

Unit 8

Comparing Models: Economic Development

The Modern World

Measuring and classifying the levels of development between countries is problematic. Development suggests a single trajectory through which all countries move. Therefore, several models do not take into account geographical differences. Nor do many consider the ability of some countries to influence others, or the different positions different countries occupy in the global economy. Two general types of models are liberal and structuralist.

Liberal models assume that all countries will follow the same stages along a development trajectory (similar in scope to the demographic transition in analyzing population change). These models suggest that economic disparities between countries are the result of short-term inefficiencies in local or regional markets. On the other hand, **structuralist models** view regional economic disparities as a structural feature of the global economy. Disparities exist through historical constructs (some brought about through the Ages of Colonialism & Imperialism) with wealth in certain areas, but not in others. These models demonstrate that it is misleading to assume all areas will go through the same process of development.

The Modernization Model

The classic development model is Walt Rostow's Modernization Model published in 1960, also known as the *ladder of development*. Many theories developed out of the decolonization movements of the 1960s. Rostow looked to how the core countries, the economically dominant states, had gotten where they were. The Modernization Model assumes all countries follow a similar path toward modernization, advancing through five stages of development:

1) *The Traditional Society* – the dominant activity is subsistence farming; the social structure is rigid and unchanging; there is much resistance to technological change.

- 2) *Preconditions for Takeoff* – progressive leadership and education moves the country toward greater flexibility, openness, and diversification.
- 3) *Takeoff* – the country experiences something akin to an industrial revolution, and sustained growth takes hold. Urbanization increases and industrialization proceeds; technological as well as mass-production breakthroughs occur.
- 4) *Drive to Maturity* - technologies diffuse into all sectors of the economy (primary, secondary, tertiary, etc.), industrial specialization occurs, and international trade expands. Modernization is especially evident in the core areas, and population growth slows.
- 5) *High Mass Consumption* – marked by high incomes and widespread production of a variety of goods and services. A majority of the workers are in the service sector of the economy.

The general criticisms of development models apply to Rostow; a lack of consideration for geographic differences, the interdependent influences of countries on each other, and their roles in the global economy. In addition, the Modernization Model provides no larger context to development. Forces within an individual country can also effect development decisions, whether they are cultural, political, or regional. It is also interesting to note that the “industrial” countries of today are really “postindustrial”, in that much industrial production has shifted away from some of the wealthiest states on the globe. The chart below displays the essential elements of the Rostow's theory of industrial development.

Rostow's Modernization Model

Characteristics	Stage One: The Traditional Society	Stage Two: Preconditions for Takeoff	Stage Three: Takeoff	Stage Four: Drive to Maturity	Stage Five: Age of Mass Consumption
Economy	<ul style="list-style-type: none"> largely agricultural (>75%) limited production 	<ul style="list-style-type: none"> surplus of agr. & capital expansion of trade & manufacturing 	<ul style="list-style-type: none"> rapid expansion of industry surge of technology commercial agr. 	<ul style="list-style-type: none"> technology extends to all sectors labor-saving devices are made 	<ul style="list-style-type: none"> more use and production of durable goods service sector dominates (>50%)
Society	<ul style="list-style-type: none"> hierarchical social structure 	<ul style="list-style-type: none"> beginnings of a commercial class w/ some urbanization 	<ul style="list-style-type: none"> increasingly dominant entrepreneurial class 	<ul style="list-style-type: none"> urbanization increase in skilled and professional workers 	<ul style="list-style-type: none"> new middle class shift to the suburbs population growth stabilizes
Political Power	<ul style="list-style-type: none"> regionally-based in the hands of the landowners 	<ul style="list-style-type: none"> centralized national government 	<ul style="list-style-type: none"> powerful factions encourage modernization 	<ul style="list-style-type: none"> industrial leaders are highly influential 	<ul style="list-style-type: none"> social welfare more resources for military & security
Values	<ul style="list-style-type: none"> resist change, focus on old traditions 	<ul style="list-style-type: none"> rising spirit of progress and openness 	<ul style="list-style-type: none"> increased investment of capital for profit 	<ul style="list-style-type: none"> emphasis on technology expectation of progress 	<ul style="list-style-type: none"> increased acquisition of consumer goods

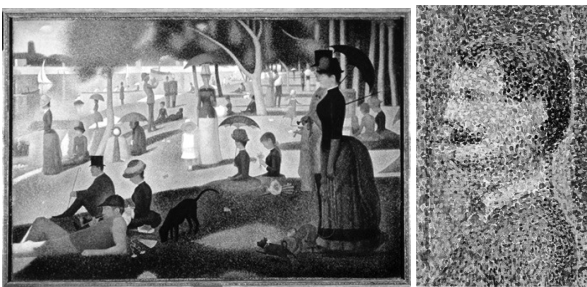
Dependency Theory

The principal structuralist alternative to Rostow, known as **dependency theory**, addresses some of the shortcomings of the modernization model, but not all. The theory states that political and economic relationships between countries and regions of the world control and limit the economic development possibilities of more peripheral areas. For example, colonialism caused the colonies to become dependent on the imperialist powers. Such dependency helped sustain the prosperity of dominant regions and the poverty of other regions, even after decolonization occurred. By the middle of the eighteenth century, Europe had laid the foundations for its colonial expansion and global economic domination.

Today, countries in the periphery accuse the core of perpetuating its advantage through **neo-colonialism** – the entrenchment of the old system of dominance under an economic rather than political guise. Dependency theory thus sees very little hope for the economic prosperity in poorest areas. While prosperity has been difficult to achieve for countries and regions that have been traditionally dominated by external powers, some have made economic gains. Keep in mind, however, like the modernization model, dependency theory is based on generalizations about economic change paying relatively little attention to geographical differences in culture, politics, and society.

Core-Periphery Model

The study of economic development detached from political, cultural, or regional context does not reflect reality. Immanuel Wallerstein's **World-Systems Theory** provided a framework that takes into account geography, scale, place, and culture. This theory holds that the world is much more than the sum total of the world's states.



Sunday on La Grande Jatte by Georges Pierre Seurat

Much like a pointillist painting, we must understand a states' spatial and functional relationship within the world economy. The development of a world economy began with capitalist exchange as a result of the European Age of Colonialism and the Commercial Revolution, in which corporations and states produce goods and services to be exchanged for profit. The Europeans exported their political concepts of the nation-state, facilitating the construction of an interdependent global economy.

There are three basic tenets to the World-Systems Theory:

The world economy:

- 1) is a single market with a global division of labor.
- 2) contains multiple interconnected states.
- 3) has a three-tier structure (core, periphery, and semi-periphery).

Today, a **global division of labor** (1) has emerged in which corporations can draw from labor markets around the world. This has been made possible largely due to **time-space convergence** – the accelerated movement of goods and information through improvements in transportation and telecommunications (**time-space compression** is the psychological effect). The **friction of distance** – the increase in time and cost along with increasing distance – has been dramatically reduced due to technologies like containerization and the Internet.

Despite the existence of around 200 states, everything takes place within the context of the world economy (2). These states are aligned along a spectrum of three tiers: the core, periphery, and semi-periphery (3). The **core** states contain populations with higher levels of health, wealth, education, and technology. They generate more wealth for the world economy. The **periphery** contains populations with lower health, wealth, education, and less technology. These states maintain a more marginal position in the world economy. Additionally, the **semi-periphery** has both core and peripheral processes occurring within and outside of their borders. They may be exploited by the core states, but in turn exploit the periphery.

The core-periphery model is fundamentally different from the modernization model because it holds that not all places can be equally wealthy in the capitalist world-economy. It also presumes that socioeconomic change will not occur the same way in all places, and is therefore sensitive to the geographic context in economic terms, at least. However, it does suggest that countries do not necessarily develop in **stages**, rather, the entire system does. New technologies require the use of different resources, which may alter the importance of some regions over others (which helps to explain why some states have developed faster than other states). The core-periphery model is also applicable at multiple **scales**. For instance, it can exist within a local area (a central business district in a city), within a region (Miami is the core of South Florida), within a country (Johannesburg is the core of South Africa), or within the context of the world (Japan is a core state).

Questions/ Tasks:

1. Summarize the five categories of the modernization model. Identify a country in each stage.
2. Many nations are past Stage 5. Create your own column entitled *High Technology*, depicting the modern world.
3. Describe the essential elements of dependency theory.
4. What are the key differences between liberal and structuralist models? Which do you think are more accurate? Why?
5. Briefly discuss the three basic tenets of the world-systems theory.
6. Explain TWO ways in which the world-systems theory is unique. Propose ONE critique of the theory.
7. Identify and compare two differences between the modernization model and the core-periphery model.