society”. This readily turns the light on the leadership and in our study, Third World leadership. Most of the policies and programmes of Third World leaders are directed by forces from without due to neo-colonial structures of their political economy. The product is the inability of these polices to benefit

the citizenry which necessitates for change to people-oriented and directed policy devoid of personal gains of the leaders. It is the elimination of primordial interest in policy formulation as implementation, as well as the cessation of Clientelism, Personalism and patrimonialism in Third World governance, a veritable factor in efficiency, wastage and mediocrity in state management of resources and affairs.

Good governance makes a state an autonomous body capable of mediating in group interest impartially, upholding public good and interest. Thus when instituted and practised, enormous resources would be saved from corruption and mediocrity; can be channel into infrastructure renewal and other public goods. This will also ensure that the processes of obtaining loans from the development partners are transparent enough for the citizenry to understand and monitor the implementation of project for which such loans were meant for, so also would government budgeting, income and expenditure. When these are achieved it would attract investors who are sure of the investment climate and rules governing such investment.

Eneanya (Ibid) identifies the following elements of good governance:

- Imposition of order in a situation of chaos and pervasive orderliness
- Constitutional legitimating of rulership in contradiction to extra-constitutional legitimating
- Internalisation of democratic values and inclusiveness in all spheres of political interaction
- Improvement commitment to the common good through the adherence of political authority to the democratic principles of responsiveness, responsibility, transparency and accountability
- Giving of primacy to the rule of law and constitutionalism
- Political empowerment of the masses, by giving them a voice and making them stakeholders in governmental affairs
- Vertical and horizontal communication and flow of information between the government and the citizens
- Bottom-up developmental agenda
- Zero tolerance for corruption through demonstration of political will and genuine commitment by government to detection and punishment of offenders
- Systematised, functioning and responsive bureaucracy. The public servant must not assume the toga of mastership over the public
- Genuine, co-operative and collaborative state – civil society interactions and

- The institutionalisation of a democratic order.

Despite the highlighted elements above; it must be noted that good governance is based on environmental factors and are varied. For instance, Iranians as well as Americans and Chinese can claim to have achieved it irrespective of the variation in the political system and structure, but the most important element is the promotion of public interest above that of individuals and groups.

3.3 Diversification of the Economy

It is a common knowledge as highlighted in the course that one of the major causes of third world underdevelopment is their position in the world economic structure as states in the periphery, which specialise in the production of primary and extractive products without value added capacity. This mono-culture explained in terms of comparative advantage and general poor price of these products means that lesser revenue accrue to these states; compounded by the gang-up of the major buyers from the west; legitimised dependency and its contradictions. The net effect is obvious and glaring as discussed in Module 1.

The solution lies in the diversification of the economy from mono-to multiproduct. This is quite different from the import substitution industries (ISI) strategies championed by most of the Third World in the Post-independence era, such as Nigeria where UAC, Levant's and others established soap and confectionary outfits. Following the Indian example, which started up with highly controlled but diversified economy into chemicals, pharmaceutical, steel and metal which culminated into the production of Indian cars as early as in 1960s. the gradual liberalisation of the economy provided the much needed window for technology transfer into these sector which eventually transformed the economy to the second fastest growing in the world (behind China); assisted by springing up of IT specialists and entrepreneurs from the established institutions of Technology. The same can be said of the Chinese Economy which is highly diversified due to the autarky policy of Mao's era. The much talked about powerhouse of Latin America, Brazil also reflects this. It is only a diversified economy that can attract diverse investors and transfer of technology which gradually filters through employment of indigenous engineers and technicians, thus adding values to the primary products and enhance foreign exchange earning of the economy. The era of rhetorical commitment to the policy should be done without an actual implementation of commerce with vigour.

Besides the restructuring of the economies to export-oriented strategy is desirable. Brazilian economy has improved through the export of automobiles assembled at different destinations of the country, so also is the export of Tata vehicles, pharmaceutical, chemicals and other products from India. China from inception of the communist government acknowledged state capitalism in export of grains which was a paradox to her ideology as practised by the then Soviet Union. Thus, her emergence as export machine is a product of a long term vision of export oriented economy which has made her what she is today. Therefore trade, especially export is a better strategy than aid and grant as currently practiced by many Third World countries as there is no free lunch anywhere in the world.

3.4 Zero Tolerance for Corruption

In the course of this study, we have identified corruption as the major cankerworm in the Third World Countries. This has resulted in the enormous wastage of resources, capital flight and brain drain which further impoverished these economies. Much have been discussed about the negative impact of corruption in Module 3.

Given the overbearing impact of this cancerous practice, a holistic and drastic measure has to be taken in order to stop the menace. The establishment of Economic and Financial Commission (EFCC) and the Independence Corrupt Practice Commission (ICPC) in Nigeria was expected to achieve this feat but has failed woefully due to the non-autonomous nature of the Nigerian state. For such measure to be effective, the state must be autonomous and empower institutions set-up to fight corruption with all necessary backing. Hong Kong and Singapore undertook such measures and the system were cleansed. The prescribed sentence for corruption should be capital punishment which would serve as deterrence, compared to the present plea bargaining and prison terms which give the looters the opportunity to enjoy their loots. Indonesia Malaysia and other countries took similar measures against drug offences which have curtailed the menace in these countries; the same token therefore should be applied to corruption. Besides, more effective would be mechanism for early signal detection to nip its occurrence in the bud. The timing of investigation and adjudication should be short and effective so as to reduce loss of evidence as experienced in Nigeria. The judicial system should also be strengthened and relieved of corrupt elements that undermine justice for personal gains. Chinese anti-corruption regime may be a model for other Third World Countries.

3.5 South – South Co-operation

The countries of the south in the global economy have numerical strength which can be effectively harnessed to their advantage but are weakened by socio-political and historical challenges. The G7 and Brettonwoods institutions serve the interest of the industrialised nations but there is no such arrangement in the south. The Non-Aligned Movement is almost irrelevant in the post-cold war era; the D77 is just a talk shop, without a binding resolution. Amazingly too, trade between the developing countries are too low, even between neighbouring African countries are almost non-existent which reduces solidarity in adopting common position on Trade and investment issues at global arena.

The success of Organisation of Petroleum Exporting Countries (OPEC) in reducing the exploitation of Third World Oil Wealth should serve as impetus for such cooperation. Besides, technologies are filtering into different countries in the south which can be shared or transferred. Relating to this is the collaboration in Research and Development (R and D) which would generate innovation and sharpen the technical skills of Third World personnel. These would stimulate further learning. If need be, technology can be bought or stolen depending on the level of cooperation between the countries of the south. The net effect of these would be improved capacity and innovation in the production of goods and services capable of meeting global standard; and the domestic utilization of the available resources in production processes, thereby adding values, leading high earning from these products.

4.0 CONCLUSION

There is hope for Third World Development if the leadership in these countries put their acts together. Globalization comes with it opportunities which are enormous as illustrated by sudden surge in the economic development of India, China, Brazil and the rejuvenating of the ailing economy of Russia. The task therefore lies on the shoulders of Third World leaders in adopting the right policies and checking of corruption. For it is time to rise up to individual responsibility and stop blaming outsiders, for some self-inflicted wounds.

5.0 SUMMARY

The solutions to Third World underdevelopment include cultural re-orientation, good governance, economic diversification and restructuring, zero tolerance for corruption as well as inter-regional co-operation in the economic sphere. These and other measures when

implemented can generate positive indices of economic growth and development.

SELF-ASSESSMENT EXERCISE

- i. Identify and discuss solutions to Third World Underdevelopment.
- ii. How can the Third World countries overcome the challenges of corruption in their economies.
- iii. Identify the potentials of Third World cooperation on the development of their economy.
- iv. Identify the relationship between good governance and development in the Third World countries.

With concrete examples, identify the relevance of diversification of economy to Third World development.

6.0 TUTOR-MARKED ASSIGNMENT

Identify and discuss solutions to the Third World underdevelopment.

7.0 REFERENCES/FURTHER READING

- Eneanya, A. (2009). *Public Administration in Nigeria: Principles, Techniques and Applications*. Lagos: Concept Publications.
- Igwe, S. (2010). *How Africa Underdeveloped Africa*. Port Harcourt: Professional Printers.