APPENDIX E
Defining development

The definition of development has changed over the past five decades with economic, political, and social trends. The study of development usually includes the application of methodologies and conceptual models borrowed from anthropology, economics, political science, and sociology (Klaren and Bossert 1986; Martinussen 1997; Roberts and Hite 2000; Weaver 1997). A somewhat simplified, but useful way of distinguishing among development theories is to classify them according to where the causal explanations lie: internally (endogenous explanations) or externally (exogenous explanations).

For example, social theories that focus on internal characteristics of society, such as cultural values to explain development include *Modernization* theory; whereas *World Systems* theory place more importance on external relations among countries to explain differences in development. Similarly, economic development theories that focus on internal economic forces belong to *development economics theories*; whereas macro-*economic growth* theories focus on external economic forces that produce growth.

In consequence, each theory also defines an internal or external policy space where development strategies are to be carried out. *Modernization* development strategy implies internal changes in either societal cultural values and in social and political institutions in order to achieve development. (Deutsch 1961; Hibbs 1973; Levy 1966; Olson 1963; Parsons 1964) *Dependency* and *World Systems* development strategies, on the other hand, supposes external changes in the core-periphery relations between dependent and independent nations (Cardoso 1972; Chase-Dunn 1975; Janvry and Garramon 1977b; Street and James 1979).

Many of the original theories of development were first and foremost economic theories. Micro-level economic analysis is concerned with economic transformation produced by structural transformation and institutional change (Hayami and Ruttan 1970; Olson 1996), the study of demographic transition (Nerlove 1974), the constraints of the natural resources (Echeverria 1997; Musu and Lines 1995), and income distribution (Kanbur 1997; Kuznets 1955; Sen 1981). On the other hand, early macro-level economic analysis was traditionally concerned with the formulation of economic growth models (Domar 1946; Harrod 1939; Lucas 1988; Romer 1983; Solow 1956; Swan 1956), whereas new growth theory places more importance on endogenous factors such as knowledge and human capital for economic growth (Grossman and Helpman 1994; Romer 1990). From these economic perspectives, understanding the differences in development is equivalent to understanding the characteristics of an economy and the causes of economic growth.

Economic development theories

Development economics first appeared as a distinct subject area during the1940s and early 1950s, concurrently with the political de-colonization of Asia, the Middle East, and later, Africa. In the early years, development economics was concerned with the economic causes for continued poverty and underdevelopment of former colonies, and the study of growth-determining conditions. The core conceptions of growth among development economists of the 1950s included increasing production and consumption, which in turn would increase employment and eventually improve standards of living (Behran and Srinivasan 1995). Around the turn of the twentieth century due to a stable growth tendency, long-term growth was accepted as a given, and the attention shifted towards equilibrium analysis, better known as the neo-classical paradigm. In this school of thought, the interest was not the study of growth, but more of how to achieve the best possible utilization and allocation of resources, better known as *allocative effectiveness* and *efficiency* (Chenery and Srinivasan 1988).

Though two distinct areas than traditional economics, development and growth economics share the theoretical basis of "classical political economy" of the eighteenth and nineteenth centuries. Relevant to the definition of development from an economic perspective are the theories of the classical school of economics represented by Adam Smith (1723-1790) and David Ricardo (1772-1823).

Market mechanisms will lead development

Adam Smith's *invisible hand* theory, as well as the hypothesis on accumulation and investments of profits as engines of growth have played prominent roles in development debates. The critical role of *market mechanisms*, operating as the *invisible hand* ensured that production and demand in society was organized in the best interests of all. "There may be producers who will try to sell inferior goods at high prices, but if the producers are competing they will all eventually be forced to deliver proper goods at reasonable prices" (Smith 1776). *Perfect competition* in markets guarantees that production is adjusted to fluctuations in demand. According to Smith, economic growth results from market mechanisms, i.e. the market expands as a result of population growth or territorial expansion. If population grows or a territory expands, this will lead to an increase in demand, and in consequence, growth in production and furthermore, economic growth. On an individual level, competition increase specialization among producers, which in turn leads into higher productivity per working hour, trend identified as the *increased division of labor*. The discussion on the role that markets play in economic growth strategies continually resurfaces in development research. Among other, Smith's economic model made two assumptions: one, that markets function with "perfect" information; and two, that markets do not fail. Especially after the recent East Asian experience, these two assumptions have been challenged by the fact that markets

do fail, in part due to imperfect information, and that markets are more susceptible to actions taken by the state (Martinussen 1997).

Comparative or Competitive advantage

Smith's economic theory was further developed by British economist David Ricardo, with his well-known theory of *comparative advantages* . This theory explains why even though specific sectors of an economy that do not exhibit an *absolute* advantage over others, may have a *comparative* advantage that allow them to compete better. Thus, economies compete with each other with goods or services that exhibit comparative advantages, in other words, by the theory of comparative advantages competition among economies produce an increase in the *specialization of the economies*. In consequence, in order to achieve economic growth each economy should concentrate its production in areas where it exhibits comparative advantages in relation to other economies (Martinussen 1997).

Ricardo's work still inspires contemporary development theories concerning the relation between sectors in an economy such as agriculture and industry. If an economy exhibits a greater comparative advance in a sector such as agriculture, then development efforts should focus on strengthening this sector within its economy. Ricardo, in contrast to Smith, identified two additional sources of market growth besides capital accumulation and investment. These were: 1) international trade, and 2) technical innovations. A market could grow not only by increases in capital or investments, but also as a result of trading based on technical innovations in the international arena.

By the law of comparative advantages, countries should develop by focusing their efforts on those areas where they hold a comparative advantage, namely natural resources and low cost labor. However, development strategies that favored economic sectors exhibiting these comparative advantages have not necessarily produced the expected results. One of the greatest puzzles in economic development is explaining why "sustained economic growth is so hard to achieve" (Sachs 2000:29). The classical or neoclassical economic models do not answer the growth puzzle. Findings from empirical research dealing with cross-national comparative economic performance suggests the contrary of what Ricardo's comparative advantage theory predicts. Countries "having the greatest abundance of natural resources tend to perform more poorly than those that do not have an abundance of natural resources" (Sachs and Warner 1995:31).

Thus, the theory of comparative advantage has been contested by the theory of *competitive* advantage. Although by the theory of comparative advantages, countries with unique comparative advantages should specialize in areas of strength, nations that are rich in natural resources and focus on selling those resources in the global market tend to the be poorest on a per capita basis (Sachs 2000). The reason being that natural resources tend to be commodity products, and producers have little control over prices. This added to the fact that the tendency over the past years has been a decline in commodity prices,

has left resource-rich nations at disadvantage. Therefore, even if countries are exporting more volume of resources, it may mean, that in fact they are receiving less for it. This is equally true for countries that consider their comparative advantage as its "inexpensive labor". Inexpensive labor means that a country is forced to maintain the lowest labor cost possible in order to compete, and therefore is "locked" into a position which is unlikely to rise living standards. By the laws of *competitive* advantage, countries that have focused on strengthening their sectors with *comparative* advantages have hindered their capacity to compete. By focusing on sectors with comparative advantages such as agriculture, developing nations have missed a chance to strengthen sectors that allowed developed countries' to achieve its competitive advantage. In other words, by following the rules of comparative advantage, developing nations have positioned themselves in a non-competitive status for the future.

Most economic development theories measure achievements in development by increases in economic growth. However, an earlier distinction between economic growth and development traces back to 1934 proposed by Joseph Schumpeter. Development literature has benefited from Schumpeter's distinctions between growth and development, and the importance of the individual as an entrepreneur or innovator in the evolution of capitalism.

The distinction between economic growth and development

Classical economic models considered capitalist savings and accumulation as the most important sources of growth. For Schumpeter, growth indeed was a gradual extension of the capital apparatus and increasing production, whereas development on the other hand, could occur only when technical innovations introduced new production techniques, new products, or new means of organizing production. Development occurred only when the factors of production were utilized in *innovative* ways. An economy could develop through technical innovations introduced by entrepreneurs who did not necessarily have to be capitalists or industrialists themselves.

With this idea, Schumpeter also introduced the concept of *adaptive* or *creative* responses from economies to changes in the environment. Adaptive change refers to the way in which an economy reacts to change by increasing the working force or expanding an industry. Creative response is a response outside the range of existing practices. A creative response has three characteristics: 1) it cannot be predicted, but it can be identified and understood after it has occurred, 2) it shapes the events that take place after it has occurred, and 3) it has a strong relation to the individual. The actions, patterns of behavior, skills, knowledge and competencies of an individual has a strong relation to the frequency, the intensity and the success of a creative response. For Schumpeter, the study of creative responses is the study of *entrepreneurship*. From a Schumpeterian perspective in order to understand the foundations and structure of a capitalist society, it is necessary to understand the conditions that produce, shape, favor or inhibit entrepreneurial activity.

Therefore, economic change in a capitalist society pivots on entrepreneurial activity. During the last five years, entrepreneurial activity in the US economy has certainly been favored by the use of Information Technologies (IT).

Information Technology (IT), offers the promise of being a technology that fosters innovation, as well as creative responses of the economy. From a Schumpeterian perspective, developing countries have the potential of moving from having adaptive responses to the environment to more creative responses to changes by using Information Technologies (IT). This is equally true at individual level. Individuals empowered by information technology do not necessarily have to be capitalists or industrialists themselves to act as entrepreneurs. In a Schumpeterian tradition, development is possible by the technical innovations introduced by new production techniques, new products, and new means of organizing production based on information technology. These optimistic assertions are tempered by other counter-assertions such as the challenges to development produced by the digital divide, the fast pace of the information revolution and the demanding pre-requisites necessary to deploy information technologies effectively. Even though it is useful to distinguish the differences between economic growth and development, it is clear that development cannot occur without economic growth. Economic growth models have evolved from macro-economic steady growth models to include recent new growth models that include endogenous factors.

Economic growth models

According to early classical economic growth models, sustained rates of savings and investment guaranteed the transition from slow to rapid economic growth (Domar 1946.; Harrod 1939). The Harrod-Domar model predicted steady state growth as a consequence of applying development interventions designed to increase saving rates and encourage investment in heavy industry. Further refinements of the models included adding a representation of technology coefficient as explanatory variable (Solow 1957). Technological change replaced growth of capital equipment as the primary source of growth, but by doing so assigned minor roles to everything else.

Alternative neo-classical endogenous growth theory proposed equilibrium models of endogenous technical change in which long term growth is driven by the accumulation of knowledge (Romer 1994). The production of new knowledge will exhibit decreases in returns at firm level, but will generate general positive-external effects on the production technology of other firms (Langlois 2001). The inclusion of knowledge in the economic growth literature was articulated by Kenneth Arrow, as a “good that once created, can spill over to others at zero marginal cost”. The process of spillover is the source of increasing returns that in turn, generates economic growth (Arrow 1962). Arrow’s zero-cost spillover effects of knowledge has been contested by the fact that technological knowledge cannot be transmitted easily to others. In fact, some of the costs include the quantification of the learning process carried out through imitation and apprenticeship.

Other alternatives to neo-classical models included human capital as the engine of economic growth (Lucas 1988). Thus, the growth of human capital is explained by increases in schooling, or by increases in the "learning by doing" effort devoted to the production of new goods. Subsequent endogenous growth models identified increases in the openness to international trade, human capital investment, and controlled population growth as the key variables that hold the potential for long term economic growth.

Despite answers to economic growth furnished by economic models, answers to fundamental questions in development faced by developed and developing countries are different, in part due to differences in institutional and social arrangements. Prevailing socio-political conditions within a society cannot be ignored when applying economic models. Contemporary analysis of economic growth and development gives greater recognition to human capital, but this does not necessarily mean an adequate understanding of the importance of the individual and societies in the development process (Sen 1996). Whether from an individual or societal perspective, in some of the more recent contributions to development theories, considerably more attention is being paid to cultural aspects, their complexity and diversity, and to the ways in which culture-specific conditions affect development strategies (La Porta, Lopez-de-Silanes, Shleifer, and Vishny 1997; Livernash and et. al. 1993; Perry 1992).

As briefly described, until the 1950s there was a widespread tendency to reduce the problems of development to economic problems. Theories of development were theories of economic growth and transformation rarely concerning themselves with internal social, political or cultural considerations. They paid very attention to prevailing power relations, cultural or social preconditions for economic reform. They normally failed to consider, for example whether governments had the administrative capacity or political will to implement the suggested economic development strategies.

Modernization: the discussion on socio-cultural values

In the 1950s, sociological explanations of international development considered the lack of capital, technology and modern social values within a society as the causes for underdevelopment, known as *Modernization theory*. Modernization theory evolved from two ideas about social change developed in the nineteenth century: the conception of *traditional* vs. *modern* societies, and *positivism* that viewed development as societal evolution in progressive stages of growth (Deutsch 1961; Rostow 1960; Ruttan 1959).

In Modernization theory, problems that held back the industrialization of poor countries were related to the "irrational" way in which resources were allocated in a traditional society. Traditional societies became modern by rationalizating resource allocation, and by the elimination of cultural, institutional and organizational roadblocks that did not allow countries to develop. Developing countries with traditional societies could evolve by starting in a stage with an *un*developed and traditional society, and through an evolutionary linear process change its society by rationalizing it, becoming a

country in a stage with a modern and developed society. The theory identified the different stages, variables and process through which a society develops. Positivist evolution implied that all societies would pass through the same set of stages that the western society had passed: from a traditional to a modern society. The identified stages were: 1) the traditional society, 2) preconditions for take-off, 3) take-off, 4) the drive to maturity, and 5) the age of high mass consumption. These five stages of Modernization were known as Rostow's stage theory (Rostow 1960). In this framework, the First World was defined as the North Western modern region of the world (US and Europe), the Second World were the centrally planned economies of Eastern Europe and the former Soviet Union, and all the rest of the world was the Third World. Among the features of imitation-worthy first world modern society were: an extensive division of labor and specialization, urbanization, high productivity, self-sustaining economic growth, well-functioning and active state apparatus, a democratic form of government and equality before the law. From an economic perspective, Modernization theory was explained by the structural transformation of an economy from agrarian to industrial-commercial (Clark 1940).

A central concept to Modernization theory is the role of the individual's attitudes and cultural values in the modernization process. In the 60s, development research was concerned with measuring individual attitudes that were modern as opposed to those that were not. Research was focused on measuring the impact of modernization on the individual (Deutsch 1961; Hibbs 1973; Levy 1966; Olson 1963; Parsons 1964). For example, this type of research included empirically testing personality traits at the individual level on 6,000 men in six different countries (Inkeles 1969). Most of the questions elicited attitudes, values, opinions, and reports on self-behavior and behavior of others from the subjects. Research questions included exploring: 1) the influences that make a man modern, 2) the behavioral consequences of attitudinal modernization, and 3) the consequences of modernization including stress and psychic strain. In sum, the outstanding characteristics of a modern man. This empirical work identified some characteristics of a modern man for the construction of an overall measure of modernity (Inkeles and Smith 1974). Modernization research suggested that the personality qualities of the modern man did not differ across occupations, cultures or countries, and could be classified into seven groups:

1. Openness to new experience
2. Independence from authority figures
3. Belief in efficacy of medicine and science
4. Ambition for high occupational and educational goals
5. Punctuality and planning
6. Strong interest in civic and community affairs, and
7. High exposure to mass media

These characteristics were explained largely by variables such as education, factory experience, and urbanization. Macro-structural forces were important in explaining the variance in individual social behavior, but only in conjunction with the micro-structural individual forces that shape attitude, values, and behavior. Subsequent

research of the individual in the development process was followed by identifying a structural link between the individual and the social system (Bertrand 1972; Kahl 1968; Reissman and Kalman H. 1976; Rogers and Svenning 1969; Silvert and Jutkowitz 1976). Likert-format instruments measured individual attitudes towards religion, family, education, economics and politics. By analyzing the division of labor, the state of technology, the degree of urbanization, the economy, the system of social stratification, the level of education, communication and values, Kahl (Kahl 1968) for example concluded that the following seven individual traits were common to modern men:

1. Activism
2. Low integration with relatives
3. Preference for urban life
4. Individualism
5. Low community stratification
6. Mass media participation
7. Attitude in favor of manual work and distrust for large companies

Development and change in individual traits consisted in adopting not only changes in attitudes, but more important, changes in behavior, in other words, some type of behavioral change. Based on his experiences in the field, Lawrence Harrison's work of development placed culture at the heart of the explanation of underdevelopment, "underdevelopment is a state of mind" (Harrison 1985). Recent research (Fairbanks 2000; Lindsay 2000) has further elaborated this idea by comparing progress-*resistant* characteristics of a *comparative* advantage framework as opposed to progress-*prone* characteristics of a *competitive* advantage framework. According to Fairbanks and Lindsay, the legacy of the comparative advantage framework in the developing world has produced social characteristics that are *resistant* to progress. These are:

Progress-Resistant Characteristics	**Progress-Prone Characteristics**
Protected markets	Globalization and competition
Macroeconomic focus	Microeconomic focus
Access to leaders	Firm-level productivity
Focus on financial/physical capital	Focus on human/knowledge capital
Hierarchy and rigid organizations	Flexible meritocratic organizations
Economies of scale	Flexibility
Dependence on foreign partners	Migration strategies
Reactive approach	Proactive approach
Government as master strategist	Shared vision and collaboration
Redistribution of wealth	Creation of wealth
Paternalism	Innovation

And so, from a modernization perspective, promoting change in an individual, a society, or a nation implies changes in culture. Cultural changes become the most important elements in a process for creating prosperity. Even though the initial cultural conditions are accepted by Modernization theory as important, much less is attributed to

the initial economic or material conditions. This was one of the main reasons for the rise of competing social development theories.

Social development theories such as *Dependency* theory were basically neo-Marxist in approach. Dependency theory extended the Marxist definitions of *valorization* and *accumulation* to the analysis of country-level differences. Under capitalism -the most dynamic mode of production in world history according to Marx- the most important sources of economic growth are valorization and accumulation. In a Marxist tradition, to achieve a profit, a capitalist has to exploit labor by paying the workers less than the equivalent of the value of what they produce (*valorization*). Thus, it is the workers, not the capitalists who generate value. This value is accumulated by the capitalist in order to survive in competition with others (*accumulation*). Capital growth is carried out through the accumulation of surplus generated by the workers (capital concentration) and through merging with other companies (capital centralization). However, the focus of Marx's theories was not only on the economic processes, but on the totality of society and the way this totality of society emerged, changed and disappeared to be replaced by new forms. Marxism also includes a study of the relations among workers, the tools and the owners of the tools, i.e. the *relations of production.* From a Marxist perspective, the basic driving forces behind societal changes are social classes which, however, act within structural limits primarily laid down by the forces of production and the prevailing production relations. From a Marxist perspective, history is a class struggle between those who own the factories and tools and those who sell their labor in order to purchase the goods they require. According to Dependency theory, asymmetric and disadvantageous relations of production are not only present in societies at sub-country levels, but are also present when comparing development achievements among countries.

Dependency: the heritage of former colonies

Modernization implied that a society's value system, as well as its culture and institutional configuration determined its potential for development. It placed the ideas and differing value systems, and not the material conditions, at the center of the explanation of the disparities in development. For Dependency theorists, Modernization theory had failed to make distinctions between countries, regions, and structural conditions, it was an oversimplified and generalized theory with strong racial stereotype and cultural bias. It ignored specific historical experiences and phases of prosperity in societies that had not changed their "traditional culture". Dependency theorists attacked Modernization theory as *ahistorical*, (ignoring phases of prosperity in an historical review), and *ethnocentric* (assuming that only one culture and one path were ways to development). The victims (former colonies) were not to blame for underdevelopment: dependency theory stated that colonial powers (First World) and imperialism had *actively* underdeveloped the Third World and impeded independent development (golden handcuffs).

In the 70s, Dependency theory was elaborated by the United Nations Economic Commission for Latin America (ECLA or CEPAL), responsible for studying the development problem from an underdeveloped perspective (Cardoso 1972; Janvry and Garramon 1977a). André Gunder Frank (Frank 1969) simplified and popularized many of the ideas of Dependency produced by ECLA through his work published in English. The ECLA Neo-Marxist economists blamed the declining terms of trade as the key reason why Latin America remained less developed than wealthier nations. Since the value of manufactured goods has a tendency to rise, and the value of food and raw materials to decline, poor countries had to sell more and more goods to get less and less in return. By Ricardo's theory of comparative advantage, the terms of trade always turned against the Third World (Cardoso 1972; Chase-Dunn 1975; Janvry and Garramon 1977a; Street and James 1979; Valenzuela and Valenzuela 1979).

In contrast to Modernization theory, Dependency theory stated that underdeveloped countries could not follow the same path of development as the industrialized countries due to the heritage of colonialism. Dependency theory identified two different types of objectives for the development process: one had to do with the developing countries' position in the international system, and the other with the internal characteristics of societies. The position of countries in the international system was referred to as either *peripheral* (underdeveloped) or at the *core* (developed). Development, for peripheral countries implied a gaining of national independence and self-centered economic growth that did not *depend* on the core countries. The internal societal conditions referred to the role of local *elites* or the governments as actors who were "selling out" the countries. Therefore, development for peripheral countries implied a change in the role of the local elites consistent with self centered economic growth (Valenzuela and Valenzuela 1979). Dependency theories, however, did not produce a *unified* formula on how to achieve the desired internal, self-centered economic progress and how change the role of the elites within the society.

Two schools of post-dependency thought emerged as answers to the problem of development. One school stated that underdevelopment was a permanent and inescapable condition. For the fatalist school (Frank 1969) the only escape for underdevelopment was the escape from capitalism and the introduction of socialism. The alternative school of thought accepted a possibility for some degree of development: either *associated* or *dependent* (Cardoso 1972). Associated development would be carried out by actions of the local elites associated with elites from the developed world. In contrast, dependent development was carried out by specific state policies designed to achieve development within the context of dependency. State policies for promoting industrial growth included more inward strategies oriented towards the protection of domestic industries, known as the Import Substitution Industrialization (ISI) strategy.

The ISI strategy was carried out by some developing countries during the 1950s and 1960s until the domestic markets for consumer goods became saturated. The ISI strategy proved to be more difficult to implement beyond the consumer goods and on to higher levels such as durable consumer goods, basic intermediate products and production equipment. Import substitution at these higher levels required considerably

more capital, foreign exchange and technological know-how - all of which were unavailable in sufficient quantities. Some of the developing countries, tried, under these circumstances to combine ISI with export-oriented industrial development strategy, but soon had to admit that the extensive protection of the domestic industry during the first stage had contributed to the growth of many companies that simply could not cope with competition of international markets. The negative results of the implementation of ISI strategy in Latin America produced a loss of interest in further elaborating Dependency theory. However, some of the ideas underlying Dependency theory were borrowed by World Systems theory to explain the relations between countries in a *inter-dependent world system* (Janvry and Garramon 1977b; Wallerstein 1979).

World Systems Theory: measuring the differences in the world system

World Systems theory emerged as a variance of the non-fatalist structuralist dependency school that studied the basic features of the world global system, followed by the analysis of the individual countries (Cardoso 1972; Chase-Dunn 1975; Janvry and Garramon 1977a; Janvry and Garramon 1977b; Street and James 1979; Wallerstein 1979). Individual developmental prospects depend more on the nature of the global system than on their internal structures, and the incorporation of a developing economy into a world system is important for its internal development. For World Systems, the cyclical fluctuations, economic recessions, depressions, upswings and booms of the world system perpetuate a relation of dependency among countries.

Significantly, this was one of the first development theories which included a quantitative examination of patterns among countries, ranging from a dozen to over one hundred countries (Chase-Dunn 1975). World Systems theory also introduced the idea of using other levels of quantitative analysis than the nation-state. Though it accepts that there is one single underlying set of processes in the world system that apply to all economies, the worldwide system consists of three zones: the core, the semi-periphery and the periphery. As an alternative to the Modernization model, World Systems theory asserts that international trade specialization and the transfer of resources from less developed countries to “core’ countries inhibits national development in the less developed countries by increasing their dependence on the developed “core” countries and by promoting their “peripheralization” (Chase-Dunn 1977; Wallerstein 1974; Wallerstein 1979). World Systems theory regards the world economy as an internationally hierarchy of asymmetrical structural exchange relations. An individual country can change its position in the global hierarchy both upwards and downwards, but the framework for such shifts is set by the structures and prevailing conditions of the world system. Furthermore, the relations among countries are similar to those described by the Dependency theorists, i.e. declining terms of trade among zones by which wealth is extracted from the semi-periphery or periphery zones to economies in the core.

World System theory has been criticized for its exclusion of culture and the role of the state in its development explanations. Another common omission in development

theories presented earlier is the *heterogeneity* of economies and societies. The more recent literature on globalization moves beyond the west and the rest, poor and rich nations, first or third world, core or periphery as if they were different worlds. Globalization builds on World Systems theory in that the same set of economic rules apply everywhere: the worldwide economies are increasingly interdependent and integrated. However, economies and societies can be at very different stages of development or multiple pre-modernities that defy simplistic three-category classification used by World Systems theory. Post-modern development theories do not ignore cultural differences between and even within nations, in fact, they state that culture has now become more important than economies in driving social change.

Globalization: an interdependent interconnected world

We understand by globalization the profound reorganization of manufacturing, trade and services within a globally encompassing system. The actors in the globalization process are no longer the national companies that relocate limited and specialized parts of their production processes, but globally oriented Trans National Corporations (TNCs) that organize their sales and production to operate worldwide. Trans National Corporations (TNCs) may have profit centers in their original home country, but grow across national frontiers with a global perspective. According to this, foreign direct investment reflects the economic activities of TNCs which are closely linked technology transfer processes in developing countries.

Investment in the developing countries has been concentrated - not in low wage areas, but on the contrary - in countries like Singapore, South Korea, Taiwan, Thailand, and others with relatively high level of wages in a Third World context. Thus, access to cheap labor does not explain much of the movement of productive capital. Two main reasons are given for this: the first is the overall decline in the share of low skilled labor costs in total production costs in capitalist production patterns that are more technology-intensive and knowledge-based manufacturing, and second is the increased importance of physical proximity (regions) between suppliers, producers and customers, in other words, a phenomenon known as *regionalization* (Roberts and Hite 2000).

Analyzed on a global scale, labor has become more specialized, segmented and complex, in effect creating a *new international division of labor* . This division is also organized in regional sourcing and production networks. According to the forces of globalization, the direction of development is now being determined by the integrated networks of Trans National Corporations (TNCs) which through their investments, production, trade and technology transfers have created close links between certain countries and thus increased levels of regional integration. Since some national economies are far less integrated than transnational production and distribution systems, development research from a globalized perspective, suggests that it no longer makes sense to use the countries as primary units of analysis, but TNCs as unit of analysis.

Globalization takes into account that economic growth and power is increasingly linked to control over international banking institutions, information, and technology. The control of decision making remains in the hands of the *global ruling class* composed by multilateral lending organizations such as the International Monetary Fund, the World Bank, multilateral organizations such as the World Trade Organization, as well as by the owners and executives of TNCs. Current sociological trends in development research include global analysis of women, ethnic, and racial groups underrepresented in the global ruling class (Roberts and Hite 2000).

Globalization has also included the global application of the neo-liberal development adjustment strategy by developing countries as means of achieving success in the global market. This strategy, heavily promoted by lending agencies such as the World Bank, includes opening to foreign trade, extensive privatization of the state enterprises, restructuring and downscaling of state-supported social programs, fiscal adjustment, deregulation of goods and services, and liberalization of the capital market. The results of the application of the neo-liberal development adjustment strategy have been far from homogenous. Not surprisingly the "application of the strategies has failed to pay attention to the historical contexts the political and demographic factors, the social and political structure in which the policies have been implemented" (Portes 1997). In other words, the socio-political characteristics of societies.

Globalization also introduced in the development agenda considerations about the impact of growth and socio-economic change upon the physical environment (Echeverria 1995; Musu and Lines 1995). These choices were especially important for competition among developing countries that lead to the exploitation of non-renewable resources under lax environmental protection regimes. However, if all the underdeveloped countries were to arrive to a developed stage, this situation would be globally unsustainable (Sutcliffe 1995). Environmental sustainability supports for values that promote a standard of consumption which lies within limits of what is ecologically feasible. *Sustainable development*, therefore has to be a process that fulfils present human needs without endangering the opportunities of future generations to fulfill their needs. A process that can be continued over generations.

Human development without attention to sustainability issues would "improve conditions of the present generations at the cost of future generations or species (the unborn subsidize the poor)"(Sutcliffe 1995). On the other hand, sustainability without human development, implies maintaining resources for the current consuming distribution -the poor subsidize the unborn and the rich. According to Sutcliffe, human development is in danger of being unsustainable unless there is a redistribution of the present, and sustainable development is in danger of being anti-human unless it is accompanied by redistribution of the present. Development, therefore is not about human development or sustainable development alone, but about *sustainable human development* in which the distribution of resources in the present and the future are affected. Sustainable human development, therefore, is improving the income, education and health of all segments of the population including women, ethnic and religious minorities and the poor. Sustainable human development must not only be economically

viable, but also socially just, and environmentally sustainable. Today, extreme degrees of inequality both between nations and within nations seem to prove the absence of a redistribution of resources, however sustainable human development still makes sense for developing countries as an attempt to make gains in relation to welfare (human development) and local sustainability (Sutcliffe 1995).

One could argue that the paradigm of development is no longer valid and has collapsed under the forces of global competition. However, globalization does not mean a global theory of development. It does mean, however, that structural adjustment plans are carried out by governments of developing countries interested in receiving loans. Developing countries that require access to capital have had to accept the conditions attached to these loans such as neo-liberal development strategies suggested by the World Bank and the IMF. Today, most governments in development processes involve among others, privatization of state-led enterprises, reduction in state expenditures and size, lifting trade barriers and opening internal markets (World Bank 1999).