Development with and beyond the market: in search of economically rational alternatives to neo-liberalism

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Development with and Beyond the Market

In Search of Economically Rational Alternatives to 'Neo-Liberalism'

A thesis submitted in fulfilment of the requirements
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by

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Declaration

This work has not been submitted for a degree to any other university or institution.

MICHAEL BURGESS
Author's Publications Relating to this Research Topic


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Abstract

The world-wide trend over the last quarter of a century has been towards allowing markets much greater freedom to allocate resources. Unlike many in the community, economists have generally been enthusiastic about this trend. In fact, not only have the majority of economists been strongly supportive of economic reforms such as financial deregulation and tariff reduction, they have also demonstrated a remarkable degree of faith in the value of the narrow neoclassical economic approach to addressing policy dilemmas. This has meant, among other things, that they have lacked an adequate framework for dealing with some important factors influencing the long-term evolution of economies, such as technological change.

In recent years, economists such as Paul Krugman and Paul Romer have taken advantage of developments in computer technology and the techniques of modelling, and have sought to develop economic models which have a more ‘real world’ look about them. The conclusions reached in some of the neoclassical revisionist literature have undermined, to some extent, economists’ faith in the optimality of market outcomes. In the case of developing countries, some of the recent literature by economists can even be reasonably utilised to present a relatively strong case in support of a ‘big push’ strategy. Despite this, the majority of economists are still of the opinion that the potential benefits of interventionist policies are still not sufficient, when compared with the risks involved, to justify states intervening much beyond what neoclassical theorists have generally regarded as desirable. Among other reasons for questioning this conclusion is the fact that so-called new economic models still ignore, or deal simplistically with, a range of factors that have an important influence on the long-term evolution of economies such as institutions, firm-based innovation, and the role of demand.

Among the more sophisticated and less doctrinaire critics of neo-liberal economic policies, significant differences exist about what needs to be done to encourage more satisfactory economic and social development. However, as this thesis shows, in many areas sufficient evidence now exists to draw some strong conclusions. In fact, the most pressing problem at the present time is arguably not a lack of good ideas about what is wrong with conventional thinking and what policy changes are required, but rather the failure of many critics of neo-liberal economic policies to fully appreciate the importance of these ideas. This has, if
anything, been especially a problem in debates involving developing countries – the concerns of which are the main focus of this thesis.

Initially, the main reason why so many social theorists struggled to develop a viable set of alternative strategies was their strong attachment to dependency theory and other equally flawed Marxist-influenced development perspectives. In recent years, critics of neo-liberalism have sought to develop less generalised and reductionistic theoretical frameworks which are less prone to divorcing theorising from 'real world' issues. However, progress has generally been slow, and some important areas of discourse, including those involving globalisation, the environment and rural development, still suffer from a good deal of confused analysis. As this thesis shows, even the work of some of the most prominent and widely-respected critics of orthodox development thinking is seriously deficient in a number of respects. All this has provided supporters of neo-liberal economic policies within national and international bureaucracies and elsewhere more opportunity than they should have been allowed to deflect attention away from their own analytical limitations and ideological obsessions.
List of Abbreviations and Acronyms

AD
AEA
ALG
AT
CSE
DTOT
EOI
FAO
FDI
HCI
HPEAEs
HYV
IDSDA
IFAD
IFPRI
IMF
IRDP
IRRI
ISI
KSSP
LDC
NGO
NICs
NIDL
NPE
PPP
PSMs
RBC
REA
SMEs
SSA
TFP

Alternative Developmentalist
American Economic Association
Agriculture-Led Growth
Appropriate Technology
Centre for Science and the Environment
Declining Terms of Trade
Export Oriented Industrialisation
Food and Agricultural Organisation
Foreign Direct Investment
Heavy and Chemical Industry
High-Performing East Asian Economies
High Yielding Varieties
Indon-Dutch Studies on Development Alternatives
International Fund for Agricultural Development
International Food Policy Research Institute
International Monetary Fund
Integrated Rural Development Programme
International Rice Research Institute
Import Substitution Industrialisation
Kerala Sastra Sahitya Parishad
Less Developed Countries
Non-Government Organisations
Newly Industrialised Countries
New International Division of Labour
Neoclassical Political Economy
Purchasing Power Parity
People's Science Movements
Real Business Cycle
Rational Expectations Analysis
Small and Medium Enterprises
Sub-Saharan African
Total Factor Productivity