Development Economics, Modernization Theory and Structural Adjustment Programs: continuities, ruptures and mutations

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Introduction:

At the end of World War II, dozens of young or re-born nations emerged out of decolonization processes. In the dominating centers, a new kind of knowledge was being established, concerned with understanding and handling these new sovereignties. The Development Economics and the Modernization Theory seemed meant for fulfilling the promise of ‘nation building’. At the beginning of this period, that is, in the 1950s, this line of thought presented a confident, optimistic and victorious self image of “America”. An expectation of “americanizing” the Third World corresponded to it, introducing there the values, beliefs and procedures of the “pluralist” liberal democracy and of the market economy (even if “mixed”). In the second half of the 1960s, the failures of this “civilizing” entrepreneurship as well as the decline in the confidence of its founding self image were already visible. The Modernization Theory became then more sceptical. It abandoned the perspective of “exporting democracy” adopting instead the more “realistic” alternative of managing stability and security, supporting, in the underdeveloped countries, dictatorial regimes which would guarantee order, that is, which would ultimately secure the long term interests of the predatory north-american democracy.

At the end of the century, something very similar to these images, demands and torments reemerged in the “structural adjustment” ideology of the multilateral institutions and “globalization” advertizers. In that moment, the mood change which characterized the first generation of modernizers also seemed to repeat itself. At the beginning of the 1980s, with the new awakening of victorious “America”, new breath was given to the belief that its political model – once more stylized and “sweetened” – was the mandatory convergence point of different nations, announcing an “end of history”. This triumphant liberalism, however, would once again become bitter and faltering at the end of the century, when “America” again discovered the limits of its dreams and of what it thought to be its manifest destiny.

In this paper we explore those similarities, which can have an heuristic effect, stimulating the creation of new interpretative schemes. In the first part, we recover, in a
selective and skewed manner, some traces of that heroic stage of development economics and modernization theory\textsuperscript{1}. The second part examines arguments of the “new modernizers”.

**PART I – The glorious twenty-five years of the post war period**

In the 1950s, the Development Economics treaties seemed to share a thesis full of political consequences: poor countries are not, in fact, poor, but just late, because “ainda não foram bem sucedidos em superar a escassez de recursos naturais por meio de variações da técnica e de organização social e econômica”. (Meier e Baldwin, 1968, pp. 375-376)

As the civilizational needs are huge, the recommended treatment is tough:

“Not only must economic organization be changed, but social organization… the requirements for development involve both economic change and cultural change. The fundamental problem is likely to be not how much economic change the economy can absorb, but rather how much cultural change the backward people can accept and how quickly” (Meier & Baldwin, 1957, p. 359)

To understand and manage these reforming programs a new field of study was created and named “modernization theory” – heir of the functionalist sociology of Talcott Parsons and of the social psicology of Harold Lasswell. A real thought industry, it generated a big net of thinktanks and research centers, independent or linked to great universities, and backed up by the north-american government or private foundations. There, a great number of research projects and graduate programs were carried out, book collections were organized, journals and papers were published, and experts who cooperated with the north-american action in the global scene were educated. [see Gendzier, 1985; Gilman, 2003; Latham, 2000; Leys, 1996] They would have the difficult mission of measuring “what intensity of cultural modifications will the late people accept and how fast”.

*The transition to modernity and its perverse effects*

\textsuperscript{1}This part summarizes and reformulates ideas already developed in my recent book (*Estado, Desenvolvimento e Globalização*, ed. Unesp, São Paulo, 2006).
In that line of thought, the “distortions” and the evolution potential of the late countries are designed from a reconstruction of the American image, a convenient, indulgent and accessory reconstruction. The sweetened American order was the frame to understand what the late countries were not but should be (and would be, if well guided) [see Tipps, 1973, p. 208-209]. In 1960, for instance, Gabriel Almond stated: “the political scientist who wishes to study political modernization in the non-Western areas will have to master the model of the modern, which in turn can only be derived from the most careful empirical and formal analysis of the functions of the modern Western polities”. [in Almond & Coleman, 1960, p. 64]

In 1966, Marion Levy Jr., a Parsons follower, warned against the risks involved in the introduction of structures from relatively modernized societies in a context of relatively traditional societies [Levy Jr., 1966, p. 798]. Desintegration, maladjustment, dissolution of ancient control mechanisms without the equivalent and concurrent development of new ones, quick erosion of such controls, disorder, violence, frustration resulting from the evidence of inequality ditches – to the already existing unbalances and inequalities are added those provoked by modernization itself into the changing society.

When the changes are revolutionary, says Levy, these nations become “vulnerable to fundamentalist reactions”, specially through individuals or groups displaced by the changes, who can idealize a certain past as an alternative to the new scenerย.

Among the end of the millennium modernizers, paladins of the “structural adjustment programs”, these warnings and forecasts seem to compose a pattern which repeats itself in an equally repeated set of attempts to “reform the late countries”.

*America doubts itself – and the nature of its mission*

In the end of the 1960s, the north-american liberal thought met its optimism and trust boundaries. Not only the attempts to modernize the late countries had met more obstacles than expected but also, the image of the “inside world” was under attack, from the left and the right. At the end of the 1960s, the black power movement (even by radical means), the new left, and the counterculture, showed the fractures of the “other America” [Harrington, 1962]. In the beginning of the 1970s, the marxist author James O’Connor published a book pointing out the conflicts between legitimation and accumulation in the north-american capitalism: *The Fiscal Crisis of the State*. O’Connor pointed out to the conflict between democracy and capitalism, “blaming” capitalism. In another corner of the
ideologic spectrum but at the same time, the Trilateral Commission also saw this conflict, but blamed it on democracy, seen as “uncontrollable”. [Crozier, Huntington and Watanaki, 1975; see also Offe, 1984]

In 1950, David Riesman and Nathan Glazer published a famous study of “political psicology” ou “social psicology” – *The Lonely Crowd*: a study of the changing american character. In the preface written specially for the brazilian edition of 1970 Riesman (solo then) commented:

“In 1969, in preparation for a new american edition of *The Lonely Crowd* I, for the first time in a decade, carefully read that work again. In that reading, I realized how much the american picture of the XIXth century, which the book uses for comparative ends, was altered thanks to recent studies; and, as it is natural, the great perspective changes that took place in the american middle class since the 1950s, came back to my mind. The book was published at a time when most Americans, including maybe our scholars, felt relatively confident about the future of the industrial society; now, in 1970, this faith in progress seems almost irreparably destroyed, a fact that is doubtless in the case of the scholars, but also of many other Americans, educated or not”. (Riesman, 1971, p. 8)

Such a change in tune can be found in the studies about Modernization in the Third World. At the dawn of modernization theory, the american society worked as an image of the end of history, that is, of the point to which, somehow, the young countries (and even some of the old ones) leaned or should lean. As Karl Deutsch used to say, the young countries “are becoming somewhat less like Ethiopia and somewhat more like the United States”. Pye and Lapalombara preferred to say that the new-commers would become “reasonable facsimiles” of the anglo saxon society. When the dream (that of the 1950s) was over and the disturbed nightmare of the 1970s was through, the “awakened America” of the 1980s would begin to understand in another way the end of history, as well as the face and the place of each one of the characters in that scene. It was no longer about building a constellation of more or less similar stars (even if different in size), with a neo-illuminist, universalizing project of more or less finished democracies. It was about keeping in order a place in wich such differences, now seen as inevitable, could exist. A hierarchized space. To do so, the ideia was not creating in the other countries reduced or
adapted images – *reasonable facsimiles* – of the USA, but rather, stars compatible with the sun and complementary to it.

*Modernizing dictatorships and political “realism” in America*

Let us insist in the modernization theory path. We would have on one side, and in a first moment, the emphasis in the institutions of “modern” liberal democracy, political pluralism and tolerant, secular behaviours as requirements for the economic development. After that however, the idea of economic development comes back more strongly, as a requirement for modern liberal democracy and its socio-cultural elements. There would be, therefore, a debate throughout these twenty years we are discussing, over the logic and/or historic precedence of one or the other. Later, more to the end of that period, we would have an even stronger inflection: the statement of the relative irrelevance – or non centrality – of democracy, seen as less important than stability and order. And, in the end of the end, we come to the statement of the low functionality, inoperance or, even, malignacy of liberal democracy. In that last variant, the obvious reference is Samuel Huntington, “critical revisor” of modernization theory.

Donald O’Brien points out to the fact that such change was already visible in the beginning of the 1960s, when Lucien Pye replaced Gabriel Almond in the direction of the Comparative Politics Committee at the Social Science Research Council. Although Almond is always mentioned as a “cold warrior”, it is maybe in Pye we notice more clearly this evolution. In 1961, for instance, he examined “The Army as a modern organization” to conclude that armies are modernizing agents, specially in those late countries…

> “in wich the organization and structures essential to democratic government exist but have not been able to function effectively. The process of modernization has been retarded to such a point that the army, as the most modernized organization in the society, has assumed an administrative role and taken over control. In these cases there is a sense of failure in the country, and the military are viewed as possible saviors” [in Eisenstadt, org, 1970, p. 385]

Could these north-american scholars (representing that which a great part of its elite and “public opinion” thought) indeed foresee, as possible and desirable, a kind of
“replication” of the “civilizational” yankee models in the late countries (even in the non anglo-saxon late ones)? Is this the “modernization” they anticipate and wish for?

In 1958 this was what seemed to happen. Edward Shils, Parsons partner, was effusive:

In the new states "modern" means democratic and equalitarian, scientific, economically advanced and sovereign. "Modern" states are "welfare states," proclaiming the welfare of all the people and especially the lower classes as their primary concern. "Modern" states are meant necessarily to be democratic states in which not merely are the people cared for and looked after by their rulers, but they are, as well, the source of inspiration and guidance of those rulers. Modernity entails democracy, and democracy in the new states is, above all, equalitarian. Modernity therefore entails the dethronement of the rich and the traditionally privileged from their positions of pre-eminent influence. It involves land reform. It involves steeply progressive income taxation. It involves universal suffrage. Modernity involves universal public education. Modernity is scientific.

It believes the progress of the country rests on rational technology, and ultimately on scientific knowledge. No country could be modern without being economically advanced or progressive. To be advanced economically means to have an economy based on modern technology, to be industrialized and to have a high standard of living. All this requires planning and the employment of economists and statisticians, conducting surveys to control the rates of savings and investments, the construction of new factories, the building of roads and harbors, the development of railways, irrigation schemes, fertilizer production, agricultural research, forestry research, ceramics research, and research of fuel utilization. "Modern" means being western without the onus of following the West. It is the model of the West detached in some way from its geographical origins and locus. [Apud Gilman, 2003, pp. 1-2]

It is easy to see the distance between this optimistic belief and Huntington’s gloomy assessment of 1965:

“Rapid increases in mobilization and participation, the principal political aspects of modernization, undermine political institutions. Rapid modernization, in brief, produces not political development, but political decay” [Huntington, 1965, p. 282]

As a transition

Let us remember some of the steps taken by Development Economics and its partner, Modernization Theory: (1) characterizing the nature of underdeveloped countries;
(2) making a prognosis about its future (desireble and predictable, given the “nature of
things”); (3) defining the agents which promote positive changes, which matches a
conception of development guided from outside; (4) identifying the evils of transition
desintegration, anomie, etc.) and the ways to avoid its dangers.

This set of convictions of the model depends on three premises: (1) a sweetened
self image of the modern (a certain America); (2) a philosophy of history strongly
teleologic; (3) the statement of the hierarchical character of the international system
(american hegemony, imperial core, provinces with very relative autonomy).

After half a century of expectation about the ‘realization’ of this supposed
modernity, the balance is melancholic. The first of the premises above mentioned seems
simply to waver between fraud and self deception. All together they deny the peripheral
societies as emancipated, full political subjects. And more, they imply the statement of a
development ideal which, by definition, cannot be universal, inclusive, since the
subordination of periphery is a requirement for that. Moreover, if such universalization
were possible, it would risk destroying the planet, given the fact that the consumption and
production patterns of the center cannot be generalized without producing ecological
disasters.

What is then the scenery that seems to be unfolding for development theories in
these first millenium years?

PART II: Neoliberalism fin de siècle – imperial fênix

In our selective reconstruction of the past, we glimpse a parallelism – the dominat
ideas about the modernization of the underdeveloped countries correspond to the
dominant beliefs about the nature and inclinations of north-american society. That seems
to constitute a pattern which repeats itself in a following generation, that is, in the moment
closest to the “structural reforms” that marked the third world countries history at the end of
the XXth century.

In the last decades of the century, in multilateral institutions or thinktanks to them
connected, a new generation of “modernizers” arose, also them cruzeders of self-
proclaimed inevitable and benevolent reforms.
The mentors or promoters of neoliberal structural adjustment programs – new life apostles, as Eugene Black, president of the World Bank, used to say – also tried a mood evolution. In a first stage (specially in the 1980s) they seemed to show confidence in the reorganizing powers of globalization and free markets. After that (in the 1990s), however, a haze of pessimism and doubt set on the scholars associated to the projects of “modernizing” multilateral agencies, such as the World Bank.

Hence, Joseph Stiglitz – no less then the chief-economist and vice-president of the Bank – pointed out to the evils of globalization and the unexpected effects of the structural adjustment plans applied to the third world countries [Stiglitz, 2002]. At his turn, Dani Rodrik [see, for instance Rodrik, 1997], a WB consultant, stated his belief in the inevitable and generally benevolent character of globalization but, at the same time, indicated limits and obstacles which would follow from its own nature or, sometimes, from its insufficient management. Rodrick, specially, even if considering the ongoing globalization positive and inevitable, points out to its negative (and avoidable) effects, inside the countries and in the international space. Such disintegrating effects are transformed into resistance hubs, and sometimes into nodules of sistemic implosion. He shows how, along all the capitalist history, the political sphere (the national state) would have been the regulator of such tecnichal-economic changes, adopting compensatory policies for the loosers and administering the transitions, so as to make them possible with the minimum social cost and political dispute. However, Rodrick also indicates how this sphere is, at the national level, more and more weakened or imobilized by the new power configuration and by the new economic order – national states are less and less capable of adopting these policies, be it by supra national entities demand or by the silent but powerful imposition of the markets. And he warns: in the absence of an international socio-political dimension, the perverse effects of globalization can be translated into resistance, not necessarily rational. And may, in the end, result in what we call sistemic implosion centers (generation of “external enemies”, which are not, rigorously, exogenous).

Today we can talk about the existence of an “old developmentism”, that one from the post World War II period. In Latin America, it was identified mostly with the cepalin thought. Its crisis (or political defeat), in the last decades of the XX\textsuperscript{th} century, left behind a field in strong dispute – a situation that can be synthesized in the following “thesis”:

1. On one side, we have the main stream, so dominant in the 1980s that it was nicknamed, by its criticals, of “only thought”. The so called Washington Consensus
saw for the developing countries (now seen as emerging markets) a future of “competitive integration” in the allegedly inevitable economic globalization. The model implied a profound reform of state institutions and of its policies, which should be more modest than proposed by the “developmentists” and, above all, should be more market friendly. The name symbol of this stream of thought is Anne Krueger, chief-economist of the World Bank in the 1980s and, after that, vice-president of the IMF.

2. In the opposite corner, defending state protagonism, we see a set of historical-empiric studies searching for a theory. The monographies, based mostly in the East Asian experiences, draw, firmly and progressively, the political figure of the Developmental state. The most important authors of this stream of thought are Chalmers Johnson, Alice Amsden, Robert Wade, Peter Evans, Meredith Woo-Cummings.

3. The more globalization advanced, the more it revealed its limits, deficiencies and perversities, in the democracy, growth and equity indicators. At this pace, a kind of third way was being drawn, an alternative to both approaches above mentioned and to the state-market duet. Imprecise and quivering, but incisive in its manifestations, this third way constituted a theoretical practical stream, the “altermondialism”, a denomination which refers to the basic slogan of these movements: “another world is possible”. To many of its sympathizers, this movement would be the embryo of a new left, heir and, at the same time, alternative to the old left, more classically marxist and practically jettisoned from the international and political scene after the defeat of the so called “real socialism”.

4. However, the antiglobalization movement has limited itself to a fundamentally critical, negative profile, apparently incapable of offering an alternative, believable and coherent path to a new way of life. In that void, dissident segments of the orthodoxy seek to present a new program to the antiglobalization movements, becoming a candidate to the intellectual leadership of nonconformism. If we want to associate a leader to this stream, the name is Joseph Stiglitz. And if we want to identify a manifesto, we can indicate one of his most recent books: Making Globalization Work (2006).

5. One can say that the “New Development Economy” (very indebted to the East Asian experience) seeks to give a positive content to the antiglobalization movements, offering to its believers and followers a telos to build and not only a
target to demolish. And, in that entrepreneurship, the rural development is of special interest. Not only for the simple and good reason that, in developing countries, a good part of the economically active population survives in the countryside. But also because this theory seeks, for sociopolitical goals as well as environmental sustainability, a new balance between the urban-industrial and the rural-agricultural worlds, something like a rural-based and, at the same time, knowledge-based development.

6. This "new development economy" arises in the center of the international system, in its dominating institutions. It is born from a "dissidence" of the WB (Stiglitz, the rebel within), even if, later, it accommodates itself better at the ILO, through the World Commission on the Social Dimension of Globalization (see http://www.ilo.org/public/english/wcsdg).

7. As it was expected, to the ‘new development economy a la Stiglitz’, the so called "national issue" has a secondary appeal. Even to the “altermundialist” movement, though here it was not so expected, such assessment has some sense. And this aspect is not an irrelevant detail.

8. It is not necessary to recall the old saying: without a revolutionary theory there is no revolutionary practice. Perhaps it does not apply here. But it is certain that such a theoretical void has a strong (negative) impact in the peripherical countries.

The essencial presence of the national state

Why have we said that forgetting or making less important the national issue, the national state, the national development project, was not an irrelevant detail?

Well, at the end of the XXth century, we have spent decades listening to a strong line: reduce the state, broaden the areas whose decision field is the free market, and so you will have the best model for justice, wealth and efficiency.

But at the end of that period, as we have said, “globalist” authors like Joseph Stiglitz and Dani Rodrik reminded that globalization missed a sociopolitical dimension indispensable to the management of conflicts and inequalities.

The development process, whatever it is, reorganizes the previous configuration in the late or underdeveloped society. Positions and expectations are altered, as well as the access to goods, assets and resources. Such social change
necessarily redefines – in a concentrated manner in time – the winners and the losers.

The studies about the social and political meaning of industrial revolution – particularly about the “great transformation” designed by Karl Planby – show the relevance of national state political regulation, invaded by the pressure made by unions, popular movements, handworker parties, but also by reformers of other origins (aristocratic, religious). Through this “counter-stream”, work civilized capital, limiting the predatory inclinations of the market’s “satanic mill”.

Very soon the researchers of this process realized in theory – and the agents-pacients in practice – the need to regulate such disparities and unbalances, not only for ethical reasons but, also, for political and economic reasons, since efficiency and performance seem to depend of some social stability, reduction of conflict, acceptance of change and innovation, and the restraint of potencially explosive systemic resistances.

The room for compensations and transformations which regulate change was (and still is) the nation. It is in the national state universe that most of the tools which make possible coexistence pacts between individuals and groups operate: norms, laws, institutions where they are formulated and which contribute to impose them to possible rebellious ones. The national state was (and is) a central element in development theory and policy. As it was (and is) central in the management of the mixed economies and welfare states: policies of income transference, social security and the manipulation of the demand profile are concepts (and policies) directly connected to the nation state. They do not exist, and there is no expectation that they might exist, in a world level.

But the anti state reaction did not occur only to the right of the ideologic spectrum. Since the end of the 1960s, it also had a growing pervasiveness to the left, with a criticism of welfare state ‘burocratism’, developmentalist state ‘authoritarism’, etc. Civil society versus state was not an exclusive chorus of World Bank reports but, before them, of several contesting social movements and of its ideologists, usually anticapitalists.

In this manner, the confidence in that space-agent to regulate, manage and balance the structural transformation produced in / by economic growth was slowly eroded. The national state went from solution to problem, a formula that appears in the famous sentence by Reagan but, also, in the title of the well known paper by Peter Evans [Evans, 1993].
And so we finish the millenium. With the failure of the “new” economic policy models (the structural adjustment programs) and an antistatism and an antinationism\(^2\) which, to a great extent, paralyzes our political immagination in that necessary and urgent task of formulating institutions that regulate change, share beliefs and efforts, redivide loads. If that is problematic in the capitalist, rich centers, and therefore capable of better taking the difficulties, it is almost a tragedy in the poor countries (and, more than poor, highly polarized from the social point of view). In the later, survival of human order itself is at stake. Here, institutions fall, one by one, in the disbelief sea – and this desagregation atmosphere prevents the blossoming of a new development project.

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\(^2\) Word borrowed from Emmanuel Todd, to express an ideologic leaning that, evidently, goes beyond antinacionalism.
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