UNIT 7: THEORIES OF UNDERDEVELOPMENT

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7.1 LEARNING OBJECTIVES

After going through this unit, you will be able to-

- conceptualise the term development
- describe the concept of underdevelopment
- understand the need of theories of underdevelopment
- understand the contributions of Max Weber and Gunnar Myrdal
- comprehend the concept of centre and periphery as proposed by Andre Gunder Frank in Dependency Theory
- elaborate the concept of uneven development given by Samir Amin
- understand the world-systems theory of Wallerstein

7.2 INTRODUCTION

This unit introduces you to the theories of underdevelopment. Before understanding the concept of underdevelopment, it is important to know the concept of development. Development means improving a country's social as well as economic conditions. It also refers to the different ways of controlling an area's natural as well as human resources so that wealth

can be created and people's lives can be improved. It is different from growth. It can be comprehended by differentiating between economic growth and economic development. Economic growth basically refers to a country's increase in its 'real level of national output'. It can be caused by an increase in the quality as well as quantity of resources together with technological progress. In other words, it is an increase in the value of goods and services produced by every sector of the economy. It can be measured by an increase in a country's Gross Domestic Product (GDP). For an easy understanding, GDP refers to the total value of goods that are produced as well as services provided in a country in a period of one year. On the other hand, economic development is a broader as well as a normative concept. It refers to an increase in the standards of living, a rise in needs of self-esteem as well as freedom from oppression. Greater choice or having the capacity to choose is also an important criterion to determine economic development. Over the time, the term 'development' has encountered different meanings of itself. Its present understanding can be said to have dated from the post-war period when modern developmental thinking was a dominant characteristic. It is Nobel Prize winning economist Amartya Sen who altered our understanding of development. It is significant to know that the traditional welfare economics focused on income as the primary criteria of measuring well-being in the form of happiness, security, good health etc. However, Sen's 'capabilities approach' to understanding development opened new doors and possibilities to understand the same. It provided a broader perspective on understanding development. It reflects the idea that a person's capability towards living a satisfactory and self-fulfilling life is determined in terms of a set of 'valuable doings'. Such doings can be for instance, good health, the capacity to choose etc. It argues that human beings must be able to achieve the kind of lives that they have reason to value without which they remain impoverished. His work showed that development can be ensured only when human beings have the capability to achieve the highest form of potential living. He realised that poverty involved a wider range of deprivations in health, education and standards

of living, the answers to which could not be provided merely by the income factor. His approach led to the introduction of the UN Human Development Index (HDI) and subsequently the Multidimensional Poverty Index (MPI). The former is a specific and unique index that determines a country's status and rank in development by taking into consideration three major dimensions: life expectancy, education and a decent standard of living. The MPI is based on the notion that poverty cannot be captured merely by one-dimensional measure such as income. Rather, it is made up of several factors such as poor health, lack of education, disempowerment, threat to violence etc.

The concept of 'underdevelopment' can be understood as a phenomenon evident in a country where the per capita real income is low as compared to that of the West. This definition brings into our consideration that poverty is an important feature of underdevelopment. We all know that all world economies are not equally developed. As such, they are classified into developed economies and under-developed nations. However, it is important to understand that poverty is not necessarily always a passable criterion to determine a country's development status. Unutilised natural resources in a country too contribute to its under-development. Some of the other main features of an underdeveloped economy are low standards of living, unequal income distribution, low rate of capital formation, low levels of productivity, population explosion, unemployment etc.

In this unit, we shall learn about certain theories like the Liberal Theory of Max Weber, Theory of Cumulative Causation given by Gunnar Myrdal, Dependency Theory of Andre Gunder Frank, Uneven Development by Samir Amin and the World-systems Theory of Immanuel Wallerstein.

7.3 WHY DO WE NEED THEORIES OF UNDERDEVELOPMENT?

A theory can be conceptualised as an assessment, modification and abridgment of past knowledge in the form of a universal premise. It also is

the synthesis of assorted opinions and prejudiced knowledge in common structures of explanation. What is referred to as 'development theory' largely belongs to the level of grand theories and broad explanatory frameworks. Underdevelopment of the less developed countries is a consequence of the fact that the developed economies exert dominance and assert control over the former, exploiting their resources for their own benefit. The significance of the theories of underdevelopment lies in the emergence of the structural theory to understanding development. By the 70s of the 20th century, this theory became prominent, making the theory of the stages of economic growth outmoded. The structural theory looks at development in terms of the power relations existing between different nations and views it as a process in which less developed countries are caught up in a "dependent relationship" with the developed countries. As a result, the less advanced nations are caught in a trap of institutional and structural constraints.

The advanced nations are on the other hand, equipped with technological, commercial, capital and socio-political predominance over the former. The theories of underdevelopment are mostly dependency theories. Some of the most prominent proponents are Andre Gunder Frank, Samir Amin and Immanuel Wallerstein. Each of them has contributed significantly to the notion of underdevelopment and its theories. For instance, Frank in his book *Long Live Dependency and Class Struggle* (1974) stresses that the growth of class struggle between the rich and poor nations would strengthen due to hostile policies of the former. Similarly, Samir Amin writes in *'Class and Nations: Historically and in Current Crisis'* (1979), *'Mal-development: Anatomy of a Global Feature'* (1990) etc., about how rich countries have a crucial role to play in the development of underdevelopment and backwardness in the colonial and less developed countries.



CHECK YOUR PROGRESS

Q 1. The less developed nations are caught up in an "independent relationship" with the developed nations. True/False

Q 2. Development theories are grand in nature. True/False

7.4 THE CONTRIBUTONS OF MAX WEBER AND GUNNAR MYRDAL

The liberal theory of Max Weber has been interpreted in different manners. FIrst, it is important to understand Weber's notion of freedom which is positive freedom. He believes that being free means being able to live in a rationally mindful way without internally or externally sacrificing that autonomy. Also, moral foundation of liberal democratic freedom is a developmental pre-requisite to modernisation, rather than simply an independent basis for political legitimacy. According to him, adapting to a particular kind of rationality and to be rational in politics is to take account of the fact that there can be no substantively rational way of deciding among social choices.

The tradition of liberal democratic Enlightenment saw severe reaction from conservatism and aristocratic individualism. It is this from which Weber stayed away. Rather he adopted a pragmatic allegiance to liberal democratic values. For him, believing that any one of us can go on living life without the achievements of the age of the Rights of Man, is a self-deception in itself. This he says is the result of the development of bureaucracy. He never dissents the perception that modern institutions ought to make it possible for individuals to devise personally unfailing commitments and choices and to determine rationally the effective means for carrying out those choices. However, the very means to serve different goals associated with the various embodiments of this ideal have undermined them, the

embodiments being individualist freedom, the enrichment of a national culture or social equality.

Gunnar Myrdal was a Swedish economist and sociologist. He is a renowned scholar in development economics. In regard to his contribution to the theory of underdeveloped countries, it is necessary to understand his theory of 'circular cumulative causation'. It is a multi-causal approach. The main idea behind it is that a change in one shape of an institution shall lead to consecutive changes in another, changes which are global in nature and thus repetitive in a sequence. Myrdal, through this theory, criticised some development theories that represented built-in colonial theory. His theory is primarily an alternative in two ways: First, it focuses on how inequality is enlarged through political processes and how this resulted in making the notion of stable equilibrium relative to other kinds of equilibrium. Second, it gave strong emphasis on institutional factors. It rejects the idea that socio-economic systems have an automatic tendency towards stabilisation. It also holds that a change creates other changes rather than creating opposite reaction. This theory is based on three factors: (1) Wealthy nations are small in number and there are many more tremendously impoverished ones (2) Wealthy countries continue to grow and expand while the poor ones languish. These stagnating countries, according to Myrdal are developing countries. (3) The difference between the rich and the poor is growing larger from a global point of view.

Myrdal was highly confident of the influence of market forces on the deepening of interregional differences. He considers traditional factors such as mobility of capital, regional drainage and selective migration as means by which cumulative mechanisms manifest themselves. ‘‘In Asian Drama: An Inquiry into the Poverty of Nations’’ (1968), he writes about poverty in Asia. It was assumed that population growth would inhibit economic growth. However, through this book, he explained how he observed the phenomenon that a number of Asian countries experienced both population growth and high economic growth. The book was named so by him because of the

tensions he saw being meted out in Asia between modern and traditional ideals.

7.5 DEPENDENCY THEORY: THE CENTRE-PERIPHERY CONCEPT OF ANDRE GUNDER FRANK

Dependency Theory explains the economic development of a state in regard to how national development policies are influenced by external factors. It is a historical condition which moulds a certain structure of the world economy such that it is advantageous for some countries at the cost of other less advanced countries. Thus a situation arises where the economy of a certain country is conditioned by the development and growth of another. Dependency theory, as a theory, became popular in the 1960s as a response to research by Paul Prebisch who found that wealth of richer countries increases and expands at the severe cost of the poorer ones. Also, economic growth in the advanced industrialised countries did not necessarily lead to growth in the poorer countries. It was seen that the assumption of neoclassical theory about economic growth being equally beneficial to all, was challenged. Thus, at this point, it was understood that dependency theory could be a possible way of explaining condition of perpetual poverty of the poorer nations. A new approach called the world-systems approach emerged which essentially explained poverty in terms of the consequence of the evolution of the international political economy into a fairly rigid division of labour- it favoured the rich and marginalised the poor.

Now let us move to the contributions of Andre Gunder Frank and his theory of dependency. Born in Germany, Gunder Frank was an economic historian as well as a sociologist who promoted dependency theory. He builds his theory based on the global relation of economic domination as well as exploitation of the powerless by the powerful. *'The Development of Underdevelopment'* (1966) written by him, emphasises on the economic polarity that has occurred in the world economy, resulting in underdevelopment in some parts of the world and rapidly increasing growth and development in others. He rejects Rostow's idea of the stages of

economic growth by saying that a country's state of seclusion and isolation from the rest of the world is not the cause of its underdevelopment. Rather, it results from the disparity and inequality in distribution of resources as well as exploitation of the less developed, poor countries. The idea of centre-periphery is crucial to the theory. It reflects the idea that resources flow from a periphery to a core where the former is constituted by poor, underdeveloped states and the latter by wealthy, developed states. This results in the enrichment of the latter at the cost of the former. Frank used this model to analyse underdeveloped nations of Latin America. Modernisation theory is challenged by this model where the latter argues underdevelopment does not form the early stage in the evolutionary process of a country as often supposed. Rather it is a condition resulting from its exploitation by the First World countries. Frank claims the dependent states to be satellite states; their surplus is extracted by the core states which are the metropolis states. Such unequal economic relationship leads to the development of a situation of 'uneven development'.



CHECK YOUR PROGRESS

Q3. Gunder Frank's dependency theory is based on the global relation of economic domination and exploitation by the economically powerful upon the powerless. True/False

Q4. The core-periphery notion says that resources flow from a periphery to a core, thus enriching the latter at the expense of the former. True/ False

7.6 THE CONCEPT OF UNEVEN DEVELOPMENT BY SAMIR AMIN

The notion of uneven development as developed by Samir Amin, an Egyptian economist, is related to his concern with the experience of the Third World and the origin of its peripheralization, its current situation and

its future possibilities. The context is capitalism's expansion into a world system as well as the incorporation of the Third World into the system. Amin says, its result is that the timing, form and effects differed throughout the Third World. Peripheral states, he argues, are underdeveloped as their societies experience an inequality of productivity etc.

In Amin's analysis, there is an unequal distribution of the price of the labour force in a way much more than are social labour's productivities. In the 1950s, he started studying globalisation's tendency towards polarisation. He argues that the peripheries are subjected to permanent unilateral adjustment which is caused by the process of accumulation on a world scale. By this, he meant that the globalisation process is being actively shaped by the centre and the periphery is constrained to adapt to it. Also, the increasing centralising tendency leads to the excess growth of income as well as wealth disparities between nations. Hence, the phenomenon of unequal development occurs, polarising the North and the South.



Activity 1

Find out about any current issue of concern pertaining to the notion of uneven development

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7.7 WORLD-SYSTEMS THEORY BY IMMANUEL WALLERSTEIN

The world-systems theory was developed by Immanuel Wallerstein. It is a macro-scale approach to social change. It suggests the presence of a world economy system where some countries benefit at the loss of others.

It is established on a hierarchy consisting of three levels: core, periphery and semi-periphery areas. It is the core countries which exert domination over as well as exploit the peripheral countries by procuring their labour and raw materials. The semi-peripheral countries are those countries that share the characteristics of both core and peripheral countries.

It explains the social structure of global inequality. The core countries, according to this theory, have military strength and are not dependent on any one state or country. They are also focused on higher skill and capital-intensive production. Their power allows them to pay lower prices for raw goods and exploit cheap labour. They promote capital accumulation internally through tax policy, government purchasing, sponsorship of research and development etc. The periphery countries are those countries that lack a strong central government and also may be controlled by another core state. They export raw materials to the core countries and thus are dependent on the latter for capital. They also have an underdeveloped economy and industry. These countries have low-skill, labour-intensive production or in other words, cheap labour. These countries are commonly called the third world countries. The semi-periphery countries are intermediate in nature. They are both exploited by the core and take the role in the exploitation of the periphery countries.

Wallerstein argues that the division of labour under capitalism encompasses several nations and hence the idea of a "world-systems". The capitalist world-system began in Europe in about 16th century and spread across the globe over the next few centuries. Establishing long-distance trade in goods enabled the creation of such a world economic system. Also, a link was developed across production processes. This led to the accumulation of capital in Europe. According to him, the creation of a world-economy based on an unequal division of labour was the main interest of the early European capitalists. Such creation led to the accumulation of resources, capital, wealth and profit in the hands of the core countries which produce and maintain the gross economic and political inequalities within and between nations.



CHECK YOUR PROGRESS(D)

Q5. The world-system theory is a micro-scale approach to world history and social change that suggests the presence of a world economic system in which some countries benefit at the loss and exploitation of others. True/False



7.8 LET US SUM UP

- Development means improving a country's socio-economic conditions and also refers to the ways of controlling an area's natural and human resources in order to create wealth and improve people's lives.

- Underdevelopment is a phenomenon persisting in a country where the per capita real income is low when compared with the per capita real income of developed states of the West. It can also be understood as a socially constructed phenomenon as the poor countries are made poor and impoverished through certain structures of the world economy.

- Max Weber provided his version of liberal theory. His notion of freedom is that of positive freedom. He believes that being free means being able to live in a rationally mindful way without internally or externally sacrificing that autonomy. Also, moral foundation of liberal democratic freedom is a developmental pre-requisite to modernisation.

- Gunnar Myrdal proposed the theory of cumulative causation. The main idea behind it is that a change in one form of an institution will lead to successive changes in other institutions, changes which are global in nature and thus repetitive in a sequence.

- Dependency theory of Gunder Frank discusses the factors that have resulted in underdevelopment in certain areas and is based on the global

relation of economic domination by the powerful over the powerless. Its central idea is the centre-periphery concept- resources flow from a "periphery" region to a "core" region represented by poor, underdeveloped states and wealthy, developed states respectively.

- Samir Amin discusses about the notion of uneven development. He also mentions about the idea of unilateral adjustment by which the centres are activity shaping the globalisation process while the periphery is compelled to adjust to it.

- Wallerstein proposed the world-systems theory that discusses about the presence of a world economy and an international division of labour based on unequal access to resources and wealth.

7.9 FURTHER READING

1) Pieterse, Jan Nederveen. 2010. *Development Theory.* Sage Publications Ltd.

2) Reece, Edward Allan. 1983. *"Development and Underdevelopment in the Third World: Theoretical Approaches."* McMaster University.

3) Berberoglu, Berch. 1978. *"The Meaning of Underdevelopment: A Critique of Mainstream Theories of Development and Underdevelopment."*Jstor.

4) Palma, Gabriel. 1978. "Dependency: A Formal Theory of Underdevelopment or a Methodology for the Analysis of Concrete Situations of Underdevelopment." World Development. Pergamon Press Limited. Great Britain.

7.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: False

Ans to Q No 2: True

Ans to Q No 3: True

Ans to Q No 4: True

Ans to Q No 5: True

7.11 MODEL QUESTIONS

A) Short Questions (Answer each question in about 150 words)

Q 1. State two major characteristics of the World System Theory.

Q 2. What is the difference between economic growth and economic development?

Q 3. What are the three factors on which the Circular Cumulative Causation theory is based?

B) Long Questions (Answer each question in about 300-500 words)

Q 1. Evaluate the basic tenets of theories of underdevelopment by referring to all the theories discussed above.

Q 2. How has Gunder Frank conceptualised his dependency theory? Explain.

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