

# Module 1 - What is Development

## Podcast - EP 1 PT 1

### What is International Development

1. Top 1% of wealth holders controlled 48% of the wealth on the planet
  - a. They got 82% of the wealth that was created
2. 3.5 billion people live on less than 5 us than a day
  - a. Over 40 years the number of people living on this has gone up
3. A lot of metals that phones require are mined in the congo

## Podcast - EP 1 PT 2

### What is International Development Studies

1. Development is “gradual unfolding, fuller working out...; growth...; full-grown state; stage of advancement”
2. There are several different views of development
  - a. Condition - deemed to be superior, absence of which implies inferiority, undeveloped or underdeveloped
  - b. Progress - moving towards higher improvement, perhaps without limit. Set of processes that leads to a higher level of progress
  - c. Evolution - there is progress towards the best that it can be (imminent or intentional development)

### Alan Thomas' 3 Doctrines of Development

1. Understanding - understand the processes of fundamental change through history and today.
  - a. It is about knowing the lives of social relationships around the world and looking at how these things have changed, and are connected to each other. About knowing, debating and applying change
  - b. The first form or change is capitalism - fosters imminent development processes as an outcome of social effects generated by the system itself. Winners and losers might be created at the same time and because of this the moment processes of design need to be regulated through a form of intentional development
  - c. Capitalism produces political struggles between pro-capitalist and those who wish to regulate it to provide reciprocity and redistribution
2. Improvement with good as the outcome
  - a. Understanding human needs, what is good for societies, measure poverty and development and using tools from other disciplines
  - b. Development is about changing the present to make the future better
  - c. economic development - the capacity of society continually improves
  - d. Transformational empowerment - individual capacity can be realized by empowering individuals who are disadvantaged
  - e. Human development - offset the cost of progress with a society that empowers the social development
3. Intervention to bring about improvement

- a. Action is needed to create programs that bring about improvement in the future
- b. Knowing agents that foster development and holding them accountable for what they do
- c. Uses the tools of social policy to further and develop skills to empowering people
- d. Development is action for change
- 4. These doctrines may compete or be mutually compatible
- 5. Is there a potential forth doctrine of development?
  - a. Knowledge leads to action which leads to change
- 6. For some, development is about the deepening of global capitalism (neoliberals, neoconservatives, and fringe Marxists)
- 7. For others, development is about the transcendence of global capitalism, moving to something different (structuralists, Marxists, alternative development and ecologists)
- 8. For others, development is about the rejection of development (post-development)
- 9. These competing doctrines reflect that this is a new field, emerging after ww2
- 10. Since the end of the cold war, the totalizing ideologies of communism and capitalism have come to an end
- 11. There is no longer a clear distinction between the rich and poor countries as there are pockets of substantial wealth in the global south and pockets of substantial poverty in the north
- 12. The pandemic reinforces this
- 13. Walden Bello - there is a global north and a global south
- 14. The fourth world is a group of very underprivileged individuals within countries
  - a. They suffer from exclusion or stateless individuals
  - b. Describes indigenous people
- 15. One critical point is that some kind of development has taken place over the last 70 years, some countries have gained more power in the world, some companies have emerged from developing countries
- 16. The world remains split between the haves and have nots
- 17. Aid is still required for many of these people

Wainaina, Binyavanga (2009) 'Discovering home' in Spillman, R. (ed) Gods and Soldiers: The Penguin Anthology of Contemporary African Writing, Toronto: Penguin Books.

- 1. Visiting home, Kenya
- 2. "Maybe motion is necessary even if it produces nothing"
- 3. There is a big difference between the villagers, the Masai and the colonial and country leaders
- 4. There is also a juxtaposition between the peace and joy he experienced during childhood and the experiences and world around him as he was growing up

'Meaning, measurement and morality in international development', Chapter 1 in Haslam, Paul, Schafer, Jessica and Beaudet, Pierre (2017) Introduction to International Development: Approaches, Actors, Issues, and Practice (3rd edition), Don Mills: Oxford University Press.

### **What is the Developing World**

- 1. Through NASA's world at night you are able to see differences in wealth all around the world. Some areas have a great deal of light, have built-up infrastructure and wealth, whereas others have no lights and far less wealth

2. There is still no set pattern to where people have more wealth and opportunities as very poor people live near far richer people

#### **President Truman Point Number 4**

1. Use new innovations to help the millions of people living in poverty
2. Says that the old imperialism has no place in their new plans

#### **Labelling in International Development**

1. Labels make existing practices appear legitimate and they shape future policymaking
2. Truman labelled underdeveloped areas and said that they had inadequate food, disease, primitive economic life and poverty
3. He compared development to scientific advancement and progress
4. Truman thought that these underdeveloped nations needed outside intervention
5. In 1952 Alfred Sauvy used third world countries to include those that were outside the soviet and western power blocs
  - a. These are all grouped together but have little in common
  - b. Some people find this term patronizing
  - c. There is no clear definition of the third world
  - d. There was a non-aligned movement (NAM) to bring these countries together
  - e. Despite large amounts of development some countries are still seen as part of the third world
6. A new term called "newly industrialized countries" was born to describe countries formally considered part of the third world
7. The third world is now commonly called developing countries
  - a. GDP is typically used to measure this but it produces some abnormalities for countries with a lot of natural resources but that lack industrialization increased life expectancy or higher levels of education
8. The world bank developed a new system - low, middle and high-income countries
  - a. They use this system to classify countries for loan programs
  - b. This is calculated using their gross national income (GNI)
  - c. They have continued to divide it into lower-middle-income, and upper-middle-income groups
  - d. High-income countries are members of the OECD
9. The term fourth world has come into use more recently
  - a. Often denotes the poorest countries or the failed states, often involve war or violence
  - b. Other definitions refer to the internal colonization of aboriginal people
10. Other terms include two-thirds world and majority world
  - a. Speaks to that most citizens are the targets of development
  - b. Tries to give strength in numbers to these people
11. Also, use the terms global north and south
  - a. Problematic as this would also include Australia and some northern countries that rely on aid
12. By adding new labels to old concepts we often run the risk of making it look like there has been a change when there hasn't

**Growth, Inequality, Poverty and Development****Growth**

1. Development is most frequently associated with growth of the economy over a long period of time
2. Typically ranked through GDP, GNI or PPP (purchasing power parity - takes into account the purchasing power of a dollar in each economy)
3. The top-performing countries in the developing world may add up to 10 percent a year to their GDP
4. Countries that rely on exports are more volatile
5. Developed countries have slower but more stable GDP growth
6. Jeffery Sachs argues that the reason there's a gap is because between 1820 and now there were differential growth rates
7. Rapid growth is caused by industrialization
8. This growth does not always trickle down and is only a measure of average income, not poverty

**Inequality**

1. Distribution of income/income inequality is a measure of how the wealth of a country is distributed among its population and how much the poor earn in comparison to the richest
2. This is the link between GDP and the number of people living in poverty
3. Can be measured by comparing the different strata of income (top 40 to bottom 60) and by using the GINI coefficient (ranked from 0 = equal to 1 = one person has all the wealth)
4. Forces us to confront the injustices in developing countries
5. Poverty is eliminated quicker when GDP is associated with greater equality in income
6. Developing countries are more unequal
7. A higher GDP is not necessary for poverty reduction but it makes it easier
8. Those who benefit least from the trickle-down approach tend to be of disadvantaged groups
9. Social Capital - the extent to which individuals are willing to cooperate in the pursuit of shared goals, thought to be essential to the development of a civic and democratic culture
10. Three explanations as to why countries are more unequal
  - a. Colonialism and unequal social relations like feudalism
  - b. Inappropriate capital intensive technology - technology developed in the west for solving the problems of the west, this is not replicable for the south
  - c. Inadequate social safety nets and regressive tax systems

**Defining Poverty and Development**

1. Absolute poverty - below the minimum income required for physical survival, measured as below 1.25 a day
2. Moderate Poverty - income of 2\$ a day where basic needs are barely met but survival is not actually threatened
3. Relative poverty - does not threaten daily survival but they do not have the income to fully participate in their society

4. Poverty is not just about income, but it also has social, political, psychological and moral elements
5. Dudley Seers argued that poverty is multidimensional. People need
  - a. Adequate income to cover basic needs
  - b. Employment (including non-paid social roles)
  - c. Improvement in the distribution of income
  - d. Education, particularly literacy
  - e. Political participation
  - f. National autonomy
6. Denis Goulet thought that development should promote
  - a. Life subsistence
  - b. Self-esteem (dignity and identifying of the individual)
  - c. Freedom
7. Development needs to be more sophisticated and multidimensional
8. Amartya Sen argued that development should be seen as an increase in an individual's substantive freedoms
  - a. Capability approach - the purpose of wealth is to give us the freedom to live the lives that we have reason to value.
  - b. Poverty is the lack of freedom and this includes lack of access to health care, welfare services, gender or ethnic discrimination and limits on basic civil, political and economic rights.
  - c. Lack of freedom can be through processes or through lack of opportunity
  - d. With the expansion of people's capabilities peoples freedom to make choices can improve and these choices can feed back into their capabilities
  - e. Poverty is best seen as the deprivation of basic capabilities or freedoms
  - f. This is hard to calculate, but the Human Development Index (HDI) works to measure it
    - i. Countries with scores of 0.8 or more are seen as highly developed
    - ii. Those with scores of 0.5 or lower have low development
    - iii. Some countries do much better at converting income level into human development
    - iv. This is now often being linked with a human rights-based approach to put pressure on governments and provide a way for citizens to claim their rights from their government

### **What is Development**

1. With the rise of industrial capitalism, development was seen as linear
2. This also caused many new problems such as dispossession, unemployment and poverty
3. The idea of trusteeship arose where the developed Europeans could help others to realize their potential
4. Arturo Escobar argues that the colonial roots of development call into question the validity of modern development practices
5. Development often involves economic destruction and transforming human resources into economic commodities

6. Development is not homogenous

### **Global Ethics and International Development**

1. Not everyone believes that we should take action to address poverty and many disagree on what we should do
2. Question of how far our moral duties extend
3. most western nations have developed welfare states but there is nothing like this worldwide

### **Cosmopolitan Arguments for Global Redistribution**

1. Cosmopolitanism - justice is owed to all people regardless of where they live or their personal characteristics. National borders are of no moral importance in considerations of justice
2. Consequentialist ethics - assesses whether an action is right based on the goodness or value of the outcome (Peter Singer)
3. Contractarian Philosophy - moral norms are justified according to a contract or mutual agreement, we should give up all surplus income as long as what we give up is of less value than saving starving people, we should give up everything until we are in a similar position of poverty, Pogge argues that we should give everything up because the situation is partly our fault (Charles Beitz and Thomas Pogge)
4. Rights-Based philosophy - humans have certain rights to food, water and shelter because without them survival is impossible. There should be redistribution so that every person can have access to sustenance (Charles Jones and Henry Shue)

### **Arguments Against Global Distributive Justice**

1. Communitarianism - think that national borders are morally important, therefore they are justified in helping their citizens first
2. Libertarian and Liberalism - individual rights to non-interference are the most important, oppose redistribution of wealth
3. Nozick - the existence of inequality and poverty does not indicate injustice because as long as the wealth was obtained by legitimate means then it is just
4. People should be able to give donations, but there is no moral obligation to and the government should not demand that they do
5. Many see aid as a tool to reward allies, serve the national interest or act as charitable donations

### **Ethical Behavior and the Development Practitioner**

1. How each of us should behave as development practitioners
2. Researchers tend to be concerned with informed consent and respect for the privacy and confidentiality of those who participate. The goal is to not do harm to those they research
3. Positionality - a need to be aware when we have the power in a relationship and reflect on the social and power relationships in which they are embedded
4. Local workers should spend their money locally and ethically and live modestly like the people they work with. They should participate in local events. People who fail to do this are often called development tourists as they do not recognize or understand the local conditions
5. Should recognize that the western way is not the only way, or even the best way

6. Solutions often exist at the local level, so we should do less talking and more listening
7. Robert Chambers - we should have confidence that other people are capable

### **Definitions**

Trusteeship - Europeans and better-advantaged people should help others and other disadvantaged countries to realize their potential

Development - the gradual unfolding and growth in a geographical area, can also be a state of being

Imminent development - a natural progression to something better

Intentional Development - purposeful changes to improve

Absolute poverty - below the minimum income required for physical survival, measured as below 1.25 a day

Moderate Poverty - income of 2\$ a day where basic needs are barely met but survival is not actually threatened

Relative poverty - does not threaten daily survival but they do not have the income to fully participate in their society

Inequality - when there is an uneven distribution of wealth, goods, supplies, rights and freedoms

## Module 2 - Poverty and Inequality in a Globalizing World

### Ep 2 Pt 1

Question - do we live in a world of poverty or plenty

1. How would we know the answer
2. What evidence could we collect to support either way

If they can be measured in terms of money

1. Add value of goods and services = gdp
  - a. Measure of all the country produces within its borders
2. Add all money earned abroad and GDP = GNP
3. GDP or GNP divided by the population gives you it per person
4. The average sub-saharan african lived on 4% of the rich countries
5. The rich countries produce more and have less people
6. This is an average and it can be skewed upwards by rich people and it can hide extreme inequalities
  - a. Important to know the income distribution within the country we are looking at
7. Global agencies try to adjust for inflation and services in poorer countries are much cheaper as there are more people
8. If we adjust for income to see what amount of money can buy identical products this gives us purchasing power parity (PPP)
  - a. Big mac index the price difference between price depends on labour costs
9. The average sub saharan african lives on 8.5% of what a person in a rich country lives on when in PPP
10. Subsaharan africa remains poor in PPP
11. In PPP it can make them look up to 5 times wealthier

- a. Because services cost less in developing countries
- 12. China, India, Russia and Brazil, South Africa make up the BRICS countries
- 13. Sub Saharan africa had a big grown as china wanted their resources
- 14. Production of goods and services around the world is very uneven
- 15. Production in the rich countries have a much higher production
- 16. These differences in production understates inequality as there is unequal distribution within countries
- 17. GND and GDP are mainstream measures for economic measurement
  - a. Loose association between this and quality of life and other development indicators
  - b. Encouraged by the UN to measure in the same way (only Cuba and North Korea refuse) so these are easy to compare
  - c. Things that do not go through the market do not count, and they make no judgment on the goodness of a decision
    - i. Say nothing about social wellbeing
    - ii. Say nothing about quality of the items or services
    - iii. They add things that might not be considered to progress (like prisons being built)
    - iv. Say nothing about distribution of income
- 18. Simon Kusnic "the welfare of a nation can scarcely be inferred by a measure of national income"

## Ep 2 pt 2

### What is poverty

- 1. Absolute terms - income below which what is needed for survival - 1.90 per day PPP
  - a. Takes what is needed to survive and counts the people living below this amount
- 2. National governments set their poverty line far lower
- 3. In 2015 746 million people lived in extreme poverty
- 4. The percentage of people living in poverty has been cut from 43% to 21% from 1991 to 2010
- 5. Now it should be less than 9% of the population
- 6. Can we eliminate poverty by 2030?
- 7. Rapidly developing countries have seen rapid poverty reduction
  - a. China amounts to 70% of the reduction since 1990
- 8. Sub Saharan african and south asian countries make up most of the poor
- 9. People working day-day jobs
  - a. Lack access to safe health services or food
  - b. Children do not go to school
  - c. Access to electricity is scarce or non-existent
  - d. Significant variations between poverty within the household, often gendered
- 10. Extreme poverty line is constructed and may be contentious
  - a. 90% of the reduction was between china and vietnam, if you did not live there you were less likely to escape from poverty
  - b. World bank has changed the way that it counts them several times



- c. To be truly global it should also be applied to the US and but the US does not use this measure
- d. Many people who have more than this amount are still not able to live a life with dignity and are still very poor
- e. Many places do not have reliable data and thus base calculations on estimates
- 11. Trying to figure out what the poverty line is is difficult but necessary
  - a. Some suggest 7.40 for normal life expectancy
    - i. Then 58% would be in 2013 and there would have been a much smaller reduction
  - b. Prichard says 12.40
    - i. Says it is important to know how the people between the 190 and his are doing
    - ii. Less likely to miss anyone
  - c. John hickle - most important to end poverty rather than measure it
- 12. Very important to be careful of people saying that we are winning over poverty

### Ep 2 Pt 3

1. 40% of child deaths are because of malnutrition
2. In the us there were 40 million household classified as poor based on 15 dollars a day
3. 18.5 million were in deep poverty
4. 5.3 million americans live on less than 5 dollars a day
5. 40-60 percent of americans live below the poverty
  - a. Half of them spend a year around this number
6. 4 in 10 african american children live in poverty
7. Their child mortality rate is the highest of all developed countries
8. In the us women and children make up  $\frac{3}{4}$  of people living in poverty
9. In canada 610 thousand children live in poverty
10. 40% of all indigenous children live in poverty
11. 68% didn't eat breakfast everyday
12. 21 never ate breakfast
13. August 2016 the poverty line in canada they decided to cut from 10 in 2020 to 6% in 2030
14. Many people in the north share a standard of living of people in the south
  - a. This includes life expectancy
  - b. Average indigenous life expectancy using social services in toronto is 37
15. Poverty is the most pressing issue
16. Trends in access to healthcare and life expectancy have been increasing in developing countries at unprecedented rates

### HDI

1. High levels of income do not ensure high levels of development
2. Development is possible with low income 40 countries have improvements in HDI that outstrip growth in income
3. Measures a long and healthy life, being knowledgeable and a decent standard of living
4. Challenging poverty remains within our grasp

## Ep 2 Pt 4

1. Amidst poverty social development happens
2. HDI makes poverty about more than just money
3. Inequality is also called relative poverty
  - a. Person is poor than less than what is socially acceptable
  - b. Poverty lines are relative in rich countries
4. A value judgement is implied as what is socially acceptable can vary
5. Poverty and inequality are separate and distinct
6. In the north, poor people move into and out of relative poverty
7. In the south, poor is often insufficient access to food
8. The gap between rich and poor countries has been widening - now 72 times wealthier
9. The GINI coefficient can determine inequality within a country
  - a. 0= total equality
  - b. 1= total inequality
10. Historically, there was rising global inequality but this leveled out in 1975
11. The top 1% has increased inequality within countries
12. Within 30 years south has become in some places more equal
  - a. Nowhere in the north has this happened
13. There can be inequality within the inequality in the country
14. Branko Milanovic - the GINI coefficient is table at 0.65 - concept 3 inequality
15. Between 1988 and 2008 - winners were rich, middle class in china, losers, middle class in north, poor
16. In 2020 your life chances are determined by where you are born
17. China exemplifies inequality as there is a big difference between rural and urban, eastern and northern
18. 5 groups in the global economy
  - a. Destitute - billion less 1 a day
  - b. Global poor - 2.5 billion, less than 4 a day
  - c. Global precariat - 4-10 a day, 2 billion
  - d. Global secretariat 10-30 a day, 1.5 billion
  - e. Global prosperity - 30+, 700 million
19. Many in the global middle class live in precarious conditions that risk pushing them back into the poor
  - a. They often are pushed back there during health crisis as they threaten the livelihood security as healthcare is not publicly funded
20. The richest people are getting a lot richer

## Ep 2 Pt 5

1. The 1% take most of the economic growth
2. Since 1987 30 of income gains have been captured by the top 1%
3. Wages have been stagnant so the owners of capital keep the profit
4. The us is the worst
5. Ceo makes 400 times the amount of the average production worker
6. Stagnates social mobility
  - a. African americans have far less social mobility

7. This is a global problem
8. Between countries inequality has stabilized but the inequality within a country has deepened

### Ep 2 Pt 6

1. Thomas Picketty - the weather were getting richer because they do not live on salaries
  - a. They are able to put their money into stocks
  - b. This is self enforcing because the poor cannot afford stocks and this becomes systemic
  - c. Inheritance reinforces inequality
2. Because it is a function of management inequality is a policy choice
  - a. Affected by weakening unions
  - b. Stagnant minimum wages
  - c. Regressive tax systems
3. Gadsby curve where the rich get richer
4. Psychologist show that where they stand in the pyramid affects people's mental health so they want to be more equal
5. Cosmopolitanism - everything affects us because there are basic rules. Since the poor are worried about staying alive so the rich need to help address inequality
6. Money is also flowing out of developing country
7. Greater inequality slows economic growth
8. Rich dominate politics so that decisions are made that benefit them

Understanding global poverty reduction: ideas, actors, and institutions', Chapter 24 in Haslam, Paul, Schafer, Jessica and Beaudet, Pierre (2017) Introduction to International Development: Approaches, Actors, Issues, and Practice (3rd edition), Don Mills: Oxford University Press;

1. People wanted to reduce poverty because they thought it would help capitalism
  - a. Reduce flows of illegal immigrants
  - b. Discourage recruitment into terrorist organizations
  - c. Improve the standing of a country internationally
2. Some people also felt a moral obligation

### **Poverty in Social and Development Theory**

1. Condorcet and Paine - search to end poverty
2. Burke and Malthus - dangers of radical thinking
3. Marx and Engles - evolution of capitalism and class relations
4. Booth and Rowntree - who can be classified as poor
5. Question of if poverty was just a lack of income or a lack of access to services
6. Some think that there is great value in measuring poverty (measurement camp) - usually includes governments, policy makers and international agencies
  - a. Argue that structuralist lack data and measures
7. Some think there is more value in the structure of poverty (structuralist camp) - usually NGOs, civil society groups, unions, left wing political parties
  - a. Argue that measuring miss what is happening at the household level and the way that social structure affects poverty

### **What is Poverty**

Oppositional conceptualizations

1. Narrow vs Broad Conceptualizations
  - a. Narrow - poverty lines based on income
  - b. Broader - material and non-material deprivations
2. Absolute and relative poverty
  - a. Absolute - focuses on meeting basic needs. Question of how much food people really need
  - b. relative/relational - power relationships within a society, and must be defined in relation to those around them
3. Objective and Subjective measurements
  - a. Objective - uses numbers. Question of what is being valued
  - b. Subjective - lets the people who are poor decide how poor they are
4. Human agency vs social structure
  - a. Human agency - individual behavior and experiences
  - b. Structuralists - look at groups of people (age, sex, race) to see their experiences
  - c. Giddens proposed structuration to integrate both approaches

### **How Many Poor People Are There and Where Do They Live**

1. Extreme poverty had decreased in all areas, especially east asia since 1980
2. The greatest number of extremely poor people live in south asia and sub-saharan africa
3. Poverty is deepest in sub saharan africa
4. Between 1.2 and 1.6 billion people were in extreme poverty in 2010
5. 2.5-2.9 would be poor if you adopt a 2 dollar a day poverty line

### **Development as Poverty Reduction**

1. Thought that modernization would decrease poverty until the 1970s
2. For all (except some east asian countries) modernization after ww2 did not happen leading the west to 2 conclusions
  - a. Underdevelopment blocked economic and social progress
  - b. Relationships with the US had them relying on aid
3. UN proposed a basic needs approach to prioritize these things
4. Also focused more on rural development than urban industrialization
5. Neoliberalism emerging meant that the focus was put back on developing the economy
6. 1990 brought the dollar a day measure and UN promoted human development instead
7. Millennium development goals (MDGs) also occurred
8. World Summit for Children and World Summit on Social development had state leaders approve the plan
  - a. Action after was limited
9. ODA continued to decline
10. Main themes for the Millennium Assembly
  - a. Development including poverty eradication was the second one
11. MDGs still remain important however, many other issues threaten to push poverty out

### **Reducing Poverty**

#### **Ideas and Actors**

1. Development strategies need to directly pursue the goals, not the means (like economic development is a mean)
2. Social goals are important and vital to developing

3. Important to raise incomes through growth
4. MDGs identified goals but did not set out how to achieve them
5. Results based management - helped government as they could tell the public that they were achieving results
  - a. Ties goals to measures and hold them to their outcome goals
  - b. They were not likely to improve human rights as this was too political

#### Institutions

1. UN is central to framing development as global poverty eradication
  - a. Main contribution was bringing people together
2. UNDP promoted the concept of human development in opposition to neoliberalism
3. UNICEF - steers child development, Convention on the Rights of a Child and pursued a human rights approach
4. UN secretary had a hard time brokering between different interests and ended up not being able to lay out how to achieve goals
  - a. This decreased accountability and meant that countries continued as usual
5. The IMF did little to shift its focus to poverty eradication other than renaming
6. World Bank played a major role in changing the viewpoints of countries
  - a. They did research that proved that economic liberation lead to poverty reduction
    - i. Eventually discredited
7. Civil society groups were also more involved as their profile rose
8. Jubilee 2000 coalition

#### **Sen's Framework for Conceptualizing Human Development**

1. Functioning
  - a. Things that a person values doing or being
  - b. Can range from being sufficiently fed to taking part in community activities
2. Capabilities or freedom
  - a. Combination of functioning that is feasible to achieve
  - b. The freedom to achieve various lifestyles
3. Development
  - a. Expansion of human capabilities and enrichment of lives

#### **Material Capabilities and National Interest**

1. We have the materials (according to Robert Cox) to eradicate poverty
2. There is sometimes opposition when governments try to redistribute wealth or increase aid spending, but the main reason it does not happen is because it is not a priority
3. The US sets worldwide standards for what the current position on aid is because of their monopoly on international organizations
4. The BRICS are trying to get their issues backup and set up summits to address their development, their inequality and inequality between countries

#### **The UN's Open Working Group Recommendations for Sustainable Development Goals**

1. End poverty
2. End hunger, achieve food security and promote sustainable agriculture
3. Ensure healthy lives
4. Ensure inclusive and equitable quality education
5. Achieve gender equality

6. Ensure availability and sustainability of water and sanitation
7. Ensure access to modern energy
8. Promote economic growth, and decent work for all
9. Build infrastructure, industrialize and foster innovation
10. Reduce inequality within and between countries
11. Make settlements inclusive, safe, resilient and sustainable
12. Ensure sustainable consumption patterns
13. Combat climate change and its impacts
14. Use marine resources sustainably
15. Protect ecosystems
16. Promote peaceful and inclusive societies
17. Strengthen the global partnership

### **What has been achieved**

#### MDG performance

1. Have extreme poverty - good in china and south asia, sub saharan below target
2. Universal primary education - close to target but progress has slackened
3. Gender equality - close at schools but other indicators lagging
4. Reduce child mortality by  $\frac{2}{3}$  - substantial progress but will not be achieved
5. Reduce maternal mortality by  $\frac{3}{4}$  - least progress
6. Combat diseases - malaria on track but others far off with significant challenges
7. Environmental sustainability - made worse
8. Global partnership - no evidence of change
9. It has been the most challenging in Africa, particularly sub-saharan and also in south Asia

'Measuring and evaluating poverty', Chapter 25 in Haslam, Paul, Schafer, Jessica and Beaudet, Pierre (2017) Introduction to International Development: Approaches, Actors, Issues, and Practice (3rd edition), Don Mills: Oxford University Press;

### **Evolution of Thinking on Poverty**

1. The first studies on poverty were at the beginning of the 20th century
  - a. Focused on whether they were able to acquire basic needs
  - b. Charles Booth - Mapped east london
  - c. Benjamin Rowntree - mapped York
2. As quality of life standers evolved poverty was increasingly measured by their ability to live lives that are the norm
3. Peter Townsend - poverty is the the absence of things that are customary in society

### **Monetary Poverty**

1. Most prominent approach to measuring poverty
2. Question of where to put the poverty line

#### The Welfare Measure

1. Looking at how much money they have at their disposal
  - a. More difficult if they have irregular income
  - b. People often underreported income
2. Look at how much money someone spends
  - a. This fluctuates less than income

- b. Easy to track
- c. Counts for when people are paid in goods rather than money
- 3. Usually aggregate at the household level

#### The Poverty Line

- 1. If someone's income is below this line then they are poor
- 2. In high income countries they usually use relative poverty whereas in low income countries they use absolute poverty
- 3. Absolute poverty line is calculated by figuring out how much they would need to have to have a minimum consumption basket of things
  - a. Critics say that this treats people as livestock and excludes them from society
- 4. Relative poverty measures people against the median living standard in a country
  - a. This will always produce a level of poverty because it is pegged to income in the country

#### The Poverty Measure

- 1. Foster-Greer Thorbecke (FGT) has three distinct measures
  - a. Headcount index - counts the number of people below the poverty line and divides this by the population
  - b. Poverty gap index - looks at how deep poverty is by looking at the difference between them and the poverty line. This is aggravated for the whole population then averaged among the whole population.
  - c. Poberu severity index - gives greater weight to those that are further from the poverty line

#### **Multidimensional Poverty**

- 1. Should poverty be the inability to meet the poverty line or how far away from the poverty you are
- 2. Not everything necessary for a minimum standard of living can be described in monetary terms
- 3. Markets do not always provide everything that is needed
- 4. Not everyone spends their money on the bare necessities
- 5. Not everyone distributes money equally along a household
- 6. Streeten and Burki say that very little economic development has helped the poor
- 7. Sen's, basic needs approaches, and social exclusion methods were all developed as ways to measure poverty
- 8. Martha Nussbaum tried to prescribe Sen's capabilities
- 9. Multi-dementia often measures income, but does not measure income alone
- 10. Scalar indices - like to rank countries and households and then use these ranks in policy
- 11. Aggregate indices are good at providing an overview and demonstrating trends

#### Human Development Index

- 1. They measure the average against maximums and minimums and assign them a score
- 2. The average score is then taken from all categories
- 3. This is good for comparisons between countries and across time periods

#### Multidimensional Poverty Index (MPI)

- 1. Captures info at a household level rather than at a country level
- 2. Can look at what households are suffering multiple

3. More indicators in each category
4. If a household is deprived in more than 33.3 of the dimensions then they are considered poor
5. The MPI is the proportion of people who are poor
6. Question of how private the status of this should be
7. Also question of how poverty is distributed among the household

### **Different Measures, Different Outcomes**

#### Different Poverty Rates

1. Monetary poverty rates are considerably lower than multi-dimensional

#### Different Poverty Groups

1. Does not give insight into how many people are affected by both types of poverty
2. There are large groups of children that only fall into one category

#### Different Experiences

1. Robert Chambers - the voices of the poor are important in measuring poverty

### **Poverty Measurement and Policy**

#### Identifying Groups for Intervention

1. Poverty profile considers household characteristics and community characteristics
2. This helps development programs aim at where they are most needed

#### Identifying Policy areas for Intervention

1. Look at social poverty areas

#### Monitoring Progress

1. Can set goals and see if they are being met
2. Tell when progress falls off track

### **Gross National Happiness (GNH)**

1. Good governance, sustainable socio-economic development, cultural preservation and environmental conservation
2. Further classified into psychological well being, health, education, time use, cultural diversity and resilience, good governance, community vitality, ecological diversity and resilience and living standards
3. Wellbeing is the good life as laid down by these standards

Green, D. (2014) 'The pocket Piketty: a two-page intro for non-bookworms'. Oxfam International From Poverty to Power blogspot. Available at:

<http://oxfamblogs.org/fp2p/the-pocket-piketty-a-two-page-intro-for-non-bookworms/>

1. Some people say we are living in the second Gilded Age due to the rise of the 1%
2. The income of the 1% is a U shape with them now getting a similar percentage as they did before ww1. Their income bottomed out in the 1950s
3. The top of the economy is once again controlled by family dynasties
4. The rate of return on capital exceeds the economic growth
5. Ends with a call for wealth taxes

## **Module 3 - Colonialism and Development in the South and North**

1. Does our development require others to be impoverished



2. Looks at the history of colonialism from 1500 to 1950 and how it continues to shape poverty and inequality

### Ep 3 Pt 1

1. Current levels of inequality have been shaped by inequalities within countries
2. There has been progress in human development
  - a. Not necessary for economic growth
3. People could be taxed to end poverty
4. The planet is 4.5 billion years old
5. 2-3 hundred thousand years of humans
6. Agriculture only invented 10-12 thousand years ago
7. 97.5% of humanities history humans were hunter-gatherers
8. Asia, south America and Africa were have been greatly affected by the outward expansion of Europe in 1492
  - a. Less than 40040 million people people
    - i. Half were in south and east Asia
  - b. Italy was per-person the richest in the world
9. Trifunctional society
  - a. Class of learned people - priests
  - b. Nobles, warriors and lords
  - c. Workers - most in food production, most of the population
10. Subsistence societies - relatively egalitarian, kinship told how society was structured. Inequality based mainly on gender relations, most of the world
11. Pre-capitalist states- some control others, people maintain control over workers (Europe, South Asia, Middle East, Southeast Asia, east Asia, Peru, Mexico and some areas in Africa)
12. People only now starting to look at South and North America
13. 15th and 16th centuries europe started to expand
  - a. Period where feudalism was in crisis
    - i. Conflict between the nobles who brought centraly organized states and needed more revenue
    - ii. They taxed peasant workers making it hard for them to have enough food
    - iii. They rose up
    - iv. There was disease (black death)
14. Colonialism - direct control of the people and territory where they live by a foreign state
15. 16th century Spanish and Portuguese mercenaries used shady and exploitative methods to get luxury items
  - a. Local resources were forcibly taken
  - b. Only imposed this on the caribbean and latin america
  - c. They exterminated the indigoius people
  - d. Today this would be called ethnic cleansing and genocide
    - i. Tens of millions died
  - e. Forced conversion to catholicism
  - f. They had slaves
  - g. The pope gave them the right to do this

16. The planet cooled because the new vegetation grew from where farms were left unattended as people had died

### Ep 3 Pt 2

1. Enslavement was central to colonialism
2. 17th century the spanish and portugese started to be challenged by the english and the dutch
  - a. They has started to industrialize
3. Capitalism
  - a. Goods and services are sold in markets for a profit
  - b. Social relationships are created between those who primarily own capital and those who primarily own their labour power
  - c. Other relationships of gender, age and ethnicity refract through the relationship between labourers and capital owners
4. Early emergence of capitalism they needed material and this was supplied by monopolistic trading companies
  - a. BNA, Dutch Caribbean and Dutch Indies
  - b. They received special rights from the monarch to promote trade in a specific area
  - c. They often had a military force
  - d. Over time they relied on tax payments and then the nationalized the company
5. These companies reconfigured international trade
  - a. They exported raw goods
  - b. The labour needed came from African slaves
6. Period of mercantilism - augment the power of the state and its rulers, emerging world market based on buying and selling, encorporated the south
  - a. Invested profits in industrial manufacturing
  - b. Mercantilism was an economic system of trade that spanned from the 16th century to the 18th century. Mercantilism was based on the idea that a nation's wealth and power were best served by increasing exports and so involved increasing trade
  - c. Sustained the industrial revolution
7. Triangular trade
  - a. Foundation of the industrial revolution
  - b. Foundation was slavery
    - i. In 100 years 6 millions people were enslaved from Africa
    - ii. Became a source of private wealth
    - iii. They were profitable for their owners as they were cheap and productive
    - iv. Systemic brutalization for systemic gain
    - v. Slave labour provided materials needed for industries in the US and UK
    - vi. People had stakes in the slavery of other areas
    - vii. Slaves were the property of the middle class
8. Slavery still exists and half of these are in India
  - a. Still exists within the US prison system
  - b. When slavery was abolished in the UK it was replaced with indentured servants
    - i. They signed contracts to work far away from their family

- ii. Often left them in debt that could not be repaid

### Ep 3 - Pt 3

1. Capitalism in late colonialism
2. 17th and 18th centuries - industrial development was facilitated by colonialism
  - a. Not relevant in Portugal or Spain
    - i. Their empires fell into disrepair because they didn't adapt
  - b. Conflict between Britain, Netherlands and French
  - c. US gained independence
  - d. Haiti - after French revolution slave revolts led to the abolishment of slavery and an declaration of independence, but there were conditions for this that kepted them impoverished
    - i. Compensate slave owners
3. As mercantilist companies sought to expand they increased demand for industrially manufactured goods in the colonies
4. Mercantilism was replaced by industrial capitalism
  - a. Production replaced plunder
  - b. Cities grew
  - c. Politicians gained importance as aristocrats lost power
5. Europe got decisively richer than the rest of the world
6. China and India were still the biggest economies in the world
  - a. Manufacturing prowess
  - b. Colonial progress sought to remove these competitors
  - c. These countries deindustrialized and agrarian peasants increased
  - d. India was forced to pay for their subjugation by exporting raw materials
7. Export-led subjugation- Europe got rich and everyone else got poorer. They captured as an outlet for production
8. Thomas Piketty -  $r$  (return on capital) is greater than  $g$  (economic growth rate) - wealth grows faster and was obtained from the colonies
9. 19th- 20th century
10. Sought new markets
11. Development of new international financial flows
12. By 1860 Britain was the dominant colonial power
13. Only a few places that the British did not attempt to colonize
14. Scramble for Africa
  - a. 25 year period
  - b. A few countries came to control almost all of Africa
  - c. Possible to draw more remote regions into the global economy
  - d. They wanted more raw materials
  - e. The food market in the north wanted more supplies
  - f. They wanted new markets
  - g. Political - status was associated with having colonies
  - h. Military - they needed bases to get safe passage to Asia
  - i. Sociological - white man's burden to civilize
  - j. Did not change the order of the North

- k. Trifunctional societies were subordinated
- l. Administrative structures were imposed and bureaucracies were built to run these with imported managers

### Ep 3 Pt 4

1. Last 75 years of the colonial period - starting 1875
  - a. Notable for the entry of Japan, Russia and US
  - b. 1914 the world started to unravel
  - c. Post ww1 Britain and France expanded by taking over defeated rivals
  - d. Became more political than economic
2. 1890s and 1930s a period of imperialism
  - a. Imperialism - a social and economic system that facilitates the domination of a state, region or world by another state
  - b. Hobson - witnessed by exports of capital from the north to the south to control them
  - c. Lenin - outcome of the emergence of strong global companies that require access to global markets to be profitable. These companies subtly force countries into doing what is in their best interests and thus they control the country
  - d. Imperialism - control without colonialism
  - e. Economic - continuing need to invest capital so companies move abroad, search for new materials and markets
  - f. Political - they want to have power over territories to bring prestige
  - g. Sociological - humans have a tendency to dominate others
3. Colonialism saw the emergence of the modern world
4. This process was very uneven in the north and south
  - a. Uneven because it brought large change in very diverse societies
  - b. They radically changed
5. Combined because economies were reorganized and this required undermining pre-existing patterns
6. Neil Ferguson - brought superior institutions and revolutionary soccer to the countries. Colonialism brought global modernities
  - a. Thought that altogether colonialism was positive
7. The countries took money and goods from the countries which helped them grow their European colonies
8. This changed the way that power was distributed in the colonies even when they were decolonized
9. Branko Milanovic
  - a. 7% of the world's population is 2 centuries behind the development of the modern world
  - b. 33% is between 1 and 2 centuries behind
  - c. 45% is 50 and 100 years behind
  - d. Only 15% actually live in the modern world
10. Labour of the enslaved and colonized built the west

## Chapter 2

1. Global south and north are less geographic and more related to our history

### **European Expansion and Conquest**

1. Spain and Portugal expanded because of a competitive tension with muslim neighbors
  - a. Wanted more goods
  - b. Eliminated muslim middle men
2. Industrial revolution launched high imperialism
  - a. Search for new markets
3. Great power rivalry between Britain, France and Germany
4. Men on the spot - wanted to expand the european field of action, even if there was no practical reason to do so
5. Imperialism - political system where territories are ruled in pursuit of not entirely economic goals
6. Neo-colonialism - State pursues external investment and penetration of markets and sources of raw materials
  - a. Often continue to exert control even after independence

### **Rival Empires of Trade**

1. Chartered companies - private companies who put private investment into the device of the empire
  - a. They could act as armies
  - b. Constructed a rail network in india
2. Disease laid waste to the Americas
3. Enslaved indigenous people
4. Later 1600s slaves were imported as workers as indigenous people had died
5. Asia had more advanced technology allowing them to fight off europeans
  - a. Also more clearly civilized

### **High Imperialism in Africa**

1. Much faster speed
2. Got the whole continent minus ethiopia
3. All sought a way to draw non-state actors in
  - a. Companies held power for about a decade before being replaced by colonial administration
4. British ruled indirectly
  - a. Kept local leaders in place
  - b. Codified the customary law
5. French ruled directly
6. Portuguese more hands on and violent

### **Common Themes in the Colonial Experience**

1. Inferiority of other people
  - a. Europeans were more evolved
  - b. Darker skin meant more primal
2. Moral duty to bring them civilized european culture
3. They put maximum force into taking over which meant that they almost always won against their more primitive rival

4. French wanted to create Black Frenchmen
5. After independence in the Americas Europe sought to control trade instead of territory
6. After WW2 they thought about national self determination
  - a. Colonizers expanded development schemes
  - b. Started to promote economic and social change
  - c. More bureaucratic engagement
  - d. Thought their social lives as well needed development
  - e. Skeptical of those who lacked a formal education

### Bernstein - Colonialism Capitalism Development

1. Rise of industrial capitalism in the late 18th century

### Colonialism and Capitalism

1. Colonization - settlement of a new territory by a group of people, imposition of colonial rule by a foreign state
2. Colonialism - political control of people and territories by foreign states
3. African Settlers were mainly agents of political rule
4. Ideologies of racial superiority
5. Capitalism - production of goods for market exchange to make profits, definitive class relations between owners of capitals and owners of labour power
6. Pre-capitalist societies had trade networks when they had surplus but they did not invest in making new commodities or creating value and thus it was not capitalist
7. Land became a commodity in capitalism
8. 16th-19th centuries Europe transitioned to capitalism
9. Primitive expansion was helped by the expansion of Europe
10. Was an acceleration after industrialization
11. Different experiences within the colonial experience
  - a. Uneven development
  - b. Different types of colonial states and interests
  - c. Diversity of pre-colonial societies
12. Spain and Portugal were still colonial societies that were more focused on precious metals and luxury items
13. Britain, France and Germany were rapidly industrializing
  - a. Produced a large demand for raw materials

### Stages of Colonialism and Capitalism

#### Crisis of Feudalism and First Stage Expansion (16th Century)

1. Transition from a commodity economy to independent merchants
2. Late Feudalism - dynastic wars between territories
3. Systematic colonial control imposed in the Caribbean and Latin America

#### Merchants, Slaves and Plantations (17th and 18th Centuries)

1. Development of manufacturing
2. Plantation economy in BNA
3. First recorded slave from West Africa arrived in 1518 overall 6 million were taken
4. Most colonization was done by merchant companies

#### Colonialism in the Era of Industrial Capitalism and Imperialism (19th and 20th Centuries)

1. They made states

2. Companies ruling were replaced by state rule
3. They wanted to secure trade routes
4. Scramble for Africa - late 19th century
5. Imperialism - general system of domination by a state on other states, regions of the whole world
6. Monopoly capitalism - dominated by large corporations
7. Interwar years saw an increase in overseas dependences
8. New weapons technology meant that europeans could force things to happen

#### Imperialism Without Colonies

1. Dismantled after WW2
2. The economy of the world was based on USA/North America, Germany/EU, Japan/East Asia
3. US did not have many colonies but they had an internal frontier

#### **Making of Colonial Economies - Labour**

1. Peasants were encouraged to only grow certain crops
2. They broke the pre-existing economy
3. 4 types of labour regime

#### Forced Labour

1. Mobilization and organization of workers based on economic coercion
2. There was increased demand
3. The indigous people were too few to provide for the demand
4. Slavery was profitable as long as there was a supply of slaves
5. European powers increased productivity which made slave production less profitable
6. Brought social disorder to west Africa where slaves were taken from
7. They created cultural patterns in slave areas that still exist today
8. Some people accumulated great wealth
9. After slavery was abloish they created debt bondage and indenture

#### Semi Proletarianization

1. People have in quite access to the means of production
2. After the indenture ended they often remained in the colonies

#### Petty Commodity Production

1. They needed to grow cash crops to get money to pay taxes
2. They often restricted indigous people to reserves which were in marginal areas

#### Proletarianization

1. The employment of wage labour in commodity production

#### Colonial Labour Regimes and Capitalism

1. Characteristic of the 16-18th centuries
2. Often involved direct and indirect economic coercion

#### **The Experience of Colonialism**

1. Land was expropriated
2. Land became a commodity

#### Social and Cultural Change

1. Western education trained people for the civil service
2. They used weastern teachings to argue for their own democracy and justice

3. They tried to convert people to christianity
4. Africans developed native churches in opposition to christianity
5. There was an ethnic division of labour
6. They tried to divide groups to prevent them from rising up

### **Origins of Development**

1. Indigenous intelligentsia emerged
2. Groups used western thought to argue for democracy and nationalism

### **Doctrines of Development**

1. Early views saw progress and imminent and natural
2. Later they thought development required intention and design
3. Development should reconcile progress and order
4. Doctrines of development should have a stable trustee
5. The trustee is often the state
6. Development has incented to manage the effects of change in western europe, development was applied preemptively to the colonies

### **Ambiguous Relationship of Colonialism and Development**

1. Development was a justification for colonial rule
2. After WW2 the colonizers put acts in place to develop
  - a. More explicit welfare objectives
3. Nationalists demanded independence
  - a. Patterns of economic change were distorted towards export of raw goods
  - b. Development of manufacturing was blocked
  - c. The profits went to the colonial powers rather than to development

## **Module 4 - Decolonization and State Building 1950 - 1980**

How did the Cold War between the United States and the Soviet Union push the European colonial powers toward accepting national self-determination through decolonization? - they feared that the colonies nationalist movements would ally with the USSR

### **Ep 4 Pt 1**

1. World today is created off of enslavement and genocides
2. WW1 lead to dissolution of europe
3. Contraction of division of labour as they tried to isolate
4. 1929 great depression
5. Some trace origins of decolonization to ww1
6. decolonization - a nation is freed from its dependent status on a colonizer
  - a. Some started before ww1 as portugese and spanish ceded power to settle elites
  - b. Settler elites established control over the state
7. State - political and territorially defined area
  - a. Constitution
  - b. Distinct fiscal system
  - c. Monopoly over force



- d. Sovereign and independent
- e. Recognized by others
- 8. Governments - political administration of a state
- 9. During ww1 russian revolution took place
- 10. Ottoman and austro-hungarian empires collapsed
- 11. Ireland gained semi-independence in 1921
- 12. 1912-1915 UK accommodated the house of Saud in modern day Saudi Arabia
- 13. Set boundaries in the middle east
  - a. Set by colonialists
- 14. Middle east, africa and asian boundaries were artificial
- 15. Nationalism - on the rise, especially in india and indonesia, a set of ideas that held that the nation, ethnic group or national identity is the most important thing, political beliefs are made off of this
  - a. Nations are the only legitimate basis for a state comes out of this
- 16. Nation - describes well-defined territory and political entity, with a population that defines itself as an independent group, not all nations have an independent state
- 17. Nationalism killed more people in the 20th century than any other ideology
- 18. Growth of the soviet union demonstrated that rural people could overthrow the ruling elites, demonstrated that rapid development was possible, demonstrate there are alternatives to capitalism
- 19. After 1945 mass decolonization occurred after france and the UK could no longer hold onto their colonial possession
- 20. Indirect rule - colonial powers recognized and supported the legitimacy of indigenous authorities and legal systems
  - a. Still subordinate
  - b. Used these as intermediaries
  - c. They sometimes created these groups
- 21. After WW1 these elites view colonial rules as illegitimate
- 22. Mahatma Gandhi
  - a. Educated but became disenfranchised with the ability and legitimacy of the colonial power to rule
  - b. Adopted methodology of non-violent resistance
  - c. Became active in government
  - d. Wanted independence of India from the UK
  - e. Encouraged people to do as much as possible within their community
  - f. Advocated that people only consume indian made goods
  - g. Salt march - make salt from seawater as salt was taxed, make salt for free
    - i. Thousands went on this march
- 23. Gandhi was not alone and many other leaders also advocated violence
  - a. Other movements were far more scarring
  - b. Would go on hunger strikes when violence was created
- 24. By late 1950s it was clear that colonialism was dying
- 25. UN created specialised programs to facilitate development
- 26. UN has more than 44,000 employees

## Ep 4 Pt 2

1. Corporatism - align interests of the people with the political elite, usually colonizers
2. Developmental states - third world, attempt to create in 1950s and 1980s
3. Politics in the third world tried to bring together conflicting elements to create progress
4. The state has a significant role because there was a failure of the state and they saw success in the USSR
5. After WW2 keynesianism emerged - capitalist markets requires state regulation
6. Theory is a coherent explanation of the world based on observation, experimentation and reasoning helps to explain a fact or a series of facts
7. Modernization theory - argues that societies move from agrarian to industrialisation and advanced capitalism in a linear motion
  - a. Can be limited by customs and attitudes
  - b. Should try to imitate customs that exist in Europe and North America
  - c. Should have democracy, independent judiciary a modern culture and free markets
  - d. In newly independent countries this should be assisted through aid
  - e. Seek to build capitalism so that development can happen
8. Terms of trade - value of exports needed to pay for imports
  - a. Difficult for third world countries that sold primary commodities to buy manufactured materials
  - b. These countries were dependent on selling primary commodities
  - c. Terms of trade between first and third world were declining
  - d. This was identified by Prebisch and Singer
    - i. Structure of trade relationships discriminate and make it harder for the third world to sell
9. Structuralism - structure of global trade perpetuates poverty in the third world
10. Modernization does not eliminate poverty
11. Poverty cannot be solved given the current structure
12. Strengthen technological base to help economy work for all
  - a. This is done by increasing level of domestic saving to raise levels of investment
  - b. Boosting investment allows them to move beyond primary products
  - c. This can cut poverty as it provides better jobs
13. Modernisation is insufficient because it does not cut poverty
14. Poverty needs to be cut in order to reduce stagnation
  - a. Poverty is a consequence of conflict between groups
  - b. Inequality shapes development
  - c. Social conflict is created by unequal distribution and the state promoting the elite
  - d. State should mitigate conflict
15. State should redistribute
16. Third world should benefit from trade
17. Replace imports with domestically produced goods

## Ep 4 Pt 3

1. Import substitution - replace imports with domestically produced products
  - a. Redistributes wealth towards the poor

- b. The third world needs to benefit from trade
  - c. Creation of productive tariffs
  - d. Nationalization of production to ensure that these things happen
  - e. Financial flows need to be directed by the state
- 2. ISI - import substituting industrialization
  - a. First introduced by Alexander Hamilton
  - b. Approach which tries to increase developmental autonomy
  - c. Increasing agricultural productivity
  - d. To boost land productivity land reforms were introduced in the green revolution
- 3. State led development was often not accountable to society
  - a. Products and labour become commodified
  - b. Industrial capitalism emerged in the third world
  - c. Production for the purpose of sales
  - d. Also started to create production for export
  - e. Economic growth exceed the first and second world
    - i. This did not reduce the numbers of poor
    - ii. Argued to mainly have failed except in some areas in east asia
- 4. ISI failed because there was
  - a. State weakness - states could not implement policies
  - b. Lack of use of markets - used the state to direct but this cut efficiency
  - c. Anti-export bias - this limited their earnings and ability to import goods needed
- 5. Often enjoyed legal independence but not de-facto independence - neocolonialism
- 6. No accepted explanation of why poverty was not reduced
- 7. Dependency theory - as long as the South is 'linked' to the North through trade, capital flows and aid, they will never be able to break free of their poverty
  - a. the world system is capitals t divided between the core(west) and the periphery
  - b. Development of periphery is shaped by their interactions with the core
  - c. Development of the core comes at the expense of the periphery
  - d. Andre Gunder Frank - the development of underdevelopment
  - e. Argue we should de-link and promote self reliance with socialism
  - f. Fell out of favour in the 1980s

### Chapter 3

- 1. Early 21st century financial crisis caused new change
  - a. Neoliberalism was discredited
  - b. Growth in rich countries slowed and developing countries continued rapid growth
  - c. Latin american progressive politics and started to lessen inequality
- 2. Development is now less pessimistic
- 3. Rethinking development as a continual historical process
- 4. Rising environmental damage means rethinking the good life
- 5. Rich-poor gap originated in capitalism and imperialism
- 6. 1980s - neoliberalism rolled back gains
- 7. Changing usd to PPP made the problem look smaller

### Development Avant La Lettre

- 1. Industrial revolution produced absolute and rapid increases in wealth

2. Created capitalism and the labour market
3. Markets governed social product, custom and regulation
4. Increased productivity
5. Countries grew empires to have access to new markets and consumers
6. Incomes were unfairly distributed between workers
7. Development emerged from the promise of industrial capitalism and its failure to hold up for most people
8. Adam Smith thought that markets should be controlled by the morals that control society
9. State regulation is not necessarily socialist
10. Karl Polanyi's double movement - market failure is endemic so markets alone cannot regulate an economy
  - a. While markets expand, the institutions to regulate them also expand
11. Those who did not benefit from colonialism knew that it meant exploitation
  - a. Tried to create barriers through nation-states
12. Neoliberalism and globalization leave trade as a matter of state management
13. The BRICS have a harder time developing because they don't have colonies

### **Money of Development**

1. After ww2 countries recognised colonialism for what it was
2. Aid the poor countries in catching up
3. US became the most powerful country and sponsored other countries in developing
  - a. Also did this to prevent expanding the influence of the soviet union
4. Development means many things but rising incomes, and material welfare were critical
5. Industry increased productivity and was a cornerstone of development
6. Development was the confrontation between capitalism and communism
7. John Maynard Keynes - government should step up in hard times like the depression
  - a. Free enterprise needed to be protected from itself to survive
8. Bretton Woods institutions - IMF, World Bank, GATT
  - a. Worked to manage economies for growth

### **Disputing Government**

1. Golden age lasted for 2 decades
2. Economics were swept along with critical problems remaining
3. 50s and 60s they did still required goods from the first world, perpetuating colonialism

### **Development Economics**

1. First theory of development, primarily Keynesian economics
2. State kept the capital liquid and smoothed out highs and lows
3. Accelerate growth in the third world by injecting capital and pursuing macroeconomic policies
4. WA Lewis - economics had to become industrial in an industry where labour was scarce so wages would rise
5. Listian Industrialization - US, Germany, Japan, challenged existing division of labour

### **Modernization Theory**

1. Pin responsibility on social and political factors
2. Rostow - economics was central without being the exclusive focus
  - a. Transition between development economics and modernization theory

- b. 5 broad states
  - i. Traditional
  - ii. precondition for takeoff
  - iii. Takeoff
  - iv. Drive to maturity
  - v. Modern
- c. Take off occurs in total investment reaches 10% of the gdp and growth outstripped population growth
- d. Drive to maturity involved diversification
- e. High mass consumption was where incomes were high and consumption was beyond basic needs, could then institute welfare states and increase military spending
- 3. Principle modernization theorists employees sociology, political science and relied on Talcott Parsons theory adaptation
  - a. Question of what makes the west different
- 4. Obstacles to modernization lie in tradition
- 5. Scholars with the US but they never became influential there
  - a. Theory contained seeds of anti-democratic

#### Dependency theory

- 1. Theorised informal imperialism through neo-colonialism
- 2. Originated in latin america
- 3. Studied the whole capitalist world system
- 4. Capitalism develops some countries and underdeveloped others
- 5. Socialism was the only way to develop all
- 6. World was divided between an industrialized core and an agrarian periphery
- 7. 2 sources for this theory
  - a. UN's ECLA under Raul Prebisch in 1950s
    - i. Contested that increased rate would increase development, instead arguing it would increase inequalities between them. Pointed to how they developed more when trade was interrupted during the wars
    - ii. Instead of prices falling in tandem with increased technology industrial countries kept benefits by keeping prices high as primary goods prices continued to decline
  - b. Paul Baran
    - i. Looked in second half of 20th century
    - ii. Capitalism was a hierarchical institution based on a transfer of surplus
    - iii. Produced underdevelopment in third world countries
- 8. World system approach - divided into core, periphery and semi periphery

#### Marxism

- 1. Capitalism is contradictory and unjust, crisis prone and exploitative
- 2. Dependency and world systems scholars thought the inclusion of countries was enough to make them capitalist
- 3. Marxists thought that capitalism was mainly the social system
- 4. Merchant capital did not develop capitalism but reinforced forms of exploitation

### Neoliberalism

1. 1970s - growth slows as post-war recovery finished
2. Post-war governance unraveled and the Bretton woods organizations became hostile to development but also more powerful
3. Gold backing of the dollar was removed making it less stable
4. Third world started borrowing money
5. OPEC increased oil prices facilitating development in countries with oil
6. Political instability and social disintegration occurred
7. Interest rates dipped lower and banks became desperate to lend money from oil wealth
8. Raised interest rates to stop inflation causing a recession in the third world
9. Put structural adjustment programs in place to force them to stop spending and only export in order to pay off loans
10. Little was done to alleviate debt burden
11. 9/11 encouraged thinking that these states were rogue that needed to be dealt with
12. Government became ineffective and often corrupt
13. Changed into talk of globalization where free trade was inevitable and we all became part of the US empire

### Developmental States

1. Anti-free trade emphasises success of government

### Chapter 7

#### **What is the State? The Legacy of Colonialism**

1. State - entity with monopoly over the means of force within a designated territory that in controls, enjoying legitimate support for that monopoly from the majority of the population residing in its territory and with the recognition of its control by other states, empowered by the public to make public decisions
2. Definition has been accused of eurocentrism
  - a. Europe had this develop naturally and over many years
3. This was imposed by Europe in the developing world
4. Large population groups were wiped out and replaced with outsiders
5. Strategy to divide populations to conquer them
6. Colonial powers chose a group to run the country
7. The states lacked the legitimacy of support from their population
8. Mercantilism shutdown indigenous industries
9. Created dependency between third world and Europe
10. Brain drain to developed countries

#### **Defining the State's Role in Development**

1. Should the state be a leader or a follower
2. Compradorial - coined by radical marxist development analysts to describe ties between the state and external interests
  - a. Post-colonial state is still colonial and has elites that are bought out or in alliance with foreign interests
3. Weberian view - rational-purposeful nationalism or a modern state

### State Capacity and Autonomy

1. Grindle has pointed out that developing states struggle in several areas

2. State capacity suggests that developing states might not be capable of weighing technical decisions as their counterparts in the north
3. State autonomy is used to describe the degree of insulation that a state enjoys
  - a. States with many political pressures are more likely to make politically based rather than merit based decisions
  - b. Insulation can mean different elightend or corrupt leaders can emerge
4. Embedded Autonomy
  - a. States that develop strong network ties but still remain autonomous for pursuing the national interest
  - b. Latin american states lack a strong sense of nationalism

### **Central Debates about the Role of State in the Economic Development**

#### **The Push for Early Industrialization**

1. Keynesians argued for the state taking more of a managing role
2. Neo Liberals proposed that the state leave the free market alone
3. Sir Arthur Lewis - when agricultural sector was modernized people would be free to move to cities, but this would lower wages, which would attract industries
  - a. Thus there was no need to state leadership involvement
4. Industrialization would diversify exports and create a middle class
5. Soviet model was attractive because of how rapid it was and how it reduced inequality
  - a. Scepticism over its ability to produce viable industries or improve equality
  - b. Standard of living was below that of the west
  - c. Concern over how they controlled internal dissent
6. Structuralism
  - a. Lead by Raul Prebisch
  - b. State was needed to destroy the bottlenecks that prevent an economy from developing as expected
  - c. Prebisch-singer hypothesis - the per unit value of primary commodity exports is falling relative to the per unit value of industrial imports, commodity prices decline (declining terms of trade) so in order to keep up countries need to industrialize and sell manufactured products
  - d. States need to rely on themselves rather than other countries
  - e. Need to develop technology that works for them
7. Gerschenkron - protectionism was a part of the industrializing experience
8. Citizens do not trust local banking institutions
9. World bank in the 1960s they focused on infrastructure projects
  - a. Pursuing too many of these can be overwhelming to the technological and managerial capacity of the state
10. 1970's - became disillusioned in the state's role in development

#### **Rise and Justification of Neoliberalism**

1. Swept in the 1980s
2. Loss of power in the the US and Europe
3. Conservatives advocated to return to power and security in the north
4. Led to increased inequality, stagnation and worsening equity
5. Biggest problem was how they tried to explain the rise in east asia

6. Dominance of the state in east asia allowed them to provide greater leadership to the private sector

#### Neoliberalism to Governance

1. Institutions are an important variable as they explain the results of market reform
2. Some suggest that a second wave of neoliberal reforms are needed for markets to function well and for the state to become an effective market regulator
3. People underestimated the importance of state regulation
4. Governance - how well states can manage markets
5. Public-private partnerships - subcontracting out state jobs to private industries

#### Rent-Seeking and State Capture: Battle against Corruption

1. Rent seeking - states became captured by special interest groups
2. State capture - powerful private interests, often international corporations, undermine the ability of the state to pursue its own interests
3. Clientelism - favoritism that is legal but is obstructive to social interests

#### **Governance as a Process of Democratization**

1. Important to find ways to include participation of citizens - called civil society
2. Usually involves coordination with the private sector
3. Needs to include those with less means

#### Globalisation and the role of the State

1. Movement towards including international investment has increased the power of international companies
2. A lot of transactions now take place in off-shore tax havens
3. 1980s involved setting up stock exchanges in the developing world
4. Some critics suggest that the state is dying worldwide, others say the state is still important to create relations between other countries

## Module 5 - Structural Adjustment and Development Dilemmas (1980-1995)

### Ep 5 Pt 1

1. So called lost decade
2. Period of stress in developing countries
3. Comparative advantage - david ricardo - if countries specialize in what they are more cost effective at producing, they should then trade with others
  - a. To facilitate trade they should fix their dollar to the USD
  - b. This system started to unravel as the US caused inflation to pay for the vietnam war
  - c. Increases in oil prices
  - d. Socialist revolutions took place
  - e. Budgetary deficits were the norm
  - f. 1970s were the worst until 2008
  - g. Blamed on state interventions
4. Monetarism - high inflation is caused by having too much money in the economy



5. laissez faire economics in the north - leave the economy alone to pursue their own interests
6. Not enough trade because of protectionism
7. Claims of exploitation of the south
8. 1973 - OPEC tripped oil prices
9. OPEC deposited the oil money in the north
  - a. Banks looked for places to loan it out
  - b. Banks started pushing loans towards banks in the south
    - i. Financed imports from the north
10. 1979 - OPEC raised oil prices
  - a. Us increased interest rates
  - b. The loan repayment soared for the developing countries
11. 1982 - Mexico defaulted on its loans marking the start of a debt crisis
12. African countries were in a lot of debt
13. Import often exceeded exports
14. They had deficit spending
15. Sought assistance from the IMF and the world bank

#### Ep 5 Pt

##### World Bank

1. Bretton woods intuition
2. Formed to shape post ww2 international order
3. Sought to promote international cooperation
4. Establish a system of currency convertibility
5. Make resources available for countries with balance of payment difficulties
6. They pay a quota which determines how much they can borrow and how much their vote is worth
7. Advanced economics had over 60% of the vote
8. In wake of 2008 financial crisis they agreed to increase their contributions and issue special drawings, step up monitoring of financial systems
  - a. Bulk of loans went to Europe
9. Been doing the same thing since its inception

##### World Bank

1. Provide long term finance of countries devastated in Europe
2. Created at Bretton Woods
3. International Bank for Reconstruction and Development (IBRD)
4. International Development Association (IDA)
5. International Finance Corporation (IFC)
6. Multilateral Investment Guarantee Agency (MIGA)
7. International Center for the Settlement of Investment Disputes (ICSID)
8. IBRD and IDA are the key organizations
9. Executive board of 25 decide the policy of the bank
  - a. Controlled by the countries of the north
10. Concerns about China's growing role
11. Malpass runs it

12. Not much changed with their strategy over the years

Ep 5 Pt 3

1. Washington consensus - tactic, implicit agreement between IMF, World bank and the US treasury, create a policy and if countries agree to this they get assistance with the debt crisis
  - a. Macroeconomic prudence
  - b. Export-oriented growth
  - c. Economic liberalization
  - d. Assistance took the form of grants and loans
  - e. Some bilateral debt was rescheduled or forgiven
  - f. Debts owed to IMF and world bank were reduced
  - g. The IMF puts stabilization demands on countries that borrow - cutting spending
2. World bank provides resources in the form of grants and loans - bulk raised is lent on two developing countries and they stipulate that they must make a profit for the bank
  - a. Most bank lending goes to middle income countries who need it less but are more likely to repay
  - b. Boost production to increase supply of the economy
3. IMF works on demand side, world bank works on the supply side
4. Product interventions were not working because there were elements outside of them
5. **Policy based lending** - reduced distortion by promoting the role of prices in supply side resource allocation decisions and adjust structure of economic relationships to promote laissez faire economics
  - a. Emerged in the 1980s
6. **Structural adjustment and poverty reduction strategy papers (PRSPs)**
  - a. Commitment to good governance
7. Under Washington consensus they make different agreements with the IMF and world bank
8. Under PRSPs there is cross conditionality
  - a. Must agree with both institutions

IMF Policies

1. Cut demand
2. Reduce government spending
3. Raise taxes
4. Raise interest rates
5. Devalue the exchange rate
6. Reduce the amount of money people and individuals have the ability to spend
7. Does not have the liquidity to be a lender of last resort in emergencies
8. Fund has been reducing amount of money it can lend
9. IMF has large objections and has a lot of stipulations on loans that stipulate how a country should run

World Bank Policies

1. Privatization
2. Deregulate internal production -remove price controls

3. External trade liberalization and devaluation - reduce quotas and tariffs and devalue the exchange rate

#### Transnational Corporations

1. Entering into the south in production and distribution
2. Principal motivation for these is lower labour unit costs = production per worker divided by wage costs per worker
3. Seek lower unit labour costs
4. Transfer of manufacturing activities into the south, agriculture in the south is more integrated
5. National political elites in the third world lead state-led development efforts
6. Later, institutions of the north controlled the decision of the south through the IMF and world bank
  - a. Increased exposure to markets
  - b. Question of did structural adjustment work

#### Ep 5 Pt 4

1. When countries in the south sought loans they had to agree to many financial policies, these go by the name of the washington consensus
2. William easterly - structural adjustment did not work
3. Aiden power - structural adjustment worked
4. Or production and exports only increasef somewhat so it only somewhat worked
5. Structuralists thought that a loss of investment contrarians growth
6. Might not have worked because
  - a. Devaluation is ineffective if imports do not grow
  - b. Trade liberalization imports does not necessarily increase exports
  - c. Privatization does not necessarily make companies more efficient
  - d. Government cut state pending which affects productivity
7. Declining prices for africa's exports
8. Declining prices for wages in africa
9. Negative economic growth in sub saharan africa in 1980s and 1990s
  - a. Only in countries that undertook this policy
  - b. Positive growth for countries that did not undertake this policy
10. PRSPs lead to increased spending on social sectors but there is only a weak association between PRSP lending and per capita growth
  - a. Consultive policies written into them are often a charade
  - b. 2016 even the IMF says that the gown benefits can produce increased inequality preventing growth
11. In Greece these policies were called austerity and were responsible for a drop in GDP
12. Overly intrusive development policies were ineffective
13. Austerity policies are now witnessed in developed countries
14. South produces goods with a lower demand, whereas the north produces items that are higher value and more in demand
15. Declining terms of trade explains why the south remains poor
16. Developing countries do not like the IMF as they botched financial crisis in asia

17. They still prescribe the same things even though they have failed and the situation has changed
18. For large countries the IMF is irrelevant but they still want to control it
19. Problem of being unaccountable for the world bank

#### Neo-liberal

1. Believe in a smaller more efficient state that enables the market by policing and enforcing regulations that make markets work better
2. Provides public goods that the markets will not provide
3. IMF and World Bank promote neo-liberal globalization
4. Ideological position that refers the markets and is apathetic towards the state
5. Further globalization of capitalism
6. Carl Polianies The Great Transformation - people are part of wider social structures that is intertwined with the goal of meeting material needs. Societies pass through alternating periods of liberalism and reformism
7. Economic liberalism - unregulated markets, expansion of capital and eventually devastating busts
8. Economic reforms - markets, supply and consumption should be regulated in an effort to stabilize the economy
9. Excessive economic liberalism disembods the economy from society because it prioritizes material needs over other values and this creates a backlash
10. Critiques of austerity is that the beneficiaries of it are those who are rich, it increases inequality and creates a complex backlash

### Chapter 9

#### **International Financial Institutions**

1. Official objectives were to provide economic stability and promote poverty reduction
2. Opponents from the left say that they entrench poverty and exacerbate inequality
3. Opponents from the right say that multinational corporations undercut and make them irrelevant
4. 1980s they introduced a policy of structural adjustment

#### **Writings of the World Bank and IMF**

1. Created at the Bretton Woods conference in July 1944
2. US sought a system where international trade could continue unhindered
3. Created fixed exchange rates
4. Theory was that stable monetary conditions would provide necessary ingredients for an expansion of world trade
5. IMF members pay a quota of their currencies so that when in trouble they could draw off of this
6. IBRD eventually became the world bank
7. World bank was created to give loans to high-risk poor countries
  - a. Originally just for infrastructure
8. IDA - created to provide interest-free loans with long repayment terms for even poorer countries

#### **Governance Structures**

1. Voting rights are weighted to quota subscriptions

**Turbulent 1970's**

1. Period of instability
2. 1971 US stopped backing their dollar with gold in order to make more money to pay for the vietnam war
3. IMF started suggesting that countries should devalue their currency to strengthen exporting
4. Countries were forced to accept IMF reform programs
5. IMF prescribed austerity measures to reduce government spending and lower consumption
6. Robert McNamara introduced anti-poverty projects and put increased funding towards them

**Debt Crisis, Structural Adjustment and Conditionality**

1. High oil prices and falling export prices
2. 1982 - us raised interest rates so high that countries couldn't pay loans, and banks feared collapse
3. IMF and World Bank became the funnel for emergency loans
4. Argued that countries needed to open up to foreign trade - cut trade restrictions, end support to domestic industries, and remove subsidies
5. Became known as structural adjustment
6. The two institutions reinforced cross-conditionality
7. IMF required strict austerity measures
8. Wanted the market to play a large role in distribution

**Beyond Structural Adjustment****East Asian Miracle**

1. They had sustained involvement of the state
2. Great economic success

**Stagnation in Sub-Saharan Africa**

1. Undertook structural adjustment programs
2. Very little success and worsening of conditions

**Mexican Peso Crisis**

1. Foreign investors became afraid that the economy was built unstably and they pulled their money

**World Bank, Good Governance and Institution Building**

1. Argued good outcomes were lost because they had bad or corrupt governments
2. Should craft a political architecture that has transparency, rule of law and accountable decision making
3. Citizens should have political involvement so they can compel officials to meet their needs
4. Judicial independence
5. State begins to argue that states should regulate the conditions for free economic exchange
6. Bank introduced a comprehensive agenda that included development of institutions, humans and physical dimensions

**IMF and Asian Crisis**

1. IMF focused on Macroeconomics
2. Encouraged countries to open up stock markets (foreign portfolio investment)
3. IMF placed the blame on crony capitalism
4. East Asia developed large foreign reserve stockpiles to avoid having to deal with the IMF

**Into the New Millennium**

1. Poverty Reduction Strategy Papers (PRSPs)
2. World Bank was responsible for social and structural policies
3. Had the countries take ownership of their plans, but they still had to subscribe to Bank rules - use of management theory
4. Poverty is conditions of voicelessness - cannot influence political decision and vulnerability - unable to adapt to shocks
5. Increase market access for all people
6. Build up the social capital of the poor

**New Crisis or New Beginning**

1. Became more important after 2008
  - a. Boosted lending capacity
2. Unequal approach between West and the South - colonial double standards
3. China created Asian Infrastructure Investment Bank

**Chapter 10****UN and Multilateral Actors in Development**

1. Multilateralism - formal arrangement between three or more states, commonly for peaceful purposes, for extended periods of time
2. 30% of all aid is multilateral aid

**United Nations System**

1. Replaced the League of Nations
2. US, UK, France, China and the Soviet Union are the permanent members
3. Global initiatives of economic and social well-being
4. Legitimised US foreign power
5. 1960's general assembly tilted towards the non-western world
6. These new members were independent members of the Third World
7. 1990s saw a collapse of the Soviet Union and increasingly exploitative capitalism

**Origins and Oversight UN Agencies**

1. International agencies portrayed development as an issue beyond politics
2. Development agencies grew with technical functionalism - each processions specialty works through sector specific organizations
3. Later donors focus on country specific circumstances rather than one size fits all
4. Specialized agencies - distinct bodies established by intergovernmental treaties
  - a. Linked to, but not subordinate to, the UN
5. UN organs are direct arms of the UN and are answerable to the General Assembly
6. Third category is UN agencies that are accountable to the secretary-general's office

**The Agencies**

**Trends and Prospects**

1. Emancipatory
2. Advanced the status of women, increased access to reproductive health and rights
3. Struggles with internal fragmentation and technical functionalism
4. Introduced the one UN approach to stop fragmentation in countries with a lot of need, this was not effective
5. Effectiveness of organizations is determined by its donors

**Multilateral Organizations in Western Governments****Developmental Policy**

1. OECD - guided by orthodox economic principles
2. Analytical Reports, data, technical standards and policy proposals

**European Organizations**

1. European Commission - executive branch of the EU
2. Created a supra-ministry for foreign affairs
3. Unified development policy focusing on former colonies
4. Council of Europe (COE) - promote human rights, democracy, rule of law
  - a. Sets standards for domestic legislation
  - b. Development bank supports public sector bodies in support of social integration, environmental protection, and human services in health and education

**Sphere of Influence organization**

1. Maintain ties with former colonies
2. Organization of American States (OAS) - try to influence political elites
3. La Francophonie (OIF) - where french is a part of national identity
4. Commonwealth of Nations - interchange of professional associations and NGOs

**Multilateral Organizations in Non-Western Governments****Lobbying Blocks**

1. Non-Aligned Movement (NAM) - uphold independent judgment without imperialism or colonialism
2. G77 - faster economic growth, greater integration into the world trading system, more foreign aid
3. BRICS - opposition to Geneva based think tanks

**Regional Blocks**

1. Regional trading arrangements
2. Want to create an almost EU in South America

**One World, Many Regions**

1. US has hegemonic power and influences development agencies
2. International organizations have lost legitimacy because of how countries and organizations influence them

**Chapter 14****Debt and Development**

1. Capitalism is based on borrowing for productive investment
2. Lenders have to take an increasing share of the risks in modern capitalism

**Lending to Developing Countries**

1. Banks when they were not being repaid financed candidates that said they would pay back the loans
2. Sometimes they take military actions
3. Charles Kindleberger - Manias, Panics and Crashes
  - a. Mania - run out of domestic borrowers, eager to lend
  - b. Crisis - shoddy loans and investment make them nervous
  - c. Crash - as everyone tries to get money back, people are unable to repay their loans
4. Negative interest rates - pay back less money than they borrowed, often floating interest rates so they can jump up

**Governments, Politics, The Cold War and the Debt Crisis**

1. Late 19th and early 20th centuries loans were in the form of bonds and countries increased their lending to each other
2. Major change after ww2
  - a. Decolonization
  - b. Creation of UN and Bretton woods organizations after the depression
  - c. Major corporations began to arise
  - d. Advent of nuclear weapons created low-intensity warfare, warfare limited within one country, and use of non-military means to pressure countries
3. Would give aid but the contracts would go to countries in the west

**1980's Debt Crisis and HIPC Initiative**

1. Increase in loan pushing in the 1970s
2. By 1984 lenders had raised interest rates to 12 percent
3. Market grew for the trading of developing countries debt
4. North demanded that the south nationalize private debt to stop banks from collapsing
5. HIPC - some loan cancellation but they had to be very poor, very indebted and adopt neoliberal structural adjustment
6. The south was sending more money to the north than the north was sending to the south

**South Pays to Solve Northern Crisis**

1. State led growth
2. Neoliberalism was introduced by Chilean Dictator Augusto Pinochet, adopted by Margaret Thatcher and Ronald Reagan
3. Neoliberalism - smaller government, privatization, reduced regulation, reduced power for trade unions, lower taxes on the rich to encourage them to invest, free movement of goods
  - a. Increased inequality within and between countries

**Inequality and Household Debt**

1. Encouraged to borrow to maintain consumption levels

**Shifting Crisis to the South**

1. Ronald Reagan raised interest rates - triggered debt crisis
2. US used aid to enforce debt repayment and neoliberal economic model
3. Borrowing was used to fuel consumption
4. US imported more goods instead of producing them



5. Introduced free market of gold
6. East asian countries stored up reserves to avoid having to turn to the IMF
  - a. How much US government debt is held up in these reserves

#### Is Foreign Borrowing Sensible

1. Foreign borrowing - different payment demands
2. Borrowing is done in USD

#### What is the Responsibility of the Lender

1. When a government changes the new government takes over old loans
  - a. Not always applicable
  - b. Odious debt - leader takes on extra debt for their own personal needs
2. Lenders should make sure the loan is reasonable, the borrower is competent and can be reasonably expected to pay
3. Illegitimate debt should be cancelled
4. Some countries (Norway) forgive illegitimate loans and others (ecuador) refuse to pay illegitimate loans

#### 2008 Financial Crisis

1. Bubble burst on subprime mortgages
2. Citizens had too much debt
3. Governments were unable to repay or finance their debt and were bailed out by the IMF and European Commission
4. Quantitative easing - creation of new electronic money for the banks to use (problem as they created too much)

## Module 6 - Globalization and Development

### Ep 6 Pt 1

1. Since the 1990s we have been living in a new world order of globalization
2. Globalization - global integration of trade and finance
3. Marxist say that the need to an expanding market means that the bourgeoisie seek this all around the world
4. The scale, breadth and depth of globalization has increased
5. From 1950-2007 world trade increased faster than production
6. Production is become more trade intensive
7. Manufacturing trade grows the fastest
8. Between 1950 and 2007
  - a. Positive growth in world production
  - b. Positive growth in world trade
  - c. Growth in trade was always faster than production
  - d. Countries are exporting and importing more than before
  - e. Growth in trade is driven by manufacturers
9. North America, EU and Japan dominate world trade
  - a. Bulk of manufactured goods come from these areas
  - b. They produce higher value manufactures
  - c. Other countries produce supplementary goods or lower-value products

- d. North dominates and south is subordinate with low-wages for workers
- 10. Intra-industry trade - trade that takes place within an industry
  - a. Important for developed country - 70% of trade within a developed country
- 11. Intra-firm trade - trade that takes place between different parts of a company
  - a. Up to 35% of trade is this style
  - b. Firms split up tasks into different steps in different countries to take advantage of the situation in these countries

#### Ep 6 Pt 2

1. Countries outsource some parts of their manufacturing process to take advantage of certain aspects, often low wages, that reduce the cost of production and increase profits
2. Intra-firm trade is a sign of the importance of transnational corporations
  - a. Companies that conduct as significant portion of their business outside of their country of origin
  - b. Foreign direct investment involves investing in a company to get them to set up in a country that is not their country of origin
3. Foreign direct investment flows both ways, out of the country to invest elsewhere, and into the country
  - a. As a share of GDP this has risen
  - b. This dwarfs aid, and is more important than aid
  - c. Inflows into developing countries exceed inflows into developed countries
4. Developing countries also go global with their companies
5. Transportation technology has improved which decreases price of transport
6. Communication systems have improved, with volume and speed increasing, and price decreasing
  - a. Closely matches supply to demand using just in time systems

#### Ep 6 Pt 3

1. Final form is finance
  - a. Stocks and bonds
  - b. Portfolios
  - c. Purchase of foreign debt
2. Portfolio capital dwarfs all other capital flow
  - a. Dominated by the triad
  - b. Investment by buying stocks, shares, mergers or debt in other countries
  - c. Increased after structural adjustment and pRSPs
  - d. Portfolio investment has risen yearly
  - e. Began in the 1990s
3. Depending on how you measure, either finance companies or resource companies dominate the global market
4. Biggest transnational are in automobile, oil and telephone industries
5. By having an oligarchy, prices can be marked up to generate more profit
  - a. Grows more rapidly than incomes
  - b. Piketty -  $r$  is greater than  $g$
6. Question of if countries or companies are more important to the world

7. Transfer pricing - companies through intra-firm trading shift goods from high tax to low tax areas
8. Corporate tax evasion deprives countries of revenues
  - a. Biggest losers are developing countries
  - b. Shift their base into tax havens
  - c. Tax havens are used to park earnings to avoid paying high taxes
9. Corporate bribery
  - a. Illicit outflows of money
  - b. Lead poor countries into subsidizing us (aid in reverse)
  - c. Particularly prominent in banks and financial institutions

#### Ep 6 Pt 4

1. Why do firms internationalise
  - a. Seeking cheaper resources
  - b. Lower wage labour
  - c. New markets
  - d. Want less involvement by the state
  - e. Financial incentives
  - f. They have firm specific advantages that come by how they run and what patents they own
2. Why do developing countries seek to attract them
  - a. Seek access to capital and technology
  - b. Improve skill set of workers
  - c. Increase exports
3. Is globalization relentless or good
  - a. It is difficult to prove that fdi speeds up economic development
    - i. Short term positive impact of developing countries, long term negative impact
  - b. Much of foreign development is not in greenfield investment, but much is a takeover by mergers and acquisitions
  - c. Globalization of manufacturing is concentrated in lower value added production that has diminishing returns and low barriers to entry
  - d. Proponents of globalization often overstate its importance
    - i. Not as historically unprecedented than thought
    - ii. Higher in late 19th century
    - iii. Dominated by the triad
    - iv. People still primarily invest in their home countries
4. Alternative thought that greater flows create a nationalised world where there are increased flows, but the nation still matters
5. Discussing neoliberal globalization where states matter less
6. Alternative forms of globalization might be possible and likely
  - a. Some countries did not follow this type of development
  - b. Neoliberalism is not the only path to globalization
7. We are close to reaching peak oil, making it more difficult to transport far, increased regional trade

8. Since 2008 global trade has slowed down turning into globalization
  - a. This is because things that could move, have already moved
  - b. Globalization requires peace, but this is not what is happening currently as the US and China are vying for power
  - c. Developing countries are no longer seeking out foreign investment
9. Cultural homogenization need discontent

## Chapter 6

### **Globalization and Development**

#### Changing Paradigms

1. Is globalization changing the architecture of the world we live in
2. How can we understand patterns of contradictory economic growth
3. How are emerging developing countries becoming economic leaders
4. Is the pattern of globalization causing scholars to change their theories

### **Globalization and Developing Countries**

1. Fernando Henrique Cardoso - in order to get development countries must be fully integrated into the world system and accepting the terms of current macroeconomic policies

#### Success Stories

1. Cardoso argued that capitalism had dominated worldwide
2. World Bank said the East Asian Miracle was based on Confucian heritage, government guidance, and export led economies

#### Time and Space Contracting

1. Globalization expanded human connections by linking across regions and continents
2. Time and space are no longer insurmountable

#### Trade and Growth

1. Countries were encouraged by the IMF and World Bank to open their economies
2. Trade is expanding faster than production
3. Adam Smith's Invisible Hand helps every country to find its niche

#### Who is Benefitting

1. Sub-Saharan Africa has a high ratio to exports of GDP but they remain poor because their products are cheap
2. Even when the market expands poor people are excluded from opportunities due to a lack of productive assets, weak infrastructure, poor education and ill-health

#### Sub Saharan Africa on the Margins

1. Economic growth has not led to major social improvements and they remain fragile
2. The commodities exported from africa have lost most of their value
3. External debt has exploded in Africa

#### China: Exception or Trend

1. China is able to profit from globalization
2. Land reform and nationalization before globalization may have had a more lasting impact

#### What is New

1. Increased speed and intensity of these interconnections

2. Globalization is powerful because it brings together politics, economics, law, social structures, media and information technology

#### Who Makes the Decisions

1. The nation state is losing parts of their sovereignty
2. Capital markets dwarf the ability of the state to control exchange rates or protect their currency
3. Most developing countries do not have influence

#### **Another Globalization**

##### New Face of Imperialism

1. A way for the powerful northern elite to expand the reach of capitalism
2. Financial transactions remain concentrated in the triad (North America, Japan and the EU)
3. Success stories of East Asia represent a set of arrangements within the triad

##### Global South

1. Walden Bello - the income gap continues to grow between the rich and poor countries
2. Growing pockets of poverty in the north
3. Deterritorialization - plants moving out of countries
4. The US can use globalization to protect its imperial interests

##### Beyond the Triad

1. China's role is growing
2. Reinvent south-south solidarity to reduce dependency on the north
3. Emerging countries are trying to improve their status and integrate their interests better into the mainstream
4. The BRICS have seen a period of slowing growth

##### Rebels with a Cause

1. Want a reversal of trade liberalization and privatization
2. South american countries are working together to increase their power and influence

#### **Movement from Below**

##### From Chiapas via Seattle to Bangkok and Tunis

1. Zapatistas rejected NAFTA as it threatened the livelihoods of locals
2. Seattle 1999 there was a movement of teamsters (trade unions) and turtles (environmentalist groups)
3. Arab Spring pushed out long established dictatorships
4. Protests in Spain and Greece over economic austerity
5. Occupy wall street movement
6. Wanted to break down the structures of domination

#### **Can the World Change**

1. Counter hegemonic project manifested in the World Social Program

#### **Facing the Biggest Challenge**

1. Believe globalization is unsustainable
2. The economy should be geared to meet human needs rather than corporate greed

#### **Looking Ahead**

1. Economic growth still has not tackled poverty

**Chapter 11****Private Enterprise and Development**

1. Private sector actors are often associated with malfeasance, low wages, exploitation, corruption and unethical practices
2. Multinational corporations provide more investment and more jobs than foreign aid

**Entrepreneurship and Small-Scale Enterprise**

1. Private sector includes privately owned organizations that have the purpose of making a profit for its owners or shareholders
2. When companies make investments growth, jobs and development is the result
3. Joseph Schumpeter - the role of the entrepreneur is to innovate, they are good at this because of the leadership of special indices and this causes economic growth and development
4. Smaller firms are more likely to be local, whereas large firms are more likely to be foreign
5. In the informal economy there are micro enterprises and independent entrepreneurs
  - a. In developing countries most economic activity takes place here
6. Hernan de Soto - poor entrepreneurs are unable to convert their assets into capital because inadequate property rights regime
7. There should be fair and rules with consistent enforcement, access to credit and support for development in order for these entrepreneurs to thrive

**What is a Multinational Corporation**

1. Foreign direct investments involve investment in physical and productive assets
2. John Dunning - MNC are enterprises that engage in FDI and owns or control value-adding activities
3. MNCs coordinate this value adding activities across national borders
4. Often transfers take place within the firm
5. The largest MNCs are growing disproportionately
6. FDI inflows are concentrated in the industrialising countries like China
7. Mergers and Acquisitions make up a large part of FDI
8. Will route domestic investment through countries abroad to take advantage of different tax systems

**What Motivates Multinationals to go Abroad****Dependency and Critical Approaches**

1. MNC have a large impact on the structure of countries they are in as they have a lot of influence
2. Profits that they make in the periphery are sent back to the core
3. Use third world countries for their low labour costs
4. While MNC are in charge autonomous local development is impossible
5. The state should promote joint ventures

**Mercantile Approach and the National Interest**

1. See MNCs as representatives of their home country
2. Countries support their firms internationally

**International Business Perspective**

1. OLI Paradigm from John H. Dunning

- a. Ownership advantages - elements unique to the firm in question
  - b. Location specific - factors in a country that help them to do business more freely
  - c. Internalization Advantages - advantages of coordinating production within the company rather than selling on the open market
- 2. Different strategies when they go abroad
  - a. Resource seeking states
  - b. Efficiency seeking (or cost reducing) strategy
  - c. Market seeking strategy
  - d. Strategic asset seeking strategy

### **Relationship Between State and Multinationals**

- 1. Obsolescing bargaining model
  - a. Firms hold the power when they first invest as governments need to out-compete other countries
  - b. Once the investment is in place governments have the power as the company can no longer leave
- 2. This model was worked around by having investment and political risk insurance, along with bilateral treaties that stop governments from changing the rules of the game
- 3. Companies not regulated by government are up to 10% larger

### **International Regulations of MNCs**

- 1. International agreements limit policy choice governments have in dealing with MNCs
- 2. Signed bilateral agreements
- 3. Investment protection agreements were signed
- 4. Investment issues were discussed in the GATT negotiations
- 5. Corporate social responsibility was introduced in lieu of state regulation
- 6. Developing countries signed bilateral agreements in the hope that by displaying the right attitude they would get MNCs to invest

### **Corporate Social Responsibility**

- 1. This was a way of forestalling calls for government regulation
- 2. They had a responsibility to their stakeholders (people that were affected by the actions of a company)
- 3. Voluntary commitment although guidelines were established
- 4. CSR was created in developed countries with strong laws and ethical standards but they had to be applied in developing countries
- 5. Little evidence for this working

### **Partnerships for Development**

- 1. Private actors are increasingly playing the role of development actors
- 2. Creation of cross-sectional alliances
  - a. Collaboration of businesses and social actors
  - b. Purpose of social or public
  - c. Ideally beneficial for all partners
- 3. Development agencies when their budget was stretched that private companies could fill the gap
- 4. Saw doing development as integrable for their activities, their image and profitability

5. Shared value - business could enhance competitiveness by addressing the needs and challenges of society
6. Should rethink products and markets to increase profitability and address social problems
7. Public-private partnerships are often similar to privatizations, are not equitable and are unidirectional

## Module 7



Great Depression - stock markets collapse in the industrialized countries and they develop more protectionist trade policies

WW2 - War between the European nations and involving their colonies. After they are in crippling debt preventing the maintenance of their colonies, rise of America's power, and a belief that keeping official colonies was immoral

Bretton Woods - world institutions to rebuild Europe and the world after WW2, institutions were long-term, stable, Eurocentric and had a focus on development

Modernization - theory that traditional societies were holding back development and in order to develop they needed to adopt Western values

Structuralism - manufactured goods earn more (products of the global North/colonizers), raw materials decrease or are stagnated in value (products of the global South/colonized)

Dependency Theory - even after decolonization colonies remained dependent on their colonizers

OPEC Crisis - prices of oil went up and they put their money in Western banks

Reagan - beginning of policies of neoliberalism, increased the interest rates for developing countries

Mexico Defaults - poor countries, beginning with Mexico, were unable to pay back the money at the increased interest rates

Washington Consensus - new form of development is introduced and imposed on developing countries

Financial Crisis - dangerous mortgage lending led to the bubble bursting and people defaulting on their loans, and banks failing in the West



## Module 9 - WTO

### What is the WTO

1. forum for governments to negotiate trade agreements. It is a place for them to settle trade disputes. It operates a system of trade rules
2. bulk of the WTO's current work comes from the 1986–94 negotiations called the Uruguay Round and from earlier negotiations under the General Agreement on Tariffs and Trade (GATT)
3. Supports both liberalization and isolation
4. Goal of contracts is to help producers and help trade flow as freely as possible
5. Try to make transparent and predictable rules
6. Helps to settle disputes
7. Secretariat coordinates the activities
8. Trade negotiations
  - a. Covers goods, services and intellectual property
  - b. Can be renegotiated
9. Implementation and monitoring
  - a. Members agree to have their trade policies analysed
10. Dispute settlement
  - a. Make judgments if a country feels they are being treated unfairly
11. Building trade capacity
  - a. Contain special agreements for developing countries to somewhat even the playing field
  - b. Has conventions to help these countries improve infrastructure and trade
12. Outreach
  - a. Works with other organisations to coordinate support
13. Non-discrimination - do not discriminate between countries, or between national and foreign products
14. More open - lower trade barriers
15. Predictable and transparent
16. More competitive - discourage practices like dumping or subsidies
17. More beneficial for less developed countries - give them transition periods
18. Protect the environment
19. Main activities
  - a. negotiating the reduction or elimination of obstacles to trade (import tariffs, other barriers to trade) and agreeing on rules governing the conduct of international trade (e.g. antidumping, subsidies, product standards, etc.)
  - b. administering and monitoring the application of the WTO's agreed rules for trade in goods, trade in services, and trade-related intellectual property rights
  - c. monitoring and reviewing the trade policies of our members, as well as ensuring transparency of regional and bilateral trade agreements
  - d. settling disputes among our members regarding the interpretation and application of the agreements

- e. building capacity of developing country government officials in international trade matters
  - f. assisting the process of accession of some 30 countries who are not yet members of the organization
  - g. conducting economic research and collecting and disseminating trade data in support of the WTO's other main activities
  - h. explaining to and educating the public about the WTO, its mission and its activities.
- 20. Try to make consensus decisions
  - 21. Pursue open borders
  - 22. [https://www.wto.org/english/thewto\\_e/history\\_e/history\\_e.htm](https://www.wto.org/english/thewto_e/history_e/history_e.htm)

#### EP 07 Regulating globalizing globalization and international trade

- 1. World economy has become more trade intensive
- 2. Process of globalization was spurred on by austerity based policies, introduced in the 1980s in the south, and 1990s onwards in the north
- 3. Neoliberal globalization was shaped by transnational organizations
- 4. Countries in africa remain stuck in colonial divisions of labour, where they export one thing and rely on imports for everything else
- 5. Thought that the interconnections of trade would maintain world peace
- 6. WTO is created to monitor trade in an effort to foster freer and fairer trade
- 7. Comparative advantage - specialize
  - a. Formulated by David Ricardo
  - b. Each nation had a advantage over other countries
  - c. Trade with countries for good which they do not have a comparative advantage
  - d. Should have laissez faire systems
  - e. Try to remove barriers to trade
  - f. In order to foster less regulation the WTO must regulate the way that markets operate
- 8. WTO is about new forms for regulation that benefit trans-national corporations
- 9. Member states agree to trade systems, policies and regulation
- 10. Key aspect of the WTO is that it promotes trade as a referee
  - a. Not an independent supranational body
  - b. Does not have a powerful executive
  - c. Intergovernmental with decisions made by consensus
  - d. Relies on the good will of member countries to abide by the agreements
  - e. The general council consists of representatives of all its members
- 11. General principles
  - a. Any protection of an economy has to take the form of tariffs - tax on imports
    - i. Has some exemptions
    - ii. Rich countries and smaller countries have less tariffs
  - b. Reciprocity - members that accept a good trade deal from a country they must offer something in return
  - c. Members agree not to grant preferential treatment to any other countries - most favoured country status

- i. Exceptions are free trade agreements and customs union
  - ii. Dumping can also be exempt
- d. Members agree to commit to periodic negotiations that reduce trade barriers
- 12. Main difference between WTO and GATT is the power settlement mechanism
  - a. Dispute arises when countries take an action that members consider to be breaking WTO agreements
  - b. WTO encourages prompt settlement of disputes
  - c. Appoint judges to consider a dispute
  - d. Rulings of judges are automatically adopted
  - e. Preferred solution is to settle a dispute themselves
- 13. This tribunal systems has critics
  - a. The judges have other jobs
  - b. They do not have to be lawyers and rely on advice from the secretariat
  - c. Most are based on commercial practice, or roman law which does not have precedence
  - d. There are no appeals
  - e. Hearings are held in secret
- 14. China joined the WTO to increased competition by reducing trade barriers
  - a. Their joining coincides with their higher value exports increasing

#### EP 07 Regulating globalization and international trade PT 2: The Doha Development Agenda

- 1. In 2008 world trade fell more than the fall in world production
- 2. There was a surge in protectionism in the form of tariff increases
- 3. Increased complaints to the WTO and people saying they should undergo a new round of negotiations
- 4. Doha development agenda was this new renegotiation
  - a. About more than the management of trade
  - b. It created conditions which people could escape poverty through increasing trade though comparative advantage
  - c. Lowered barriers to industrial goods
  - d. Countries that trade or compete with each other start negotiations and come to agreements, then other countries join in, and make minor or no changes to these agreements
- 5. North offers more farm subsidies than the south, as a result they dominate the world market
- 6. Europe wants to cut industrial protectionism so that the markets would be more open to european goods
- 7. This agreement did not benefit the south that much, and most of the benefits went to the BRICS, the North benefited the most
- 8. The creation of the WTO was notable by how poorly it treated the south as they did not give them very much increased market access
  - a. Africa which was a net food exporter is now a net food importer
  - b. WTO rules have locked frican countries into primary good exports and restricted them to colonial divisions of labour

9. This agreement is basically dead and the WTO does not have the ability to deal with china and the US has been preventing nominations
10. WTO had been extracting parts of the Doha agreement and getting countries to sign onto it
11. Used regional agreements between countries

#### EP 07 Regulating globalization and international trade PT 3: Bilateral and regional trade and investment agreements

1. 154 regional and bilateral trade agreements since 2001
2. Regional trade agreements bring together a number of countries within a region to increase trade
3. NAFTA reduced trade barriers and all tariffs within north america
4. Mexican and American trade doubled after NAFTA
5. Creation of supply chains meant some loss of jobs as they moved to mexico
6. Mexican incomes rose under NAFTA
7. 2017 they tried to modernize NAFTA by introducing new rules that include larger protections for the environment, protections for people
  - a. Larger percentage of cars must be made within North America to qualify for tariff free status
  - b. Workers must be paid more by 2023
  - c. US farmers got more access to canadian dairy products
  - d. Extends the period of copyright for items, and pharmaceuticals
  - e. Canada's ability to have independent trade agreements is curtailed
  - f. Has a sunset clause
  - g. Most of the agreement is the same
8. Canada EU trade agreement may increase inequality and average earnings would decline with job losses
9. Trans pacific partnership TPP was to become a successor to NAFTA, but the US withdrew from the partnership and the other countries renamed it the COmprehensive and Progressive TPP
  - a. Comprehensive market access - reducing barriers to trade and investment
  - b. Regional approach, through development of supply chains and seamless trade
  - c. New trade challenges brought by state owned enterprises and technology
  - d. Inclusive trade by helping small and medium sized businesses
  - e. Platform for regional integration
  - f. 30 chapters but only 2 deal with trade
  - g. Goal is to boost FDI
10. Most agreements today seek to harmonize regulations
11. Investor state dispute settlements - investors can sue governments if they think the government is not being fair
  - a. This can even give them special protections that local investors do not get
  - b. Gains from these dispute settlements go to transnational corporations
12. TPP and DOHA are asymmetrical

#### EP 07 Regulating globalization and international trade PT 4: Globalization and its discontents

1. Secrecy that surrounds new arrangements, and benefits do not flow to the populous

2. Continue to negotiate these because of an enduring belief in comparative advantage
  - a. This is shown to not be effective within this world market
3. Only a few members of the WTO have the capacity to understand the ramifications of these agreements
4. The secretariat is small and secretive but manages a lot of trade law
5. Gambia was the representative of the least developed countries in the WTO but they did not have many staff, did not have enough bandwidth to operate the website
6. Elites can benefit from these agreements
7. Impact of the WTO was to remove the influence of elites by removing their ability to take part in independent policy
  - a. Elites have thus tried to depoliticize and dedemocratize trading
8. Economic restructuring that happened in the 80's deepened inequality
9. This also happened in Canada
10. Happened even as the number of poor have stagnated
11. Inequality is growing as those who have more get more from what they have
12. In 2016 the IMF said that freer trade is only seen benefiting the fortunate few

#### Neoliberalism: Oversold?

1. Milton Friedman hailed Chile as an economic miracle
2. Neoliberal agenda increased competition through deregulation and a smaller role for the state
3. Expansion of global trade allowed for technological transfers
4. Benefits of neoliberalism seem difficult to establish
5. Inequality is prominent
6. Increased inequality hurts the level and sustainability of growth

#### Open and Shut?

1. Maurice Obstfeld - capital accounts liberalization can allow the market to channel their savings to their most productive uses across the globe
2. Foreign Direct Investment seems to promote long-term growth but the impacts of other flows does not boost growth and prevents the country from sharing risks with trading partners
3. There are a lot of booms and busts and these are woven into the structure of the market
4. Short term debt flows often lead to a financial crisis

#### Size of the State

1. Privatization reduces the size of the state
2. Eurozone requires that debt must be lower than 60% of GDP
3. IMF is mainly concerned with the pace of which a country becomes indebted
4. Sometimes advocate for paying down debt ratios as insurance against future shocks
5. Debt can sometimes be bad for growth
6. Markets that have low probabilities of a debt crisis have strong records of being fiscally responsible
7. Some countries would do better to live with debt rather than jeopardizing growth by trying austerity measures
8. Austerity measures hurt demand, worsen employment and unemployment

**An Adverse Look**

1. Inequality is engendered by financial openness and austerity might undercut growth
2. Policy makers should be more open to redistribution through increased education and training, and fiscal consolidation strategies

**Finding the Balance**

1. Oliver Blanchard - they should participate in medium-term consolidation
2. The fiscal space should be used to support investment
3. Further liberalization is more beneficial if both countries have reached certain thresholds of financial and institutional development
4. Should combine markets with appropriate regulation

**Chapter 15 - Free Trade, Fair Trade and South-South Trade**

1. Trade increased from 1.2 trillion in 1989 to 16.6 trillion in 2013
2. Many free trade agreements include rules that intrude on social and economic policies of states
3. Free trade involves the removal of barriers and the limitation of state intervention
4. Free trade was buried along in the 1970s with neoliberalism
5. Comparative advantage - each country should specialize in what they are best at and import what they are not
6. New Trade Theory - Paul Krugman and Anthony Venables - communication advancements has reduced the need for industries to cluster together in consumer markets and they can now locate themselves wherever labour is cheapest
7. Fair traders argue that market regulation should be used to protect the weak
8. There is an unequal exchange between lower priced goods from the global south vs higher priced industrial products from the north

**Free Trade and Fair Trade Since 1945**

1. Free traders do not oppose the need of the state to protect private property or create powerful institutions
2. GATT reduced trade barriers
3. IMF and World Bank were created to oversee the market system
4. Embedded Liberalism - mixture of state intervention with capital and investment flows with liberal objectives
5. Commodity control schemes used buffer stocks that were built up when there was surplus production
6. Fair traders want to replace aid with fairer prices for southern commodities through direct subsidization and an elimination of unfair protectionist policies
7. STABEX - EU pledged target prices and pledge to make up the difference when prices fell below the target, was a failed system
8. Neoliberal Structural Adjustment Policies - imposed after a series of loan defaults that involves restructuring and rescheduling payments

**Fair Trade and Social Movements**

1. Some groups put pressure on southern governments to resist the trade agenda
2. These governments demanded that northern nations eliminate agricultural subsidies and protectionist barriers
3. Want to prioritise local and national food markets over imports

4. Fair trade network - link NGO's with poor producers to connect producers in the south with consumers in the North

#### Score Card on Free vs Fair Trade

1. 2008 reimagined debates on the pitfalls of free trade

#### **Limits of a Trade Perspective**

1. Question of how much free trade policies actually produce free trade
2. Powerful countries have the ability to warp negotiations
3. WTO countries discriminate against non-members
4. Trade treaties often create a new constitutional framework that elevates the right of trans-national corporations over the rights of citizens
5. Free trade is used by elites to assert hegemonic dominance

#### **Rise of South-South Trade**

1. several economic giants have emerged as major players
2. South-South FDI flow rates increased
3. New emphasis on pragmatic trade policies that promote human development alongside economic growth
4. ALBA is a regional trade block where wealth would be redistributed to poorer members

#### **Future of International Trade**

1. 2008 sparked a rethinking
2. Dynamic Comparative Advantage - most successful countries relied on government industrial policy to encourage development
3. A country should defy comparative advantage as they need to move beyond one product
4. Ultimate measure of success should be the extent to which they promote human development

## Module 10 - International Development Aid

### Ep 8 pt 1

1. Purchasing power of the south has declined
2. More inequality in the south
  - a. Those who are already wealthy grow their income from investments
3. Response of many is to give aid
4. IDA (International Development Assistance)
5. Motivations are often charitable interest
6. Some motivations are altruism or guilt
7. There are often several motivations for giving aid
8. Charitable assistance is now called private aid, this is given by individuals or small organizations
9. Some private aid is incredibly cost effective
10. Aid is different from the charitable impulse
  - a. Single framework at its inception
  - b. Enormity of resources and organizations
  - c. Aid is political



11. IDA also has political and economic motivations, promotes foreign policy goals, follow the leader motivation
12. What is aid - transfer of resources on concessional terms, more generous or softer than loans available on financial markets
13. Official development assistance or official aid
  - a. Include grants
  - b. Include concessional loans - loans that are softer
  - c. Official development finance - all money given to developing countries, including loans
  - d. Official development assistance (ODA) - grants and concessional loans where at least 25% of the aid is in grant form goes to the poorest developing countries
  - e. Official aid - goes to aid recipients that are somewhat wealthier but also contain a grant component
14. Foreign aid, private aid and portfolio investment, trade, debt relief, loans are not considered aid
15. Who gives
  - a. Average is 0.13% of their GDP
  - b. Americans gave 33\$ per year per person, Denmark gave 333 dollars a year per person
  - c. Trend is that aid is increasing, but more aid is being used to accommodate refugees, other forms of aid have been fairly stagnant
16. UN countries agreed to allocate 0.7% of their GDP
  - a. This was only met by a handful of countries
  - b. Countries also gave erratic and volatile amounts of aid

#### Ep 8 pt 2

1. The volatility of aid demonstrates that it is about politics
2. USAID - attempted coup in Venezuela, opened a supportive office in the area, and they claimed to support their needs in priority countries
3. Aid often goes to countries that donors have an interest in
4. Aid is delivered by many multilateral organizations like development banks and the UN
5. Aid is also delivered through bilateral organizations
6. Aid is also delivered through NGOs
7. Project aid - grants to build things
8. Program aid - grants for a set of projects that integrate together
9. Technical aid - grants for a country to bring in technical knowledge that they do not have
10. Humanitarian aid - grants to common famine or natural disasters
11. Military aid - sometimes counts
12. Development sectors - series of interconnected projects across a sector (ex. water)
13. Policy based lending - grants to help countries achieve policy objectives
14. Grants and loans to facilitate development strategy adoption
15. Bulk of world's resources for development flow through a small number of organizations, like the World Bank and regional development banks
16. Extensive interconnections within the aid and development industry in terms of funding, personnel, work, information



- 17. Often based on forms of conditionality and want recipient countries to agree to policies or partnerships
- 18. Tied aid - get money only if you undertake a specific activity
- 19. OECD says that good aid should improve lives of the poor, be coordinated, be transparent and flow through governments
  - a. Most fails to meet this criteria
- 20. Links between multilaterals, bilaterals and NGO's reinforce neoliberalism
- 21. Net flows of private capital are many times the net flows of public capital

### Ep 8 Pt 3

- 1. Developments in aid
  - a. 2005 G8 agreed to increase ODA, this target has been met and exceeded
    - i. Increase aid to africa
  - b. Brazil china and india have been donating more money
    - i. They do not report it in the same way so it is harder to measure
    - ii. China gives the most out of these and they disperse more than the world bank
      - 1. Usually tied aid requirement using chinese material and support of the chinese government
      - 2. Much of this aid comes in loans at similar to market prices, so perhaps it should not be considered aid
  - c. New form of aid has emerged - cash on delivery or payment on results
    - i. Donors agree to pay sums when specific outcome is achieved, without saying how it should be achieved
  - d. Cash transferred - give money directly to families who are the target, can be conditional or unconditional
  - e. Randomized experiments are used to evaluate effectiveness
  - f. Aid does not go to poorest, many poor people live in middle income countries
    - i. Need to improve internal domestic processes
    - ii. Goes to poorly governed countries that are middle income
    - iii. Too much aid comes from too small a package, making a bureaucratic nightmare
    - iv. Creates fragmentation
  - g. The private sector delivers public sector aid
    - i. Thought they might be better to provide technical assistance
    - ii. Problem of not enough public workers
    - iii. These are for profit countries, less likely to monitor long term
    - iv. Instances of bribery and fraud
- 2. Tax avoidance has been increasing

### Ep 8 pt 4

- 1. Canada's aid is managed by global affairs canada
- 2. Canada is about the 9th most generous donor
- 3. Gives 0.26% of gdp
- 4. Marked decline in canadian aid
- 5. Only 34% of aid goes to least developed countries

6. A lot of canadian aid goes to ukraine because of political motivations
7. Canada started financing private canadian companies in other countries
  - a. Allowed mining companies to put a positive spin without spending more money
8. Has a weak mandate over the purpose of canadian aid with goals changing frequently
9. Aid lacks transparency and focuses on too many middle income countries
10. Need to strengthen partnerships with private sector and people living in poverty
11. Cut bureaucracy
12. Identify negative impacts of canadian aid on developing countries
13. Increase the quality of aid
14. Canada has tried to innovate with feminist policies with more aid targeting gender inequality and womens empowerment

#### Ep 8 pt 5

1. Aid is neither ambiguous good nor bad
2. Should have targeted assistance in emergencies
3. Aid can have good results
4. Level of aid must be capable of being absorbed by a country, can have too little or too much
5. To be absorbed countries must have working institutions
6. Institutions should direct aid so that it is used in priority sectors
7. Aid should be predictable and not fragmented across donors
8. Aid is cheap, as services cost less in other countries, tiny in comparison to military budgets
9. Aid raises living standards over time
10. Conspicuous world was built on genocide and enslavement
11. Colonized countries struggled to be free from their subordination
12. Debt crisis destroyed the developmental state and assured in structural adjustment programs that grew inequality
13. Development has happened, and in some cases it has happened remarkably quickly
14. Neoliberalism creates instability
15. Countries should be able to experiment in regulating markets to build up their industries
16. Key driver of living standard improvements are through education and reproductive health services
17. Global inequality and poverty is not natural and we can unmake it
18. We can take action through individual and community change
19. All progress depends on unreasonable people

#### Chapter 8 - National Development Agencies and Bilateral Aid

##### Clarifying the Terminology

1. 65-70 percent of aid is provided bilaterally directly to countries
2. Remainder of funds go through multilateral agencies
3. ODA must have grant elements of at least 25%
4. Main purpose must be improving economic or social wellbeing in developing countries
5. Aid to countries that are not developing is called official assistance
6. ODA includes administrative costs

**Overview of Aid Donors**

1. Most developed countries belong to the Development Assistance Committee (DAC)
  - a. These countries contribute about 85-90% percent of global ODA
2. Donors cut their aid in the 1990s in a period of aid fatigue
3. Calculate relative generosity by dividing ODA by GDP
4. UN agreement had donor countries provide at least 0.7 of their GDP, but this is widely unmet

**Donor Motives**

1. Help the less fortunate abroad
2. Often motivated by beliefs in charity, religious beliefs, paternalism and solidarity
3. Aid can also be used to pursue diplomatic, commercial policy objectives and security interests
4. Prioritize donations that maximise benefits to the donor country
5. Emphasize Supporting the private sector and supporting their own multilateral corporations
6. Aid was often targeted to prevent the expansion of communism
7. Tied aid is aid given with conditions like the purchase of goods and services from the donor country
8. Compensation for injustices
9. Treaty obligations to provide primary school education

**Characteristics of Donors**

1. Often choose to focus on a particular region
2. Some use multilateral institutions to reduce administrative costs, but this also means they lose control

**Aid Recipients**

1. DAC edit the list of developing countries periodically
2. Countries were added after the soviet bloc split
3. Countries graduate to higher levels
4. Many increases in ODA have been from debt relief towards Afghanistan and Iraq
5. Structure and purposes of ODA can vary incredibly

**Current Trends and Controversies**

1. Donors take measures to eliminate or reduce tied aid
2. Bilateral donors are trying to phase out loans
3. Multilateral institutions continue to use a high proportion of loans
4. Question if they should fight poverty or focus on promoting economic growth
5. Many poverty reducing strategies are in addition to structural adjustment programs
6. Concern that aid in low income countries is frequently wasted
7. Concerns that aid directly to governments only feeds bloated bureaucracies
8. Say using voluntary organizations can undermine the state
9. Donors started coordinating their aid
10. Concern that too much coordination means they put all their eggs in the same basket
11. Concern that governments do not have the capacity to facilitate aid programs
12. Aid harmonization wicker in the 2010s with the rise of emerging donors
13. South-south cooperation focus on mutual benefit rather than altruism

14. Southern donors often mix ODA into their commercial and investment activities

## **Chapter 28 - Humanitarian Assistance and Intervention**

1. Study of development may inform our understanding of humanitarian action
2. Humanitarian assistance as development on steroids, as it focuses on short-term rapidly provided assistance to relieve immediate suffering
3. Often hailed as being apolitical
4. It is in response to natural or human made disasters

### **History of Humanitarian Action**

#### **Age of Imperial Humanitarianism (1800-1945)**

1. Early 19th century charity rode on the back of colonial projects
2. Often controlled by missionaries and private citizens
3. Between the world wars as a period of expansion

#### **Age of Neo-Humanitarianism 1945-1989**

1. Global interaction grew to prevent the kinds of wars that had just occurred
2. Resolve to address the legacies of these wars
3. Created rules of war
4. Power over directing humanitarian enterprise remained with the north
5. Used assistance to promote their interests
6. CNN effect was the celebration of disaster response

#### **Age of Liberal Humanitarianism 1989-present**

1. Age of liberal humanitarianism
2. Characterised by the collapse of state that had been previously been propped up by superpowers
3. Humanitarian actors filled the most basic form of souls support, and acted as mini states
4. military/humanitarian intervention was justified with reference to objectives of saving lives and relieving suffering
5. Responsibility to protect principle

### **Dunantist and Wilsonian Humanitarian Organizations**

1. Dunantist organizations align with principles of neutrality and impartiality as well as independence, shirk association with political actors to carve out a specific humanitarian space
2. Wilsonian organizations recognise that assistance is inherently political and they often tie their orientations to governments. Use politics to positively impact and have longer-lasting effects

### **Contemporary Challenges to Humanitarianism**

#### **Concentration of Funds**

1. Concentration of wealth and power within a few non-governmental organizations
2. Some NGOs rely heavily on private donations, others take government funding, others refuse to do so

#### **Principled action: preserving neutrality, impartiality, and independence**

1. Impartiality - provide assistance to all who need it
2. Independence - working without being influenced by donors
3. Humanity - helping people affected by disasters or conflicts

4. Organizations seen as not interfering are more likely to be allowed to continue work in sensitive areas
5. Neutrality - do not take part in divisive conflicts

#### Ethical Dilemmas

1. Do no harm, even indirectly
2. They try to steer a course of ethical decision making

#### **Whose Responsibility to Respond**

##### Government Responses

1. Where disaster is a frequent occurrence countries often have well developed systems to prepare for this and respond to it
2. In a crisis they will make a request to the UN and other NGOs

##### UN lead models of assistance

1. Work in clusters with different agencies leading different parts of the response
2. Often donors respond too late to prevent an emergency

##### Non-governmental actors, traditional and emergent

1. Many emergent actors are actually old, but are just being recognised
2. These donors are outside of the DAC

#### **Challenges of Long-term recovery**

1. Humanitarian response tends to be short-lived
2. After a crisis they shift funding to areas more pressing so affected areas are unable to recover fully

#### **Humanitarian Accountability**

1. Lack of downwards accountability
2. Developing codes of conduct
3. Usually no enforcement

##### Resilience

1. Those who are best able to respond are usually those who are engaged in the crisis
2. Ability to adapt and recover is called resilience, often includes having a small cushion of assets

#### **Political Economy of Humanitarian Assistance**

1. Humanitarian flows can make them a powerful political tool
2. Countries are more likely to provide funds to their allies or countries where they have economic, political, strategic or cultural interest and ties
3. Obtaining aid can be an end to itself for political actors and warlords
4. Recovery from crisis involves detangling the aid economy from the regular economy

#### **Research and Humanitarian Future**

1. Data quality is often poor or unreliable, but it is improving
2. Militarized humanitarianism continues to be used

