

# The Great Confusion - The Poverty of Development Economics

Fekadu Bekele

They should be aware of the fact that very much of these theories are partly rationalisations of the dominant interests in the advanced and rapidly progressing industrial countries....it would be pathetic if the young social scientists in the under-developed countries got caught in the predilections of the thinking in the advanced countries, which are hampering the scholars there in their efforts to be rational but would be almost deadening to the intellectual strivings of those in the under-developed countries. I would instead wish them to have the courage to throw away large structures of meaningless, irrelevant and sometimes blatantly inadequate doctrines and theoretical approaches and to start out on fresh thinking right from their needs and their problems. This would then take them far beyond the realm of both out-moded western liberal economics and Marxism.

Gunnar Myrdal, Nobel Laureate in Economics, in *Development and Underdevelopment*, Cairo, 1956, taken from Reinert, *International Trade and the Mechanism of Underdevelopment*, 1980

**Abstract:** With this article I will analyse why Development Economics which is developed after the emergence of the new international order after the Second World War does not deserve the name it is given. Since such a theory is developed from the perspective of the new emerging international order headed by the United States of America, in the name of modernization it has confused the elites in Africa and in other Third World countries not to play an active role in organizing and transforming their societies. As experiences from Western Europe prove, and since the emergence of nation-state systems in different European countries, governments have always played decisive roles in organizing major economic activities, and build sophisticated forms of social organizations which hold societies together. Since the Renaissance, and in the wake of nation-states in the 17<sup>th</sup> century, development was a conscious act which needed the participation of governments to lay down a broader framework which enables the participation of individuals. Except in few cases, governments have always been supportive to enhance economic development. It was not the invisible hand that was the motor of capitalism as is postulated by Adam Smith, but many factors had played together to enable the development of capitalism. By assuming and formulating abstract theory, the theory of Adam Smith and the neo-classical school of thought reject the active role of the state, and assume that only individuals can bring economic development without any social and cultural transformation. Likewise, in the neo-liberal worldview true knowledge is not the precondition of genuine development. As history affirms, all major buildings, beautiful cities and canal systems in Western Europe which we see and admire could be built only by mobilizing the masses which were guided by specialists who had encyclopaedic knowledge. Hence true knowledge has always played the most important role to bring about a science driven technological development. The neo-classical school of thought by developing the so-called comparative cost advantage and modernization theory has practically killed Africa and made it an aid recipient continent. The theory is based on two principal aspects, which are the main tenets of neo-classical economic theory, namely resources are scarce, and every individual strives to maximize its utility. Hence, irrespective of the differences in the degree of development, all societies have the same features.

## Introduction

The reorganization of the world economy after the Second World War and the emergence of the United States of America as a super power have undoubtedly influenced the forms of social and economic organizations in many Third World countries. Privileged by its special position, the United States of America and the new emerging American elite<sup>1</sup> have consciously begun dictating how different societies should organize themselves by accepting the new paradigm of a market economy and the so-called international division of labour. Third World countries should not apply the already proven forms of social and economic organization which had been applied since the emergence of nation-states in many Western European countries beginning in the 17<sup>th</sup> century; instead they should apply the market economic paradigm as is formulated by the new international institutions and the new emerging elite. While many Western European countries under the auspicious of the United States of America are permitted to reorganize their economies under the massive intervention of the states by putting research and development as the centre of a science driven technological development, the so-called Third World countries must accept the dictates of the new international organizations which were setup under the control of the United States of America.

The reorganization of the international economy after the Second World War is a continuation of the old colonial policy. The formulation of “new theory” is an intriguing attempt to make their economies function not according to the logic of their needs that enable them to build a coherent economic system, but to organize the vital sectors of the economy according to the needs of the capitalist West. Third World countries, especially African countries should not focus on their own internal resources, and must not attempt to mobilize all the available resources to build a coherent economic system, but they should accept the advices of the international institutions. The situations in many African countries before and after the Second World War are suitable for the United States of America and many Western capitalist states to dictate their own interests. The absence of social forces in many African countries which could challenge the advices of the international organizations paved the way to massively influence governments to accept the dictates of the West. The organization of the state apparatus which could not reflect the social realities in many African countries, and which do not have any organic links with the society, could easily be manipulated. By using this newly formed state apparatus, it is possible to deform the social structures of many African countries. The systematic organization of internal division of labour which could set free new social forces is not possible. Hence, the decolonization process could not tackle the inherent weakness of the African societies; instead it deepens the structural weakness of the system.

Under these conditions, many African countries are deliberately directed to focus on certain sectors which cannot create true wealth. The new market institutions in many African countries must function as appendages of the capitalist West to facilitate capitalist accumulations in these countries. Development theory is formulated from the perspective of integrating the African economy into the world market structures, and not to mobilize all the available resources and build a coherent and a well functioning home market which is based on manufacture activities. In the absence of a well structured economy, and internal division of labour, it is practically impossible to organize societies according to the various functions. When societies are not organized according to certain scientific logics, they cannot function as an organic whole, and do not develop an internal dynamism which enable them to set free new ideas and social forces. The new development theory and its implementation have perpetuated the existing social structures; and African governments become passive agents which simply accept orders from the “international community”. All the economic policies which are introduced in the name of market economy and modernization beginning in the 1950s have

cemented this passiveness of the African governments. The waste of wealth by the new elite, and the transfer of part of wealth via different mechanisms to the capitalist West, and the production of poverty and non-governance on a higher scale are two sides of the same coin. All economic policies which have been introduced in the name of modernizing the African economy, starting from the infrastructure to import-substitution industrialization, from basic needs approach to a structural adjustment program have failed because they were formulated from an empiricist perspective which sees human beings as an achievement oriented animal. The core ideology of modernization theory is not general human emancipation to change his/her circumstances to bring a balanced, yet a dynamic order but to maximize utility through individual action.

### **Controversial Issues about Modernization Theory**

To study and understand the social, economic and cultural structures of Third World countries, some Western sociologists have taken the Western capitalist model as a benchmark. According to their views the dynamic and complex structures of a capitalist society is a clue as to why Third World economies could not function according to the logic of a capitalist economic system. Though the controversy about the right path that leads to a capitalistic development has not yet been resolved, it is believed that no society remains as it is. There is a common belief and understanding that all societies pass from the lower to the highest stage of social organization. During the process of social formation, according to the degree of the division of labour, new elements come to the scene; different elements interact with each other and synthesize (Alpert, 1961, p. 80) and become the bases of a complex form of social organization. Whether one follows the evolutionary theory of Durkheim, the process of social diffusion (Harrison, 1988, p. 4) or the materialistic conception of Marx, societies that are based upon common kinship, ownership and common beliefs sooner or later will be disintegrated. On the other side whether all societies should follow the example of the West or capitalism is not yet resolved. However, there is a general agreement among the leading elite community that dictates the life of the African continent, and firmly believes in a market economy paradigm without convincing us whether such a path could lead us to a just and a harmonious society.

The fact that starting in the 16<sup>th</sup> century the development of capitalism in Western Europe has taken a unique and complex path, and due to its rapid development, its impacts on the economies of the Third World countries has wide range consequences. The rapid development of the world market, and hence the integration of many Third World countries via different mechanisms into the world market could shape the tempo of their developments. The debate about the influences of capitalistic infiltration into the economies of the Third World countries in the 50s, 60s and 70s was bitter, especially between those who propagate the “forcible modernization” of the Third World countries, and those who oppose the integration of these economies into the world capitalist economic structure, especially as represented by Frank (Corbridge, 1986, p. 21). Those who oppose the integration of Third World economies into the world market believe that the rapid expansion of capitalism on a world scale is solely responsible for the deformation of many Third World economies. Due to its inherent contradiction, there is a tendency of unequal development and unequal exchange (Amin, 1974, p.37-43, Emanuel, 1972, p. 175), and hence integration into the world market structures benefit the capitalist West more than it does the Third World countries. Due to the inherent contradiction of the system, existing modes of production will be functional to the modern sector, without being destroyed or transformed into efficient and innovative forms of production structures (Amin, p.38). The overlapping of different modes of production inevitably prevents that a pure capitalistic structure will become a dominant way of production system. In other words, due to the limited nature of the capitalist mode of production which is more accentuated as monetary structure than an economy based on pure competition and

technological development, non-articulated and chaotic economic activities will be the rule of the entire system. To the adherents of modernization theory, even to Marx there is no way out that peripheral economies will remain untouched by the inherent dynamism of capitalistic expansion. Whereas for Marx, the capitalist expansion is a logical consequence of inner dynamism and dialectical process which emanates from competition and concentration of capital that leads to greater markets and for searches of raw materials (Marx, 1975, p.250), for modernization theoreticians it is a peaceful mission in order to develop those backward economies. Marx assumes that at the end all societies will follow the example of the capitalist system, whereas Rosa Luxemburg denies that this cannot be possible because capitalism as a pure commodity production system incorporates other societies to extract extra surplus value (Hirschman, 1981, p.171). That means the so-called primitive capital accumulation will be extended on a world wide scale, by which the labourers of Third World countries will be compelled to work with low wages in order to facilitate accumulation for the West.

The emergence of a new international economic order after the Second World War, and the fact that the world is divided into two blocks, modernisation theory becomes the definite answer to incorporate Third World countries into the world market which is dominated by the capitalist West. Development theory and the international division of labour are formulated from the perspective of this newly organised world market structure. Development theory as is formulated in the schools of the capitalist West is based on a positive science (Billet, 1993, p. 4), and is taught in the schools that only individual action and inductive thinking could guarantee human freedom. The freedom of every participant can fully be realized when every actor maximizes his utility. Not the emancipation of the mind which equips individuals with the necessary knowledge that brings true human civilization, but the satisfaction of needs by any means is the core ideology of the new development theory. Not society is the focal point of historical action to bring social and cultural dynamism which liberates an individual and makes him again the member of the society in question, but everybody must act for its own sake independent of others. The new development economics as is formulated in the 50s in America has the sole purpose of selling this individualistic ideology across the globe. The answer to the economic backwardness of many Third World countries is modernization, and modernization becomes synonymous with development (Fine in Fine and K.S, 2006, p.4).

When modernization theory was developed, the perception was that most Third World countries had dominantly “traditional” economies which must be modernized in order to create a modern “social structure.” By introducing Western values, Third World countries will be empowered to be self-centred and achievement oriented. Because of the traditional values which persist in most Third World countries, there is no room for individual action, and hence most Third World countries are condemned not to liberate themselves from archaic forms of production, which is repetitive and not market oriented. In this respect, tradition means non-segmented, static and lack of division of labour. Hence, the panacea for such backward economies is either to strengthen the already existing rudimentary form of the so-called modern sector or to select certain areas where modernization becomes the focal point from which a *trickle-down* effect will be created to eliminate the traditional sector. The capitalist economies of the West, especially that of the United States of America, must be taken as a benchmark, towards which Third World countries orient themselves.

The carrier of such a modernization theory is the elite of the Third World countries which is equipped with Western values. The fact that the elite becomes rational it will modernize the entire society, slowly but surely. Its actions and consumption patterns will become guiding principles which other groups will try to imitate. Utility maximization is the core of individual action, and every rational action must focus on this particular aspect. That

means the entire human action must be reduced to one single action, by neglecting all human activities and needs, which are vital for the development of the entire society as an organic whole. The reduction of the mind-setup of the elite of the Third World countries to this single action, as we experience today has negative impacts on the performance of their economies, and for the chaotic conditions of the entire society in many countries. Not the transformation of a given society, and hence economic development through interrelated processes, which empower each individual with the necessary scientific knowledge is the core ideology of modernization, but imposing the supposed Western value on the elite to go its own way without taking care for its society. Hence, economic development is seen as an isolated object of investigation which can occur without being influenced by past historical experiences or as if it is not related to other elements (Schumpeter, 1949, p. 58), is reduced to a static aspect of investigation. In this case, each society including that of the Western capitalist society is understood not as societies in general and influenced by many interrelated factors, but as an arena where individuals struggle or fight against each other to achieve what they need or aim. On the other side by imposing and propagating this not well defined Western value, the emergence of a cultured middle class which understands its historical role is prevented. As we have seen over the last 60 years, in almost all Third World countries one could observe that there is a wide gap in income between the upper strata of the society and the masses. Because the upper class has developed a unique consumption culture which is not matching the socio-economic conditions of its society, scarce resources could not be allocated properly to create jobs, and to develop the home market to contain the masses from migrating to the few cities. Modernization policy has proved misleading, and is responsible for the massive waste of human and material resources.

On the other side to call all Third World countries as traditional which possess traditional value is not correct; since all Third World societies do not have the same features. Different Third World countries have their own historical and cultural experiences which are unique in different countries. Some have a feudal mode of production of various degrees whereas in other societies concentration of wealth and power have not developed that much. In countries where slave trade and colonialism had uprooted the existing social division of labour, colonial rule had created new forms of social organization which hindered the development of technology and home market. In this case, to call all Third World countries traditional, which are characterized by traditional values, hinders us to study in-depth the causes of underdevelopment.

When we come to this supposed Western value which the modernization theoretician have postulated, and which is equivalent to free choice and universalistic attitude, it is understood not as a historical outcome of capitalistic development at a certain historical juncture. Mass consumption, the supposed universalistic attitude and individualistic action as ideology are outcomes of long struggles, and reflect certain social and power relations. Hence, mass consumption and individualistic action are manipulative ideologies to strengthen the already established social relations. The intention of such an ideology based on mass consumption on a world scale is nothing but to create new social relations which hold down real human civilization based on harmony and order. On the other side there aren't only one or two values in a given society, since any society has a complex structure. For instance, there are hierarchal structures in a given society and there is group identity. The culture of the middle class or the group that is controlling the power of the state, and hence the wealth of the society have different `values`. The masses and the upper class are living in two different worlds. Only few can understand classical music or the drama of Shakespeare and Schiller. Very few read sophisticated newspapers. Almost, in all Western capitalist societies there are newspapers which are published only for the masses which aim to shift the public's thinking to

unnecessary issues. In this case, one cannot speak of a generalized Western value which is accepted by all social classes as a common denominator.

Though the concept of rationality has a very wide and complex meaning in the Western tradition, the reduction of individual action to one single concept, and to see the entire Western civilization as an achievement of individual action is an unhistorical and misleading concept. The theoreticians of modernization theory do not want to grasp the development of capitalism as a historical and social process. It is taken simply as granted that the development of capitalism in the Western hemisphere was a smooth process, and was achieved without any social and cultural conflicts during the entire history of its transformation; at least beginning of the 13<sup>th</sup> century. Many economic historians prove that Western capitalism has its roots in that of the Greek civilization (Michelman, 1983, p. 3), and correctly affirm that without the rebirth of the Greek civilization in the 15<sup>th</sup> century, and without the persistent struggle of certain individuals who were equipped with encyclopaedic knowledge, the development of capitalism could not have been possible. On the other side, it is questionable whether those wise men of the 13<sup>th</sup>, the 14<sup>th</sup> and the 15<sup>th</sup> centuries had intended to develop such a society which is solely based on materialistic conception. What one could say is, their struggle to redeem the human mind from darkness by introducing unique knowledge which is derived from true reason, had paved the way for different forces to open their minds in order to define their roles in their society. Hence, the role of the individual, and the development of rational action are outcomes of historical process and social struggle. In other words, without understanding and taking into consideration the impact of the Greek civilization on the mode of thought of the Europeans, and the rebirth of this civilization in the 15<sup>th</sup> century, one could not understand the development of capitalism in Western Europe.

At the same time the concept rationality, which is derived from reason as is propagated by positivists has nothing to do with the genuine meaning as is developed by Socrates, Plato and by those who followed the footsteps of these wise men in the 13<sup>th</sup>, 14<sup>th</sup> and 15<sup>th</sup> centuries. As to Plato, reason which is the basis of rationality is the source of true knowledge. Through reason and dialectical investigation we come to the right idea, which can be again the source of true knowledge. When people follow the true idea as is developed by Plato and later on by Renaissance men, human beings find themselves and lay the ground for true civilization. They can transform their environment so that human beings enjoy the beauty of their deeds and nature. As to Kant, with reason as its core idea, culture itself becomes an arena for criticism, debate and the embracing of new ideas. In this case, even to Kant with the concept of reason and rationality, it is possible to advance the human mind so that he can understand his own role. When we follow Max Weber as is elaborated by Professor Albrow in their broader meaning, reason and rationality encompass, ***“correct action and contemplation, magic and art, science and religion, authority and ethics, economics and law”***, (Albrow, 1990, p.116) and touch a setup of ideas which are the bases of true social organisation. Again, ***“applied to nature, reason generates science and technology; and in the social life of human beings it generates morality and economics.”*** (ibid) Hence, the concept of reason or rationality cannot be seen isolated from the idea or reduced to a single aspect. Again, without reason there is no logical thinking and logical order. Without going in detail, and without analysing the different concepts of reason and logic as is developed by Kant, the concept rationality as is developed by the modernization theoreticians could not be the basis of science and technology. It is simply reduced to a utilitarian concept, which is in essence aggressive, militaristic and leads to pure egoism.

When such misconceived concept is propagated in the Third World countries, where the sophisticated Western ideology and philosophy is not grasped well, it can have negative consequences which distort human life; and the so-called political elite follows blindly the

advice of its Western counterparts. The experience of the 60 years of so-called development economics, and development aid has confused the entire elite. The new elite which is cultivated by the market ideology and modernization theory, cannot understand what a society is, and how to organize social structures which are dynamic and self-reproductive. It neither understands what a nation-state is, and how it can organize production structures which are interwoven so that a coherent social structure can be developed. In the absence of clear cut division of labour and dynamic economic structure the reproduction base of the concerned society will be very limited. In this case such a country cannot be called a sovereign state.

The situation in Sub-Saharan Africa is a vivid example of how western experts could easily manipulate the political elite and create chaotic situations which cannot be mastered easily. The economic and social crises that many African countries have been experiencing since the beginning of the 80s are deliberately produced by foreign advisers. Such kinds of crises could invite more help from the outside world. The African elites become helpless in front of these mounting crises. This inevitably leads to a kind of neo-colonial rule, and economic dictations by international institutions and Western governments. We learn from the experience of Spanish infiltration into the Inca Empire in the 16<sup>th</sup> century, that the Spanish could easily deceive the Incas, slowly planted themselves and demanded ransom (Landes, 1998, p. 108). The well advanced Spanish colonizers (conquistadors) could easily manipulate the Incas and slowly wiped them out without any resistance. By citing the biologist-historian Jared Diamond, Prof. Landes tells us that the naivety of the Incas shows: ***“the difference in cunning and experience between a literate and an illiterate.”*** (ibid) The Spanish had ample knowledge of human history and behaviour (ibid), whereas the Incas could not possess such kind of complex knowledge. Today we observe the same situation in many African countries that the sophisticated but intriguing Western experts use the ignorance of the African political elite and its political and social base to distort genuine development. Such kinds of manipulation and false macro-economic policy lead many governments not to use the available human and material resources properly in order to develop their economy. The underdevelopment of knowledge in all fields, especially the exclusion of sociology as developed by Durckheim and Max Weber, and other Western sociologists of the 18<sup>th</sup> and 19<sup>th</sup> century, hinders many students to understand the social situation of their countries. The undermining of philosophy as a source of true knowledge, and guiding principle of true political leadership, disenabled many to develop science and technology. The complete discarding of psychology as if the African people are not confronted by numerous social, political, family life and other conflicts which disturb their mind-setup, and the deliberate stressing of business-making as the guiding principle of social life, are the characteristic features of many African societies. In the absence of intellectual challenge and well rooted knowledge in all fields, it is no wonder that a “smart” western expert could easily manipulate the African political elite. Non-governance and abject poverty in a continent with abundant natural resources are the aftermath of such kind of manipulation and blind action.

The modernization theory which is introduced in many Third world countries after the Second World War, misses the entire historical and social processes what the western capitalist societies had experienced over the last 500 years. By simply producing an elite, which is trained and equipped with certain values, and techniques, it is thought that one could transform the supposed traditional values in many Third World countries to that of the Western value which is market-oriented. On the other side if the intention was to develop a market economy based on certain social relationships, it is necessary to take into account the unique social and historical process that characterize so many Third World countries, and to study also the forces that hold them back not to develop science and technology. Since the intention of the modernization theory was not to bring a science driven technological development in many Third World countries, consciously or unconsciously, it has confused the elite of Third World

countries by persistently focusing on certain techniques which perpetuate old values and produce at the same time new social and economic forces which could not become dynamic by their nature. Hence, the elite which is trained by the so-called Western values instead of becoming rational, and a vehicle of social and economic development, alienates and elevates itself from the rest of the society. At the same time state institutions in many Third World countries, by allying themselves with foreign forces which have short-term interests and which operate systematically to prevent real social, economic and cultural changes, become suppressive, and scarce resources are allocated lavishly to keep the gap between the masses and the new political and economic class. In this case, especially state institutions in many African countries, which are equipped and trained by western intelligent men, hinder any meaningful development. Only by understanding the mechanisms of the state apparatus, and how it is organised and reproduced over the last 60 years one could understand the production of poverty and backwardness in many African countries. Hence, without transforming state institution, and eliminating all the repressive apparatus, and train new young men with a philosophy which make them rational and accountable for their society, there is no true freedom and social transformation. To bring a science and technological driven transformation in Africa, development theory, which is taught in many western universities, cannot be the basis of true human emancipation.

### **Modernization Theory and its Economic Impacts**

From this vantage, if we analyse the effects and practices of the economic policies starting in the 50s, it is not that hard to understand, why the supposed modernization policy could not bring the necessary transformation in many Third World countries, especially in Africa. The different economic policies, starting from the infrastructure policy, through the basic needs approach, and to that of the structural adjustment program, could not be effective and could not produce a coherent social and economic structure which is based on science and technology, because they were conceptualized from false paradigm and assumption. Both of the capitalist West and the so-called traditional societies are analysed not from concrete situations which are governing the lives of the people but from a completely different epistemological background, which do not reflect the social realities in both of the systems.

All of the economic policies which are not the result of long and arduous debates in those concerned countries, but simply imposed from outside, instead of creating a trickle-down effect as is supposed, they began absorbing resources from the rural areas. The allocation of scarce resources, which is a result of this misconceived economic policy, has created imbalances among the different sectors and disparities between the rural and few “developed cities”. It does not create new market forces which could become competitive, and technology oriented to develop a coherent home market. Because of the lack of linkages<sup>2</sup> among the different sectors of the economy, and because of the dependent nature of some of the industries on imported inputs, internal accumulation and hence the creation of job opportunities for the masses of the population, which flock from the rural areas to the cities, is practically impossible. The industries are not backed by technological developments from within or outside of the system. They are detached from knowledge and technological development which are the pre-requisite of long-term economic development (Lundgren, 1991, p. 32). The outcome of such a process of false allocation of scarce resources, and lack of technological development, and the incapacity of the installed industries to create the basis of expanded accumulation which is based on true competition, is the creation of widespread activities which operate outside the spectrum of the so-called modern sector. It is clear that for an expanded accumulation, it is necessary that there must be also inter-industry and intra-industry relationships, either in various industries from within, or among the various sectors, so that cumulative effects are being created, which quickens the development of the economy in

general. Since the industries are imported and installed without detailed studies on whether they could bring real development or not, their cumulative effects are negligible. As a matter of fact, resources could not be efficiently used and the development of new products is practically impossible. Due to the nature of the industries and due to the absence of research and development the development of new technology is impossible. Hence, inventions and innovations, which are the basis of real economic development, are absent (Reinert, 2007, p.125). In this case as Freeman affirms: “ *Without technological innovation, economic progress would cease in the long run and in this sense we are justified in regarding it as primary, although operating in close association with other factors, Education and training of the labour force, efficient communications, additional capital investment, economics of scale, structural changes, plant reorganization, and the application of management skills may all be regarded as the systematic exploitation and `follow-through` of scientific discovery and technological innovation. In the most fundamental sense the winning of new knowledge is the basis of human civilization.*”(Freeman, 1982, p.5-7) When there are no further investments either to expand the old industries or replacing old ones with new ones, so that increasing of productivity and decreasing of costs could be possible, general accumulation is not possible. In the absence of expanded industrial development which is based on real innovation and inventions, one cannot create jobs and incomes. Due to the low wage that is prevailing in many African countries, workers could not save a part of their disposable income. In such a situation banks could not generate enough money which enable them to create credit for small and medium size industries. The outcome of such a distorted industrial policy is the expansion of a chaotically organized informal sector whose accumulation base is negligible. This so-called informal sector and the development of the subsistence economy in the rural areas become the reproduction bases of the masses. Due to the inherent contradiction within the two sectors, and due to lack of technological innovation, it is practically impossible to transform them into a dynamic one. Added to this internal contradiction, the artificial population pressure in the cities on the informal sector and the natural population pressure in the rural areas has inevitably created decreasing returns. That means, due to technological constraints in both sectors, and due to the repetitive nature of the productive activities, it is not possible to raise productivity which could raise the living standards of the masses. As Rosa Luxemburg clearly recognizes, such a system of simple commodity production is a mere repetition of the same production process which leads towards: “... *a general economic and cultural stagnation.*”<sup>3</sup>

Not capable of learning from these wrong policies, especially African governments are always eager to hear and accept the advices of their western counterparts. While so many South-East Asian countries ignore the advices of western experts and pursue their strategic interests to build a coherent internal economy, African governments, blinded by their power and irresponsible acts, continue to implement the policies of the IMF and the World Bank, which throw their people into abject poverty again and again. It seems that there is a strategic alliance between the political elite in Africa and the IMF and the World Bank<sup>4</sup>, to hold Africa as backward as possible so that its resources will be plundered. Though it seems that there is not a pre-planned strategy, the situation in many Sub-Saharan African countries is clear evidence that the policy makers are not working with good intentions. Theoretical and empirical studies made by Professor Erik Reinert and his group, and others prove that the IMF and the World Bank policies do not bring the desired internal market economic dynamism in many African countries. Hence, the repeated nature of the policies of the IMF and the World Bank compel us to believe that there is a calculated intrigue to mislead the elite not to play any strategic role in its own society.

## **Modernization Theory and Free Trade**

Modernisation theory as is formulated and developed at the beginning of the 50s is a process which paves the way for free trade activity across the globe. As such both do not contradict, but rather compliment each other.

The free trade doctrine developed in the 18<sup>th</sup> century by Adam Smith and David Ricardo was from the perspective of England, which was the only advanced country at that time, had the sole interest to keep other nations not to follow its path. When Adam Smith and David Ricardo had persistently raised the importance of free trade and propagated, and at the same time by opposing Mercantilism, their aim was to defend England's interest. According to Adam Smith and David Ricardo, engagements in free trade has cost saving effects in participant countries, since each nation specializes on those products which have comparative advantages, and by shifting the resources from those less efficient sectors, and allocate them on those cost saving sectors. In this way by producing more and exchange them on the world market, each participant nation will grow its economy. Later on all capitalist countries had followed the example of England, and forced the new colonies to specialize on mineral resources and agricultural products ( Onimode, 1985(?) p. 17), while they aggressively pursued an in-ward looking strategy to build a strong home market, which is based on manufacture activities. While this became a special privilege of all capitalist countries, colonial countries were even forced to abandon all economic activities from within and forced to produce cash crop products for export.

For its restrictive assumption and unnecessary abstraction, and its distancing from the real world economic theory in general, and international trade theory in particular is correctly criticised by Prof. Reinert (Reinert, 1980, p.63). According to the theory, if more capital is added in relation to labour, economic growth will occur, as a result of which income and saving will increase. This leads to more capital accumulation which is a prerequisite of economic growth. While this assumption is valid for the internal economy, the export sector does not experience additional capital. Since Third World countries posses abundant labour, only by adding more labour they could produce more, and this contradicts the neo-classical growth theory. In this case the ratio of capital to labour (K/L) tends towards zero. Such separation of the internal sector from the external sector is by itself a source of confusion, and one of the causes of underdevelopment. Technological development which is a result of continuous learning curve (ibid) and innovation, by that increasing productivity and decreasing costs are not the pre-conditions of such an economic system which is based on pure tread theory. If Third World countries practice the theory as is taught by Adam Smith and Ricardo, the entire human activity is reduced to one single economic activity, which is in this case eliminates all other economic interrelationships and reduces everything to pure specialization. If each country specializes only on those resources which are advantageous for each country, and which have cost saving effects, all other sectors must be neglected even if they are vital for the internal economy. That means countries which specialize on only one product, automatically neglect other possibilities, which during the process of possible technological development could also learn to produce efficiently and save costs. If we accept the advices of both of the economists, economic development and technological change do not come from within by learning and doing, and by consciously introducing new knowledge which is suitable for innovation and investment, but only by engaging oneself in free trade activities.

According to Adam Smith, since all participant nations do not consume all the products they produce, through trade contacts, those countries which are less developed technologically and culturally-*vent-for surplus argument*- will have the advantage of developing their economies and transform their society slowly. When this theory is put into practice it has negative consequences. Portugal was compelled to shift more of its resources

on wine production during the 18<sup>th</sup> century. The world market of that time could not absorb all the products Portugal and other countries had produced and this led to the fall of prices on the world market. As small farmers were attracted more towards the export sector, they were compelled to neglect cereal and other agricultural production for the home market. The consequence of such kinds of free trade doctrine, and specialization were hunger catastrophes in many areas of Portugal (Kurz, 2005, p. 68). In addition to this, because of the trade relationship that Portugal was compelled to sign with England, enormous wealth in the form of Gold was exported which had ruined its economy (List, 1885, p. 33). Since Gold and Silver were trading currencies, as a result of such kind of specialization, Portugal must experience huge trade deficits. That means when such kind of a theory is being practiced as we see in many Third World countries today, the economic, social and political consequences are enormous, and cannot be tackled by simple macro-economic instruments.

In the 40s and at the beginning of the 50s international trade theory became sophisticated and expanded to adapt to the new situation. The aim of the new theory is to cement the trade doctrine which was developed by Adam Smith and David Ricardo. According to the new trade theory, all nations are not equally endowed with the same resources. It is therefore very advantageous and natural that every nation specializes on resources it endows abundantly. As a matter of fact, capitalist countries possess know-how and capital, whereas Third World countries are endowed with abundant labour and natural resources. It is therefore imperative that the capitalist West concentrates on its technology, whereas Third World countries produce agricultural and mineral resources, and export to the west without processing and producing them as finished products. Through such kinds of exchange activities, there come factor equalization in all countries, and this leads to welfare maximisation in all countries which participate in trade relation. In other words, due to specialization, and concentration on only one or two products wages in all trading countries will grow at the same level. The real world tells us something different and not equalization of real wages in all trading countries. There is a huge income gap between those workers who produce coffee in the Third World countries, and those who process coffee aided by high tech machine in the capitalist countries.

Almost all Sub-Saharan African countries have applied this theory and make raw material exports the main `engine` of the economy. The booming world market after the Second World War, especially during the Korean War caught the minds of many African politicians to concentrate on raw material extraction and expansion of agricultural products for the world market. The flow of multinational companies to extract raw materials, and their engagements in few selected import-substituted industries are thought to be the correct strategies which could bring real economic development. World market prices for export commodities seem favourable in enhancing industrialization. Beginning in the middle of the 1960s, there came economic down turns in many capitalist economies which negatively affected the income of many African economies. Especially, the rise of oil prices in 1973, and the economic recession in many Western capitalist economies, and the shifting of economic activities to capital markets, begins to affect the economies of many African countries. Increasing trade balance deficits constrains their economic policies from within. As a result of the collapse of world market prices for export products, African governments could not finance new projects. The fact that many African governments have neglected to expand the home market, their tax base is narrow. Without broader tax base, they have little room to control the down turn of the economy. This situation compelled them to look for other alternatives in order to fill the gap that the collapse of the world market prices for export commodities has caused.

The rapid increase of oil prices, the collapse of the world market prices for export commodities, and the economic recession in many European countries means that African countries have little room to manoeuvre. Added to this, the de-linking of the dollar from gold, and the introduction of a flexible exchange rate system has created new situations on the world market. Many Western governments caught by the new situation have begun to abandon the Keynesian policy of the 50s and the 60s with the belief that market forces will solve the economic imbalances. After 1979 neo-liberalism was slowly introduced as a new wisdom to solve global economic problems. International institutions like the IMF and World Bank privileged by the new circumstances try to intervene with more powerful instruments in the economies of many African countries. Hence, the so-called Washington consensus, which is the new right-wing paradigm, is being propagated as the new medicine to cope with all the economic problems that the world faces. African governments confronted with this more complicated situation, must accept the dictates of these international institutions. Accordingly, more international trade is the solution than mobilizing internal resources and develop new strategies to enforce systematic industrialization which could bring real economic development with cumulative effects at various levels.

As is known, and as is well developed by Prof. Reinert and others, specialization on agricultural products and mineral resources alone could not create wealth in the true sense of the word. Since the products are exported without being processed, they cannot create value-added at each level. As long as agricultural products and mineral resources are detached from technology, and as long as they are not objects of scientific investigation to produce a variety of products from one raw material, raw material exports cannot be the bases of cumulative effects and organic economic growth. To believe that, by exporting raw materials alone one could earn dollars or any other hard currency, and through that it is possible to introduce an overall industrialization, is not only misleading, but also not to understand the logic of economic development.

Still in the 21<sup>st</sup> century African leaders by selling or leasing farm lands, which is known as land grabbing to the so-called foreign “investors”, think that they could develop their economies. It is clear that the so-called foreign investors are not interested to participate in developmental activities, which hold together the people within a given community. As these investors are interested in quick gains, they do not build hospitals, schools, vocational schools, and do not participate in cultural activities, and other important aspects which are vital for any society so that it can be organized as an organic whole. Only when investors settle there and pay various taxes, a given community gets enough amount of income which can invest in social and other infrastructure activities. It seems that African leaders which are engaged in land grabbing are not aware of the consequences of their handlings. Some foreign investors say openly that they are not in Africa to develop their economies but to exploit cheap labour and the resources of the continent. This is what the Dutch say which are engaged massively in Ethiopia in agricultural activities, such as flower plantation and other vegetable products, which are directly exported to the European market. Some German Professors who are advising local governments to expand what they call premium coffee plantation in the Southern region of the country, are exploiting the situation, and are creating slave like work. Those small coffee planters in Bonga, a small town near Jimma, live like in the middle ages, wearing torn out shoes and clothes. It is very sad to see these people from the so-called civilized world who are behaving like masters in countries like Ethiopia. The living conditions of the peasant farmers which are engaged in coffee plantation clearly prove the fallacious nature of such kind of specialization on only one or two products. Yet those economists who are advising the government, and who are massively engaged in commodity market activity foolishly tell us that by exporting premium coffee and other unprocessed agricultural products, Ethiopia will be transformed into a middle income economy. Since

coffee by its nature cannot be mechanized, it cannot indefinitely give high productivity. Neither the use of fertilizer and good quality seed can bring increasing returns which have cumulative effects in the long run. At the same time as other raw material products, since coffee is exported in raw form, its cumulative effect on the overall economic development is very negligible. That means, since coffee is not processed in Ethiopia, and since it is not linked to other economic sectors, it does not have any value-added effects. Due to the low level of technological development in other sectors, and due to the low level of real wages in many other areas of the economy, real wages of the coffee producers remain year after year at a very low level. When technological development in other sectors is not the rule of the system, and if the possibility of increasing real wages in the other sectors is not possible due to the nature of the entire economic setup, the real wages of the coffee producers remain inevitably at a low level. When real wages are very low in all sectors that means there is no effective demand; and in this case general capital accumulation on a higher scale is no more possible. The belief that earning dollar or Euro will automatically lead towards economic development shows how economic advisors and the government of Ethiopia are far away from understanding what genuine economic development means. All in all, African leaders still do not want to understand that only true knowledge is the engine of genuine economic development. Money detached from technology, true knowledge and entrepreneurship, cannot by itself bring economic development. By accepting wrong advices, and thinking in short term gains, they are paving the way for unforeseen social, economic, ecological and cultural crises.

There have been intensive debates among the historical school of thought in Germany in the 19<sup>th</sup> century, whether such a theory developed by Smith and Ricardo will help those relatively backward countries to develop a manufactured based economy. The position of the historical school led by Friedrich List was clear. According to him free trade theory benefits England and hurts those undeveloped economies. If undeveloped countries follow this advice they cannot develop their natural creative power, and therefore they will become the victim of powerful nations (List, 1996, p.41-53). Further Friedrich List stresses the importance of industries like this: ***“A nation is independent and powerful in the degree as its industry is independent and its productive power are developed.”***(ibid, p.59) For that to happen he teaches us that, the: ***“Greater part of the productive power consists in the intellectual and social conditions of the individuals, which I call capital of the mind.”***(ibid, p.63 italics added) Since agriculture has a very limited multiplier effect, countries which concentrate on this sector could not create true wealth. According to Friedrich List and others, manufactured based economic activity is the only effective strategy which sets free the creative power of the inhabitants of a given nation, and through diverse activities true wealth can be created and a strong home market will develop, which could benefit all strata of the population. By expanding this theory, Schmoller and other German economists insist that any kind of economic development cannot be seen isolated from social development, and hence such a theory as propagated by Adam Smith and Ricardo will lay the ground for unwanted social conflict. According to Schmoller, the new economic theory and policy must aim at satisfying human basic needs (Birger, 1995, p.44) rather than aiming at profit maximization as is propagated by the English classical school of thought. The pure theory of trade is also challenged by Prebisch, Emanuel and Samir Amin. According to their views, such kinds of trade specialization favours the capitalist West, since the terms of trade tends to fall for raw material goods. At the same time, since few multinational companies control the commodity market, Third World countries cannot influence the movements of prices. The impossibility of calculating the production costs including labour cost, puts producers at a disadvantageous position. The consequence is unequal exchange, because producers give up too much labour. The policy proposition of the IMF and the World Bank to devalue the currencies of the Third World countries could not either boost the exports of many Third

World countries, and hence the situation of the farmers cannot be improved. The so-called elasticity demand does not work for raw materials. If in case its impact in generating enough income is very negligible. These and the natural decreasing returns from agricultural specialization, perpetuates the exiting situations in many Third World countries. That means poverty and underdevelopment will be cemented if any nation sticks to such kind of specialization.

Such a theory developed by Friedrich List, and many other critical economists that prove the fallacious nature of international trade theory as developed by Smith, Ricardo and Samuelson are out of the concepts of university books. Professor Erik Reinert and his group have vividly showed that international trade theory, and hence development theory as is being taught in the universities overshadows the true nature of unequal development on the world scale. International trade theory and the various sophisticated instruments that are developed by the neo-liberal economists overshadow the hidden agenda of free trade theory, and divert the attitudes of many students from Third World countries. By concentrating on false theory, Third World students and the political elite become by themselves the causes of underdevelopment. As he repeatedly affirms, not capital is the source of real economic development, but true knowledge is the basis of genuine economic development. In his well scientifically, theoretically and empirically written book and numerous articles, he proves that through conscious economic policies administered by governments which feel that they are responsible for their people, the creation of wealth across a given nation is possible. Neo-liberal economists discard from the outset the role of governments as true agents of economic development, though their roles have been decisive in fostering economic development over the last 500 years. The history of economic development in all capitalist countries prove that without state intervention there could not have been such kinds of development in all major capitalist countries (Gerschenkron, 1962, p. 16, Reinert, 2007, p. 77-97, Hutchison, 1988, p. 87-103).

The negative outcome of such a free trade theory is that many Sub-Saharan African countries could not generate enough income as they have thought, and could not enforce industrialization as they have planned. Because they have relied more on export products, when world market prices begin to fall, the trade balances of many African countries are negatively affected. Due to the low degree of manufacture activities, and the division of labour, job opportunities cannot be created. Less employment opportunities mean less income, and hence governments could not generate enough income through taxes to finance projects. The cumulative effects of internal and external factors compel governments to rely on other financial sources, either to stabilize the down turn of their economies or to finance new projects. This is what happened after the collapse of the world market prices starting in the 1973/74 when oil prices shot high, and economic crisis became visible in many capitalist countries. Due to the increasing trade balance deficits, African governments must borrow from multinational organizations and western governments. Since many Sub-Saharan African countries are not credit worthy, they can get credits only from these sources which affect their handling power and sovereignty. Only under certain conditions prescribed by international institutions and western governments, they are legible to receive credits.

When this kind of debt mechanism is translated into practice, borrowing countries must take drastic measures which force them to allocate resources from the internal economy to the export sector. Since the debt must be paid with hard currencies, borrowing countries must generate enough hard currencies. That means they must export more raw materials and agricultural products, while neglecting the production of consumption goods for their people. The shifting of resources from the internal to the export sector means that financing the exiting import-substitution industrialization is no more possible, which compel many

industries to operate with low capacities. Such a policy inevitably shrinks the existing narrow home market, and de-industrialization will become the rule of such a policy which slowly affects the entire so-called modern sector. That means debt mechanism as has been developed since the beginning of the 1970s in many Sub-Saharan African countries, and even in those Latin American economies which rely more on capital markets, have negative effects, and create imbalances in the internal economy. Roddick, in his remarkable book shows us how through such kind of debt mechanism developing countries were compelled to transfer huge amounts of their wealth (Roddick, 1988, p.33). According to his calculation, developing countries have transferred between 1980 and 1986 about US\$321 billion in repayments of principal, and US\$325 billion in interest, which is equivalent of 5 per cent of GNP(ibid). Schubert also shows the concentration of capital and its power to dominate the world economy through debt mechanisms (Schubert, 1985, p.57). The debt mechanism has reached to an unprecedented scale that Latin American countries were compelled to pay more and more interest rate, which led in the words of Schubert to a kind of “debt slavery” (ibid, p.121), or as Naomi Klein vividly pointed, a “debt bomb” is planted in developing countries (Klein, 2007, p.156). By creating such kinds of wealth appropriation mechanism, capitalism in the West could widen its accumulation base, while preventing the economies of many Third World countries to develop as an independent self-reproductive economy which can create a strong home market. Once countries are thrown into this kind of debt-bondage relationship, there is no equal partnership; and as we have observed over the last four decades, the capitalist West could strangulate the economies of the Third world countries by compelling them to follow strictly prescribed policies.

As debt grew year after year, debt services grew proportionally, which shared heavily the revenue from the export. As a result of such kind of credit mechanism the debt of many Sub-Saharan African countries grew to an extent which in many cases the entire debt outstripped the GNP of many countries. For example, the total debt of Nigeria in 1992 was 111 percent of its GNP, whereas for Tanzania was 266 percent of its GNP for the same year. When we come to debt-to-export ratio, this amounts for all Sub-Saharan African countries 235 percent of the exports for the same year, whereas debt-to-export service ratio amounts to 17 percent annually. That means free trade and the so-called modernization theory have negatively affected the economies of many Sub-Saharan African countries, and their dependent on international financial institutions and western governments grew to unprecedented scale so that many governments are not the master of their home affairs any more. Such interventions in the internal affairs, and the heavy reliance of many governments on foreign sources have affected the social matrix of the society, whereas the political elite could at the same time enrich and distance itself from the rest of the society. This debt mechanism and the weakness of the internal economy also mean that the state systems in many African countries become repressive. Such negative accumulated effects open the door for international institutions and non-governmental organisations to intervene more and more in the internal affairs of many African countries and twist the economy according to their own wishes. These cumulative negative effects of foreign intervention have disenfranchised the African masses and make them more dependent on foreign aid.

### **Structural Adjustment Program as a “New Paradigm”!**

The so-called structural adjustment program (SAP) is nothing but a continuation of the old policy by dressing it in new clothes. It differs from the previous programs in the sense that, on the one hand it is aggressive by its nature; on the other side it assumes that there are similarities in parameters between African countries and the economy of the capitalist West. In other words, all economies of the world have similarities in basic things; what is missing is the right policy to bring these parameters into the right path. Therefore

market economic policy as is taught at the universities is the right instrument to abolish macro-economic imbalances which are existing in many Sub-Saharan African countries. All countries, especially African countries must implement the policies as are prescribed by the IMF and the World Bank.

The so-called structural adjustment program was developed when the world market was at a cross-road. Since the beginning of the 70s there are shifts in international power relations among the major industrialized countries. Beginning in the end of the 60s, the United States of America was losing its leading role in major industrial activities; and there were signs that Japan and West Germany were gaining momentum to become the leading economic power, especially in the export sector. Due to its strategy of containment, and concentration on military and information technology, America was losing grounds in many vital economic activities which are strategic by nature, and have multiplier effects. Its engagements in war fronts to stop industrialization in Third World countries by equating their efforts with the expansion of communism and suppressing the supposed western values, America must shift its resources towards the production of military armaments, and must inevitably neglect other sectors. With the changing of the world market structures, and confronted by the new circumstances, the direct involvement in many Third World countries is counter productive to its policy. The assumption that the inevitable weakness of the socialist economies by forcing them to more militarization will quicken the fall of communism, could have also negative consequences for the economy of the United States of America. Since America must also allocate more of its resources towards the development of new and sophisticated military technology, this will inevitably jeopardise the vital sector of the economy. As a consequence of such kinds of resource shifting other sectors of the economy will be neglected, which could have created job opportunities for the millions of people who are seeking employment opportunities. As we see today, this neglect of other economic activities and the insistence of the free trade doctrine have negative impacts on the trade balance of the United States; and more and more foreign products are destroying the existing industries. In this case the development of new strategy to strengthen world dominance is a new imperative which must be followed aggressively. The Washington consensus followed by globalization is an effective instrument to control Third World economies.

The structural adjustment program is a direct decent of the Washington consensus and is purely based on market economic parameters. According to the new economic philosophy, the problem in many African countries is that governments intervene massively in the economy which has distorted market structures. Accordingly, less government and more market forces become the guidingline of the new paradigm. In order to make it more effective the following instruments must be implemented. Devaluation of the foreign currency, cutting government spending on social projects, liberalisation of the prices and the foreign market, privatization of the industries and other economic activities which are under the control of the governments, will surely and inevitably set resources free, and hence the allocation of resources in the right sectors which have greater rewards, stimulate economic growth. These parameters as developed by the IMF and the World Bank have been introduced since the beginning of the 1980s in many Sub-Saharan African countries without being critically studied by the respective governments which applied them whether the instruments bring the necessary economic development from within or not.

When the IMF and the World Bank push African governments to implement this policy, their assumption is simple. Accordingly, the socio-economic structures of all countries are alike, and what fails is the right policy. We ask ourselves now: is the

economic structure of the African continent similar to that of the West? For a very simple reason our answer is no, which as a matter of fact does not need detailed analysis. Even for the layman, it is clear that the two systems differ in many ways. The capitalist economy of the West has a history of at least 500 years; and the economy functions on the basis of a highly developed commodity economy. Over the last 500 years it has passed successive stages; and is not operating on the basis of simple commodity production anymore, where as competition among small productive activities is not any more the rule of the system. It is a social process which integrates all social relationships into the production process (Itoh, 1988, p. 195), which does not have any similarity with Third World economies. In this case the capitalist economy is an economic system which can reproduce itself for a “significant period of time” (Sheppard & Barnes, 1990, 32), and this gives some kinds of political, economic and social coherence to the system in general (ibid), because all individuals are tightened to certain kinds of social relationships. Few industrial conglomerates, banks and insurance companies are dominating the livelihood of the millions of people. Small industries which produce spare parts and machines are dependent on big companies which serve as markets. Generally, the system works on the basis of large-scale industry for organizing mass production (Aglietta, 1979, p.72). The finance sector controls major industries and especially medium size industries are dependent on the banking sector for financing major investments. The banking sector has deep financial instruments, which quickens the valorisation of commodity production. In addition to these, state interventions through various mechanisms are the rule of the system. Fiscal policy instruments, regional policies to equalize developments among the various regions through fiscal and other instruments, subsidy to all branches, including the agricultural sector, industrial policy strategy to widen market infrastructures, are the few which facilitate capitalist accumulation on a wider scale. More or else the economic structure of most industrialized countries is supported by technology and science. Fundamental research is the main core of capitalistic economic structure without which no technological development is possible. Universities and research centres are organised in this spirit to develop new technology for ultimate use of serial production. All capitalist states fund and support aggressively the development of science and technology. It is therefore correct to say that the capitalist economy is a science and technology driven economy. Added to this, there are well developed social transfer mechanisms which support the weak strata of the population, which again serve the economy more or less to function smoothly. The combined activity of the private sector and government intervention holds the system more or less intact, and makes it competitive on a world wide scale. That means the capitalist economic structure has its own internal dynamism, and the system can only function not as is supposed by a mere invisible hand, but by conscious government intervention, regulation, well studied planning and well organised private economic structure which understands its economic role. Accountability, clarity, totality, truthfulness, and respect of consumers’ rights and prompt reaction when consumers<sup>5</sup> dissatisfy with certain products are the guiding principles of private producers and sellers. These principles are supported by laws in order to counter attack anomalies from the side of the producers. Though the system is organised consciously and there is systematic and detailed planning, it is also characterized by ups and downs. Structural and conjunctural crises which are seen over the last 4 decades are manifestations of the system. In this case state intervention through various mechanisms is inevitable, and is not external to the system. State intervention through various mechanisms helps the overall accumulation process.

In comparison to such kind of highly developed and sophisticated economic structure which is based on science and technology, the bases of many African economies are subsistence and informal economic activities. In other words, the economies of many African countries are based on scattered and not well defined simple commodity activities,

whereas the boundary between subsistence and pure commodity economy is not clear cut. Again, in other words even simple commodity economy is not well-developed and millions of people in many African countries live like in the Middle Ages, without having organic links among each other. Villages and towns which bring the people together, and which are the bases of production, exchange and other social and cultural activities, are out of the norms of African societies. In the absence of such kinds of infrastructure, there is no room for commodity production which is based on a clear cut division of labour. Still kinship relationships, non-segmented social structures, which shape the behaviour of the individuals, the subordination of individuals to family and communal lives as was the case in pre-industrial Europe and until the 18<sup>th</sup> century ( Nisbet, 1966, p. 84), characterises the social structure of many African societies. If over the last six decades there are tendencies of fragmentation of family ties and individualization process, the individualization process cannot resemble with that of the Western individualization process. The fact that economic “development” and new social structures as we see in many African countries are not the result of a well developed division of labour and technological development, individualism has a different connotation within the African socio-economic formation. The impact of colonization, the continuation of this system through diverse mechanisms to hold Africa as supplier of raw materials, the different economic policies which have been imposed on the continent in the last six decades, and the overdeveloped state structure and its negative role, and practically the absence of organic links between the society and the state have more or less negative impacts on the behaviour and handling of the individuals. Therefore, policy makers before they introduce any economic policy must take into account not only the socio-historical and cultural structures of the society in question, but also the psychological make-up of the society in general so that they can understand whether a pure market economic policy can function or cannot function in an African society. Especially, a culture of a given country has great impacts in shaping the attitude of individuals; and the development of an economy in any country is heavily influenced by culture. Abstraction, perception and handling of particular things by individuals depends partly on culture; and to that matter whether one is brutal or not can be determined by the circumstances where individuals are brought up (Meštrović, 1993, p.2), and by the education system which shape their minds. As economic policies can only function within already established norms and structures, and their main aim is to better organise societies so that coordinated activities among the different sectors function properly, and the production of goods and services to satisfy the needs of the society are only possible, it is imperative not to formulate economic policies which are alien or could not consider the given socioeconomic formation and socio-cultural situation of a given country. Models which are developed from certain paradigmatic concepts in order to guide a given society into `determined direction` by excluding all other parameters are counter productive; and have more dysfunctional aspects than bringing dynamic structures, and disorganise a given society. Because the IMF and the World Bank policies are formulated from the perspective of individualistic premises, and by insisting that all societies more or less must introduce a market economic policy, irrespective of the different social and cultural structures in different countries, such kind of aggressive attitude could not help Africa to develop the supposed market economy.

If we look at the role of the states in many African countries, there is no organic link between the masses and the ruling class. The elite lives detached from the rest of the society, and do not have any political, social and economic consciousness which compels it to take effective measures to hold the society together. Its handlings are not based on any rational logic or ideas, or any other philosophy; instead it pursues policies which strangulate the very existing economic structure. Due to the rudimentary development of commodity economy, and because of very low income of the masses governments cannot generate enough taxes to finance various activities to stimulate the economy. That means

the instruments that African governments have at their disposals to manipulate the economy are not well developed like the capitalist economies as the IMF and the World Bank make us believe. When economic policies as prescribed by the IMF and the World Bank are introduced in the African soil, they create anomalies which cannot be corrected easily. Instead of creating “equilibrium” situations among the various sectors, because of the rigid measures, the economy lacks the necessary financial resources to introduce new technologies. The monetary policies of the IMF and the World Bank have strangulating effects, rather than releasing resources to the productive sectors as is supposed. Due to such kinds of monetary policy and privatization, resources and wealth are being pushed to the unproductive sector; and those people who are not real economic agents become rich within overnight. The structural adjustment program, instead of adjusting the economy in an effective way to create expanded accumulation based on science and technology, creates imbalances in many areas. Increasing structural deformation in many areas of the economy, huge gaps in incomes between the new well-to-do class and the masses, and inefficient allocation of the scarce resources, and increasing unemployment, and disparities between few cities and the rural areas, with this the adoption of a new life-style in certain areas of the capital cities, are the outcomes of the structural adjustment program. In general, as is propagated by the IMF and the World Bank, the program could not create a market economic structure. As more and more products are imported, the production capacities of many African countries are reduced to the lowest level.

If we take the privatization policy as prescribed by the IMF and the World Bank, as experiences show in many African countries, including my country Ethiopia, few could benefit from such a policy. As the private sector has not been developed well, and there is no real entrepreneurship in many African countries which is dynamic and technology oriented, a simple privatization measure will inevitably benefit those persons who have good relationships with their governments and state institutions, and which can easily get credits from the banks. The structural adjustment program in Ethiopia favoured certain groups; and those individuals who do not have entrepreneurship quality and experience become owners of the industries and other trading companies. As a result of such clear policy which favours certain individuals, investment activities on the productive sectors could not be raised. Such a privatization policy has paved the way for more importation of luxury goods and other items, which increased the activity of the service sector to unprecedented scale. That means, instead of a dynamic economy which is based on true competition and technological development, we observe that resources have been pushed more and more to the service sector, and for the importation of luxury goods. This in turn has deteriorated the trade balance deficit in many African countries which have implemented this policy.

Study conducted by the UNCTAD shows that all countries that have implemented SAP are negatively affected in all areas. According to UNCTAD, Africa has undergone a process of de-industrialization from the beginning of the 1980s to 1990s. As the result of such monetarist policy, industrialization in many African countries lags behind GDP, whereas GDP growth in many countries is induced not by industrial activities but by the service activity which has grown rapidly. Likewise, the terms of trade of losses as a share of GDP increased from 38 to 43% between 1988-89 and 1999-2000. At the same, the share of Sub-Saharan Africa in world trade has declined, where as world trade has generally grown for the same year. All in all, the study shows that the cumulative term of trade losses for Sub-Saharan Africa between 1970 to 1997 amounts to 119% of the real GDP. Between 1980 until 1987, total debt has grown for SSA alone from \$56 billion to \$128 billion. This shows that SAP could not make Africa more self-reliant, and could not help it to develop a self generating economy which has wider multiplier effects<sup>6</sup>.

The globalization process, which has been going intensively since the beginning of the 1990s could not stop this negative trend of the African economy. Though there is an export induced economic growth as a result of raw material price increases on the world market, this growth rate could not mitigate the negative effects what SAP has inflicted in the economies of many African countries. The 6.5% growth rate which is highly celebrated by the World Bank and the IMF, and by African governments themselves, does not have any scientific and technological foundation. This quantifiable result could not reflect the true nature of the African economy. In the year 2001-2007 when economic growth became a success story, the IMF and the World Bank could not prove to the African masses that there is a fundamental shift in their living standards. Since we cannot witness that there are strategic shifts towards an overall industrialization policy which have cumulative effects, the supposed economic growth is meaningless. As we see, when the demand for raw materials began collapsing, many SSA countries face the same old problem. As is propagated, neither globalization nor SSA has any positive effects on the African economy. New kinds of economic relationships which again make Africa more dependent on imported inputs which is part and parcel of the globalisation process, weakens the productive potential of the continent, and such industrial activity does not have any synergy effects. The case is the economic relationship which the United States have agreed with some African countries with the sole aim of giving market access to African products. Accordingly, countries which want to export industrial goods to the United States must import all the inputs from America, and after they have assembled the inputs they are allowed to export them to America. Such “industrialization strategy” what the Americans call “Africans Growth and Opportunity Act” (AGOA) (Reinert, p,115) is another attempt to hold down Africa not to develop economically on the principle of science and technology which has wider multiplier effects. The political, economic, social, and cultural impacts of such kinds of agreements and imposition on the African society is so unprecedented that such damages cannot be overcome by simple macroeconomic policies of the IMF and the World Bank.

In general, the structural adjustment program and globalization have turned many African cities recycling and dumping grounds of unwanted products from many western capitalist societies. Electronic goods, house utensils, and refrigerators which are not allowed to be used any more in the capitalist west, are being recycled in Africa, and the health consequences of such kinds of waste products are not yet studied. Because of the importation of new food items, which are not suitable to the African diet culture, so-called civilization sicknesses, such as diabetes are spreading at alarming rate. On the other hand a new consumer class has developed, which allocates the scarce resources to buy luxury goods. The cultural destruction of such consumption habit is enormous; and one observes that many African countries are no more in a position to counter attack these aggressive globalization trends which come from the West. Instead of introducing technological development which is based on science, cultural transformation based on arts, classical and gospel music, literature, architecture and many others which can alleviate the thinking capacity of the masses are coming to Africa but those negative “cultures” which destroy the social ties and the minds of the youth that are entering to the African continent. The ruling elite, which cannot be called elite in the true sense of the word, is selling Africa to the international “investors”, and make its people helpless in front of this aggressively organized global capitalist order. As we see in many countries, the true mission of globalization of the 1990s is not to spread civilization across the globe but to control strategic resources and turn weak countries into war zones.

All in all the modernization policy of the West and all policies associated with it could not help Africa to bring real social transformation. The continent is more dependent on `foreign aid` than it was 30 years ago, and the political elite does not have any clear idea how it could organize its society. Though for such a miserable result the ruling elite and its social base are partly responsible, the capitalist West by having created such kinds of international institutions like the IMF and the World Bank, and by systematically developing sophisticated instruments which absorb more resources and deform the economy, is heavily responsible for the negative performance of the African economy. In addition to this, by systematically infiltrating into the state machines and destabilizing the state apparatus, and instigating coup d' état, the West has totally missed its `values` which are developed by those wise men, like Plato, Nicolas Cusanus, Leibniz, Schiller and Goethe, to mention some. The so-called Western value which is propagated day by day has nothing to do with those humanistic values which are developed by those wise men of the Renaissance. It seems that the elite of the West being completely overshadowed by its dominance on the field of the economy and military power is just determined to turn the world into a global consumption village in which aggressive behaviour and cultural disorientation become the rule of humanity. The present trend of globalisation which is accentuated in never-ending consumption pattern and ecological destruction will have negative impacts for humanity in general.

This game for more resource controlling, and the unnecessary displacement of innocent people from Africa and Latin America will even endanger Europe. As more and more people are being displaced from their natural habitats, and more resources are being controlled by multinational companies and investment banks, cities are becoming hoarding grounds of the masses which are emigrating from the rural areas in order to look for new opportunities. Some will inevitably come to Europe to search for better opportunities. As we see many cities in Latin and Central America, and Africa cannot be governed any more. Slums are being developed, and new diseases are emerging which affect the helpless masses more than the elite which lives isolated. Such a complex global order which is created by the so-called global player and neo-liberal economists whose main motive is appropriation of more and more wealth is getting out of control. The capitalist states could neither have the will nor the ability to control this situation. Blinded by a pure market ideology, and being pushed by the forces which control the economic power, they are developing ever more sophisticated instruments which harden the lives of billions of people across the globe. The race for greater market share on the global market will deepen the already existing inequality between the so-called developing countries and the capitalist west. On the other hand the incorporation of many Third World countries into international trading institutions like the WTO will not solve the problem that these countries already face. The more they open their markets, the more their industries will be destroyed. Their markets will be overwhelmed by the products which are coming from the West and China. Social, economic and cultural crises will be deepened, and Third World governments will not be able to cope with these mounting problems.

If the modernization theory of the last 60 years could not bring true civilization to Africa, and if all successive policies which have been introduced in the name of market economy have failed, what is left for Africa to bring a genuine development? And how must such a development policy look like? What are the bases of this genuine economic development?

## **The Meaning of Development and Progress**

Until now, especially since the time of the domination of neo-liberal economic theory, development is understood as a simple exchange activity on the basis of market economic structures. Private property is the basis of this kind of market economy, and if everything is left to the market, any society functions smoothly. Buyers and sellers which participate in the market have perfect information, and no one has a dominating position (Cowly, 2006, p. 16). The neo-liberal world is a world of anonymous individuals which are pursuing to maximize their utilities; and accordingly he who participates in the market gets his share which reflects his real contribution. In the neo-liberal world there is no society as such; individuals are the actors, and everybody is action and achievement-oriented. Except pure economic satisfaction, the neo-liberals do not know other human needs, such as moral and ethical values, which are vital for maintaining and functioning of any society. According to the neo-liberals, moral and ethical values do not have scientific foundation. Therefore, the cultivation of culture and other social activities and their improvements from time to time, the organisation of a given society according to certain rules to maintain a social order, to educate the masses to understand their roles as active agents in all spheres, and as individuals, and the relation of the individual to the society in general as Durkheim and others teach us, are unknown in the realm of the neo-classical world. Everything is reduced to a single parameter that is economy, and utility maximization. A society which is based on the principle of such an ideology propagated by the neo-liberals and empiricists is chaotic, and anarchic; it does not have any moral value; and does not know aesthetical organisation of a given society on the principle of harmony and order. It inevitably directs a given society to more aggressiveness, wealth accumulation in the hands of the minority, militarization of the state apparatus and its confrontation against the masses in order to protect the well-to-do class, and this leads to an organised dictatorship of a unique type which suppresses individual freedom and active participation of individuals in all spheres. The fact that most Third World economic structures are more or less organised on these principles of holding down the masses so that they cannot exercise their natural rights, and the fact that the masses are reduced to slave like works in order to create wealth accumulation to the wealthiest class, and to the state, like mining activities, and engaging in exportable agricultural products, there is a symbiotic relationship between foreign forces and internal forces. The military and the security apparatus are very interesting fields for foreign forces to keep down the grievances of the masses so that poverty on a higher scale can be reproduced. Only with the conscious intervention of foreign military organizations and multinational companies and international institutions, like the IMF and the World Bank things in Africa are becoming worse every passing day.

This kind of politics organised by the military-industrial complex (Seung, 1996, p. 5) is even understood in the days of Plato, when Athens was motivated by her greed and power to subjugate other nations, which later on led to its down fall, is the source of war, plight, hunger and death. One cannot wonder why over the last 60 years the fate of Africa becomes war, hunger, plight and resource plundering. It is because Africans are compelled to wage proxy wars, they are condemned to remain in permanent chaos. The reason is simple: if you have chaotic order, you cannot think and articulate well, and cannot organise yourself to build a society, which motivates you to invent technologies and develop higher forms of social organisation so that moral values and cultural norms become the foundation of the society. Free market ideologies of the last 60 years, the forcing of weak nations to accept this doctrine without which they cannot get the necessary aid is part and parcel of the strategy of bringing weak nations under the so-called global governance. Therefore the neo-liberal view or the Hobbesian world which affects all state institutions in the western world must be firmly planted in the African soil, so that permanent chaos and military conflicts become the rule of the system. Social conflict and disorder, non-governance and

repression, waste of human and natural resources will become the outcome of such an open-door policy.

In such a world of thought in which one single aspect dominates the human mind, only money making becomes the sole principle of each and every individual and where the education system is organized to facilitate such misconceived idea, the room for human abnormal behaviour is opened. Not only the neo-liberals propagate this kind of worldview, all mass media are also organized to bombard the human mind to one single activity that is economic functionalism. BBC organizes special forums for the new African elite which usually take place in Johannesburg, South Africa; and the main topic is not to educate the new elite about genuine economic development, but to plant into its mind business making as the principle guide line of the forum. Every participant is selected to parrot certain phrases and words which can fit the program and which can mould a generation of business elite. It seems that the new elite does not have any soul and any moral values. Like a moving machine, controlled by a central instance to perform certain function, it moves only in one direction, that is business making. It does not raise questions why things are not working in Africa? Why is poverty reproduced year after year? Why is Africa condemned to accept or swallow the bitter medicine of the IMF and the World Bank? Though the negative impacts of the policies of the two sister organisations are known, the new `business minded` elite is not in a position to ask itself, why these organisations could not create wealth for the African masses?

In this atmosphere of non-intellectual challenge, development aid agencies, governmental and non-governmental, which are working here and there, and which do not want to coordinate their works to yield better results are creating more problems than solving the existing problems. Aid organisations which are allowed to swim like fishes in a big ocean, have reduced real development to mere poverty reduction and raise daily calorie intake. This has brought great confusion in many African countries, and the elite cannot differentiate between real development and poverty alleviation. All organizations which carry the name development on their chests are not operating on certain scientifically proven methodologies to bring good results so that the living standard of the African masses could be improved, but they operate here and there by seating in the capital cities. They neither possess any moral and philosophical values which enable the African masses to transform their life styles by organizing a dynamic socio-economic structure. It seems that, especially state sponsored Development Aid organizations by reducing the African socio-economic crisis to that of poverty, are working to prolong the system like this. John Perkin, as a one time CIA man, who revealed himself in his well-known book, "Confessions of an Economic Hit Man", claims that aid organisations are participating in business like activities and make subversive actions from within so that the elite becomes more confused. From numerous seminars I have participated, I could learn that state sponsored experts who are working for certain national (European) credit banks which are specialized in giving credits for small and medium size industries in their countries, are giving credits to many African countries not for productive investments which will have cumulative effects, but to individuals either to buy Taxis, sewing-machines or to buy donkeys for transportation. One Harvard Professor, who worked in the ministry of Finance in Ethiopia as a quasi finance minister for 12 years, told us that African countries do not need education, while children are starving due to lack of food. He told us that the World Bank has found out that there is a correlation between the negative economic growth and the education system in Africa. Fortunately, he mentioned a book that proves the contrary, and I pointed out to him that the book he mentioned proves the contrary to what he had said. But the Professor could not go further and ask himself whether the findings of the World Bank are correct or not. As long as students do not have proper education and as

long as the education system is not organized to develop new technologies, it cannot contribute to economic growth. In addition to this, while studying, students should have the opportunities to make practices in the industries to acquire practical knowledge; and when they accomplish their studies they must get jobs according to their qualifications. Only then they contribute to economic growth. From these and other numerous experiences it is clear to me that how the so-called experts are trying to fool us. With such kinds of tricky games which are also against their own interests, they prolong the misery of the African masses. The new Millennium Development Goal (MDG)<sup>7</sup> operates on this basis and is not aiming to remedy the real causes of the problem. In the words of Prof. Reinert, it is a kind of palliative medicine which is not aimed to cure the real cause (Reinert, p.63). The book of Prof. Jeffrey Sachs proves that, the professor works with the aim of reducing Africa to a permanent aid-recipient continent (Sachs, 2005, p.73). His discussions and interviews on numerous occasions rotate around collecting more money, and he repeatedly claims that with more money he can eradicate poverty. This kind of misconceived idea is vehemently refuted by Prof. Reinert and others; and historical experiences prove that not money is the source of economic development but real knowledge that brings a generalized socio-economic development. Only at a certain historical juncture when the division of labour has reached a certain level, money which could be converted to capital becomes the engine of capitalistic development. If one compares the works of the two Professors, one sees that both base their works on two different epistemological backgrounds, which have different approaches in studying the problem of underdevelopment and finding solutions. It is evident that the work of Prof. Reinert is based on historical and social experiences and is more scientific in understanding the economic history of Europe and underdeveloped countries than Prof. Sach's book. Prof. Landes also gives a valuable and detailed historical analysis, and shows the factors which helped Europe to develop such a sophisticated economy, while these factors were absent in the Third World countries.

In the era of globalization, we learn again new development theories that are based on gender problems, good governance and the like, which do not have any philosophical foundation, but occupy the minds of the new African elite. Again laptops and Plasma TVs have become the new mediums of education to bring a supposed economic development in Africa. When frontal education system proves the most effective way of teaching the youth, because teachers and pupils communicate directly, Plasma TVs become the medium of education systems in countries like that of Ethiopia. In many African countries, when you do not have a well-functioning vocational education system, where hundreds of handicraft activities are needed to produce the essential products for human needs, when you need small and medium size technologies to build sanitation systems and canalizations, where housing conditions are so poor, what is the use of forcing the youth to take part into computer courses? The main purpose is to confuse the African youth and the elite so that a productive oriented activity based on technology and science does not take place. New neuro-biological studies show that computer games or busying oneself too much with computer reduces the thinking capacity of children and the youth. The study proves that more practical work with natural products will enable children and the youth to think profoundly and deeply. Therefore, laptops are not helpful instruments in bringing a science driven technological development in Africa.

The main motif of development theory is not systematic education which enables to raise the real consciousness of the young generation. The main aim of this kind of education system is not to reflect and enable students to pose questions, why things are not functioning in a way they should function? It does not make the youth and the masses aware of their social conditions and responsibilities so that they can change their behaviours and way of living. It is not designed to enable them to develop technologies

through which they can transform raw materials and develop their societies. The new development theory does not enable the youth and the masses to become creative so that they build well organised and aesthetically shaped cities and villages, where not only industry, but also small and medium scale agriculture with handicraft activities can flourish. Only in creative atmosphere people of a given nation produce a variety of crops, and products, by maintaining ecological standards, and making the rural areas not only the basis of systematic exploitation, but also they change them into natural habitats for human beings to live in conformity with nature. The core agenda of the new development theory is not to produce conscious citizens, but to create a superficial elite which can overthrow its society into an unknown destiny. Now the new development theory is a standard and all universities have the same curricula without taking into consideration the various socio-cultural differences in different societies. What may suit one African country may not suit another African country which has different historical and cultural experiences.

The globalization of the 90s has created new actors and those old neo-liberals who have been confusing so many Third World leaders with their monetarist ideologies become again new actors and get the opportunity to raise new funds or are assigned to play as agents of international institutions, to materialize their old dreams by giving them new images and new phrases. In the name of greening Africa, multinational companies are funding or have assigned these `experts`, to spread a genetically modified agricultural revolution. In this way, food companies will have direct access to the variety of seeds that many African countries possess, and will directly influence about the diet systems that the African masses consume. By that the reproduction base of the African peasants is cut, and their activities are reduced to monoculture product, which has negative consequences on the fauna and flora of the continent. The indifference of African leaders, who do not behave as proud leaders and do not act as representatives of their countries, have completely forgotten their national duty. They are simply watching while the continent is getting under the control of this kind of aggressively organised monopolistic structure which is supported by international institutions and western states. The continent is becoming a looting ground for so-called international investors, state sponsored development aid organisations and new emerging economies like China and India which are arrogantly stealing the resources of the continent. Chinese and Indian traders are pushing Africans and are getting upper hands in many African countries. In many African countries including Ethiopia, the Chinese are more respected than Africans. In case of conflicts between a Chinese businessman and an Ethiopian counterpart, the Chinese one is more respected than the Ethiopian businessman.

This dangerous game and a never-ending thirst for raw materials and technological supremacy and the competition between China and the West are creating a very dangerous atmosphere for Africans. Africans are expelled from their natural habitats. The militarization process in many countries, the strengthening of the security apparatus by developing new technologies to control individual activities and globalization are creating a very dangerous world. Third World countries are not only exploited and confused, but are also being transformed to war zones to test new military armaments, like the unmanned war plane and other sophisticated military armaments. The challenges from China and the rebirth of Russia have completely changed the political atmosphere in the world. Russia's successful military technology and its gaining momentum to build good relationships with its old satellite states and with China and India, is becoming a counter attack to the West's foolish attempt to weaken Russia. After the break up of the Soviet Union and especially after Mr. Putin became president, the new leadership felt that the West with its NATO as the military core wanted to systematically encircle and weaken Russia. NATO's expansion to the East and incorporating new members which were once part of the Soviet Union

would suggest that, especially America and England wanted to exploit the weak position of Russia to dismantle it from within and from outside. This foolish and very intriguing attempt of the Americans and the English has completely failed and now the struggle is shifting to other areas to control strategic raw materials. Especially, African countries which have strategic raw materials become the target of the Americans and the Chinese. AFRICOM, as a new military strategy which is planned to counter attack the Chinese role in Africa, is a new attempt by the Americans to show once again their aggressive behaviour to the world. African leaders who do not usually think strategically are simply looking this show-down of the Americans and the Chinese. The military build-up of the Americans to boost their presence in Africa, and from there to instigate war will destabilize the continent; and the dream of millions of Africans to lead a civilized life on the basis of science and technology will indefinitely be postponed for hundreds of years. On the other hand such a military build-up will absorb huge amounts of resources which will otherwise be allocated on other economic sectors which could create jobs for the millions of Americans who are looking for employment opportunities. It seems that the American political elite is more interested to be militarily powerful than economically powerful. Blinded by the free market ideology, it still believes that the invisible hand will solve all the problems that the country faces. The case of the Republican Party in America is a vivid example, which supports the war in Afghanistan and which vehemently opposes a health care reform bill proves that the new elite is ready for war. Life saving measure is seen as costly; and government intervention in the economy is associated with socialism; while killing innocent people with heavy costs is equalled with heroism. This kind of mentality and the undermining of the dreams of the masses become a world wide phenomenon.

Millions of people across the globe who are protesting against war and poverty try to find answer for such kinds of irrational behaviour of some political leaders. Leibniz one of the greatest 17<sup>th</sup> century philosophers and scientists had warned that if the English empiricism dominates political art, the future of humanity will be war and hunger. This is what has been happening at least for over the last 60 years. Because sophism has replaced true political art based on Platonian wisdom, billions of people who want to live in peace and fraternity are suffering physically and mentally.

This kind of dangerous attitude of the new elite is not compatible to that of the world of Socrates, Plato, Cusanus, Saint Augustine, Saint Aquinas, Schiller and other peace loving dramatists, philosophers and poets of the 4<sup>th</sup> BC, 18<sup>th</sup> and 19<sup>th</sup> centuries. In the present financial and economic crisis, which cannot be mastered any more by simple money policy, such as lowering interest rates or state intervention, or lowering taxes for the so-called productive class, or raises value-added taxes or for that matter cutting social welfare costs, the new elite diverts the attention of the people to other things. Some foolish leaders of certain countries are creating platforms by unnecessarily taking confrontation courses, or certain governments by allying themselves with the belief that they get money in the name of fighting terrorism, like that of the Ethiopian government, are creating situations to transform their countries into war zones for certain countries. Poor people of the region become the victim of such kinds of war, which is instigated by the new international elite which is intoxicated by power and greed. The dream of the poor people of the region to see a bright future for themselves and their children becomes unreachable.

In such a confusing atmosphere of global order or better global disorder, where multinational companies supported by their states and international institutions, and at a time when only maximum profit becomes the rule of the system, at a time money making at any cost becomes the inherent law of many societies, there is no room for an integrated and conscious economic and social development. Though it seems that the capitalist world

presently dominates the world economic structure, its behaviour which is systemic, and which is rooted in the colonisation process starting the 16<sup>th</sup> century, will be facing mounting problems. It is essential that the West understands its roles and its limits if it wants to play a constructive role in this multi-polar world. Only equal partnership, and organising the world economy on new sprits and on new mechanisms which benefit all countries, can save the world system from disintegration. A zero-sum game which has been until now the dominant paradigm of few nations does not work any more. If some countries stick to their old method of subjugating other nations in order to accumulate more and more wealth they will be losing at the end.

Historically seen, genuine economic development is a holistic approach, and it is a process which is either systematically organized or new elements are introduced from outside and change the social setup of a given society. In this case, developmental process is not always a conscious act, or a pre-planned and a pre-determined approach to reach a certain organizational form. Since societies become more complex, and since there are interactions between internal and outside forces, the combinations of many factors give certain inertia for a given society to take certain paths. Starting from the Ionian civilization to that of the Athenian civilization of the 6<sup>th</sup> century B.C, and to the Renaissance of the 15<sup>th</sup> century, and to that of industrialization, one observes that without interactions of different cultures there is no genuine economic development. The rise of nation-states in Western Europe starting in the 17<sup>th</sup> century, and the introduction of conscious mercantilist policies, a tendency of nationalism and competition which has ultimately altered the course of human civilization becomes the driving motif of many nation-states. Not sharing ideas among other nations becomes the rule of the game, but suppressing and throwing weak nations under one owns dominance become the core principle of western capitalism. Professor Landes, in his marvellously written and well researched books proves that without cold blooded intervention of the Spanish, the Portuguese and later on the British, in Latin and Central America and Africa, the industrialization process in Europe would have been slowed. To Professor Landes, hundreds of factors in combinations with luck and by using these opportunities Western Europe could manipulate the world and take the lead. In short, as neo-liberals do make us believe, the development of capitalism is not the result of a harmonious order or the so-called invisible hand. On the other hand one cannot deny the role of individuals in the history of western development or better say capitalism. For capitalism to take this kind of developmental course, Church men, Kings, men of special talents, who had special knowledge of handicraft activities, or who could build palaces, market places, all these laid the foundation of an organized structure. This foundation and the Renaissance of the 15<sup>th</sup> century had opened the minds of few individuals who could master science, and understood nature through which they could slowly transform their societies on firmer bases. Church men like Albertus Magnus, Nicolas Cusan, and scientists like Roger Bacon, Leonard Davinci, Michael Angelo, Kepler, Galileo, Leibniz and Newton are the few who really opened the door for the European civilization (Hart, 1923, p. 53-167). Without these individuals and their dedications, Europe could not have developed to such a degree as we see and experience today. In comparison to Europe, Africa did not have the chance to produce such wise men, because Africa was cut from the Greek civilization from the very beginning. Africa did not have the chance to interact with other cultures, as Europe had the chance of getting all sorts of aid from the globe starting in the 11<sup>th</sup> century onwards. Arabs, Jews, Slaves, and other ethnic groups had influenced the courses of European development. The controversial issues around theological aspects and later on, the rise of Protestantism (Lessnoff, 1994, p.2-10), and debates about philosophical issues have contributed to the development of capitalism. That means thousands of factors are responsible why Europe could develop such a sophisticated society. On the other side, in countries like Spain and Portugal, where debates about theological issues were strictly

forbidden, where harassments against the Jews and the Arabs were the rule, many were compelled to leave these two countries. Though these two countries had accumulated wealth in the 16<sup>th</sup> and 17<sup>th</sup> century, capitalism did not have the chance to develop as in England, France and later on in Germany. In addition to this the land owner class, especially in Spain prevented the development of capitalism by concentrating on the production of a monoculture product.

The industrial revolution in England was not a dramatic break from the past; it was a change and continuation at the same time, and did not happen over night as the term revolution suggests. There had been dramatic changes in the rural life in many Western European countries, and the specialization of the society in different activities, and the cleavage between growing cities and rural areas brought unique dynamism which could not be stopped any more. The clear-cut division of labour between the rural areas which produce agricultural products, and the cities which produce handicraft products and the intensive exchange activities open the way, which Kriedte and Medick call proto-industrialization (Kriedte and Medick, 1977, p. 61-66). On the basis of this extensive type of division of labour the industrial revolution could have the chance to take root. Before it is realized and is able to bring about technological changes, the revolution must pass different stages over hundreds of years (Landes, p.186-199). According to Prof. Landes: *“The first device to use steam to create a vacuum and work a pump was patented in England by Thomas Savery in 1698; the first steam engine proper (with piston) by Thomas Newcomen in 1705.”* (Landes, p.187-188, italics added) *“Sixty years passed before James Watt invented an engine with separate condenser in 1768.”* (ibid) That means technological invention is not always the work of one scientist. To invent and later on to put the work into practice the participation of many individuals is needed who always build their new inventions on the basis of past inventions. Due to the rapid industrialisation and the transformation of the rural economy, millions of peasants were forced to leave their farm lands. The land holding class began fencing its land to raise sheep to satisfy the rising demand of wool for the textile industry of that time. Peasants were compelled to leave their farm land and immigrated to the new industrial belt and this created new social conditions in the cities. This reserve army became the accumulation base of capitalism in England. In the 19<sup>th</sup> century there were similar cases in Germany too, which gave way to a new social theory, and the social question –die soziale Frage –as the German call it, became a new scientific field to analyse and deal with the burning issues of the days. The development of capitalism has taken different routes, in different countries, because different European countries had different social structures. In countries like that of France, Germany, Italy, and later on Russia state interventions had played greater roles in introducing industrialization (Gerschenkron, p. 5-30). When one asks oneself why so many European countries could follow more or less the same path, and why in all European countries there are similarities in city buildings, the answer is that the influx of ideas from one place to the other were easier and intellectuals of different countries had always shared their ideas and debated on issues concerning science and social issues (Landes, p. 200-223, Hart, 1961, p.42-65). Since Germany is not far from England and France, or Holland, it can easily copy technologies and city buildings from these countries. In this case, England opened the way for technological changes for many European countries (Landes, 1973, p. 125-185). Other European countries were compelled to follow suite the example of England. On the other side the expulsion of many merchants and handicraft men from Antwerp and Holland, by the Spaniards, and gave England to accommodate these people to use their knowledge. The Prussians could use the knowledge of expelled Huguenots from France and had also invited other gifted men to come and teach them handicraft activities. In this way they learned how to organise their society on a completely new foundation. The influx of new ideas from different parts had opened the minds of the European people. Without such kinds of

interactions of ideas, cultures, innovations, and the will to develop and shape the course of history, Europe could not have taken such a path. The concept of will and imagination has a unique historical role in shaping the minds of the European people. And as such capitalism and the development of European society did not come out of a finished model like the present day neo-liberal economists in their micro- and macro-economic model make us believe. You cannot build a society by constructing a macro-economic model, like those of neo-liberals who make us believe that one can develop the economy of Third World countries (Murinde, 1995, p.50-161). Such a Macro-economic model developed by Murinde brings more confusion than clarity and it is out of touch. Without taking the historical and social processes of different countries into account and without studying in-depth the specific economic and cultural situations of different countries, he tries to create a complicated mathematical model which can serve as guideline for all countries. The basis of such a model is methodological individualism, which takes again the human behaviour as the starting point of modelling and manipulating to work under certain rules. In countries, where the necessary macro-economic parameters are not well developed, where commodity production is at its infancy, you cannot enforce people to accept a market economy, modelled with such kind of formula which cannot reflect the realities on the ground.

From this point of view we must understand what we mean by development and progress as is understood by philosophers and sociologists. Only with the understanding of philosophy and social process one can understand the true meaning of development. The problem we have in the debates about development theory, as is propagated by the neo-liberals and western governments, is that as in the older days of the Greek civilization, we have to accept some standards which are formulated by some instances. This is the kind of argument that was debated by the Sophists who suggested that people should accept some kinds of norms or positivistic ideas or laws which could serve as guidelines (Sung, 1996, p. 18). This deterministic idea that one should accept certain rules, does not leave any room for transcendental ideas; that means people cannot look beyond conventional wisdom to gain true knowledge in order to understand the true meaning of development and how they shape their society. In the world of Socrates and Plato things are always seen in relation to each other and as such true human development must be seen beyond the existing relationships to organise a harmonious and a just society. In this case the soul must be shaped by true knowledge, so that it can differentiate between good and bad. One can achieve true knowledge by permanently asking oneself what the meaning and the purpose of life is. The positivist determinism, in all its forms, and as it is practiced in many Third World countries, has reduced the human soul to a simple acquisition of money. In order to gain money one has to sell oneself. Once somebody is unlocked to a certain situation and condemned to earn money to pay his bills, he/she remains in the same place forever without experiencing true civilization. In this case the human mind becomes disordered, the meaning of life does not have any philosophical foundation, and people of a given nation must live in permanent fear and uncertainty.

Though there are controversies whether Plato or Aristotle saw unforeseeable dangers when things were changed beyond the existing social norms (Bury, 1928, p.10-11), their theoretical postulation tells us that human civilization can be understood as processes of gradual change. As long as certain conditions are fulfilled, a corn germinates, it grows from bottom upwards and yields at the end thousands of corns. The change of potentiality into actuality (Rescher, 1996, p. 11) is a process, which is inherently determined by dynamic processes, and serves as the law of nature for all living organisms. As Leibniz says (Allen, 1983, p. 17), created things entail active forces by which they direct the course of their action. On the other hand, as long as certain conditions are not fulfilled, in the case of corn,

when rain is absent at the right time or there is too much heat, or vice versa, the potentiality of the corn cannot be realised. Likewise, when the human mind is caught by false ideas he/she is not capable to be innovative and organise a social order where all people live in harmony.

When this is translated into genuine development practice, every human being or nation has the potential to develop, to shape and redirect its society in a way it imagines it can bring harmony and order. The potential that every human as a thinking being has, must be reactivated and changed to the will of development. In order to make this possible the: “human mind has to be capable of perceiving and understanding the rational order of the universe and, consequently, the nature of the divine.” (Dihile, 1982, p. 2) Accordingly, man can understand his role in this world through intellectual activity (Dihile, p.13). So progress in the Greek philosophical world cannot be seen separated from progress in intellectual life, and in order for man to live in conformity with nature he also must understand the laws of nature. In this case: *“moral progress, consequently, being identical with growing intellectual knowledge and increasing spiritual life, rests entirely on the love of beautiful things.”*(ibid. 53) Therefore order, regularity and beauty are the essential philosophical aspects which can be attained by spiritual activity. Hence, development and human progress are the results of continuous spiritual struggle to create a beautiful and a just social order. That means genuine human development which includes all aspects of human life can only be determined not by market forces but by man himself. Material well being should not be seen isolated from intellectual and spiritual development. When human being is spiritually developed, he can control his needs and actions.

The first philosopher to mention the necessity of progress was Xenophanes, who saw that man is capable of determining his fate. Xenophanes, by breaking away from the belief of the past that which says that gods have share in the deeds of man, he insists that through time there comes progress, because “the creative force lies in men.” (Edelstein, 1967, p.10) From the empirical observation he had experienced during the Athenian civilization, he came to realize that things were improving and technical progress and monetary developments could facilitate exchange activities, and city life became common. According to him, all these achievements could come into existence, because man uses his mind to change himself and his environment. “Man the maker and man the knower” (ibid, p. 15) stays above all things which bring true progress. In short, “the origin of all values lies in man’s inventive power, in man’s creation and promotion of the arts and sciences.”(ibid, p. 16) To Xenophanes not the past that matters but the present and the future progress. Since old civilizations like that of the Mesopotamian and the Egyptian civilization by extolling the past and longing of the past, they could not move forwards, but their lives were “Here and Now.” (ibid, p. 14)

Though all other pre-Socratic philosophers raised the necessity of progress, they were pessimistic and optimistic at the same time. On one hand they saw improvements in human lives in comparison to the past, on the other side new developments brought social problems that were not seen before. Since they were not sure about the future, they had doubts about human progress in general. Because of the contradictions that existed in human progress they thought that progress is some what finite. When we come to Plato and Aristotle, by putting their differences aside, whether sense perception is the source of knowledge in case of Aristotle, or idea is the source of knowledge in case of Plato, both saw the necessity of moral to control human action. Both also differed in the question of private property. While for Aristotle private property is the prerequisite of incentive (Langholm, 1987, p.118), Plato believed in communal ownership. However, both were convinced that only through the art of politics harmony and order can be achieved in any

society. The guiding principle of political art is the existence of true moral value. When all the Greek philosophers including the Sophists preached about progress, they had always taught the necessity of human progress in relation to that of human civilization. Their concept about development is organic in character. Thus, “Whatever the origin of the conception common to Plato, Aristotle, and Isocrates, they recognized the organic character of development.”(Ibid, 84)

This philosophical guideline which was developed by the Greek philosophers, especially by Plato and Aristotle, laid the basis of the European civilization, which is later culminated into capitalism of the type that we experience today. From the Scholastics to Renaissance men of the 15<sup>th</sup> century, they all insist on the power of reason and the idea of progress in conformity to nature. The development of towns, handicraft activities, and exchanges in the 12<sup>th</sup> century opened the way for an intense intellectual debate about economic affairs. The development of prices and profits which were seen critically by Churchmen brought about the idea of justice and just prices (ibid, p. 119). Like Aristotle, the Scholastics raised the importance of moral responsibility in dealing with economic exchanges, without which social order is not possible. On the other side, they pleaded generally for government price regulation (ibid), and this shows that if everything is left to the market, those who have the economic power use their power to gain more. With the idea of Renaissance which was a broad cultural movement, the European society began to experience a cultural transformation hitherto unknown. It is a broad and complex cultural movement, which is not only based on old wisdom of the Greek Civilization, but it sets new standards, ***“to look ahead and to develop from the regained intellectual ground a new outlook and a new purpose, with new procedures and techniques for thinking and investigation.”*** (Hart, 1961, p.33, italics added) For the intellectuals of the Renaissance it is clear that without broad spiritual movement and empowering the human mind with unique knowledge, true human civilization is not possible. It is well understood that as life will become more complex, it is essential to cope with the complex problems by finding new solutions and devices.

This philosophical outlook diametrically opposes the worldview of the neo-liberals, who firmly believe and preach that human beings have unlimited needs. It opposes the free trade doctrine which is a mere exchange activity without production and innovation, science and technology. The central point of Renaissance economics is to create wealth through interrelated processes, where as spiritual power the driving force behind any human activity is. When economic activity is dictated by the power of reason, human life becomes ordered and harmonious. On the other hand, the neo-liberals by reducing everything to utility maximization, they open the door to disorder and egoism. In such a world the appetite of the stronger knows no boundary, and is ready to wage wars against nature and humanity.

From this vantage point of view, creative activity, human imagination, innovation, and fulfilling the basic needs, such as housing, proper diet, clean water, affordable medicine, sanitation, proper education which elevates the thinking capacity of the human mind, are out of the scope of the neo-classical world. These basic needs are by-products of the supposed utility maximization and are not from the outset the sin qua of human life. In this case, those who can afford, get everything that they need and can exist in this world; whereas those who cannot afford must live in permanent poverty and fear. This false idea dominates the world of present day politics in every country, and every passing day the neo-liberal world view is becoming a God-given paradigm, which must be practiced in all countries. This world is being rotated by one ideology which endangers human civilization, social order and the aspiration of all human beings to live in peace and fraternity. The neo-

liberal world is a world of permanent war, in which the strong dominates the world and rotates this global village according to their own wishes. We can summarize the two views of economic development theory as analysed by Prof. Reinert as follows:

*“In the mainstream canon (neo-classical), wealth originates from material sources: nature (land), physical labour and capital. The accumulation of these assets takes place through trade and war. This accumulation is static-more of the same.”*

*“In the other canon (Renaissance Economics), wealth originates from immaterial sources: human culture, creativity and morality. The accumulation of assets takes place through innovations and cumulative changing man’s stock of knowledge and his tools (technology). This accumulation is dynamic-something new and qualitatively different.”* (Reinert & Daastøl, p. 24)

## **Progress and Development through Reason**

To the Greeks world what characterizes man is his capacity of reasoning, which he can grasp the universe and how it is ordered (Kohanski, 1984, p.29). Accordingly man’s destiny is to strive “toward a true knowledge of highest reason itself.” (ibid) Unfortunately, says Heraclites that not all human beings use this God given reason, and therefore “miss this opportunity.”(ibid) Most of them behave as if their mind is asleep and see no purpose to direct their lives by using their power of thinking. In the world of continuous change everything is in permanent “conflict with each other”, (ibid) and therefore man must strive to resolve this conflict, if he wants to redeem himself (ibid). In order to do that he must understand the true reason for conflict, war, injustices, abuse of power, hunger and poverty. He can gain true understanding when he grasps that he is part of nature or when he grasps that he is identical with nature(ibid, p.33).

Plato went further in developing thought to understand reality and he critically examined the worldview of “Parmenides` doctrine of one, Heraclitus`s principle of flux, Protagoas`s subjectivism, and Georgia`s nihilism.”(ibid, p. 37) By opposing the view of the Sophists, who focused on man rather than the world in general (ibid), who did not aim to find the objective truth, Plato on the other hand saw that “man`s chief problem is to be that of thought or knowledge, and set out to investigate its possibilities and limitation as a science of truth.” (ibid, p. 38) In order to arrive at the truth, Plato uses three phases of dialectical investigation as “(1) a method, (2) a process, and (3) reality. By using the method of dialectic, he strives to come to the “content of thought from the process of thought and identifying it with reality (ibid, p. 39). Plato by applying his dialectical method avoids logical contradictions, and tries to arrive at objective reality.

Plato’s world Noesis is a methodology of the three phases of finding the truth, by eliminating logical contradictions. Accordingly, one arises “ from the appearances toward a knowledge of reality, in four stages, from sheer sensible awareness(eikasia) and perception of things to commonly believed in (pistis), through the concepts thought(dianoia), to a direct grasp of the Forms(noesis or episeme).” (ibid, p. 42) In short, the true home of Plato is “the world of ideas”, (ibid, p. 47) which helps man to identify his own true being.

Plato by applying this methodology shows us that by constantly asking ourselves and by constantly trying to find the truth, we can redeem ourselves. Understanding the world of reality means, not to accommodate oneself with the existing reality, but to change it so that real transformation which is translated into material and spiritual life can become possible.

Plato's rational method of investigating reality is not a utilitarian concept of attaining some quantifiable objective, but to build a harmonious and orderly life, by putting beauty as the central focal point towards which human soul must be directed. For Plato, it is clear that the soul is in permanent contradiction and as such not to Plato alone, to all Greek Classics, the human mind must be purified from its irrational part, so that he can understand himself as an individual and a part of a community. In this case "*the aim of the education of the Greek Classic is to educate the part of the human soul which separates him from that of an animal, namely the logos.*" (Buck, 1987, p. 14, italics added) And again in the words of Prof. Seung: "The aim of education is to enable students to transcend the visible world and ascend to the invisible Forms, by training them in the Pythagorean science and dialectic." (Seung, p.97) Only by developing the logos and by introducing proper education which transcends conventional wisdom human being can understand not only the true nature of the universe but also his role in this world. When he understands his true mission his deed will be guided by principles and he can control himself.

Though this is the method which Socrates and Plato had invented to cultivate the human mind so that true political art becomes a dominating aspect of human life, however, their method of purifying the human mind was strongly rejected by the Sophists. The Sophists by taking sense perception as the source of true knowledge introduced a kind of education system which strengthens sense perception and directed their focus to educate the youth to become virtuous in character (ibid). This kind of education degenerate the human mind and makes him warrior and through that establishes an oligarchic rule, which develops "*dominant value in the appetite of acquisition and accumulation.*"(ibid)

In the history of European culture, after the Renaissance the intellectual struggle was between these two methods of cultivating the human mind, the one to make the human mind rational by instructing him through proper education, the other is to make him achievement oriented and egoistic, by upholding sense perception as the source of true knowledge. Schiller and the German classics who had studied the consequences of the 30 year war fought for the introduction of an aesthetically designed education system to mould the human mind so that not war but true political art dominates the human mind. Schiller clearly saw that only the aesthetical education of the human mind shape an individual to think and behave rationally (Schiller,1999, p.250-348 ). He who is brought up by this rationalistic idea, feels, thinks and handles properly, not only for himself but also for the entire society whom he is a member of. Schiller's approach is a true universalistic method of education, which is valid for all societies. Though this is the guideline that Plato and later on the German classics had profoundly laid as true political art, British empiricism could dominate the political landscape of Europe, and later on America. The triumph of empiricism means that social science must be seen within the prism of sense perception; and culture, human experience, historical and social processes and objective reality are no more the objective criteria to be studied in-depth in order to develop a holistic approach to establish a dynamic, yet a relatively harmonious society.

The dominance of empiricism in the Western political landscape means that globally such kind of political philosophy must be practiced. All countries, small or big must practice the supposed Western value, irrespective of their historical experiences and cultures. On the other hand when the West insists that other societies should accept Western values, it does not tell us which ones we have to accept and apply. Does it mean the philosophical method of Plato and Schiller or that of sense perception that was developed by the English empiricists? Whatever way the West had chosen to construct its society, nevertheless, it experienced numerous wars and cultural conflicts before it arrived at such a system of "stability" and economic dynamism. From an African perspective,

when the West preaches about a civil society across the globe, it has in mind the free market ideology that cannot bring genuine democracy and cannot create true wealth for the masses. As we see and experience today, the free market ideology and liberalisation had destroyed the economy of many Latin American countries; and those who have studied in Harvard and other elite universities are responsible for the weak performance of the economies of many Latin American countries, especially that of Argentina. The financial and economic crises that hit many capitalist societies is by itself clear evidence that free market ideology cannot be the answer for many developing nations. In this case the dominance of empiricism means weak nations will not be in a position to produce patriotic forces and wise leaders. The acceptance of such an education system also means that political leaders of weak nations must accept what the West tells them. In many Third World countries, especially in many African countries over the last 30 years the continent must experience political leaders, which are no more standing to advance the interests of their countries. Until now African leaders have been practicing economic policies that are formulated by international institutions which solely advance a free market ideology. This ideology has been taken until now as god-given. Irrespective of the calamities that the various economic policies had inflicted, African leaders blinded by their power and arrogance are heading the continent towards an imaginable catastrophe. It is therefore very essential to understand not only the education system but also our entire environment in which we are operating. As existing environments are being influenced more and more by human actions and the beautifulness and ugliness of our environment is being determined by our mind-setup, education systems and character, one can understand the true mission of certain groups when one takes the above principles as guidelines of political handling into consideration.

Understanding ones own environment means, as the Russian scientist, Vladimir I. Vernadsky says understanding the biosphere.<sup>8</sup> In his marvellous article, published in December 1943, he points to the inseparable of the living matter in general. Through time man can understand that he is part of the biosphere. The more he understands the secret of nature, the more he could elevate his power of thinking. In the words of Vernadsky, "The historical process is radically changed under our very eyes. For the first time in the history of mankind the interests of the masses on the other hand, and the free thought of individuals on the other, determine the course of life of mankind and provide standards for mere ideas of justice. Mankind taken as a whole is becoming a mighty geological force. There arises the problem of the reconstruction of the biosphere in the interests of freely thinking humanity as a single totality. This new state of the biosphere, which we approach without out noticing, is the nöosphere."(ibid) By nöosphere, Prof. Vernadsky means the capacity of expanding the thinking power, in order through thought and work (ibid, p.4) to build a beautiful and a just world. Prof. Vernadsky wrote this article after he himself saw and experienced what the two wars had inflicted in human lives and materials. He wanted to remind humanity that human beings have greater potentials and historical duties to change themselves and their environment than engaging in such kinds of wars which destruct human civilization in general. This means it is unnecessary to produce ever more sophisticated war materials as if this is equal to civilization.

With the analysis until now, I proved that why conventional development theory cannot give us the clue to understand the causes of economic and social backwardness in many African countries. It is also incapable to give us a solution how we can cope with the complex economic, social and cultural problems what many African countries face. By assuming that through free trade engagements African countries get the necessary capital which helps them to introduce a market economy, it reduces the whole complex problem to one single aspect. On the other hand it does not precisely define what capital is, and does

not analyse under what conditions capital is necessary to induce the supposed market economy. It forgets that capital is a product of historical and social processes, and it must grow organically, and cannot be simply introduced from somewhere. This reductionism to one single aspect inevitably excludes all other parameters which are equally vital or if not more for the development of a given society. All other parameters, such as proper knowledge, the existence of an institutional framework, innovative entrepreneurship, and the division of labour which are vital for a capitalistic development are not seen as the preconditions of the development theory. Accordingly, free trade is the only avenue through which capital can flow into Third World countries. By insisting on a free trade ideology, Prof. Reinert shows that how the neo-liberals with their western governments have confused Third World countries (Reinert, p. 143). In this case, free trade has replaced *innovation, new knowledge, and new technology* (ibid). Within the neo-liberal paradigm, a nation-state which is based on real manufacture economic activity is unknown. A cultured society and a cultured state are not known within the realm of the neo-liberal paradigm. In general, in the neo-classical world, will and wit, conscious human development, historical experience and social processes are not known. Economic development like a market paradigm detached from reality and historical experiences, assumed, abstracted and designed mathematically, must be the basis of policy implementation. The experience of the last 60 years proves that it could not even bring a capitalistic kind of development, where technological development and innovation are possible. Because the paradigm operates on the above outlined assumption, and because it assumes that all conditions are similar in all societies, except that undeveloped economies lack capital, it must fail. Since African countries have been following the advices of the IMF and the World Bank and western governments, they remain as poor as we see them today.

## **The Great Challenge – The Relevance of Intellectual Debate**

Starting three thousand years ago political debate and intellectual discourse have become part of the Western culture. The Greek Classics by challenging the traditional wisdom, which had governed the human mind could open the door to a new avenue. In the old days it was believed that everything was the works of gods. By refuting this belief, the Greek Classics had begun teaching that war, hunger and social disorder were not the works of gods, instead human beings were responsible for what had happened in their society. They could prove that human beings are capable of thinking rationally and could also orderly organise their society. They can achieve this when they detach themselves from the traditional wisdom, hitherto governing their mentality, and think beyond the existing realities. Only through constant challenge and dialectical questioning man can redeem himself from his irrational deeds and from the vagaries of nature and can thus construct a beautiful world.

When the Greek Classic had been discovered in the 15<sup>th</sup> century, it was developed and expanded in order to accommodate with the given situation. Like the Greek Classics, the Renaissance intellectuals came to realize that for the then prevailing disorder, poverty and spread of disease both the ruling classes and the people were responsible. The ruling classes could not understand that they had historical responsibility in organising their society, instead they lived lavishly. The masses had false perception of their own social reality and were hindered to change the circumstances under which they were compelled to live. The mind-setup of both of the groups was darkened by the circumstances that they had created, and could not realise that such a situation could be changed if they were ready to detach themselves from traditional value. The vernacular languages which they spoke became a barrier, and could not communicate among themselves. Dante had realised this,

and developed a language system which enabled all to communicate among each other. His work “The Comedy of Gods” became a new standard of cultural movement, through which a new generation could reflect better, and develop art, music and architecture. The spreads of Greek Classic and the development of a new debating culture became effective instrument to widen the scope of thought of the human mind and could enable him to think critically. Slowly but surely the Italian society began seeing a new promising future, which transcended the traditional wisdom.

When the English empiricism was slowly becoming the new paradigm its main object was to fight the Renaissance culture which was developed by the Italian Classics and to spread an oligarchic culture whose main aim was war and accumulation of wealth. The Liberals by rejecting rationalism and dialectic could slowly but surely dominate the minds of the European political elite. This dominance of the English oligarchic ideology which was accentuated in free market and free trade theory was to fight the mercantilist economic philosophy which had successfully laid the ground for a home market based on manufacture activities. According to the liberals, not production and technological development are the bases of a dynamic home market but exchange activities. The English liberals, headed by Adam Smith and Ricardo, by developing a free trade theory, wanted to block strong home markets based on manufacture activities in other European countries. They vehemently defended the free trade theory, because they knew that other nations could be weakened and will not be in a position to develop a coherent home market based on manufacture activity. Free trade if it were practiced everywhere would favour England which was highly developed that time. Those intellectuals of Germany and France by showing the weak side of the theory fought in turn for a strong home market on the principles of mercantilism.

The German intellectuals of the 17<sup>th</sup>, 18<sup>th</sup> and the 19<sup>th</sup> century could successfully fight the challenge which England posed. The new culture of debate openly challenged why the free trade theory as was highlighted by Adam Smith and Ricardo could not create true wealth. Following the arguments developed by the Renaissance economists, and by insisting that economical changes could not been seen isolated from cultural transformation, they persistently fought for a holistic approach to build a coherent nation-state. The new mercantilists, who clearly understood the role of the state in creating a suitable atmosphere for economic development, proved that a good functioning society also needs institutional reforms and government participation in areas where private capitalists could not participate. The debate in all areas and the challenges of the state by the new intellectual forces, and the pressure from England, made the ruling classes aware to engage themselves in nation-building. Only through a protracted industrial policy, and handicraft activities of all types, and building new cities and villages, one could bring the society together and free its minds from traditional values which had consumed its energy and time unnecessarily. As human being is created for work, and has the potential to invent and develop new things, he must be guided by new principles and philosophy. Only so he can understand his role and materialize his dream. Man the creator and the maker is well understood in the late comer countries like France and Germany. The main duty of governments, headed by Monarchs was to mobilize the available forces for major infrastructural projects, like canal building, rail road systems, city buildings and other major activities. All canal and rail road systems were not developed by the so-called invisible hand as Adam Smith falsely teaches us. The invisible hand could be a pivot when new avenues for manoeuvre were opened. That means the so-called invisible hand is a product of historical and social process in the long social and cultural transformation of European society. Likewise, private property and the formation of capital for further investments are outcomes of a protracted economic and social transformation. Not capital

is the basis of capitalistic development but the rapid development of the division of labour had necessitated the development of money capital. Before money being transformed into capital it must pass different forms of metamorphoses. The development of money and money capital in the European economic history is the logical consequence of commodity production; and at its initial stage money itself was a commodity like any other commodity. When capitalism rapidly developed, it needed token money which is detached from gold for the quick valorisation of commodity production in general. Only through paper money which is guaranteed by the respective governments, the expansion of capitalism and the incorporation of all social life become possible. Such mechanism and historical process are absent in many Third World countries.

The rapid development of capitalism and industrialization in many European countries could disintegrate the old forms of social ties. Cities became breeding grounds of new forces which could not be absorbed by the industrialization process which had overwhelmed major European cities. The new social atmosphere must be challenged by new social theory and as the German sociologists call, the social question becomes a burning issue which must be tackled if one wants to build a stable society. The German sociologists had understood well the challenge which came from Marxism. Marxism began affecting the new social movements in many European countries, and began shaking the established system. `Das Capital` is a major breakthrough in the economic history of Europe. In his theory Marx had analysed the anatomy of capitalism, and showed that how capitalism could develop from simple commodity production to the highest forms of capitalist production which operates on the basis of new social relationship. By developing this theory Marx could refute the English classical economic theory which was constructed on ideal situation. The emergence of such a theory which is based on historical materialism is a challenge for the entire capitalistic system. The fact that class struggle becomes the main instrument of this theory, it was thought that the working class movement could develop political and social consciousness which could put in question the system in general. Press freedom and free organization were strictly forbidden in Germany. Though the philosophical debate was sophisticated and advanced, the ruling class was far behind in bringing democratic reforms in all areas. The social question and the lack of press freedom and free organisation had necessitated the creation of working class movements. The social question which was developed by Schmoller and Max Weber was an answer to Marxism. The new Sociologists, who based their theories on the Historical School of thought, were leaning towards a kind of Renaissance economic policy and stressed the role of the state in organizing the economy and the social system, without which a coherent economic development is not possible. The new sociologists had vehemently refuted the invisible hand of Adam Smith and made methodological arguments-Methoden Streit- against the Marginalist Schools of thought (Reinert & Datastol, 2004, p.21-64). According to the new sociologists of Germany, the social question can be answered only by the social state (Sozialstaat). They showed that communism cannot be the answer but a responsible state can fulfil the wishes of the masses and bring social peace. Though Marxism was a historical necessity and by far Marx could develop a theoretical framework based on objective reality, could not be a solution to the emerging social question of the day.

The publishing of `Das Capital` became a new theoretical challenge for other economists who saw that such a work poisons the minds of the working class. The marginalist school (Bottomore, 1992, p. 15-26), the forerunner of neo-liberalism became a new dogma to defend capitalism, this time by taking the human psychology as the focal point of theoretical analysis. That means objective reality and historical experiences are not the point of analysis, but assumption and pure abstraction must be the basis of mathematical modelling to solve economic problems. In the new economic paradigm

everything operates harmoniously if it is left alone. Since every participant has perfect information about the market, he strives to maximize his utility or profit. Prices are built by demand and supply on the market, and not by calculating production costs, which are allocated either for labour or fixed and other variable costs. From a development economic point of view this has negative impacts. As discussed above, all theories are products of the European societies, which reflect the epistemological background and the social values of the originators of the various theories. They were not thrown from the sky like Manna, but they were constructed from different positions to defend this or that class. In this case marginalism or neo-liberalism is not a value-free theory as the neo-liberals want to make us believe. Marginalism which is packed by the concept of free overshadows the true nature of capitalistic production and global economic order. It propagates that in this world everybody is free to do whatever he likes, though real situations on the ground are completely different. In this case by overshadowing the inner mechanism of capitalism and its reproduction system, and the aggressive global economy which is dominated by western monopolist companies and investment banks, it preaches a harmonious world, in which everybody can become rich and free.

Though starting in the 1880s marginalism could win the battle as alternative theoretical model to that of Historical School of thought and Marxism, the economic crisis after the first World War, and especially during the great depression from 1929-1933 could not make it a viable model to solve the existing crisis. Pure market theory without state intervention could not function. The transformation of Taylorism to Fordism starting in the middle of the 1920s demanded new credit mechanisms to expand new consumption pattern to the working class. Fordism, as a new model of intensive accumulation by lowering the working hours and intensifying production by introducing new technologies, and at the same time enabling decreasing costs means that new intervention mechanisms are needed to expand consumption. Ford had clearly understood that cars that are produced must be sold at lower prices to speed up the valorisation of capital. State interventions and new credit mechanisms are needed to expand mass consumption. As the economic crisis intensified, pure market instruments could not solve the deepening crisis. Keynes who had studied profoundly the impact of the war on the economy and the deepening crisis, worked out a theory that shows that pure market instruments could not solve the inherent contradictions of the system. It is in the nature of capitalism that there is no continuous growth and hence capitalism is characterised by ups and downs. From this simple point of view, Keynes demanded that state intervention is needed to fight mass unemployment. Only when the state invests in major infrastructure and other activities, one could create employment opportunities. This will in turn boost general production and consumption which facilitates general accumulation.

Though the Keynesian model was introduced at the beginning of the 1930s in America by President Roosevelt, and was practiced by the Nazi Germany in the 1930s, it became effective in all capitalist countries after the Second World War. State intervention in combination of the Marshal Plan could help the reindustrialization of Europe after the Second World War. State interventions and new credit mechanisms could easily facilitate mass consumption without which the development of capitalism could not have been possible. Therefore not pure market economy as is demanded by the neo-liberals could create favourable situations for the development of capitalism but a protracted state intervention and regulation at various levels which could help the development of capitalism. Conscious fundamental research, and the development of new technologies, and the destruction of old technologies became characteristic features of capitalist accumulation. As the system becomes more and more sophisticated what is produced could not be sold. Over production and under-consumption become the characteristic feature of

such a system. The internationalisation of production is the inevitable out come of capitalism. Production must be organized on a global level to overcome the crisis at home. On the world wide level this means that new emerging economies could be specialised in old technologies, like iron and steel, and this has brought new competition on a world market, and structural crisis in old capitalist countries. In this case capitalist states are compelled to develop new and sophisticated technologies. However, mass consumption and Keynesianism have their limits. Mass consumption is possible when households are permanently indebted which decreases their disposable income. Continuous state interventions mean that states must take credits from time to time which swell debts. According to the neo-liberals massive state intervention will have at the end inflationary impacts, and will push market forces or it will have a crowding-out effect. This theory of the neo-liberals has been refuted by Marxist economists and others, because not the amount of money that determines the prices of the products, but production costs that are the bases of price calculation. Demand and supply, and the circulation of money in a given economy can only indirectly influence the movements of prices.

The economic crisis beginning in the 1973/74 has brought new and uncontrolled situations which paved the way for the re-emergence of neo-liberalism. The de-linking of the dollar from gold and the introduction of a flexible but managed exchange rate system means that now money capital could shift its activities from the production sectors to other markets where greater and promising rewards are possible. The development of a financial market makes this possible, and money holders, banks and insurance companies could shift their activities towards the financial market. Not only the globalization of production is possible, but also finance capital could easily move from one area to the other in order to seek higher profits. The development of a financial market means also that new credit mechanisms could be created and the incorporation of other countries in a new kind of debt mechanism makes possible that capitalist accumulation becomes a world wide phenomena. Through debt mechanism the capitalist West could absorb more and more wealth from developing countries and could strangulate their economies. At the same time by pressing that Third World countries must strictly follow a market economy ideology as is prescribed by the IMF and the World Bank, it could ruin the economic setup of many Third World countries, especially that of African countries. Many African countries could not pursue an in-ward looking strategy to build a strong home market. The internalisation of capital and the lessening of state intervention have boosted neo-liberalism to become a world wide paradigm. All countries across the globe must introduce free trade and pure market instruments if they want to become prosperous. Deregulation becomes the new instrument to be applied everywhere. Almost 30 years later we hear that such kind of blind faith in market ideology has unprecedented consequences. In short, the internationalisation of production activities, and the development of new credit mechanisms which could bind the economies of the Third World countries and make them dependent, has created complex situations. Economic, social, ecological, cultural crises in combination of human rights abuses become the inner logic of such kind of uncontrolled globalization.

From this vantage point of view globalisation is a very treacherous concept which overshadows the logic and mission of the system. Globalisation is not a new scientific concept to spread civilization equally across the globe. It is a system of absorbing wealth through cheap labour. The mission of the old and the new international division of labour is not to spread evenly productive activities across the globe. Its mission is not to spread science and technology in all countries. The installed industries in all the Third World countries cannot function independently of the monopolistic structures in the capitalist countries. Devoid of research and development, without chain effects, they are outposts of capitalistic accumulation on a world wide scale. Through spreading unconnected

technologies, and by building independent profit centres, monopolistic companies on one hand save costs, on the other hand gain extra profit. Labour costs in many Third World countries are not sufficient to cover the reproduction cost of labour. In other words, labourers of the Third World countries must rely for their reproduction on the subsistence and informal sector. That means the new labour force in the companies of the Third World countries which is controlled by western companies cannot serve as effective demand. Where real wages are very low, where chained technological developments do not exist, the development of a home market based on manufactured activities is practically impossible. Technological development and the development of real wages which match productivity are the basic precondition of capitalistic development. Deliberately the capitalist west had prevented such kind of a development in Africa. From this perspective the present system of globalisation cannot bring a balanced development and cannot create true wealth which is based on science and technology. In all its forms, its main mission is to absorb wealth from the Third World countries and to control strategic resources.

The problem we have, especially in Africa is the absence of a true intellectual debate. It is taken as god-given that neo-liberalism is the only economic science which creates market economic structures. Universities are being controlled by neo-liberal economists, and American social scientists are confusing the youth with sophisticated econometric models which are detached from the realities on the ground. The absence of a true intellectual debate and the political naivety of the ruling classes in many African countries, and their inferiority complex towards the white political elite, and so-called experts have changed Africa to a looting ground. As we see and learn from European history without intellectual debates and challenges, there is no economic and social development. Critical European and American intellectuals have already developed scientific theories which challenge the neo-liberal outlooks. Though some are known, no one wants to take them seriously and challenge the march of globalisation and neo-liberalism in all institutions of the Third World countries. As human beings, we are created with logos, to think dialectically and critically. Every theory must be critically scrutinized before it is applied. It seems that university lecturers in many African countries, especially in Ethiopia, are not ready to use their god-given logos to challenge the neo-liberal theory which creates chaotic conditions by disturbing the human mind. We are going to schools not only to learn and know new things, but also to ask ourselves whether the information we acquire brings true human salvation. He, who does not ask, cannot get correct answer. He, who does not knock on the door, will remain in front of a closed door. In this spirit the new generation of African intellectuals must revitalize its internal energy and be ready to change its continent.

From this perspective, and from the perspective of the crisis all capitalist countries now face, which cannot be mastered anymore with the instruments we know, like deficit-spending, or monetary policy instruments, Africa must orient itself to other directions. First of all cultural renaissance is the pre-condition of social transformation. With this the introductions of a new education system which can set free the minds of the youth is very essential. All kinds of reforms will at the end fail if Africans are not ready to ask themselves the meaning of human life. Only cultural renovation helps us to understand ourselves and to define the course of our history. Any hasty measure without systematic study will at the end bring disastrous results which cannot be mastered easily. The solution for Africa is not to have a blind faith in industrialization, but a careful strategy is needed to widen the economic activities of a given nation. Technological change and an overall industrialization must be consciously planned; and their negative and positive effects must be studied. Since any society needs a balanced development, a holistic approach is needed, which should take into account all aspects of human life.

Concerning the education system, African countries must focus more on engineering, and vocational qualifications with a variety of handicraft activities which create not only true wealth but also are essential for an aesthetical life. The neo-classical economic theory must be discarded and must be replaced by Renaissance economic theory which is more practical-oriented, and which redeems the human mind. In many African countries, especially in Ethiopia the social science faculty is dominated by neo-liberal economists that hinder them to understand the socio-economic problem of their country. Especially, economic history and mercantilist economic policies are not taught as important subjects to make acquaintance with the history of economic development in Europe. The economic ideas of List, Schmoller, Rosche and others who shaped the industrialization policy of Germany are practically unknown. In this case the economic theory in Africa must be rewritten and must be compatible with the needs of the African society. Until now the education system in Africa is organized not to acquire general historical knowledge, and “... *this led to what Thorstein Veblen had diagnosed as contamination of the instincts.*”(Reinert, p.123) Since economic theory is detached from philosophy and sociology, and since it is reduced to a simple behavioural system to manipulate the human mind, the theory cannot any more reflect the real conditions of the African society. When economic theory is associated with philosophy and sociology, students could understand its true meaning and will be ready to transform their society.

In order to transform Africa to a well functioning society, first of all the reorganisation of the state apparatus is very important. Since state apparatus is organized to suppress the people and since through such kind of repressive apparatus wealth is destroyed, human and material, the creation of transparent structure on the principle of accountability and responsibility is imminent. In addition to this all relationships with foreign forces must be examined. Whether African governments need such close ties with foreign military and security institutions, whether their societies do get any advantages from such intimate relationships with foreign forces, must be debated. Any country can be called sovereign when it can control its own affairs. So-called military advisors and trainers have their own missions and endanger the stability of the system by recruiting spies. With these institutional reforms of every kind on a regional and local level it is very important to mobilize all the available resources. What Africa at the moment needs is not a multi-party system, but a strong state which can mobilize the masses to work and direct the society towards achievable goals. I call such a state *a developmental state*, which has a clear idea and which will be guided by principles, which at the end redeem its people and build a cultured society on the bases of arts, classical architecture, music, beautiful gardens, which bring harmony and order. Such a developmental state which works with the spirit of the Renaissance culture must not be confused with one party rule systems which are prevailing in many African countries, especially in Ethiopia. The Ethiopian state is not a developmental state. It is a state system which is organized and supported by foreign forces to weaken and dismantle the entire society. Few individuals control the economy, and are engaged in land grabbing. While the EPRDF government is selling the country to the so-called foreign investors, it wants to fool us that it is being engaged in developmental activities. In a country where few control the economic and political power, where military power dictates the lives of millions of people, in a country where foreigners are more respected than citizens, there cannot be development. Such a state which produces inequality cannot be called a developmental state.

From this vantage a developmental state will have a different mission, and its philosophy is humanistic by nature. Its main aim is to build a strong and a harmonious society and by at the same time giving equal opportunities to its citizens. Since different

parties in Africa do not have strong intellectual power, and since they rely on foreign forces and resources, this creates contradictions among the society. Most of the parties could not understand the sophistication of the West, and can be easily deceived. Since most of the parties are not well organized, and do not have a well defined division of labour, and do not see the necessity of making researches on all fields which are vital for the building of a nation-state, they can be easily outsmarted by foreign experts. It is therefore common that foreign forces could use the weak side of certain parties for their own advantages, and even go far to use divisive methods to create confusion. The common usages of divisive methods are nationalists and pro-west. Those governments or parties which advance the interests of the West and practice the destructive policies of the IMF and the World Bank are regarded as natural allies of the West. Those which oppose, they are being accused of pursuing nationalist agendas, as if the west itself does not have a national agenda. Such kind of divisive method will confuse those innocent people.

Though Africa can be developed as a big market, and could be a strategic alliance for the West, due to its short sidedness, and sophistic idea that caught its mind, the West has never been a reliable partner to Africa. Its unnecessary sophistication, its technocratic approach, its paternalistic attitude, and its stubborn mentality to hear critical ideas from the African intellectuals prove that the West cannot think strategically. When the West claims that it thinks strategically and rationally, this means only from a sophistic point of view, and not from humanistic values based on the ideas of Plato and Schiller. Its rationality is completely different from the concept of Plato and Kant. In general, under the umbrella of strategic interest, they take every measure to instigate conflicts in those weak societies, which do not have a broad intellectual base. Until now foreign forces have used the weak side of Africa to let it remain where it is. It is therefore very important not to give any room for foreign forces, which create unnecessary contradictions. When all intellectuals stand together for the common purpose and debate without fear, they can proudly build a nation-state as strong as any other country.

Since economic development needs resources, it is essential to organise the banking systems so that credit creation for productive purposes is possible. Only through conscious credit systems by mobilizing internal resources any country can build a coherent economy. Credit systems can be organized on regional and local bases by issuing state bonds. In addition to this, one can create special fund raising systems, which have durations of at least thirty years. Those who earn above a certain level should pay certain amounts of money from their salaries. Individuals who contribute money in the above form can get their money back after a certain period of time in form of tax repayments. Concerning the role of money there is a complete misunderstanding in many African countries. Since the production system in many African countries is not well organized, and since the circulation of money is detached from production and consumption, money in many African countries cannot be developed as a social power. Only when the circulation of money is fast enough, and when a great amount of it is converted to capital for real investments, money will get its true social power, and binds all sectors of the economy. This misunderstanding of the role of money drives many African countries to look for other resources. Foreign currency cannot substitute the internal money circulation; if foreign currency takes the role of the internal money circulation, the country in question is no more in a position to manipulate the currency to boost the economy. This will inevitably lead to loss of sovereignty if a foreign currency substitutes the internal money supply. To generate foreign currency, it is very important to diversify the export sector and to systematically move to increasing returns, by introducing processing machines. To use the scarce foreign currency efficiently, it is very important to introduce a currency regulation system; and foreign currency can be only allowed to import machines and other vital goods which can

stimulate the internal economy. All black market activities must be forbidden; and the central bank which is backed by the state must have the power to buy all foreign currencies which come into the country. At the same time, one can also create trade relationship with certain countries with certain conditions to bring certain changes in certain areas, like rail road systems. Only through a protracted and sophisticated infrastructure on all levels, the development of a strong home market is possible.

In order to build a harmonious society, we must abandon such kinds of buildings that are common in many Arab and Asian countries. Such kinds of buildings do not reflect the wishes of the masses and they disturb the human mind. We must turn to city buildings which incorporate all aspects of human life, and bring imaginations to human soul. Forty or fifty story buildings are not necessary in Africa, and maintenance costs cannot be affordable. For an aesthetical building style we can use the knowledge of foreign forces that are ready to work and live in Africa. We can go to the extent that we can invite those gifted individuals with all kinds of practical knowledge to come, to live there and teach us. Instead of inviting those so-called experts who until now distort the African economy, it is by far better to invite those Europeans who have practical knowledge, like handicraft activities of all types. Only this way Europe could develop. That means if we want to develop we have to discard the advices of all international institutions and the so-called international community. In this case, Africa must reinvent itself, and move towards a harmonious structure which brings peace of the mind to all its inhabitants. Africa must not be a place of exploitation and a dumping ground of waste materials. It must be a place of harmony, order, prosperity in a completely new spirit.

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Fekadu Bekele, Ph D

[fekadubekele@gmx.de](mailto:fekadubekele@gmx.de)

1. Tipps, Dean. C.: Modernization Theory and Comparative Study of Societies: A Critical Perspective: In Comparative Studies in Society and History, 1973
2. Prof. Hirschman has developed the concept of linkages from different perspectives to show that an economy with cumulative effects will have a self-reproductive mechanism. One industry is dependent for intermediate goods on other industries which are specialized on producing these products. On the other side this industry supplies the market with finished products. The employer and the employee pay taxes, and this is called a fiscal linkage. Again consumers buy the products and consume, and this is called consumption linkage. In this case, the entire economy in a given country is characterized by backward, forward, fiscal and consumption linkages.
3. <http://www.marxists.org/archiv/luxemburg/1913/accumulation-capital/ch01.htm>
4. It is foolish to believe that these two sister organizations are value-free when they advise African leaders. Both of the organisations have ideological motifs, and are convinced that only a pure market policy can bring true prosperity. They are dominated by experts which are loyal to western governments, especially to America. As to Naomi Klein, most of the experts are trained by Milton Friedman, and the students are known as the Chicago boys. They have affiliation with right wing elements, especially in Latin American countries. Naomi asserts that John Williamson is a convinced right-wing Prof. who advices both the IMF and the World Bank( Klein, p.155)

5. The so-called consumer sovereignty has its own limitation. Since advertisements influence consumers, as long as individuals do not have the necessary information and consciousness, they can be easily cheated. The social and income positions determine what an individual can buy and consume.
6. Hany Njagih, January 2002 in: <http://www.web.net-iccaf/debtsap/reductionjan02.htm>
- 7.. Prof. Reinert in his book: How Rich Countries become Rich, and Poor Countries Stay Poor, demonstrates, why MDG cannot function, and is not well conceived. It relies more on foreign resources than on internal sources, and it creates neo-colonialism. At the same time countries which are in this kind of agenda cannot exercise their free Will and cannot develop technology. Everything must come as finished products.
8. Vladimir I. Vernadsky; The Biosphere and the Noösphere, 1943, published In the American Scientist, January 1945

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