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The Causes of Underdevelopment in the Third world and Possibility for Human Development

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This paper will discuss the causes of economic development in the Third World along with the discussion on the possibility of human development in the Third world. There will be two sections with several subsections in the paper. The first section will discuss on the development and underdevelopment in the third world while the second section would discuss on the possibility of human development in the third world. This paper will use the method of literature review to reach to a final conclusion posed by the questions. List of references will be added with the paper as endnotes.

Section 1: Causes of Economic Development and underdevelopment in the Third World

Before discussing the causes of development and underdevelopment in the third world, we must address the debated controversy of what constitutes the definitions of the key terms. The first subsection of this paper will discuss the controversy surrounding the definition of each term and ultimately reach to a final definition that will, at least for the purposes of this paper, act as the consensus of discussion of the question posited above.

a) Economic Development

Economic development is a complex process ^[1] (Isbister, 2006, p. 147, Chapter 6). There are many indicators to be taken into consideration and many conventional means that must not be taken into consideration. The following is a discussion of the indicators that can be used to define economic development and their plausibility as credible benchmarks of the achievement of economic development.

i)Changes in Gross Domestic Product: Change in GDP is a way to measure economic development. because positive change in the GDP means the same in case of income. GDP per person, therefore is a measure to calculate average standard of living. But this idea may prove

deceptive because almost none of the people of a country receive the average income (Isbister, 2006, p. 148, Chapter Six). Some receive more and most receive less. In many cases the most part of the increased GDP goes to the wealthiest of the country and the poorest receive so little. A very alarming case all over the world is that the gap between the rich and the poor is only increasing in most countries. Therefore an increase in GDP rarely means the increase in the standard of living of the people.

A case study on this is the Indira Gandhi Canal Project in India, where the project stemmed an increase in the overall GDP but failed to ameliorate the conditions of the marginally poor and centralized land and capital in the hands of a newly prosperous landowning class who were successful to buy off or control the peasantry by other methods who were originally endowed with the land by the government. Therefore, while change in GDP can be an indicator for economic development, it is only partial and not the most reliable one.

ii)Sustainability: Sustainability is an important indicator of real economic development.

Isbister(2006) discusses the topic in the following fashion:

...increasing numbers of people are calling for sustainable development: development that protects its environmental base so that it can be continued into the indefinite future. According to this way of looking at the issue, economic growth that fails to protect the environment is not true development, because it cannot be sustained. (p. 149, Chapter Six)

While Isbister only concern about the environmental effects as a measure for sustainability, increase in average GDP per person and standard of living is surely another one. Because if the economy fails to produce enough buyer for the product it produces, it would fail to sustain the development it achieves in the short run. We find the truth of this case in studying Brazil where the poor grew in number and not in standard of living ,eventually stagnating the

economy being unable to buy the products that the economy produced (Isbister, 2006, p. 150, Chapter Six).

iii) Income distribution: Income distribution is an important benchmark that provides sustainability to the economic growth. Although this was ignored by many economists in the past, this idea is growing more prominent by the day. The trend for the new century is bridging the gap between the rich and the poor and creating a middle class that can consume the products that the economy produces.

iv) Human development and the achievement of basic needs: The establishment of World Bank as an international lending organization changed the definition of economic development to a great extent. In 1970s, Bank President Robert S. McNamara and his associates directed attention to the needs of the absolute poor and directed economic development towards basic needs (Isbister, 2006, p. 151, Chapter Six). The basic needs are: sufficient food, adequate shelter from the elements, decent clothing, protection from disease, and elementary education.

The United Nations Development Program advanced the basic needs approach a step further by constructing a human development index (Isbister, 2006, p. 151, Chapter Six). It acts as an alternative to the GDP expansion approach to economic development because part of the HDI is also the expansion of the GDP expansion per person and also includes the achievement of basic needs. This gives us newer outlook in viewing economic development. Under the HDI approach, China does better than it does under the GDP approach because it has been largely successful to provide the basic needs to its people (Isbister, 2006, p. 151, Chapter Six). Some countries like Brazil shows results that are just the opposite and these performances directly relate to the standard of living in the people residing in these countries.

Therefore: keeping all the aforementioned conditions in mind, an acceptable definition of economic development is:

The expansion of the economy measured by the expansion in the GDP that is sustainable and provides proper income distribution among the people of the economy resulting to a better standard of living as measured by the achievement of basic needs and a better ranking in the Human Development Index.

b) Economic Underdevelopment

The idea of economic underdevelopment is a very important one. A strict definition of this is absolutely indispensable before starting a discussion on this topic. Because, underdevelopment is not simply the opposite of development, it is actually a special condition that has risen in the post colonial third world that creates a hindrance to the path to development, keeping the nations from achieving their developmental goal. The effect of colonialism and neo colonialism gave birth to this special phenomena.

The definition of underdevelopment by Smith(2013) will be used in this paper which is the following:

Underdevelopment refers to a continuing relationship of exploitation where, at any one level in the chain, the full economic surplus is not available for reinvestment. (p.57, Chapter Three)

Another explanation of this definition can be, economic underdevelopment is a condition where for a set of reason an economy is not able to reach its full potential of growth and existing relations hinders change towards a state of economic development.

c)The Third World

The working definition of the third world for the purposes of this paper will be a direct excerpt from Smith(2013) which is as follows:

The third world will be defined as a group of countries which have colonial histories and which are in the process of developing economically and socially from a status characterized by low incomes, dependence on agriculture, weakness in trading relations, social deprivation for large segments of society, and restricted political and civil liberties. (p.11, Chapter one)

Causes of Underdevelopment and Development

There are three main schools of scholars that discuss the reasons of underdevelopment in the third world and they also try and provide specific frameworks for overcoming those problems and heading towards a developed state. The main schools of theorists are- the dependency theorists and the modernization theorists. For the purposes of this paper, dependency theorists and marxists theorists will be viewed as a single entity as much of the revolutionary ideas from the socialist faction of the dependency school and marxists overlap almost indistinguishably. There proposed reasons of underdevelopment and direction for development is summed in the following discussion:

Modernization Theory:

The modernizationists think of today's third world societies being largely traditional. They believe that the life under the traditional system is not linear but cyclic where there is very little space for innovation and change. Nothing is innovative and there is no attempt make someone's conditions than the current state. (Isbister, 2006, p. 33, Chapter Three)

The modernization theorists are not dismissive of the traditional lifestyle of the third world and do not commonly view it as negative. But from the economic perspective it is poor, subsistence life, a life that has no hope of accumulation, income, or wealth. Historians in the

modernization school argue that about five hundred years ago, most people in the world were poor, living under the traditional social arrangements. Sparks of scientific discovery and higher yield in crops gave birth to the ripples of change into the society that could evolve into something new. The modernizationists argue that the failure of development in the third world is simply the failure of societies to kindle similar sparks of creativity. (Isbister, 2006, p. 36, Chapter Three). Their diagnosis of the causes of the underdevelopment of the third world is the failure of dismantling the traditional society and creating a capitalist society where upward mobility is possible.

The direction for development provided by the modernization theorists is described by Isbister(2006) as following:

The transformation to modernity requires a breaking of these ways of thought-the creation, for example, of a 'need for achievement', to use psychologist David McClelland phrase- a celebration of individual success as opposed to group affiliation. [...] What is needed is a class of entrepreneurs who will mobilize the country's wealth for productive investment, to create the technology and the capital needed for growth. (p. 38, Chapter Three)

However, this change might seem unnecessary since it is too risky for the people of the third world from their own perspective. Therefore the transformation requires low risk opportunities and incentives to be provided to people so that they can opt for higher productivity and incomes (Isbister, 2006, p. 39, Chapter Three). The impetus for this change can come from within the society or from outside of it. For a proper sustainable development, the change must come from inside of the society from a people who can help sustain their achievement. It can come from a new people that were outside of power structure or it can come from a people who were formerly disposed of their power in an older power structure.

The modernization school however, does not exempt the developed world from the burden of promoting growth in the underdeveloped world. They argue that it is mutually beneficial for the two worlds to help each other develop. The third world can benefit acquiring

the knowledge and technology from the first world and the first world can create a new consumer base for their products in the third world by helping them develop economically. (Isbister, 2006, p. 40, Chapter Three) The modernizationists however, believe that growth of the first world is indispensable for the growth of the third world. The creation of capital to be employed in developing the third world will be impossible without it, they argue.

Dependency Theory

One of the predominant theories coming especially from the voices of the third world leaders themselves is the dependency theory. Dependency theorists believe that the growth of today's rich countries has impoverished the third world and that the forces of international capitalism still blocks its progress (Isbister, 2006, p. 41, Chapter Three) . John Isbister describes it in the following excerpt:

To those in the dependency school, however, underdevelopment is a process. Underdevelopment is not just the failure to develop; it is an active process of impoverishment. Aidan Foster-Carter put it nicely when he described Andre Gunder Frank's use of underdevelop as a transitive verb, as in 'I underdevelop you.' (Isbister, 2006, p. 42. Chapter Three)

B.C. Smith provides the following definition for underdevelopment from the perspective of dependency theorists:

Underdevelopment refers to a continuing relationship of exploitation where, at any one level of the chain, the full economic surplus is not available for reinvestment. (Smith, 2013, p.57, Chapter Three)

According to dependency theorists, the underdevelopment of the third world is a process started by the colonialists. An economic explanation of imperialism is the voracious demand of the industrialized countries for raw materials and for food imports from the world's tropical areas (Isbister, 2006, p. 76, Chapter Four).Imperialism shaped the economy of the third world which

even today leave the vast majority in desperately poor conditions. The imperialists destroyed the traditional economic systems of the third world and replaced it with a production system that produced good for their own consumption. The colonies were turned into vast production system for sugar,cacao, tobacco, wheat, cotton, meat, fish, jute , coffee, coconuts, rubber, wool, palm oil, rice, bananas, ground nuts, indigo, tin, gold, silver, bauxite, copper and many more products (Isbister, 2006, p. 87, Chapter Four)

The dependency theorists see a fundamental difference between their views and the views of the modernizationists. They say:

The modernization school sees the rich countries as being the main obstacle to the well-being of the poor. [...] Modernization theorists are by and large liberal and pro capitalist , whereas dependency theorists are socialist and frequently revolutionary. (Isbister, 2006, p. 47, Chapter Four)

Although there is a significant difference between the dependency theorists and the modernization theorists in the diagnosis of the problem, some of the dependency theorists choose the path prescribed by the modernizationists. They propose to fight fire with fire, the fire being capitalism. They can use today's capitalism to break out of it's dependent state. The scholars of this school find examples in Japan, Singapore, Hong Kong, Taiwan. South Korea and Malaysia. (Isbister, 2006, p. 48, Chapter Four)

However, most in the dependency school argue against this notion and say that capitalism is not a strategy that can work for the great majority of the world's poor. They argue that it reproduces class tensions and inequalities that are found in the economically advanced countries. (Isbister, 2006, p. 48, Chapter Four)

Most of the dependency adherents negate the notions of liberalism and call for a full fledged socialist revolution in the third world with an idea very close to marxism. The only distinguishable difference between the marxist analysis and the dependency theory analysis is that marxists consider the class struggle that is the cause of underdevelopment as being internal whereas dependency theorists consider it to be external. (Isbister, 2006, p. 49, Chapter Four)

However, I would argue that the internal class struggle is nothing but an epiphenomenon of the global class conflict portrayed by the dependency school. And some adherents of the dependency school also agrees to marxist analysis of internal struggle. Therefore I include marxist analysis as a subsection under the dependency school and not an independent ideology.

The postcolonial overdeveloped state: a cause of underdevelopment and a prologue to the discussion regarding the possibility of human development

- The state in the third world has rarely, if ever, developed as a politically neutral institution. It has frequently fallen under the elites from dominant ethnic groups as exemplified by Sudan, Kenya and Malaysia. It has been exploited by the bourgeois as exemplified by the Latin American capitalist states. Political democracy prevails across the continent but it lacks civil democracy where the rights of the citizens are scrupulously observed. (Smith, 2013, p. 87, Chapter Four)
- The power of the government in the third world has never been equally distributed. Exemplified by Burma, Iran and Nigeria where freedom of organization is suppressed. The civil society in these countries are also underdeveloped and therefore cannot equally influence the government. (Smith, 2013, p. 88, Chapter Four)
- Third world countries also show a overdeveloped bureaucracy. The colonialists overdeveloped this sections of the society to facilitate their rule but underdeveloped the civil society. Thus the bureaucracy sometimes became military and authoritarian in the post colonial period. The private sector is weak and dominated by the bureaucracy. Some other functions like party bureaucracies sometimes counter the power of bureaucracy as exemplified by Tanzania. The bureaucracy also can become a center of political competition as happened in Mali. The bureaucracy provides support of the rise of a meritocratic stable middle class. (Smith, 2013, p. 90, Chapter Four)
- Sometimes the bureaucracy develops into an authoritarian state. The state eliminates competition and closely controls political participation. They see democracy as an

obstacle to economic growth. This happened in Brazil, Argentina and Chile. (Smith, 2013, p. 91, Chapter Four)

Possibility of Human Development in the Third World: Original Analysis

Defining human development as the achievement of the basic needs for the majority of the citizen of a given country, I think that there is a significant possibility of human development in the third world. The achievement of human development is possible if the following stages are observed by a third world society:

Stage 1: Widespread education: Among the basic needs, education must be emphasized as the first step towards development. Education can be the most powerful tool against the traditional economic system and the circular lifestyle of the people of the third world as observed by the modernizationists. Education should be widespread, free and career-oriented. Much emphasis must be put into making a) a trained labor force b) a trained class of entrepreneurs and c) a trained class of researchers. The trained labors will be eligible for a higher pay automatically granted by new businesses launched by a growing class of entrepreneurs. Researchers would invent new technologies and methods to create improvements for the industry and help create new revenue generating industries for the economy. The education must be restructured so that it is not purposefully structured to create a class of bureaucrats but a class of risk taking innovators and entrepreneurs. All other education must be seen as redundant.

Stage 2: Cutting down the bureaucracy and financing entrepreneurs: The second stage for human development should be cutting down the bureaucracy and reallocating the budget towards aspiring entrepreneurs. It could be done through the public universities where the school authority may issue grants provided by the government to help students fund a startup business that can create jobs for the society. The government should try to create publicly owned private

enterprises where the management would be done through private sectors and the initial financial help should be done by the government through buying shares of promising companies and generating revenues out of the businesses.

Stage 3: Increase investments opportunities national and international investors: The governments of third world should follow the model of newly developed East asian countries like Singapore, South Korea and Malaysia and open their market to national and international investors for increasing economic growth. The government should undertake monetary and financial policies to keep the economic environment favorable for investment.

Stage 4: Provides a legal and fiscal framework, promote human development and enforce law and order: The state should enforce strict labor laws and ensure the implementation of labor rights. It should also strictly enforce property rights and provide legal framework for business contracts to ensure economic growth. The government should increase welfare measures while reallocating the financial resources from the redundant bureaus and reallocate the resources to welfare programs such as sanitation, electrification, education, social security etc.

Stage 5: Support NGOs in humanitarian activism: The state should support local and international non-governmental organization who genuinely help to improve human condition in the state. The state may try to fund the organizations if possible. The state must provide full access to the NGOs and help them carry out the social projects which have been proven useful.

Stage 6: Increase control over international trade and colonialism: As a final stage, when the state has become somewhat develop and can afford to exert political power, the state must endeavor to exert control over the interests of the international capital and as a sovereign entity in controlling neocolonial agendas and promote its self interests on a global stage.

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