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

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Chapter 10 - Conclusion

Introduction

This thesis set out to demonstrate that the case in support of allowing markets much greater freedom to allocate resources has often been built on some very shaky theoretical and empirical foundations. It has also set out to identify some of the main factors that have prevented many socially and environmentally concerned critics of neo-liberalism from having a more constructive input into important policy debates. A third aim has been to identify some of the strategies required to encourage more satisfactory development in late-industrialising societies. This final chapter summarises the main findings and explores their implications.

1. The Limits of Economic Liberalism

As this thesis has shown, the justifications presented in support of economic liberalisation are often inconsistent with economic theory. An example of this is the claim made by many supporters of neo-liberal economic policies that radical economic reforms are necessary if nations are to remain competitive in the new global economy (see below and chapter 5). As the discussion on Sri Lanka in chapter 2 illustrated, supporters of neo-liberal economic policies have also often been highly selective in their use of evidence when criticising attempts by governments in developing countries to improve well-being by increasing spending on health and other initiatives aimed at meeting the basic needs of their populations. Basic needs spending in Sri Lanka could undoubtedly have been much better targeted and administered. However, despite claims made to the contrary by welfare sceptics such as S. S. Bhalla, the high levels of social spending that occurred prior to the change of government in 1977 did generate significant long-term social benefits and was

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not a major reason why the economy performed so poorly.

Amongst other social scientists the doctrinaire positions adopted by economists such as Bhalla, and the general enthusiasm shown by members of the economics profession for economic reform, is often viewed as indicative of the existence of right-wing ideological bias within the profession. As pointed out in chapter 3 (section 5.2), the problem with this line of argument is that large numbers of economists also support progressive initiatives such as increased spending on labour market programmes and expansionary fiscal policies in times of high unemployment. A more widespread concern (identified in chapter 3) than political bias is the tendency of economists, when examining such issues as the costs and benefits of proposed microeconomic reforms, to resort to a loose form of efficiency analysis where the comparative merits of policies are judged on their contribution to the overall efficiency of the economy. Despite being poorly defined, the concept of efficiency is viewed as an objective technical measure. This efficiency analysis is often supplemented by equally vague discussions on equity in which the tax/transfer system is assumed to be the best means of compensating for any inequitable outcome. This is despite the fact that the administrative and incentive costs associated with this process are often so great that either the losers are not sufficiently compensated or the cost of compensation outweighs the benefit of the efficiency gains obtained.

A more fundamental source of bias identified within the economics profession in chapter 3 is the strong emphasis placed on mathematical modelling. Its influence has been so pervasive that factors that cannot be easily represented this way tend to remain neglected, and success within the profession is generally determined far more by an individual’s modelling skills than their knowledge of the economy. Apart from anything else, this creates a bias in favour of free market policies as the tendency, when modelling, is to follow the line of least mathematical resistance, which leads in the direction of neoclassical theory, with its easy-to-model assumptions about how economies operate. As the discussion in chapter 3 and in subsequent chapters illustrated, this is not always the best direction to take, given the highly problematical nature of some of the core assumptions incorporated into neoclassical models. Individuals are often far less selfish, rational and informed than neoclassical theory assumes. The pursuit of narrow self-interest frequently does generate both a socially and economically inferior outcome to that which would be achieved in a more regulated environment. Neoclassical models were also shown to deal inadequately
with factors which have an important bearing on the long-term evolution of economies, such as technological change, the role of institutions, knowledge externalities and first mover advantage.

1.1 Neoclassical Revisionism

During the 1980s and 1990s, some of the main theoretical developments within economics such as strategic trade theory, endogenous growth theory, and New Keynesian macroeconomics undermined, to some extent, economists' faith in the optimality of market outcomes. The conclusions reached in some of this neoclassical revisionist literature open up the possibility of a more extensive role for the state and can even be used to justify a 'big push' strategy in late-industrialising societies (see section 4 of chapter 3 and section 1.3 of chapter 4). Despite this, the majority of economists, including prominent neoclassical revisionists such as Paul Krugman, are still of the opinion that the potential benefits of interventionist policies are still not sufficient, when compared with the risks involved, to justify a more expanded role for the state beyond some additional support for such areas as education and R and D.

In chapter 3, several reasons were identified why the current views of mainstream economists on the appropriate role for the state should still be treated with a good deal of scepticism – one of which is simply the length of time it took the vast majority of economists to acknowledge even the more obvious deficiencies of conventional

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3 See, for example, Krugman, P. 1994. 'Proving My Point.' Foreign Affairs 73 (4): 198-202; Krugman, Peddling Prosperity, op. cit., pp. 234-244.
neoclassical models. The so-called new economic theories also still ignore, or treat simplistically, a range of important influences on the evolution of economies such as technological change, institutions and firm-based innovation. In fact, for all the talk of new models and new theories, a good deal of recent economic theorising still remains very much focused on explaining economic processes in terms of the optimising behaviour of rational-acting individuals. As shown, such reductionism can result in some rather dubious lines of inquiry being pursued. It can also, more generally, culminate in the viewing of pressing social and economic issues, such as unemployment and growing inequality, from within the confines of a far too narrow frame of reference.

1.2 From Market Efficiency to State Failure

For neoclassical political economists such as Deepak Lall, discussions such as those undertaken in chapter 3 on the intrinsic merits of neoclassical theory have little practical value as they believe that states, especially those in developing countries, cannot be trusted to intervene rationally in their economies.4 This conclusion has been influenced by the numerous examples of state failure cited in the more empirically oriented economic literature on developing countries as well as by broader theoretical perspectives that highlight the causes of 'government' failure (see chapters 1 and 3). The most influential of these theoretical perspectives are those contained in the public choice literature.5

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In the public choice literature, the same model of behaviour used by neoclassical economists to explore market processes - that of the rational egoist 'homo economicus' - is applied to a study of the policy-making process.6 This line of research was acknowledged to have provided some insight into the reasons why interventionist policies often fail to have the positive economic consequences intended. However, the public choice literature was also generally shown to have relied upon neoclassical assumptions about motivation and behaviour to such an extent that state behaviour is seen as essentially nothing more than the generally unsatisfactory consequence of the pressure exerted on governments by the various vested interest groups. Markets, in contrast, are perceived to provide a generally efficient means by which the self-interest of individual actors is directed to serve the interests of society. As pointed out in chapter 3, if this line of reasoning had dominated in the past, many important initiatives that have proved beneficial to society, such as government support for health, education and research, would not have been introduced.

2. The Struggle to Respond Effectively to Neo-Liberalism

Social scientists and other supporters of a more active role for the state in the development of economies have struggled to exploit the limitations frequently found in the theoretical and empirical case often presented in support of neo-liberal economic policies, and put forward a credible set of alternative strategies. As noted, this struggle has, if anything, been especially pronounced in the development field. For many years, analysis of development issues within the social sciences and on the political left was strongly influenced by dependency theory. The analytical deficiencies in the dependency literature prevented it from providing much insight into why some countries were more successful at development than others, and what policies were needed to improve outcomes. As the discussion in chapter 2 made clear, many of these deficiencies would have been appreciated far earlier if social theorists had shown more interest in evidence or argument presented in the mainstream economic literature of the day or elsewhere that contradicted their views. Even

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when developments in the world economy made it impossible to continue to ignore the more obvious limitations of dependency theory, many analysts responded by incorporating some of its more reductionistic and deterministic elements into new models (New International Division of Labour models, etc.). This reluctance to abandon flawed perspectives can be partly explained by the fact that to do so would have meant that they would also have been forced to acknowledge that a good deal of Marxist theory, and not just dependency theory, is seriously flawed.7

3. The 'Statist' Challenge

In recent years, social theorists have sought to develop less rigid theoretical frameworks. However, as this thesis as shown, progress has been mixed, and some important areas of discourse, including those concerning globalisation and the environment, still suffer from a good deal of confused analysis. One of the strongest challenges to the neo-liberal orthodoxy is that presented in some of the literature examining the development experience of Hong Kong, Singapore, South Korea, and Taiwan - the four Asian NICs. According to 'statist' writers such as Robert Wade and Alice Amsden, an important factor behind the success of especially the last three countries mentioned have been the interventionist policies of their states. Unlike the case in most other developing countries, these states are claimed to have possessed the strength, capabilities and autonomy required to intervene so that superior outcomes are achieved, compared to what would have resulted if market forces had been allowed greater freedom to allocate resources.8 In chapter 4, the validity of this explanation

7 On the deficiencies of Marxist analysis as it relates to developing countries see Booth, D. 1985. 'Marxism and Development Sociology: Interpreting the Impasse.' World Development 13 (7): 761-787. See also Stretton and Orchard, op. cit., pp. 225-35.

was explored. The focus was on South Korea and Taiwan, which are the two most relevant of the four NICs for comparative purposes.  

In the first part of chapter 4, evidence relating to the role played by the state in the success of these economies was examined. Certain intervention undertaken by these states was found to be extremely beneficial. These included initiatives which assisted exporters and encouraged investment and the general process of economic upgrading. In Taiwan, for example, the state used public corporations to create new capacities in activities such as steel, shipbuilding, and heavy industry, where entry barriers were high. Other initiatives failed to deliver the outcomes intended, however, and imposed higher costs on the rest of the economy than the ‘statist’ literature generally acknowledges. Some interventions also simply involved greater risk than did the more subtle prudential and other regulatory policies advocated in the less doctrinaire sections of the neoclassical economic literature. In their eagerness to equate particular positive outcomes with certain state characteristics (the relatively rapid speed with which policy mistakes were rectified, for example), ‘statist’ authors such as Amsden failed to adequately acknowledge the role played by international financial markets in influencing the behaviour of governments. Once policy makers opted for an export-oriented growth strategy, and tied their own fortunes to its success, the discipline exercised by these markets constrained them from making too many persistent policy errors.

As was illustrated by, among other things, the discussion on the consequences of South Korea’s ‘big push’ strategy, both the ‘statist’ and neoclassical bodies of literature were also often highly selective in the type of evidence they considered when examining the impact of interventionist policies. With the exception of some analysts such as Wade, both bodies of literature (when seeking to explain why some countries were more successful than others) also generally placed too importance on the characteristics of the state at the expense of broader domestic and international influences. Especially in Korea, and to a lesser extent

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9 As discussed in chapter 4, Hong Kong and Singapore have effectively acted as metropolitan hubs to larger regions, and if regression-type analysis was undertaken on the basis of population rather than political boundaries, they would be no more important than rapidly growing European cities like Frankfurt and Milan. For a discussion on this see also Quiggin, op. cit., p. 14.

10 As discussed, this included the failure to adequately reflect on the political economy of
Taiwan, the state was also shown to be more influenced by external domestic pressures when formulating policies than the ‘statist’ literature has admitted. In some areas such as that of agricultural protection this resulted in policies being introduced that served sectional interests rather than the broader social good.

In more recent times, some supporters of neo-liberal economic policies were shown to have been far too eager to blame interventionist-minded governments for the economic problems being experienced. One obvious problem with their explanation is that some East Asian economies, most notably Taiwan, have continued to experience strong economic growth. While elsewhere in the East Asian region economic mismanagement and other domestic factors such as cronyism and corruption undoubtedly made the economic problems more profound than they should have been, external actors also share much of the blame for what occurred. When putting strong pressure on these and other economies to open up their financial systems, the United States government, the IMF and others failed to advise them on the importance of putting in place the necessary safeguards required to keep in check the excesses of the private sector. As suggested, this failure has a lot to do with the tendency of many advocates of economic reform to treat economic liberalisation as an end in itself rather than a means of achieving certain ends. Governments in developed countries have also failed to take the type of collective action required to bring greater stability to a highly unstable international financial system.

Responses to the ‘Statist’ Challenge

Until relatively recently, supporters of neo-liberal economic policies responded to the claim that interventionist policies played a major role in the success of the NICs by either denying that the state intervened beyond what was necessary to enable a free market economy to function, or claiming that any assistance that was given to exporters functioned at best to cancel out the anti-export distortions that existed elsewhere in the economy.\(^\text{11}\) The response of some World Bank officials to a generally favourable review of Wade's book *Governing the Market* in the Economist magazine provides a good illustration of how unwilling many resource abundance.

\(^\text{11}\) For a review of this literature see Wade, Governing the Market, *op. cit.*, ch. 3.
supporters of neo-liberal economic policies were to consider an alternative possibility.\textsuperscript{12} The editor of the Economist received at least six transatlantic telephone calls from officials of the bank arguing that the review should not have been published because Wade was an 'interventionist', and suggesting that the standards of the magazine were declining.\textsuperscript{13}

To provide more insight into the extent to which the concerns raised in the first part of chapter 4 undermined the case in support of the benefits of interventionist policies presented in the 'statist' literature, the second part of this chapter examined two of the more considered responses to this literature by supporters of more orthodox economic policies. The first of these is a specially commissioned World Bank report entitled the East Asian Miracle.\textsuperscript{14} This report, which examined the experience of eight high-performing East Asian economies (HPEAEs), makes some concessions to critics of neo-liberal development thinking. It concedes that these states did intervene extensively in their economies and that some export promotion initiatives were beneficial.\textsuperscript{15} While some neo-liberals have claimed that export-oriented growth alone is the reason why the benefits of growth were relatively equitably distributed in these economies, the report also admits that policies such as subsidised housing, education, health care and governments' support for social welfare agencies also played an important role.\textsuperscript{16}

More in line with conventional thinking, the World Bank report also identified areas where the 'statist' literature has downplayed both the more negative consequences of state intervention in these economies as well as the positive role played by orthodox economic policies. This done, the report then carried out several exercises to test the overall effectiveness of attempts by the various states to accelerate the development of the more capital and knowledge-intensive sectors of their economies. The conclusion reached is that, with the possible exception of Japan, state intervention in these areas had no net positive

\textsuperscript{12} \textit{The Economist Magazine}, 1/6/1991, pp. 87-88.

\textsuperscript{13} Wade, East Asia's Economic Success, op. cit.


\textsuperscript{15} \textit{Ibid.}, pp. 123-147.

\textsuperscript{16} \textit{Ibid.}, 158-167.
economic impact. In chapter 4, these exercises were shown to be an inappropriate means of determining the overall effectiveness of interventionist policies.

**The Input Driven Growth Thesis**

A less orthodox response to the ‘statist’ challenge is that by Krugman, who claims that the East Asian economies grew more rapidly than other developing countries mainly because they accumulated inputs more rapidly. Where the NICs are concerned, input growth is claimed to account for virtually all of the growth that occurred. Krugman’s contribution to the debate is an important corrective to much of the work on these economies which tends to over-use terms such as ‘economic miracle’ and underplay the role of such basic factors as high levels of savings and investment, long working hours, and high labour force participation rates. However, somewhat ironically, given his very public condemnation of supporters of interventionist policies such as Lester Thurow and Robert Reich for engaging in policy entrepreneurship (see chapter 3), Krugman’s strong conclusions on the lack of contribution made by productivity growth to the development of these economies are based on just three studies by two sets of authors. In chapter 4, these three studies were examined in some detail and several reasons identified why their findings are suspect. These include the relatively orthodox assumptions made by both Alwyn Young, and Michael Boskin and Lawrence Lau about technological change and about how late-industrialising countries go about acquiring the capabilities required to take advantage of technologies developed elsewhere.

In stating that the secret of NIC success is simply deferred gratification and perspiration, Krugman was also shown to have ignored the role played by the state in providing the

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17 Ibid., pp. 304-314.
policy and institutional environment needed to attract investment and ensure that it will not be wasted. Like most economists, he assumes that investment will automatically flow to the areas of highest returns. As pointed out in chapter 4, factors such as high transition costs, imperfect information, and underdeveloped risk markets (all of which are suppressed in conventional economic models) often ensure that, in the real world, this process is far from automatic.20

Lessons for Other Late-Industrialising Countries

Contrary to the impression given by a number of socially and environmentally concerned actors whose work was examined in this thesis, other developing countries have much to learn from the development experience of successful Asian economies such as South Korea and Taiwan. The discussion in chapter 4 shows that these lessons include the benefits of prudent microeconomic policies, an export-oriented growth strategy, high levels of investment in the development of human and physical capital, and pragmatic intervention by the state to assist exporters, as well as the industrialisation process in general. Most other countries are unlikely, however, to possess the characteristics or capabilities required to intervene as extensively in their economies. Nor is it necessary or desirable for them to do so. For, not only were the consequences of state intervention in these economies often less positive than the 'statist' literature has generally suggested, there were also often subtler and less risky policy instruments available to governments seeking to exercise more control of their economies.

Development strategies that place a heavy reliance on input growth also impose a high social cost on the population (in the form of high levels of foregone consumption and long working hours, for example). Because of this, and because of the greater competition for access to foreign investment that now exists, other developing countries need to generally place a greater emphasis on initiatives that encourage the more efficient use of inputs. These include increased spending on infrastructure and education, including (see below) rural infrastructure and women's education.21

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21 The benefits of placing more emphasis on improving the efficiency with which inputs are
4. Globalisation and International Trade

As long as they invest sufficient resources in developing the capabilities, infrastructure and institutional arrangements required to take advantage of technologies and know-how developed at great expense elsewhere, developing economies can, as the experience of the NICs illustrates, often obtain far greater benefit from trade (see chapters 4 and 5) than many critics of economic liberalism have assumed. Consequently, it is imperative that developed countries continue to lower their trade barriers (if not also pursue more expansionary economic policies). Without this, many of these potential gains could be competed away, as there is now much greater competition for access to affluent markets than was the case when the NICs began their export push. According to conventional wisdom, developed countries have a vested interest in continuing with the process of trade liberalisation as they also benefit, albeit to lesser extent, from trade. The problem for developing countries is that a significant proportion of the population of the developed world have a far more negative view of the consequences of trade with low-wage economies and are putting increasing pressure on governments to slow down the pace of trade liberalisation.

The pessimistic views that large sections of the public, many social activists and some academics hold about the consequences of trade with low wage economies are often expressed as part of some wider concerns about the consequences of globalisation. The economic reforms, technological changes and other processes behind the growing integration of economies are perceived by many to be increasingly undermining the ability of governments to influence the evolution of their economies and putting pressure on them to reduce workers’ entitlements as well as reduce spending on areas such as welfare and the environment. Influential analysts such as Thurow and Reich also hold the view that if utilised is highlighted by the research findings cited in the conclusion to chapter 4. These indicate that a two-tenths of one-percent increase in total factor productivity would do more for living standards in developing countries than US$100 billion invested at historical rates of return. See also Summers, L. 1992. ‘Keynote Address: Knowledge for Effective Action.’ In Proceedings of the World Bank Annual Conference on Development Economics 1991. World Bank, Washington, pp. 7-14.


nations are to benefit from the new global economy, they will need to stop playing by the traditional free market rules, and seek to make their economies more competitive by taking initiatives that tilt the so-called level playing field more in their favour (by, for example, the allocation of additional resources to strategic sectors and an emphasis on managed or fair trade rather than free trade).  

Because the trade policies of developed countries have such an important bearing on the development prospects of low-wage economies, chapter 5 examined whether the concerns many actors have about trade with low-wage economies have any validity. This chapter also set out identify some of the main misconceptions about globalisation which have the potential to distort policy in both developed and developing countries. One finding is that the volume of goods and services imported by developed economies from low-wage

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economies is still far too small for it to have the type of negative aggregate economy-wide impact many fear. While several reasons were also identified why the negative impact that such trade has on income distribution and basically skilled employment is likely to be more significant than economists have generally assumed, this was shown to be not as significant as analysts such as Adrian Wood have suggested.

The view that technological change is the primary cause of unemployment and underemployment was also shown to be difficult to sustain. The conclusion reached is that the main cause of growing inequality and unemployment has been the failure of governments to allocate sufficient resources to infrastructure development and to take action to switch demand to more labour-intensive sectors of the economy, especially the community services sector. If this conclusion is valid, then rather than advocate protectionist economic policies or blaming technology, actors concerned with social injustice need to concentrate their energies on pushing for initiatives that address the real causes of the problems that exist. These initiatives include progressive taxation reform, cuts to business welfare and increased spending on areas such as infrastructure, education, health and social services.

Ideologies of Globalisation

Another finding of chapter 5 is that many so-called supporters of globalisation have misleadingly represented the globalisation debate as conflict between the progressive internationalism of the globaphiles and regressive economic nationalism of the globaphobes. The reality is that many so-called globaphiles (neoclassical economists and powerful business interests, etc.) subscribe to a very narrow vision of globalisation in which capital is allowed to move freely around the world but governments and trade unions are confined within national boundaries. In contrast, many critics of neo-liberalism emphasise the importance of a broader approach to globalisation in which the freeing up of economies is supported with complementary national and supranational initiatives such as controls over the movement of capital and basic environmental and human rights legislation (those governing the use of child labour, the rights of trade unions and the mining of oceans, etc.).

Much of the literature on globalisation by both supporters of free market and interventionist policies was also shown to have both exaggerated the extent and pace of change as well as underestimated the capacity of governments, either acting individually or collectively, to influence the processes occurring. As Krugman has argued, the view that nations need to become more competitive if they are to prosper in the new global economy also rests on some shaky theoretical and empirical foundations. The key to economic prosperity (although not necessarily to a better society) is to become more productive, not more competitive. A country whose productivity growth falls below the average for its level of income should only be concerned because average incomes will rise at a slower level than they otherwise would.26

**Neo-Liberal Policy Entrepreneurship**

While Krugman’s condemnation of the misuse of the term ‘competitiveness’ is focussed on analysts on the left of the political spectrum such as Thurow and Reich, some of the main culprits identified in this thesis, at least where their impact on recent policy in Australia is concerned, are right-wing economists and economic journalists such as Helen Hughes and Alan Woods, sections of the bureaucracy such as the Industry Commission, and members of the business community. These and other supporters of neo-liberal economic policies often justify their arguments in favour of such factors as privatisation and cuts to workers’ entitlements, welfare and other areas of social spending by claiming that they are needed if nations are to remain competitive in the new global economy. A variation on this theme in the Australian context has been that such initiatives are required if we are to compete with our (then) rapidly growing Asian neighbours, who are not burdened with such impediments to growth. This last argument ignores the fact that developed economies cannot possibly grow as fast as rapidly growing late-industrialising ones.27


Apart from generally adding strength to their calls for specific policy reforms by fomenting a sense of fear about the dire consequences if they are not introduced, the constant refrain heard from many supporters of neo-liberal economic policies about the need to be competitive has been a significant factor influencing a narrowing of perception about what evolutionary strategies are open to societies. In fact, if the thrust of the argument presented in chapter 5 is valid, then issues such as the length of the working week and what level of resources should be allocated to areas such as education, health care, welfare, and the environment still have far more to do with domestic priorities and policies than they have with globalisation. In relation to developing countries specifically, the implication of this line of analysis is that decisions as to whether it would be wise to allocate more resources to meeting the basic needs of the population, or to supporting exporters, need to be based on a careful evaluation of the costs and benefits. They should not be influenced by the argument that such policies should be rejected (in the case of the former) because they will make the nation less competitive, or embraced (in the case of the latter) because they will make the nation more competitive.

5. The Search for More Equitable and Sustainable Development

Drawing on the critical framework developed in chapters 1 to 5, part 2 of this thesis highlighted some concerns with the way much of the discourse on how to encourage more equitable and sustainable development in late industrialising societies has evolved. In the first part of chapter 7, some general concerns were identified with the way many actors attempt to integrate environmental issues into development analysis. A basic problem identified is that widely different estimates often exist about the extent of the problems being faced or likely to be faced. This makes it difficult to determine which environmental issues should be given priority and what proportion of national resources should be allocated to the protection of the environment rather than to other key areas such as health and education. While this is partly the fault of official bodies for not allocating sufficient resources to such areas as information gathering, it was also shown that much confusion was created by the tendency of many environmental activists and scientists to make exaggerated claims about the state of the environment or about what would occur in the future if drastic changes are not introduced.

Another factor standing in the way of a more constructive discourse is that many of those
actors who have led the way in drawing attention to the social consequences of environmental destruction are also those whose views on development are often the most naïve. In fact, as pointed out in section 4 of chapter 7, the views of many influential actors on the causes of social injustice and environmental destruction, and on the solutions that are needed, are often essentially green variations on themes that have already been subject to extensive criticism in the development literature. These include green variations on perspectives expressed in the 'food first', dependency, urban bias and appropriate technology bodies of literature. Generally, little awareness is demonstrated of the potential limitations of such perspectives. Discussions on the environmental problems of developing societies also often suffer from taking place only as part of a broader alternative development discourse (see below and chapters 6 and 7).

As the discussion in chapter 7 made clear, such analytical deficiencies are not simply the preserve of well-meaning social activists and environmental scientists whose commitment to social justice and the protection of the environment is more impressive than their grasp of economic and social theory. The work of some influential social scientists writing on sustainable development such as Michael Redclift is also similarly flawed. Redclift, for example, maintains a superficial appearance of analytical veracity when making sweeping generalisations about the negative social and environmental consequences of modern development by simply ignoring the existence of the more successful developing economies.28

Among those to approach environmental issues from a less polemical frame of reference have been environmental economists such as Edward Barbier and David Pearce. Rather than rely too extensively on strong regulation which, while often necessary, can be a blunt tool, economists such as Barbier and Pearce have concentrated instead on identifying the incentive and disincentive mechanisms that can be built into the market system to encourage more environmentally sustainable behaviour.29 As some of the discussions in


this thesis have demonstrated (that on sugarcane growing in the Indian State of Maharashtra, for example) this line of research holds great promise as long as economic theory is applied pragmatically. If taken too far, this approach could encourage governments and international organisations to rely too heavily on one-dimensional free market solutions to solving complex environmental and social problems. In fact, as pointed out in chapter 7, privatisation is already often the preferred solution for dealing with problems involving common property resource depletion. This is despite historical evidence indicating that the privatisation of the commons has often proved to be disastrous for the poor.

*Environmental Debates in India*

The discussion in the second part of chapter 7 on aspects of the Indian environmental debate further reinforced the misgivings expressed in the first part of the chapter about the quality of much of the discourse on the environment. Indian environmentalists such as Vandana Shiva, J. Bandyopadhyay and Anil Agarwal have played a critical role in pressurising policy makers to pay greater attention to the social consequences of environmental deterioration. However, they also suffer from many of the same analytical deficiencies of other environmentalists (identified in the first part of chapter 7 and elsewhere in this thesis) including a tendency to judge the appropriateness of development by the scale of the

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technologies used, to romanticise traditional cultures and practices, and to represent to the outside world the actions of disaffected people in a way that fits in with their own vision of development. The analysis of Shiva, Bandyopadhyay and other dark greens is also strongly influenced by their naïve views on modern science and technology which they claim is intrinsically anti-nature and anti-human.31

One area identified where such perceptions have influenced debates over environmental policy is that of forestry policy. Many Indian and other environmentalists subscribe to the view that forestry management should be given back to the local people, whose practices are claimed to be more sustainable than those of forestry departments.32 In fact, according to Shiva, Bandyopadhyay and others, foresters trained in the western forestry science tradition have little substantive interest in the critical role that trees play in protecting the environment and in supporting the livelihoods of indigenous people, as their overriding goal is the maximisation of profits from forest products.33 This last view was shown to be based on a selective reading of the historical evidence. Even at a relatively early stage in the colonial period, some influential foresters and scientists who were critical of the colonial administration's priorities succeeded in changing policy, and even recognised the importance of involving the local people in forestry management. Local practices are also often far less sustainable than implied by environmentalists, and forests under local village control are often more degraded than those managed by the forestry departments, as well as controlled by local elites.


33 Shiva and Bandyopadhyay, op. cit.
The impact that such perspectives have on important policy debates was illustrated in some detail by the case study of the debate on the social and environmental consequences of India's ambitious Social Forestry Program. Despite its admirable aims, and the large numbers of trees planted, the programme had been strongly criticised by environmentalists both within India and elsewhere. They were especially critical of the fact that most of the tree planting that took place under the program occurred on private land and that most of the trees planted were eucalyptus hybrids. This species of trees is claimed to have been favoured, not because it met the fuelwood, fodder and other needs of the local population, but because of its usefulness in the pulpwood and other commercial industries. A more specific claim made was that the success of the farm forestry aspects of the program resulted in less land being available for growing staple food crops, which meant that the poor had to endure higher food prices and increased poverty and malnutrition. Because of its heavy water usage, as well as for other reasons, the extensive planting of eucalyptus trees was also claimed to have had a disastrous environmental impact.

In chapter 7, some serious deficiencies were, indeed, identified with the social forestry program. The failure of the Indian state to put in place the institutional arrangements required to market their produce at a remunerative price, as well as take on the cartels that dominated forestry products markets, meant that the profits farmers were able to obtain generally fell well short of what they were led to expect. In addition, too much pressure was put on forestry officials to meet tree-planting targets, and not enough attention was given to other factors such as the institutional changes needed to get the local people involved in

growing trees on communal land, and the environmental suitability of the trees being planted. National and state governments also often showed little interest in taking on the powerful interests that often prevented the communal use of so-called communal land.

Unfortunately, these deficiencies did not always receive the attention they warranted, because of the attention given to some of the more dubious claims made by influential critics of the program. These included claims about the negative impact of the social forestry program on food production and food prices. The main source of these claims was a study by Shiva and Bandyopadhyay of the Kolar district in Karnataka.35 As regards food production, this study was shown to be highly selective in its use of data, to have cited incorrect figures in one critical area, and to have ignored the fact that by far the main reason that production dropped in the period in question was drought. As far as food prices were concerned, they were shown not to have risen by any means close to the extent claimed by Shiva and Bandyopadhyay who, as noted, failed to cite any sources to substantiate their claims. Critics of the social forestry program also failed to explore the issue of whether any rise in food prices resulting from the program were compensated for by the employment and income effects flowing from the program.

As for the environmental effects of the social forestry program, the indiscriminate planting of eucalypts in India has undoubtedly had some very serious environmental consequences. However, determining the exact nature of these problems is not easy, given the degree of misinformation put out by many critics of the program. For example, these critics were shown in chapter 7 to have placed far too much blame on the social forestry program for the water shortages and water problems being experienced in regions of India such as Karnataka. Insufficient consideration was also given to the fact that all quick-growing trees require large amounts of water to grow; the faster they grow the more water they use. As the extensive planting of fast-growing trees is one necessary response to India's wood shortages, a more constructive approach by environmentalists was clearly needed, than what was often a simplistic condemnation of the growing of a specific species of tree simply because it was fast-growing and exotic. A more productive use of environmentalists' time would have been to concentrate their efforts on lobbying for less ambitious tree-planting.

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35 Shiva and Bandyopadhyay, Ecological Audit of Eucalyptus Cultivation, op. cit.
targets to be set and for more resources to be put into the program. This would have enabled forestry departments to pay greater attention to a wider range of goals, including environmental ones.

6. Appropriate Developmentalism

According to many actors, the key to more equitable and sustainable development is for governments to allocate more resources to the development of the agricultural sector, including, or especially, to the small farm sector, as well as to other initiatives that encourage a more decentralised and labour-intensive pattern of development. Other initiatives favoured by those who are referred to as ‘appropriate developmentalists’ in this thesis include increased spending on rural infrastructure, social forestry and rural works programs, as well as credit and other reforms that assist the development of small-scale enterprises.36

In chapters 8 and 9 the role that such strategies can reasonably be expected to play in the overall development process was examined, along with other relevant issues. The main

focus was an agriculture, as more direct attempts by states to decentralise development, such as the offering of incentives to firms to relocate to areas away from major urban centres, have not met with much success. To prepare the way for a discussion on these issues, chapter 6 explored some of the misconceptions that have often stood in the way of a deeper appreciation of agriculture's role in the development process, as well as prevented many analysts from developing a more sophisticated understanding of the impact of modernisation on developing societies.

Misconceptions Associated with Agricultural Modernisation

A common theme in much the public criticism of the development policies of international development organisations such as the World Bank and the Food and Agricultural Organisation (FAO) is that they have encouraged developing countries to replace food crops with cash crops and that this has, among other things, resulted in an increase in inequality, poverty, and malnutrition. A major reason why the growing of cash crops is viewed so negatively by many socially concerned members of the public and media, and by sections of the NGO community, is the writings of widely selling 'popular' development writers such as Susan George, Francis Moore Lappé, and Joseph Collins. These, and others of similar view, are often referred to as belonging to the 'Food First' School of development studies.37

Food First theorists have highlighted some important issues, including the negative consequences of some aid projects and the more unsavoury aspects of international agribusiness. They and others have also played an important role in pressurising official bodies such as the World Bank and the FAO to be more accountable for their actions. However, as shown in chapter 6, the conclusions reached in this literature about the causes of social injustice and about what is appropriate development policy are often dangerously misleading. Developing countries have generally little to gain from making food self reliance a major policy goal and the growing of export crops and cash crops in general is often far more beneficial than George and others have suggested.

The Green Revolution

The confused nature of much of the discourse on agricultural modernisation was further illustrated by the examination in the second half of chapter 6 on the debate over India's Green Revolution. According to Marxist scholars such as Terry Byres, the main beneficiaries were large farmers who used their increasing power to prevent a surplus being taken out of agriculture to support industrialisation. They claim that this is the main reason why industrial growth decelerated in India in the decades following the introduction of the Green Revolution. In chapter 6, this line of argument was shown to be long on theory and short on substance, and more likely causes of India's poor industrial performance were identified. These include decreasing levels of investment in infrastructure, bad management and mistaken priorities within the infrastructure sector, and inappropriate trade and industrial policies.

Elements of the Marxist critique were later incorporated into a broader and highly influential critique of the Green Revolution. Many of the claims made in this literature


were also shown to lack substance. One such claim is that the main driving force behind the Green Revolution’s implementation was external agencies seeking to force an inappropriate model of development on India. In reality, factors internal to the Indian State were the main reasons why the new agricultural strategy was implemented. These factors included the appointment of a very capable and committed agricultural minister with a strong belief in the virtues of modern science and technology, and the combination of circumstances (the death of Jawaharlal Nehru, the arrest of an opponent on corruption charges, etc.) which allowed him to succeed in his reformist endeavours.

The impact of the Green Revolution on the poor, small farmers, employment and the overall economy in general was also shown to be generally more positive than much of the literature on this topic has suggested. In fact, the vast majority of Marxist and non-Marxist critics neglected some basic issues, including its impact on the price of food. Without the Green Revolution, both the population growth that occurred and the large reduction in U.S. food aid which took place would have exerted a strong upward pressure on the price of food. Given that food accounts for a large proportion of low-income earners’ expenditure, the failure of many critics to address this issue is a major omission.

As far as the environmental problems associated with the Green Revolution are concerned, these, while often exaggerated by environmentalists, have undoubtedly often been serious. However, as pointed out in chapter 6, the main problems with the Green Revolution in this area do not stem, as Indian environmentalists such as Shiva⁴⁰ would have us believe, from the intrinsic inappropriateness of Green Revolution technologies, but are instead mainly the result of factors of a more political and economic nature. The powerful interest groups that developed in the wake of the Green Revolution successfully pressurised the Indian State into continuing to provide heavy subsidies for inputs such as fertilisers and pesticides. Not only has this resulted in farmers in the more agriculturally progressive regions of the country overusing these inputs, the cost to the state has been such that potentially productive regions of the country, where a significant percentage of the poor live, have been denied the resources required to develop their agricultural sectors. In these regions, agricultural output can be greatly increased with relatively low applications of fertiliser and other inputs.

⁴⁰ Shiva, The Violence of the Green Revolution, op. cit.
Theoretical Influences

The misconceptions many hold about the consequences of agricultural modernisation can be linked to the rigid application of Marxist class conflict theories, dependency-inspired perspectives such as the view that the agricultural commodities of developing countries are subject to a declining terms of trade, and economically naive nationalistic notions of self-reliance. A more general reason (identified in chapter 6) why much of the analysis of the impact of agricultural change and modernisation lacks perspective is the romantic notions many analysts subscribe to about the nature of traditional rural societies.

In a good deal of the development literature, traditional communities have often been misleadingly portrayed as being subsistence economies which are relatively egalitarian in nature, and almost solely concerned with the growing of traditional food-crops and other activities associated with meeting their basic needs. The reality is that so-called traditional communities often place great importance on economic diversification as a means, among other things, of avoiding famine. This is one of the reasons why wealth and power are often distributed very inequitably in these communities. The failure of many actors to appreciate such realities has meant that they have often been excessively fearful of externally generated development and underestimate the capacity of farmers to respond constructively to changing circumstances.

7. Alternative Developmentalism

One body of literature where romantic representations of rural societies are still often a feature, along with a number of other naive development perspectives, is the alternative development literature. As acknowledged in chapter 6, ‘alternative developmentalists’

have done much to focus attention on neglected issues such as the impact of environmental
deterioration on the poor and the marginalisation of tribal and hill people. However, as also
shown in section 8 of that chapter, the alternative developmentalist approach to
development is seriously flawed in a number of respects, including in respect to some major
internal inconsistencies. One of these is that the rejection of the western-generated
development discourse is often justified by reference to how small the developing world’s
share of world income is compared to that of the developed world’s. Because measuring
failure in this way is much the same as measuring success in terms of a rising share of
global GNP, this would mean that countries such Hong Kong and Singapore, which are
hardly paragons of alternative developmentalist virtue, would have to be deemed to be
successful.

The ‘modernisation creates poverty’ line of argument presented in much of the alternative
development literature and elsewhere in the development literature (in the literature of
many anthropologists, etc.\(^\text{42}\)) is also difficult to sustain. As discussed in chapter 6, such
perspectives can easily be refuted by comparing evidence of such factors as infant
mortality, life expectancy and education levels from regions of the world most untouched
by development with that from regions undergoing a process of more rapid change. When
faced with such evidence, ‘alternative developmentalists’ such as Arturo Escobar and Bjorn
Hettne have tended to fall back on rhetoric about the limitations of eurocentric notions of
development and stress the importance of giving the people what they want, and of
developing non-eurocentric alternatives.\(^\text{43}\) As suggested, one problem with this line of
argument is that what the people want and what ‘alternative developmentalists’ say they
want are often two very different things. In fact, so-called non-eurocentric alternatives often
hold little attraction for the majority of the people they are targeted at, who generally frame
their desires and aspirations for themselves and for their children strongly in terms of

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\(^{42}\) For a review of this literature see Rigg, J. 1997. \textit{Southeast Asia: The Human Landscape of

\(^{43}\) See, for example, Escobar, \textit{op. cit.}; Hettne, \textit{op. cit.}; Sachs, W. 1992. ‘Introduction.’ In Sachs,
modernisation and missing out on the benefits of modern development. That is, as Rigg suggests, they are mainly concerned with issues such as their remoteness from markets, their access to transportation, irrigation and new employment opportunities, and ensuring that their children enjoy higher living standards than they did.\(^{44}\)

Apart from generally diverting attention away from the real causes of social injustice and the solutions that are needed, a more specific consequence identified of the failure of many socially and environmentally concerned actors to recognise such realities has been that some of the more progressive NGOs have often wasted a good deal of energy seeking to develop more culturally sensitive methodologies, building on traditional concepts. What often actually eventuates is an elitist and highly selective reinterpretation of local realities which is both alien to the cultures in question and fails to take into account the present aspirations of villagers or the requirements of the modern commercial world.

### 8. Rural-Led and Small-Sector-Led Development Strategies

Amongst those to approach agriculture, as well as development in general, from a more positive frame of reference are neoclassical economists. Like rural development scholars such as Michael Lipton, they are of the view that the source of many of the developing world's problems are policies that discriminate against agriculture and other labour-intensive production processes. According to neoclassical economists, economic liberalisation will rectify this, as it will allow more resources to flow into areas such as agriculture, where developing countries have a comparative advantage. Where prices have been kept low by governments to support industrialisation or urban consumption, this will also allow them to rise to levels that provide farmers with an incentive to expand production.\(^{45}\)

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\(^{44}\) Rigg, op. cit., p. 280.

As acknowledged in chapter 8, farmers are generally less risk averse and more responsive to price signals than much of the non-neoclassical literature has suggested. However, because, among other things, of some heroic assumptions they make about the availability of information, neoclassical economists were also shown to often overstate the economic benefits of getting the prices right. It was also shown that, generally, too little consideration was given to the long-term political and economic consequences of an over-reliance on price policy as well as to the importance of other complementary initiatives. Yet, not only do factors such as the availability of new technologies and infrastructure enable farmers to more easily take advantage of the opportunities offered by rising prices, they also cut costs, keep prices in check, and undermine local monopolies. While this might appear to be simply stating the obvious, there has, as pointed out in chapter 8, been a somewhat remarkable tendency both within the World Bank and elsewhere to view price and investment policies as competing strategies rather than complementary.

The Mellor and Lipton Schools

Both the Mellor and Lipton schools take the above line of argument a stage or two further and argue that the proportion of national resources allocated to the development of the agricultural sector, and to other areas such as rural infrastructure, should be sufficient for this sector to play the key role in encouraging more equitable and sustainable development. They claim that consumer and other linkages generated by the increased output resulting from pro-agricultural initiatives have the potential to set in motion a dynamic virtuous cycle of locally based, labour-intensive growth. Additional arguments put by the Lipton school


are that small farmers make more efficient use of resources than larger ones, and that a large transfer of resources to the rural sector is required in many developing countries simply to compensate for an existing structural bias in favour of the urban sector.47

Some of the most vocal critics of such perspectives have been Marxist scholars such as Byres. In fact, according to Byres, the main driving force behind support for rural-led and small-sector-led development strategies is an emotional attachment to a ‘neo-populist’ utopian vision of what society should be.48 While Byres’ own analytical limitations (see above and chapter 6) ensures that he greatly overstates his case, his argument undoubtedly has some merit. Many socially and environmentally concerned actors have played down the importance of large-scale industrialisation and have also often demonstrated little real interest in exploring the potential limitations of the alternative strategies they propose. As was illustrated by the discussion in chapter 7 on the dismissive way the NICs were dealt with in a special report on rural poverty by the International Fund for Agricultural Development (IFAD), this is even true of some renowned rural development scholars associated with international development institutions.49

The discussion on appropriate technology in the first half of chapter 8 also demonstrated how unwilling many appropriate and ‘alternative developmentalists’ have been to consider even some of the more obvious deficiencies in their proposed strategies. Much of the literature advocating the widespread use of so-called appropriate technologies was shown to be naively technologically deterministic and lacking even a basic appreciation of economic and social realities. Even more sophisticated AT advocates such as Francis Stewart and Raphael Kaplinsky paid too little attention to the impact of macroeconomic policies on


49 As noted, the authors of the report (Jazairy, Alamgir, and Panuccio, op. cit., pp. 10-11) only saw fit to allocate 3/4 of a page out of a total of more than 500 pages to a discussion on the NICs before claiming that other developing countries had little to learn from them.
employment or, at least, were shown to have made strong claims about the virtues of particular technologies which did not stand up to close scrutiny.50

The Limitations of ALG Models

Unlike many appropriate and ‘alternative developmentalists’, both Lipton and John Mellor have presented some powerful arguments in support of the strategies they propose. Many analysts have underestimated agriculture’s potential role in the development process because of such factors as an obsession with heavy industrialisation and a lack of sufficient attention to the consumer linkages generated by increased agricultural output.51 As discussed in chapter 8, the institutional barriers that stand in the way of improving agricultural productivity are often not as significant as they are made out to be. In fact, increased investment in areas such as rural infrastructure and R and D frequently generates large returns in a wide range of institutional settings. This is because current investment in these areas generally falls far short of what is optimal.52

Despite these and other positive factors mentioned in support of increased expenditure on agriculture and related activities, both Mellor and Lipton’s models do, nevertheless, place


too much reliance on agriculture to generate a more equitable and dynamic pattern of
development. In fact, both their strategies employ some relatively long chains of reasoning
which contain a number of potential weak links. These include the assumptions that small
enterprises are generally less capital-intensive and more labour-intensive than larger
enterprises and that the poor will spend a large proportion of any increased income on
labour-intensive locally produced goods. ALG development strategies also rely too heavily
on increased investment in agriculture to stimulate the rural non-farm sector. Farming
households often need alternative sources of income extraneous to agriculture before they
risk innovating in agriculture.53

Issue can also be taken with Lipton's claim that a massive transfer of resources to the rural
sectors of many developing countries can be justified on the grounds that this would be
simply compensating for an existing structural bias in favour of the urban sector. In the first
part of the previous chapter, this urban bias thesis was explored in some detail. Apart from
shedding further light on the validity of rural-led development strategies, it also provided a
useful starting point from which to explore some broader concerns with the way many
actors approach spatial relationships.

A basic problem identified with Lipton's model is that it falls into the Marxist trap of
assuming that social classes also act as interest groups in the political sphere. In Robert
Bates' urban bias model this is avoided by utilising rational choice analysis to demonstrate
how, within an economy, a structural bias can develop against the rural sector for reasons
other than the direct pressure exerted by vested interest groups.54 Despite this, and the
insight Bates provides into some of the causes of the economic problems being experienced
by some African countries, this model was found to share many of the deficiencies of
Lipton's class-based model. This includes an extemporaneous view of where rural industries
and agro-input and agro-processing industries (wherever they are situated) fit into the

53 Rigg, op. cit., pp. 266-68; Grabowski, R. 1995. 'Commercialisation, Non-agricultural
Production, Agricultural Innovation and Economic Development.' The Journal of Developing
Areas 30: 41-62.

Market: The Political Economy of Agrarian Development in Kenya. Cambridge University Press,
Cambridge. See also Moore, M. 1990. 'The Rational Choice Paradigm and the Allocation of
picture. Other critical influences on outcomes identified which are suppressed in urban bias models include the effects of bad management, nepotism and corruption as well as government policies which favour one region or one set of rural producers over another.

**Complementary Initiatives**

Fortunately, the policy choices facing developing societies do not necessarily involve as many ‘either/or’ decisions as the urban bias and other bodies of development literature often imply. For, while even some of the more sophisticated analysts can be found representing policy choices in far too stark terms (‘getting the prices right’ versus investment, growth versus equity, urban versus rural, etc.), many policies were shown to serve several goals. Prudent macroeconomic policies encourage more labour-intensive forms of industrial and agricultural production and also ensure that governments are able to sustain investments in areas such as rural infrastructure, agricultural research and development, and social programs.

Other initiatives identified in chapter 8 which serve several goals include increased spending on rural primary education and selective public health initiatives, especially those targeted at women and small children. These interventions not only often provide an effective and cost-efficient means of improving social welfare, they are also beneficial to the overall growth of the economy as well as to the growth of the rural farm and non-farm sectors. As regards rural education, increased spending in this area is important to speed up the adoption of new technologies by small farmers and (along with improvements in rural road networks) increase the ability of individuals to take advantage of non-farm opportunities, and to generally increase mobility between the rural and urban areas.

Prudent macroeconomic policies and investment strategies that encourage the development of labour-intensive enterprises also allow developing countries to take greater advantage of knowledge spillovers and other phenomena associated with increasing returns to investment. The new growth literature can be utilised (see chapters 3, 4, and 8) to provide a reasonably strong theoretical justification in support of a ‘big push’ strategy. However, as discussed in chapter 8, the economies of scale associated with such a strategy are arguably less critical to economic success in the developing world than the knowledge spillover externality. Less opportunity exists in more capital-intensive and technologically
sophisticated enterprises for employees to take advantage of the knowledge they obtained by working and watching, to set up their own enterprises. As discussed, such knowledge spillover externalities were a major reason why the Bangladesh garment industry developed so rapidly.

9. Beyond the Rural/Urban Divide

The need to view policy choices from within a broader frame of reference than that employed by urban bias theorists and other social theorists was further emphasised by the discussion in the previous chapter on the relationship between urban and rural areas. As noted, urban bias theorists and many other analysts have also been slow to appreciate the reality that many of the changes taking place throughout the developing world bring into question the usefulness of making such rigid distinctions between the urban and rural sectors.

According to Frances Bray, conventional distinctions are especially problematical in Asia’s wet-rice growing regions. Because of its high productivity, and the diversified range of activities which wet-rice production gives rise to, these regions are able to support large populations. In Bray’s model, the technological system that evolves has such internally-generated momentum that wet-rice economies tend to converge towards a similar system of production despite their greatly differing circumstances. Bray’s ideas have been taken up and expanded upon by several authors in the publication *The Extended Metropolis*. The central theme of this publication is that in surrounding major urban centres in many regions of Asia there exists some densely populated zones of mixed activity which are hard to categorise using conventional spatial terms, and which require a major rethink on the part of policy makers.


As discussed, Bray’s technological determinism is such that she fails to adequately explore the possibility that the wet-rice systems she describes evolved in response to population and other pressures rather than the other way round. She, and to a lesser extent the authors of *The Extended Metropolis*, also downplay the differences between the various wet-rice growing regions, the result, among other things, of the often vastly differing colonial experiences and environmental conditions in them. Despite these and other identified deficiencies of what is termed the Bray/Desakota model in this thesis, the work of these two sets of authors has undoubtedly highlighted some important issues about the dynamics unfolding in regions of Asia, which are worthy of further exploration.

In fact, throughout the developing world, and not simply in Asia, developments in transport and communications are shaping spatial relationships in a way not experienced in developed countries at a similar stage of development (see chapter 8, part 2). Not only has this resulted in more industries and institutions being located outside of major urban centres, influences such as film and television have profoundly shaped the consciousness of rural people. Especially in Asia, so-called rural households are now involved in a diversity of activities, with some members working some or part of the year in urban centres nearby or further afield. These family members often send back money to support their families or to invest in technological advances in agriculture.

In themselves, such interactions and linkages bring into question the usefulness of viewing urban and rural poverty as somehow separate from each other, and the value of designing different programs for each. As pointed out in chapter 8, they also highlight the reductionistic nature of some conventional development discourses such as whether technological change and globalisation are pushing people out of agriculture into low-paying jobs, or whether increasing diversification is being generated by more positive factors such as a more productive agricultural sector and higher levels of education. In relation to Southeast Asia specifically, the need to see beyond such discourses is illustrated by the findings of studies cited by Rigg which indicate that, even when it is more profitable for them to stay living in rural households, many young people still opt for low-paid work with poor conditions in major urban centres because, among other things, of the greater personal freedom this gives them and the higher prestige such employment has.57

57 For a review of these studies see Rigg, *op. cit.*, pp. 216-223.
10. Conclusion

This thesis has demonstrated that arguments in support of allowing markets much greater freedom to determine outcomes often rest on some very shaky theoretical and empirical foundations. It has also demonstrated that a strong bias exists within the economics profession in support of free market policies, that conventional neoclassical economic models deal inadequately with many important issues, and that neoclassical revisionists such as Krugman and Romer do not go far enough in their revision of neoclassical theory. Another finding is that the methodological approach favoured by public choice theorists and other neoclassical political economists is strongly biased in favour of 'hard liberal' or 'new right' economic policies.

The weakness of the theoretical and empirical case often presented in support of free market policies has provided ample opportunity for those who favour a return to a more mixed economy/Keynesian approach to economic management to seize the initiative in important policy debates. In fact, as this thesis has shown, leading critics of neo-liberalism such as John Quiggin and Robert Wade have presented some compelling arguments in support of states playing a more active role in the management of economies. Such critics of neo-liberalism have also presented some strong arguments in support of the need for a more interventionist stance by states at an international level. Initiatives favoured include a uniform tax on foreign exchange transactions to bring greater stability to the world financial system and the incorporation of basic human rights and environmental legislation into international trade agreements.

The strength of the opposition to a return to a more mixed economy/Keynesian approach to economic management makes it imperative that support for such initiatives is expressed in ways that supporters of neo-liberal economic policies (within policy elites and elsewhere) are put increasingly on the defensive and forced to make concessions to their critics. As this thesis has shown, the reality has been that the quality of much of the analysis critical of the neo-liberal economic world view has been sufficiently poor that supporters of free market policies have all too often found it easy to seize the initiative in important policy debates. In fact, so confused has been the analysis of many socially and environmentally concerned
actors that, even if they do succeed in pressurising governments and international institutions into changing policy direction, it cannot be assumed that this is necessarily a good thing. If this situation is to improve, it is imperative that more sophisticated critics of neo-liberalism both within academia and elsewhere (within social movements, etc.) start to spend as much of their time vigorously criticising the views of their more economically naive or ideologically dogmatic colleagues as they do the views of neoclassical economists and governments and international institutions. As the history of the 20th century clearly demonstrates, good causes often need to be protected as much from their more zealous and naïve supporters as they do from their critics. Discussions such as those on globalisation and alternative developmentalism in this thesis illustrate that this, unfortunately, is still very much a feature of the political landscape at the start of the 21st century.