Development theory

Bottom of Form

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**Development theory**, cluster of research and theories on economic and political development.

**The Emergence of Development Theory**

The use of the term *development* to refer to national [economic growth](https://www.britannica.com/topic/economic-growth) emerged in the United States beginning in the 1940s and in association with a key American [foreign policy](https://www.britannica.com/topic/foreign-policy) concern: how to shape the future of the newly independent states in ways that would ensure that they would not be drawn into the communist Soviet bloc. Motivated by this concern, the United States enlisted its social scientists to study and devise ways of promoting capitalist economic development and political stability in what was termed the developing world. Development theory refers to the research and writing that resulted from this effort.

There are different [conceptions](https://www.merriam-webster.com/dictionary/conceptions) of development and, consequently, [disparate](https://www.merriam-webster.com/dictionary/disparate) approaches to the subject. However, all approaches are concerned with the relationship between development and governance. Development is usually seen as crucially determined by structures of governance; governance is interpreted through and shaped by the goal of development. Most development theory equates development with national economic growth and sees the state as its primary agent; consequently, one of its central concerns is to understand and explain the role of the state in development and the nature of government-market relations. Because these explanations relate development outcomes to the extent and form of the state’s role in development, there is a close relationship between development theory and practice.

Development theory has changed over time with changes in [ideology](https://www.merriam-webster.com/dictionary/ideology) and the international [environment](https://www.merriam-webster.com/dictionary/environment), and, as it changes, so do its conceptions of development and governance and how they are related. Changing conceptions of governance and its relation to development can be traced through the major perspectives on development that have emerged since [World War II](https://www.britannica.com/event/World-War-II), as represented by theories of [modernization](https://www.britannica.com/topic/modernization) and growth, dependency and world systems theories, the resurgence of neoclassical theory, and an array of newer critical perspectives.

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**Theories of Modernization and Growth**

Development involves innumerable variables, including economic, social, political, gender, cultural, religious, and environmental factors. But though development theory [integrates](https://www.merriam-webster.com/dictionary/integrates) concepts and perspectives from a range of [disciplines](https://www.merriam-webster.com/dictionary/disciplines), it was highly influenced by economic thought from the start. Early theoretical models of development equated development with economic growth and industrialization, and theorists saw countries that had not yet achieved these as being at an earlier or lower stage of development relative to Europe and [North America](https://www.britannica.com/place/North-America). The most influential proponent of this view was the American economic historian [Walt W. Rostow](https://www.britannica.com/biography/W-W-Rostow). His 1960 book, [*The Stages of Economic Growth: A Non-Communist Manifesto*](https://www.britannica.com/topic/The-Stages-of-Economic-Growth-A-Non-Communist-Manifesto), elaborated a linear-stages-of-growth model that defined development as a sequence of stages through which all societies must pass. This [conception](https://www.merriam-webster.com/dictionary/conception) of the nature and process of development became the basic blueprint for modernization theory.

Modernization theory emerged following World War II to address the issue of how to shape the economies of states emerging from European colonization. Its [implicit](https://www.merriam-webster.com/dictionary/implicit) aim, as the subtitle of Rostow’s book makes clear, was to shape the development of these countries along capitalist lines. Modernization was, thus, conceived of as the relations of production and standards of living characteristic of western Europe and the United States. In line with Rostow’s model, modernization theorists treated underdevelopment as a stage common to all developing countries and a result of weaknesses in the various factors of production—land, labour, and capital. Theorists emphasized increased savings and investment as the key to development and argued that [international trade](https://www.britannica.com/topic/international-trade) in products particularly suited to national factor endowments would enable more efficient resource allocation and greater earnings, and these could be translated into savings and then used to promote development. Theorists [envisioned](https://www.merriam-webster.com/dictionary/envisioned) that—by [disseminating](https://www.merriam-webster.com/dictionary/disseminating) technology, knowledge, managerial skills, and entrepreneurship; encouraging capital inflow; stimulating competition; and increasing productivity—foreign trade, together with foreign investment and aid, would be the engine of growth for developing countries.

**Dependency and World Systems Theories**

Modernization theory claimed that once developing societies came into contact with western European and North American societies, they would be impelled toward [modernization](https://www.britannica.com/topic/modernization) and, eventually, would achieve the economic, political, and social features characteristic of the nations of western Europe and the United States. However, by the 1960s it was apparent that the [Third World](https://www.britannica.com/topic/Third-World) was not passing through a stage of underdevelopment, as [envisioned](https://www.merriam-webster.com/dictionary/envisioned) by modernization theory, but remaining underdeveloped. Thus, a counterclaim was advanced—that developing countries today are structurally different from the advanced countries and so will have to develop along different lines. This claim became the core of the structuralist thesis developed by [intellectuals](https://www.merriam-webster.com/dictionary/intellectuals) from [Chile](https://www.britannica.com/place/Chile), Argentina, Brazil, and Peru brought together by the United Nations Economic Commission for Latin America (ECLA; today known as [Economic Commission for Latin America and the Caribbean](https://www.britannica.com/topic/Economic-Commission-for-Latin-America-and-the-Caribbean), ECLAC).

The main theoretical tenet of ECLA’s approach was that former colonies and no industrialized nations were structurally different from industrialized countries and, therefore, needed different recipes for modernization. ECLA argued that colonization restructured former colonies’ economies so that they specialized in producing raw materials, cash crops, and foodstuff for export at low prices to the colonizers’ home countries. These structures created a [dynamic](https://www.merriam-webster.com/dictionary/dynamic) that was continuing to impoverish former colonies and to thwart their modernization. According to ECLA, the international [division of labour](https://www.britannica.com/topic/division-of-labour) created by colonization had separated the international economy into a centre, consisting of the industrialized countries, and a [periphery](https://www.merriam-webster.com/dictionary/periphery), which included all the rest of the countries around the world outside of the socialist camp. Because the prices of manufactured goods bought by the periphery were rising faster than those of raw materials, cash crops, and foodstuffs sold by the periphery to the centre, [international trade](https://www.britannica.com/topic/international-trade) ensured the persistence of an unbalanced process of development. Thus, in contrast to modernization theory, which emphasized the benefits of [free trade](https://www.britannica.com/topic/free-trade), foreign investment, and [foreign aid](https://www.britannica.com/topic/foreign-aid), these theorists argued that free trade and international [market](https://www.britannica.com/topic/market) relations occur in a framework of uneven relations between developed and underdeveloped countries and work to reinforce and reproduce these relations.

This perspective formed the basis of what came to be known as [dependency theory](https://www.britannica.com/topic/dependency-theory). Dependency theory rejects the limited national focus of modernization theory and emphasizes the importance of understanding the complexity of imperialism and its role in shaping postcolonial states. Its main tenet is that the periphery of the international economy is being economically exploited (drained) by the centre. Building on ECLA’s perspective, dependency theorists argued that colonialism recast economies in the Third World in a highly specialized export-producing mold, creating fundamental and interrelated structural distortions that have continued to thwart development. Once this reshaping was accomplished, market forces worked to perpetuate the relationship of dominance and exploitation between centre and periphery.

During the 1970s there also emerged a perspective that elaborated an account of capitalist exploitation of the periphery from the perspective of the system’s core. This theoretical enterprise became known as [world systems theory](https://www.britannica.com/topic/world-systems-theory). It typically treats the entire world, at least since the 16th century, as a single capitalist world economy based on an international division of labour among a core that developed originally in northwestern Europe (England, France, Holland), a periphery, and a semiperiphery consisting of core regions in decline (e.g., Portugal and Spain) or [peripheries](https://www.merriam-webster.com/dictionary/peripheries) attempting to improve their relative position in the world economy (e.g., Italy, southern Germany, and southern France). The division of labour among these regions determined their relationship to each other as well as their type of labour conditions and [political system](https://www.britannica.com/topic/political-system). In the core, strong central governments, extensive [bureaucracies](https://www.merriam-webster.com/dictionary/bureaucracies), and large [mercenary](https://www.britannica.com/topic/mercenary) armies enabled the local [bourgeoisies](https://www.merriam-webster.com/dictionary/bourgeoisies) to obtain control of international commerce and accumulate capital surpluses from this trade. The periphery, which lacked strong central governments or was controlled by other states, exported raw materials to the core and relied on coercive labour practices. Much of the capital surplus generated by the periphery was expropriated by the core through unequal trade relations. The semiperiphery had limited access to international banking and the production of high-cost, high-quality manufactured goods but did not benefit from international trade to the same extent as the core.

Dependency and world systems theories share a common emphasis on global analysis and similar assumptions about the nature of the international system and its impact on national development in different parts of the world, but they tend to emphasize different political [dynamics](https://www.merriam-webster.com/dictionary/dynamics). Dependency theorists tend to focus on the power of transnational classes and class structures in sustaining the global economy, whereas world systems analysts tended to focus on the role of powerful states and the interstate system.

Initially, the logic of these perspectives supported a strategy that came to be known as [import-substitution industrialization](https://www.britannica.com/topic/import-substitution-industrialization) (ISI). The ISI strategy was to produce internally manufactured goods for the national market instead of importing them from industrialized countries. Its long-run objective was to first achieve greater domestic industrial diversification and then to export previously protected manufactured goods as economies of scale and low labour costs make domestic costs more competitive in the world market. In the 1950s, 1960s, and 1970s, ISI strategies were pursued by countries such as Chile, Peru, Brazil, Mexico, Argentina, Ecuador, India, Pakistan, the Philippines, Indonesia, Nigeria, Ethiopia, Ghana, Zambia, [South Korea](https://www.britannica.com/place/South-Korea), Taiwan, and Japan. The strategy ultimately foundered because of the smallness of the domestic market and, according to many structuralist theorists, the role of transnational corporations in this system. These theorists concluded that ISI, carried out in conditions of capitalist relations of production dominated by the economic empires led by the United States, was a recipe for further colonization, domination, and dependency.

Thus, beginning in the 1970s, theorists and practitioners heralded an export-oriented strategy as the way out of dependency. This strategy gives priority to the growth of [manufacturing](https://www.britannica.com/technology/manufacturing) production aimed at world markets and the development of a particular [comparative advantage](https://www.britannica.com/topic/comparative-advantage) as a basis for success in world trade. The strategy is based on lower wages and levels of domestic [consumption](https://www.merriam-webster.com/dictionary/consumption) (at least initially) to foster competitiveness in world markets, as well as to provide better conditions for foreign investment and foreign financing of domestic investment. By the 1980s, however, many countries that pursued this strategy ended up with huge foreign indebtedness, causing a dramatic decrease in [economic growth](https://www.britannica.com/topic/economic-growth). Though the theorization of types of [peripheral](https://www.merriam-webster.com/dictionary/peripheral) development and their connection with the international system continued to undergo refinement in the 1980s and 1990s, structural theorists were not able to agree about what would end dependence and how a nondependent growth could be achieved.

**The Neoclassical Counterrevolution**

In the 1980s a neoclassical (sometimes called neoliberal) counterrevolution in development theory and policy reasserted dominance over structuralist and other schools of thought in much of the world. The emergence of this counterrevolution coincided with the abandonment by the developed countries of social democratic and Keynesian economic policies and, in particular, the policy of controlling capital movements, as well as the post-World War II [trading](https://www.britannica.com/topic/market) regime. Critics have pointed out that this counterrevolution also coincided with and seemed to offer justification and support for a wave of market-oriented interventions by the [World Bank](https://www.britannica.com/topic/World-Bank) and [International Monetary Fund](https://www.britannica.com/topic/International-Monetary-Fund) (IMF) and efforts to forge a unified global market regulated only by institutions reflecting the interests of transnational capital.

The neoclassical or neoliberal perspective represents a modification and further elaboration of [modernization](https://www.britannica.com/topic/modernization) theory. However, in contrast to modernization theory, neoclassical theorists see development as the outcome not of strategic state action but of the action of market forces. The central claim is that failure to develop is primarily the result of too much government intervention and regulation of the economy. Neoclassical theory emphasizes the [beneficial](https://www.merriam-webster.com/dictionary/beneficial) role of free markets, open economies, and the [privatization](https://www.britannica.com/topic/privatization) of inefficient public enterprises. Its recommended strategy for development is to free markets from state control and regulation, so that capital, goods, and services can have total freedom of movement and there can be greater openness to [international trade](https://www.britannica.com/topic/international-trade).

This is the basic blueprint for what has been termed good governance. The notion of [good governance](https://www.britannica.com/topic/good-governance) has been elaborated, in part, through a component of the neoclassical counterrevolution called [new institutionalism](https://www.britannica.com/topic/neoinstitutionalism). The basic [premise](https://www.merriam-webster.com/dictionary/premise) of this perspective is that development outcomes depend on institutions such as [property rights](https://www.britannica.com/topic/property-law), price and market structures, money and financial institutions, firms and industrial organizations, and relationships between government and markets. The essence of good governance is to ensure the existence of these institutions and their proper role and functioning, as seen from the perspective of neoliberal theory. According to neoliberal thought, good governance requires freeing the market from state control and regulation; reducing government expenditures for social services like education and health care; maintaining roads, bridges, the [water supply](https://www.britannica.com/science/water-supply), and so forth; and selling state-owned enterprises, goods, and services (including banks, key industries, railroads, toll highways, electricity, schools, and hospitals) to private investors.

As evidence of the soundness of these policy prescriptions for the developing world, proponents point to the experience of four “Asian tigers”: [South Korea](https://www.britannica.com/place/South-Korea), Taiwan, Singapore, and [Hong Kong](https://www.britannica.com/place/Hong-Kong). These were the most-successful cases of the export-led industrialization strategy adopted by many countries in the 1970s. All were able to achieve [economic growth](https://www.britannica.com/topic/economic-growth) based on export industries with a [comparative advantage](https://www.britannica.com/topic/comparative-advantage) in cheap but skilled labour. All maintained high rates of domestic savings and investment (with correspondingly lower levels of consumption). However, many people point out that, in contradiction to the market-oriented reforms prescribed by neoliberal theory and its underlying rejection of state intervention, this national development strategy in all the tigers except Hong Kong was planned and executed through the institutions of a centralized [authoritarian](https://www.merriam-webster.com/dictionary/authoritarian) state.

**Critical Perspectives**

A number of critical perspectives emerged in the 1970s that highlighted the cultural and [ethical](https://www.merriam-webster.com/dictionary/ethical) dimensions of development. Most prominent among these were the postmodern, postcolonial, and subaltern [critiques](https://www.merriam-webster.com/dictionary/critiques) of Eurocentric [conceptions](https://www.merriam-webster.com/dictionary/conceptions) of modernity and development. Postmodern writing challenged grand narratives of the modern era—narratives of the inevitability of progress, the triumph of individuality, and the primacy of scientific truth—as oversimplified, oppressive, or tyrannical. Postcolonial theory focused on the [legacy](https://www.merriam-webster.com/dictionary/legacy) of colonial rule and especially the difficulties faced by former colonial peoples in developing national identity. Working within this general perspective, subaltern studies sought to rethink history from the perspective of the subaltern and, in this way, bring to light and assert the value of [alternative](https://www.merriam-webster.com/dictionary/alternative) experiences and ways.

These critiques succeeded in drawing attention to the [ethnocentric](https://www.merriam-webster.com/dictionary/ethnocentric) basis of the idea of what [constitutes](https://www.merriam-webster.com/dictionary/constitutes) development and the potential limitations [inherent](https://www.merriam-webster.com/dictionary/inherent) within this development, the tension between universal theories and a [diverse](https://www.merriam-webster.com/dictionary/diverse) developing world, the treatment of gender in conventional development theory, and the political content of economic development strategies as pursued by national governments, encouraged by international institutions and [nongovernmental organizations](https://www.britannica.com/topic/nongovernmental-organization) (NGOs), and concealed behind the notion of aid. Eventually, these critiques helped focus attention on the need to broaden the concept of development to include a [social development](https://www.britannica.com/science/social-learning) and [human security](https://www.britannica.com/topic/human-security) dimension. One notable result has been the [United Nations Development Programme](https://www.britannica.com/topic/United-Nations-Development-Programme)’s conceptualization of human development, which includes the capacity of people to lead long and healthy lives, acquire knowledge, and have access to the resources needed for a decent [standard of living](https://www.britannica.com/topic/standard-of-living).

The notion of human development influenced development theory in at least two ways. First, it clarified the inadequacy of theories that focus on whole nations or societies and that use macroeconomic factors to explain differences in development conditions and to measure development: these theories cannot predict whether the wealth and material well-being generated nationally are widely enough distributed to provide the conditions for human development. Second, the notion of development as human development reemphasizes the importance of the state. It assigns the state a major role in protecting and advancing sustainable human well-being and argues the need for just the socially oriented state policies that neoliberalism proscribes—policies that improve the access of all people to human resource investments, productive assets, credit facilities, information flows, and physical [infrastructure](https://www.merriam-webster.com/dictionary/infrastructure) and protect the [legitimate](https://www.merriam-webster.com/dictionary/legitimate) interests of producers, consumers, workers, and [vulnerable](https://www.merriam-webster.com/dictionary/vulnerable) groups in society. Thus, alongside the neoliberal call to dismantle [public ownership](https://www.britannica.com/topic/public-enterprise), state planning, and government regulation of economic activities, there was a perspective that reinvigorated the call for a larger state role in development. These contending perspectives informed political debates about growth and governance and, in particular, what [constituted](https://www.merriam-webster.com/dictionary/constituted) good governance in the global [context](https://www.merriam-webster.com/dictionary/context) of development.

**[Walt Whitman Rostow](https://www.britannica.com/biography/W-W-Rostow)**

[Walt Whitman Rostow, American economic historian and government official (born Oct. 7, 1916, New York, N.Y.—died Feb. 13, 2003, Austin, Texas), as an adviser to Presidents John F. Kennedy and Lyndon Johnson, advocated an ever-increasing American commitment to the Vietnam War (1955–75). He was a Rhodes scholar who taught at…](https://www.britannica.com/biography/W-W-Rostow)

* **[international trade](https://www.britannica.com/topic/international-trade)**

[International trade, economic transactions that are made between countries. Among the items commonly traded are consumer goods, such as television sets and clothing; capital goods, such as machinery; and raw materials and food. Other transactions involve services, such as travel services and payments for foreign patents (see service industry). International…](https://www.britannica.com/topic/international-trade)

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