Crisis and development
A perpetual vicious circle for Africa

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ABSTRACT: The financial crisis that broke out in 2007 in the "northern"[1] countries and hit formal financial institutions and investment banks does not bring the same repercussions for African countries. After all, the real economy is organized around informal structures in the majority of these states while formal institutions, the conveyers of crisis, are a recent and still rare reality. However, this does not protect from the growth crisis that followed the financial crisis and which will have a negative impact on African countries as well as all countries around the world. Given the world trade balances and power relationships between countries, some authors propose that this crisis has effectively compromised any possible future for the industrialization that the development of the African continent requires (Ellis, 2009). The paper is structured around a discussion of the history of ideas in the economic sciences and the impact of development policies on the African continent. We begin by reviewing the main lines of thought on development, and then go on to discuss the main ways in which Africa is integrated into the world economy. We conclude that, although the models and the crises thus far experienced have only resulted in rising poverty on the continent and worsened social inequalities between African states and the "northern" countries, as well as inequalities in effective access to resources, the current crisis may actually be considered potentially positive as it may give rise to a global rethinking of the development model and its impact at the local level. As the crisis originated in the "northern" states thus making it clear that the negative effects of development may hit all "global" spaces in the real globalized world, criticism of its underlying and underpinning mechanisms is inevitable. The conclusion suggests that the ideal departure point for rethinking the model of development involves intellectual honesty rather than rapid responses; critical thought should be given again to the social impact of the values underlying economic history and the history of ideas since the advent of capitalism.

Key words: Development, Crisis, Transnationalism, Mobility, Africa

TÍTULO: Crise e desenvolvimento: um círculo vicioso perpétuo para África

RESUMO: A crise financeira que teve origem em 2007 nos países do «Norte»[2] atingindo as instituições financeiras formais e os bancos de investimento não tem as mesmas repercussões nos países africanos, uma vez que, na maioria destes países, a economia real organiza-se em moldes informais, sendo as instituições formais, lugar da crise, uma realidade recente e ainda escassa. O mesmo não acontece com a crise de crescimento que se seguiu à crise financeira e que vai afectar negativamente os países africanos, assim como todos os países do globo. Perante os equilíbrios mundiais, e tendo em conta a posição do continente africano nos equilíbrios mundiais, há quem acredite que a crise veio comprometer qualquer futuro possível para a industrialização necessária ao desenvolvimento no con-

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tinente africano (Ellis, 2009). A discussão é organizada tendo em consideração a história das ideias nas ciências económicas e o impacto das políticas de desenvolvimento para o continente africano. Começando por recordar as principais correntes de pensamento sobre o desenvolvimento, serão, a seguir, discutidas as principais formas de integração da África no sistema económico mundial, para concluir que, se os modelos e as crises até agora experimentados têm cada vez mais produzido um aumento da pobreza no continente e uma acentuação das desigualdades sociais, entre os países africanos e o «Norte» do mundo, assim como desigualdades no acesso efectivo aos recursos, a crise actual talvez possa ser considerada, pelos primeiros, um evento potencialmente positivo, uma vez que vai obrigar a repensar globalmente o modelo de desenvolvimento e o seu impacto ao nível local. O facto de a crise ter origem nos países do «Norte», tornando patente como os efeitos negativos do desenvolvimento podem atingir todos os locais «globais» do mundo real globalizado, inclusive aqueles que até agora mais têm beneficiado dos efeitos positivos do desenvolvimento, torna inadiável a crítica dos mecanismos que lhe estão subjacentes. As conclusões sugerem que um ponto de partida ideal para repensar o modelo de desenvolvimento seja a não procura de rápidas respostas em prol da humildade intelectual de repensar criticamente o impacto social dos valores que estão subjacentes à história económica e à história das ideias, a partir do advento do capitalismo.

Palavras-chave: Desenvolvimento, Crise, Transnacionalismo, Mobilidade, África

One of the most important characteristics of contemporary globalization is the dilution of the meaning of national borders that have not been perceived as barriers in the analysis of societies since the 1990s. Peoples, goods, capital and ideas move over national borders at an accelerating pace, triggering changes in relationships between individuals and institutions and creating “hybrid” forms of cultural and socioeconomic organization.

It seems unquestionable today that current levels of globalization imply development that now precludes theories specific to the world’s “southern” states. At the same time, the real world for “northern” countries is characterized by migration flows of increasingly large numbers of people; some of these immigrants come from Africa, surviving journeys over sea or land, who would question the extent of “our” crisis as they escape their “own” crises. Even if not all deserving of asylum, people certainly embark on a quest for better integration into global society in places where access to resources seems far easier than their countries of origin.

Migratory legislation in effect restricts entrance into European countries but openings in particular areas of the economy result in migrants having to “separate” from their families, with at least one member migrating while the others remain behind. The transnational lives of individuals in movement present new challenges for research on development (Bryceson and Vuorela, 2002). One important characteristic in this current phase of capitalism is without doubt the transnational demands as regards the social division of labor. Although each of the classical authors who sought to further our understanding of the capitalist system of production differed in their methods and perspectives (in particular Marx, Weber and Durkheim) Durkheim, in particular, recognized that the social division of labor was the key source of energy driving capitalism[3].

As of the Industrial Revolution, the economy totally trusted in the idea of progress believing that all expressions of economic life – the division of labor, specialization, growth –, as well as their dynamics would be interrelated so as to ensure there would be a continuous trend towards development. Oscillations were only considered as a phenomenon alien to economic science. Given the dynamism of the real world, the economists that focused on development until the 1990s assumed during this period that the word development should be "abolished" and turned their attention exclusively towards one facet of the concept[4], namely economic growth[5].

"Development", a multidimensional concept, dated both historically and geographically by the current crisis must now be questioned more than ever in terms of its relationship with economic growth. Can economic growth really be considered, a necessary though insufficient condition to bringing about development as has happened thus far? The crisis that hit hard in September 2008 is the most recent opportunity to reflect on the "infallibility" of the market as a solution for all problems (Hodgson 2008, p. 273). We thus begin our reflection with a review of development and economic growth in order to demonstrate how the positioning of Africa has been exposed to successive crises in development throughout the history of global capitalism and as of the 16th century.

THE "MYTH" OF DEVELOPMENT

While the term development is itself fairly recent, the actual concept has longstanding roots. The classics devote particular attention to how behaviours and economic laws over the long term shape changes in wealth in society. However, the prevailing economic theory in the period stretching from the classical period and the work of Keynes, – with the exception of Marx and Schumpeter –, looked particularly at the optimal allocation of resources at a given moment in time and was not especially interested in growth; it studied the economy as a system of circular flows with the emphasis on the identification of the conditions enabling its simple and balanced reproduction through resolving the equations making up the system.

The term and indeed idea of development (inherently bound up with the idea of backwardness) finds its origins far back in the historical processes that resulted in the crisis of the feudal structure of the economy and society and the emergence of capitalism. Within the conceptual origins of both development and backwardness, there are mutually interconnected facets, including: the discovery of the "primitive" world and a Euro-centric vision, the modern ideal and the affirmation of the ideology of capitalism as the natural state of affairs – in accordance with nature and reason (Volpi, 1994).

The concept of "backwardness" generated a methodology of comparison: the peoples are backward in relation to the European states and peoples, who in turn assumed that they had long since emerged out of such backwardness. This is the idea of progress, emerging from the 16th century; it turns Euro-centrism into an analytical methodology that progresses over the course of grand geographic conquests. Furthermore, the modern idea of progress came about alongside a strengthening of the Eurocentric concept. This was the period in which the Europeans embarked upon their great expansion into the "New World" and began to establish trading networks between distant countries. This Europe, which was then turning capitalist, associated the concept of development with an idea of progress unbounded by any temporal limitations. This is the globalising world of the 16th century[6]. In this context, the historical time of change falls beyond the scope of analysis. Only in the 18th and 19th centuries, with the passage from the concept of progress to that of economic progress, did history again become a subject for analysis.

While for classical authors the problem of the world expansion of capitalism emerged implicitly, Karl Marx (1952) was far more explicit in stating that the existence of a world market is one of the fundamental characteristics of the capitalist system and that its formation bound the process of development to a new means of production. Just as this was thrashed out in Europe in violent class struggle, repressive laws, the impoverishment of entire populations, the founding of economic relations with extra-European states certainly did not reflect any spontaneous manifestation of rational economic criteria or the peaceful influence of ideas and practices of more developed peoples over those left behind (Marx, 1952).

However, it was following World War II that economic science took up the terms *economic growth and economic development*, deemed to correspond to two different theoretical approaches with their respective differentiated models. The distinction between the two terms has frequently been looked at broadly from an empirical perspective. While the term development is more wide-reaching, growth is generally used to refer to industrialized countries and formalized models that establish the conditions by which an economic system may obtain a higher rate of earnings growth. The *modernization paradigm*, which emerged at around this time, suggests that under-development and development are two phases in the same evolutionary process[7]. Given that each component in the modernization process is seen as a driver of structural change and measured essentially at the national level, these theories basically turned into discourse on the transformation of the nation state[8].

From the 1970s, there was fierce criticism of the modernization school – Eisenstadt (1974), Huntington (1976), Nisbet (1969) and Tipps (1976) all came out with reservations on the assumptions of the evolutionists and functionalists championing the modernization school and in particular challenging the supposed unidirectional pattern of development. These authors cast doubt on the need for "southern" countries to head down the path taken by western countries. This interpretation was defined as ethnocentric with criticism further targeting concepts such as "advanced", "modern", "traditional" and "primitive" identified as only ideological labels serving to justify some supposed western superiority and thus overshadowing alternative approaches to development for countries then called "Third World".

This approach demonstrated how the development process could be halted or even go into reverse in certain contexts. Given what the current circumstances have demonstrated and as even in the "north" periods of crisis and recession take place and are beyond all the powers of mathematical and econometric models to either predict or resolve, some authors again point to a period of "degrowth" as a solution that can resolve crises and ensure equitable development in the redistribution of wealth around the world. One such advocate, Serge Latouche, also stated in 2005 that "as regards the "southern" countries where the negative consequences of the levels of growth of the "north" countries are stark, the issue is not about decreasing or growing but rather about retying the historical thread broken by colonization, imperialism and military, political, economic and cultural neo-imperialism, with the objective of recovering their own identity (Latouche, 2005). This author also sets out some form of economic policy to be established endogenously that he suggestively refers to as the "post development" period.

After the Second World War , when the United Kingdom, France, the Netherlands, Belgium and Portugal, in very different ways and at very different times, had to renounce their empires, new states were founded and attributed formal parity internationally, for example at the United Nations (UN). Simultaneously, in Latin America, there were the theoretical and social conditions in place that directly or indirectly contributed towards the production of development theories[9] just as the Soviet Union, a victor in the Second World War, set out its stall as a superpower standing toe to toe with the United States[10]. The possible routes towards development seemed to diversify[11]. The first statistics produced by the UN immediately after the war revealed inequality between the continents and a world divided between the poor and rich thus proving that all of the 19th century optimism about the global expansion of capitalism had been in vain.

In the same period, supporters of theories for *alternative development* policies for Africa highlighted how political independence and self-determination for nations had to be the overriding priority in overcoming "underdevelopment", the result of an unjust international order. As Mário Murteira recalled (1988), the 1950s groundbreaking and innovative analysis of François Perroux, one of the most significant thinkers within this trend, individualized a development concept that provided for an "economy without shortage and a society without coercion", a national, global, integrated, endogenous and multidimensional development while also explicitly stressing human development (Galtung et al., 1980, Cap. 1). This is a multidimensional concept that incorporates other variables beyond the economic but able to evaluate both the progress and the "setbacks" with their different paces[12].

Throughout the 1980s, the world economic crisis hit African countries particularly hard and forcing a review of the economic policies thus far in effect. At the same time, a neo-liberal orthodoxy was the norm for international organizations and universities in the name of scientific accuracy and efficiency. The budgetary results, when they did prove satisfactory, were achieved at the cost of serious social impacts, particularly to certain groups such as women and children.

AFRICA IN THE WORLD: THE 19TH CENTURY "CRISIS"

At the beginning of the 19th century, Africa partially belonged to the world economic system with a very specific function. Most of the trade with Europe – besides small-scale exchanges of gold, ivory and other luxury goods – was the slave trade (the bulk of trade between 1750 and 1860) that connected Africa – where slaves were sourced – to America – producer of precious metals, sugar and spices – and then to western Europe (Hugon, 1999, 27). Throughout this period, Africa had, as Samir Amim (1986) stated, the role of the "periphery of the periphery" (p. 34).

The continent's economy was characterized by an overwhelmingly subsistence agriculture and by local and long distance trade[13]. The triangular trading route left the colonial states stronger, brought about both social stratification and the intensification of other types of trade, particularly in West Africa over the course of the second half of the century[14]. However, profits going to Africans did not result in any accumulation of physical capital or productive activities but were spent on ritual and collective consumption in keeping with alternative forms of accumulation and the production of wealth in specific contexts (Pouillon, 1978; Meillassoux, 1975).

The colonial system seems to have encountered difficulties in putting its accumulation model into practice here due to the small scale of the markets, the threats posed by disease and climate, the lack of appropriate infrastructures and the "laziness" of the local labor force. The construction of means of communication came only at high human costs. The surpluses thus gathered came from forced taxation, labor, agricultural crop growing and expropriation of land. Furthermore, the colonial system was not able to implement the eradication of pre-colonial organizational forms despite setting up administrative structures which would differ from one colonial power to another1[15].

The means of exploitation of Africa thus moved into a phase of peripheral integration, based on the organization of production, while such dynamics varied significantly across the various regions of Africa even though the overall impact of the process of peripheral integration taking place from 1870 was broadly similar across the entire continent[16]. In general terms, production was structured around primary goods, either exclusively or predominantly, with socio-economic structures weakened and traditional agricultural practices replaced by cash crops for export. In short, the market economy spread and tended to eliminate the traditional redistributive structures that had previously been of great importance, for example, in regions subject to adverse climatic episodes. In the Portuguese colonies and eastern Africa in general, land was expropriated or acquired for token prices by European companies that farmed it to favor the needs of the center. The internal regional and inter-regional trading networks were molded in accordance with the definition of colonial borders and the displacement of populations, in addition to the reorganization of production. The means of communication were built according to the needs of international trade and therefore to the detriment of communication between internal regions. Capital investment by the center was far lower on the African continent – particularly when excluding South Africa – than, for example, in Latin America or in India. Some authors propose that this may have blocked the spread effect of the small and limited industrial processes that these regions experienced[17].

AFRICA IN THE WORLD: FROM THE 1929 CRASH TO DEPENDENCE ON "DEVELOPMENT AID"

The end of the First World War left European states in financial debt to the United States. Russia withdrew from the world market, the Austro-Hungarian split into four states that feuded with each other and which, in conjunction with Germany, had to cope with failed revolutions against a backdrop of climbing inflation that would end up destroying the value of their currencies. The industrial conversion process forced a period of recession, along with a high level of social conflict brought about by unemployment and fanned by the radical politics practiced by the working classes following the war and the Russian revolution; this all contributed towards authoritarian governments taking power, as was the case in Italy for example. Throughout the 1922-1928 period, the United States was the only country of the "North" to experience growth and it benefited from the introduction of new production techniques and the expansion of markets with the beginnings of mass consumption of new products, including household appliances, cars, etc. This expansionary phase was accompanied by a climate of great optimism that saw stock markets and speculation soar just as the United States was investing in Europe and peripheral countries and becoming the engine of growth for the world capitalist system. Hence, the scene was set for the 1929 crash to generate serious consequences all around the world[18]. However, the 1930s recession and the aftermath of the Second World War laid the foundations for a new phase in capitalism and a world system structure that survived until the 1980s.

The division of the world economy into two competing blocks had consequences in international trading flows and resulted in trends towards greater economic integration between countries belonging to one bloc or another. The dominant countries of each bloc – the United States and the Soviet Union – developed a military industry that would absorb a high proportion of their resources. In the countries of the "south", the internal economic policies adopted reflected the influence of the two global giants. International agreements such as Bretton Woods and countries signing up to the Marshall Plan cemented American hegemony over the West. The former resulted in the IMF (International Monetary Fund) and attributed the role of regulating the international monetary system on the condition that debtor countries adopted economic policies considered coherent with the objective of budgetary and price stability. Hence, the Fund wielded control over the processes of capitalist reproduction in many countries and under the tutelage of the United States, which held a majority stake in its shares. Between the 1950s and the 1970s, the United States became a central bank that issued the currency, regulated the expansion of credit and acted as the monetary intermediary. The dollar became the universally accepted means of payment and its stability depended on exchange rate stability and the continuity of flows of goods and capital. The position of the United States in this period resembled that of Great Britain in the 19th century. This was also the period when Transnational Corporations (TNCs) took the stage, in the main with American capital and running operations extending to countries on a truly global scale. The TNCs set up in peripheral countries and took control over the production of raw materials and with their scale leveraged favorable terms for taxation and customs duties. It is calculated that they represented 55% of the world's exports for 1970 (Volpi, 1994). The hegemony of the United States did not evolve into a formal empire, unlike British hegemony of the 19th century, but it did introduce new features into world market regulatory mechanisms represented by the power of the international organizations. This all served to contribute towards the liberalization of the movement of goods and capital[19].

Within the framework of rebuilding the global market, the existence of colonial empires that structured exchanges as between colony and metropolis posed an obstacle to be eliminated. While, on the one hand, it may be stated that American hegemony was a favorable condition for decolonization and the appearance of a trend to restructure relationships between the centre and the periphery according to a model similar to that of British hegemony in effect until the latter quarter of the 19th century. On the other hand, the ideological influences of the "socialist" block, along with its economic, political, diplomatic and military support also contributed towards the decolonization process and to the rupture in relationships of dependency (Arrighi, 1978). Correspondingly, as Africa was a terrain of conflict between the superpowers, this led to changes in the behavior of the capitalist centre. The "development aid" policy represented one approach aimed at avoiding one or other area of the "periphery" falling under the influence of the rival hegemonic power.

AFRICA IN THE WORLD: THE POST-"INDEPENDENCES" CRISIS

Almost total decolonization took place between the end of Second World War and the first half of the 1960s. This process, driven by mass movements and social and political elites organized in various fashions, was predominantly an endogenous process and, as mentioned above, with favorable prevailing conditions given the weakness of the former colonial powers and the bipolar divide between the United States and the Soviet Union. In the meanwhile, the Portuguese colonies – the first to have been established – had to wait until the mid 1970s before they could embrace independence so that the decolonization process could run its course.

Through these years of decolonization, there is a notable convergence and homogeneity in the theoretical position on development and the policy proposals from leading authors were almost completely uniform as to the development strategies that newly independent countries should adopt (Nurske, 1972; Lewis, 1973 and 1981; Prebish, 1950;). The influence of Keynesian thinking in universities and international organizations contributed towards creating a cultural environment in favor of dealing with the problems of "underdeveloped" economies in ways that went beyond the neoclassical theoretical parameters[20].

Such approaches may be found in the policies applied in the majority of peripheral countries in the twenty years after the Second World War and correspond to the nationalist aspirations of the governments and ruling classes whether in countries of Latin America, – who had begun their industrialization processes in the 1930s, including Brazil, Argentina and Mexico –, or in more recently independent African states. In the 1960s, this relative homogeneity of policy gave way to approaches differing between those countries with economies "oriented internally" and those economies "oriented externally". Out of this differentiation came a vast economic literature propounding the validity of the neoclassical theory of international trade and the liberalization of trade as a fundamental factor in development strategies. At the same time, the persistence of unemployment and poverty led to the basic needs theory, resulting from both academic circles and international organizations (such as the International Labor Office – ILO), which, while not producing the organic models of the preceding theories, played a significant role in focusing attention on problems such as the need for a different distribution of social service resources[21].

The worsening of internal imbalances in peripheral states throughout the 1980s forced economists and international organizations to concern themselves with stabilization problems and important criticism was made as to the strategies adopted in prior years. The Keynesians lost their dominant position and structuralism was criticized in various ways laying the ground for the neoclassical models of general equilibrium, the predominance of the economy and monetarist macroeconomic policies. Hence, the legitimacy that the Keynes approach provided to the specific nature of development economics was undermined to the detriment of any consideration as to the need for a conceptual framework appropriate to lesser developed peripheral countries.

The solution proposed involved the elimination of protectionist measures, the liberalization of internal trade, devaluation of the currency, the shrinking of state expenditure, the privatization of state owned companies. This all found its most complete and radical expression in the Structural Adjustment and Economic Stabilization Programs of the International Monetary Fund (IMF) and the World Bank (WB) and the necessary conditions for the taking up of their short and long term loan and financing packages that had become vital to highly indebted peripheral countries. For African states, development remained no more than a mirage.

After the experiences of the 1980s recession, the technocratic interpretation of development came in for questioning globally in both the "North" and the "South".

The common clash between traditional cultural values and those based on business and technological success resulted in many contrary positions. Fundamentalist religious beliefs re-emerged specifically in Islamic countries but also in many African religions and, like American Protestantism, had a clear political impact. In more general terms, the policies and ideologies of the liberal Welfare State provoked a strongly conservative reaction (in the United Kingdom and the United States in 1980). State intervention in the economy was replaced by a belief in the dynamics of private initiative and in the discipline of market forces and the private business sector. This also took place in the "South" with the implementation of structural adjustment programs (SAPs). The result was steadily rising levels of economic, social and geographic polarization, which proved beyond political control even in the strongest states.

AFRICA IN THE WORLD: CRISIS IN THE WASHINGTON CONSENSUS YEARS

The Washington Consensus, i.e., the ideological paradigm on which the WB and IMF strategies are based, consists of setting out a formula for development that is technical, universal and of a purely economic nature, deemed to be based on activities in the private sector and market efficiency. Many more recent authors have found that poor countries reaching agreement with the World Bank under the auspices of a SAP, in conjunction with the conditions imposed by donor countries who connect their financing packages to agreement with the Bretton Woods institutions, experienced a rising level of restrictions that hindered the appropriate management of aid by the governments with asymmetries demonstrated in the interactions between donors, governments and individual aid recipients, creating resistances and associated to new specific forms of dependence (Sindzingre, 1999).

Although the WB and the IMF defended the position that the results were better in countries adopting SAPs and that energetic reforms took place elsewhere, the overall impact in the 1980s was fairly weak despite better conditions at the international level. While on the one hand the Washington Consensus had and continues to have a major importance in monitoring development processes in African states, on the other hand, the budgetary reductions induced struck vital sectors of the more disadvantaged sectors of the populations severely. Measures seeking to encourage the production of traditional cash crops led to the abandoning of foodstuffs and thereby increasing external food dependency while cuts in credit supply primarily impacted on small and medium sized companies. Job losses in the public sector resulted in an increase in poverty and unregulated privatization benefited cliques and international capital interests. The inevitable criticism of such effects came not only from outside the neoliberal paradigm but also from ultra-liberal strands who highlighted the distortions induced, brought about by aid, the free market mechanisms before calling for a "new world financial and institutional architecture". There are authors who stress how, in the name of structural adjustment, sub-Saharan Africa became a social engineering laboratory both during and after the Cold War period (Oppenheimer, 2000).

Criticism by Cornia, who in 1987 came up with the expression "adjustment with a human face" (Cornia et al., 1987), and others (such as UNICEF) led to a second generation of SAPs. The main idea was to introduce social assistance schemes for vulnerable groups within the context of financial and liberal economic reforms as this would reflect good practices of democratic state governance. Thus, the western imposition of an economic model became accompanied by the imposition of a western model of political governance. The state civil service, weakened by loss of purchasing power, experienced an inevitable brain drain as staff took up positions with the NGOs (Non Governmental Organizations) and the local branches of the international development agencies. The most important contemporary development programs in sub-Saharan Africa are actually anti-poverty programs that bring together international agencies, the Bretton Woods institutions and NGOs which, in conjunction with local governments, manage significant development funding and incorporating aspects of priority to the international development agenda, such as gender, the environment, ecology and so forth. This increasingly represents the capacity of the dominant paradigm to undergo change and adapt to both criticism and contexts. Nevertheless, the outcome remains that the funds available only reach the populations in need of them with difficulty. According to many studies, the SAP impact on the wellbeing of different strata of societies on the African continent was and is negative in terms of human conditions, penalizing the poorest and other vulnerable groups and generally undermining the bases of African society[22].

Among the leading late 20th century critics of the Washington Consensus, Joseph Stiglitz, along with others, called for a redefinition of the development concept and broadening it to include new objectives that extend beyond simple GDP (Gross Domestic Product). The Stiglitz criticism focuses on attempts to explain the Asian crisis and the need to consider development as a global process that also takes into consideration general quality of life.

It is difficult to avoid the conclusion that this criticism from persons of such significant institutional weight may have been seen as strategic from the political-institutional point of view not so much in terms of the theoretical debate around development but rather for the ideological hegemony of the World Bank itself (Wade, 1996). This is certainly not about some paradigmatic rupture. Indeed, on the contrary, within the core of the dominant paradigm and its adaptations to the crises, there remains an essentially orthodox discourse. The Post-Washington Consensus gives greater emphasis to specific local facets than the previous consensus but it continues to prescribe a universal recipe that detracts from the political input into economic development policies.

The extensive criticism of the effects of structural adjustment on sub-Saharan Africa came to the fore in the 1990s and focused particularly on the lack of any sociopolitical analysis. This is not about questioning the excessively economic dependence that the models utilized incorporate but rather targeting the highly normative economic construction of the reforms that serve more to influence the behaviors and internal opportunities for enrichment than economic policies and the means of integrating into the international economy (Hibou, 1998). According to this author, the "philosophical" attitude of the World Bank ignores other theoretical hypotheses on international trade such as the fact that under certain circumstances, protectionism can favor growth and lead to greater export levels. This position is rejected by the World Bank due to the industrial weaknesses of Africa and lack of information. On these grounds, the World Bank rejects a new international theory[23], as it would otherwise have to accept abandoning norms such as comparative advantage and perfect competition, in sum, the norms of free trade.

Supporters of reforms in sub-Saharan Africa also give no consideration to this debate around other recent theories on industrialized country development[24], which demonstrate how external economic policies are increasingly linked to non-economic objectives such as national identity, peace and international or national stability. In fact, this idea is rejected particularly forcefully in the case of Africa.

On the basis of an equitable vision of the world, the agenda for the Conference on the financial crisis and the world economy and its impacts on development, to be held in June 2009 at the United Nations headquarters in New York, includes the discussion of proposals for global fiscal duties for the management of global public goods (space, water, cyberspace) where private utilization may be subject to taxation for the common good whether taxing negative global externalities (emission of greenhouse gases or merely speculative financial transactions, for example) or with the objective of hindering their growth or compensating for the resulting damage.

Once again, significant reforms are planned that extend to the majority of international organizations and including even the International Monetary Fund and the World Bank.

How can the poor of Africa be anything other than disturbed at the predominant role the G20 recently again entrusted to the IMF in resolving the current crisis and dealing with its impact on developing countries?

The contemporary literature on the presumably negative repercussions for developing countries from the crisis of the "North" countries identifies shrinkage in export markets, falling prices and a reduced demand for products (goods and services, e.g. tourism) as the features that may negatively impact on the poorest countries. Furthermore, other authors suggest a fall in development aid and emigrant remittances will be among the factors aggravating the crisis in Africa (Naudé, 2009)[26].

As regards the crisis and Africa, not many approaches stress the need to question the inevitability of this type of development. The aforementioned paper by Naudé is an example of the difficulties in breaking away from the ethnocentrism of those who see the current crisis as an exogenous shock: "The epicentre of the crisis is in developed countries. This crisis is different from many of the 123 previous financial crises, given that it appears as an exogenous shock and cannot be attributed to inappropriate domestic policies as in the past" (Naudé, 2009, p. 9)[26]. The role of the "domus" that the author refers is yet to be understood although a clue is to be found in the normality attributed to the sheer quantity of financial crises which probably should be correlated with the taking root of the globalized financing of the major TNCs. Discourse on the inevitability of this global development model is hence assumed to be a circular process that seems only explained in line with a *global identity* inherently bound up with the myth of this development, the economic imaginary of this need for economic growth synonymous with development. Only thus can we also explain how the political elites of developing countries tend to see the worsening of the effects caused by global development (rising poverty and inequality) as their solution.

ON THE CRISIS AND AFRICA: NIHIL SUB SOLE NOVI

As various authors state, the most spectacular change in the last two decades took place in the financial markets. The only real global market of our times is the foreign exchange market. This market is now ten times greater in scale than in 1983 and ten years later, 1992, it expanded a further six times over (Sassen, 1998). In 1979, Arrighi recalled that of the four cycles of accumulation over the history of capitalism, since its beginnings in medieval Europe through to contemporary times, we may identify periods characterized by rapid and stable expansion in world trade and production that end in a crisis of over-accumulation which, in turn, resulted in a period of great competition, financial expansion and the collapse of the organizational structures on which that very expansion in trade and production had been based. In 1984, Fernand Braudel was convinced that these cyclical periods of intense accumulation, financial expansion and structural instability represented nothing less than the "Autumnal" phase of capitalist development. This is the period in which leaders in accumulation and production reap the harvests of such processes while these same leaders are also gradually substituted in the capitalist positions of command by other leaders. This was the experience of Great Britain towards the end of the 19th century, Holland back in the 18th century and the Genoese capitalist diaspora in the 16th century. And, Arrighi asks, what about the United States nowadays[27]?

In turn, in 1997, Soros compared global society to the laissez-faire capitalism of a century earlier with the difference that the political presence of an imperial power, i.e. Great Britain, made that era more stable than the current period as it guaranteed the maintenance of the system (and also a system that would fall and lead to two huge wars and the birth of totalitarian ideologies). On the contrary, Soros considered the United States to be reluctant to be the policeman of the world and should the main powers act against each other, there would be rupture in the present regime "at least unless we learn from experience" (Soros, 1997, p. 456)[28].

Opinions on the crises in African countries divide between those who point to economics and the economists as the greatest failure given their wish to develop a general theory of everything and others who consider the overall problem is not with economic theory but rather its application. The vast majority of the opinions of regional experts attached to the major international organizations stick to modern economic theory and list the type of generic problems that led to our current development model and discuss their peculiar incapacity to apply it and gain results in the real world.

The most recent crisis that began in the most developed parts of the world in 2008 starkly demonstrates the negation of the developmental myth proposed by contemporary globalization. The worsening of social and economic indicators and the current crisis denounce a system only able to produce rising poverty in both the poorest and the richest countries. For the African continent, frankly, there is nothing new about this.

In 2005, Serge Latouche attributed the persistence of inequalities between countries and the crisis in development affecting African countries solely to the failure of the trickle down mechanism[29]. Economic growth, the fundamental theoretical assumption of the dominant paradigm of global development is called into question by the author who highlighted how the current crisis has repercussions on people's lives and that the solution lay in the collection of non-normative information on their effects in real societies (Latouche, 2005).

The question of economic growth has long since been a leading issue in modern economic theory though the efforts by various schools to provide a theoretical systematization often ends up clouding its true meaning. According to the neoclassical school, growth is not a process but rather a phenomenon that may be theoretically formalized, i.e. reduced to a relationship between its causal variables. Correspondingly, it is determined either by variations in GDP or in the relationship between GDP and population growth or alternatively by the variation in per capita productivity in relation to the total capital stock.

However, as seen, none of these relationships is sufficient for the study of this complex phenomenon[30].

This paper has sought to propose that in these Hodiernian times the theoretical pertinence of the historical discussion on the difference between growth and development that was so important to post-war economic literature, is only as a bridge towards understanding the complexity of current societies. This understanding seems to include a decisively important role played by the institutions in the development processes, rendering them the gears that articulate the economic growth processes taking place in some specific place and time.

Neoclassical thinking carries a false conception of human nature. The individual is seen in hedonistic terms and as a socially passive, inert and immutable being. In economic evolution, the role played by instincts, habits and institutions is analogous to that of genes in biology, establishing strong ties with evolutionary thinking, such as the conceptions of Veblen (1899). The linkage between institutional tradition and the process of economic growth thus becomes fairly clear[31]. Hence, what is the best way to study the real economy, if this is the assumption of development? What does it mean to study the real? The dynamic and evolutionary nature of the economy is synthesized in the question posed by Veblen (1934): “It is not about how things stabilize themselves in a ‘static state’ but how they endlessly grow and change” (p. 8) highlighting the role of man, his/her feelings and will in determining the forms and results of the entire economic process.

As was highlighted, the greatest challenge of contemporary global society and the evolution of the development process finds its principal characteristic in dynamism. Movement gets its corollary in the economic dynamics and relationships of power between ever more complex groups that create situations of exclusion perceivable as forms of segregation and discrimination. The segregation, which, for example, forces the immigrant into marginal social, cultural or physical spheres, represents a contradiction to contemporary globalization interrupting the process of development.

Incorporating the factors that created problems in financial markets into this reality ensures still more complex theory and leads into dimensions beyond the scope of economics and relating to human rights and social values that merely economics based analysis simply chooses to ignore.

To achieve effectiveness in the real world, this same theory needs to be simplified but without falling into the same error of actually believing in these simplifications as if some form of general theory. The first simplification, as suggested here, is to ground theoretical analysis in the real world. At the local level, this would imply accepting an interruption to this *vicious cycle of economic growth*, synonymous in Africa with poverty and instead seeking means of restoring endogenous dynamics and natural and human resources working in favor of a society in which the economy is returned to its place as a means and not as some ultimate end to human life. Such a society results from the decolonization of the imaginary of consumption and production (Latouche, 2004) and a simplification that accepts an active role for the national state and its direct intervention in its relationship with the global economy and safeguarding local dynamics, whether in the "North" or in the "South" of the world. In the countries of the "north", in contemporary Europe for example, the current times suggest the need for the organization of migratory flows taking into consideration the values of solidarity and the power relationships between culturally distinct groups. Considering immigrants as part of the social fabric and reaching beyond the analyses that have thus far almost exclusively favored the economic impact of remittances (Carling, 2005; Guarnizo, 2006; Grassi, 2007, 2009), it is necessary to pay attention to changes in the lives of individuals and their families that operate within the scope of a transnational division of labor. As already mentioned, the impact of this transnational division of labor on individuals drives long term developmental effects that impact not only on the host and origin states but also on the transit countries. The real contemporary European society, bewildered by the crisis, currently makes it the preferred "enemy" justifying the majority of rapid responses that only tend to restore and extend the unequal world that they originated. The lack of information on the effects of economic mechanisms and the real conditions in which the social integration of individuals takes place represents a research challenge for development studies where the priority should be the collection of relevant information on the underlying values that produce social exclusion or inclusion of people in globalized society. A means of simplifying theory, going back to ethic and restoring the fundamental rights of human beings to the debate and their corresponding legal guarantees all over the world.

NOTES

1. The expressions "northern" and "southern" countries do not correspond to geographic criteria but are used here to identify the countries with the greater (north) or lesser (south) performance in accordance with indicators such as human development (HD): wealth, education and average life expectancy.

2. A expressão de países do «Norte» e países do «Sul» não corresponde a critérios geográficos, mas será aqui usada para identificar os países com maior (Norte) ou menor (Sul) desempenho de acordo com os indicadores de desenvolvimento humano (IDH): riqueza, educação e esperança média de vida.

3. We recall that, according to Durkheim, modernity is characterized by the most developed phase in the social division of labor in which manual and intellectual work interact in accordance with the requirements of industrial production. The author attributes this social division of labor to a homogenising and differentiating role leaving the state with the role of regulating the contracts established and guaranteeing compliance.

4. In 1981, with the definition of W. A. Lewis "development economics concerns the structure and behaviour of economies in which production per capita is less than 200 American dollars /1981" thereby affirming the development/underdevelopment dichotomy – two different conditions quantifiable through the measurement of per capita national production.

5. In the 1990s, at the level of large international organizations, the need to put the individual at the centre of attention also became more pressing. The global contemporary market operates through a system of "world-cities" – global centres of accumulation and capital control (Friedmann, 1996). Within this scenario, the world's periphery makes up around 60% of the world's population and the attempt to provide responses to the drama of exclusion and poverty in "southern" countries justifies returning to discussion as to the development paradigm and the prevailing doctrine that guides the models.

6. The features that ensured classical writings approached the problem of development with optimism revolved around the importance attributed to trade. As Adam Smith stated "international trade will allow the 'shortcomings of the internal market' to be overcome and ensure the division of labor is of 'maximum degree of perfection in all areas of production', thus boosting productivity and wealth" (Smith, 1973, p. 435). The idea of the advantages that participation in global exchange and trade brings to all participants is perfected by David Ricardo with his theory of competitive advantages, according to which "in a system of absolute trading freedom, each nation employs its own capital in the clearest manner and their own labor in those purposes that will result in the greatest advantages for the nation itself and this search for individual advantage perfectly adapts to the general advantage" (Ricardo, 1976, p. 92). In turn, John Stuart Mill (1983) held that when considering a people in a state of cultural backwardness and making no progress then engagement in international trade (enabling them to learn about new objects or inducing them to acquire goods that they had never before thought about obtaining) would sometimes cause a kind of industrial revolution, resulting in greater labor, saving and accumulation.

7. The modernization school was the historical product of three critical events around the Second World War period: 1) the emergence of the United States as a superpower as other western regions (Great Britain, France, Germany) were weakened by war. The United States emerged strengthened and became the world leader due to the implementation of the Marshall Plan for the reconstruction of Western Europe and the United States practically assumed responsibility for managing European affairs in 1950s; 2) The expansion of the world communist movement: the Soviet Union extended its power not only to Eastern Europe but also to China and Korea in Asia; 3) the disintegration of European colonial empires in Asia, Africa and Latin America, resulting in the advent of the new nation-states of the "Third World" seeking a development model able to promote their economies and ensure their political independence. The theory of modernization offsets the modern with the traditional in a value based sense. National development means becoming more similar to "Western" countries. The development process is seen as diffuse as is the accumulation of knowledge and resources with the purposes of overcoming obstacles and minimising irreconcilable conflicts between developed and underdeveloped states. The theoretical debate around modernization ended up incorporating aspects of both evolutionary and functionalist theories. On the one hand, evolutionary theory seemed appropriate as a means of explaining the modernity status of the "southern" countries given it served as an explanation for the 19th century transition of Western European societies from traditional to modern. Furthermore, many of the contributors to the modernization school brought functionalist theory with them to the field and this influence is correspondingly seen in the studies they then conducted.

8. Influenced by Parsonian ideas (Parsons, 1951), there are authors who propose that modernization is a systemic process in the sense that attributes of modernity form a consistent whole and appear far more agglomerated than iso-

lated. Such a process involves changes to dimensions across all facets of social behaviour including industrialization, urbanization, civic participation and centralization. Modernization is a process that transforms not only traditional structures but also the values of societies which are subject to replacement even if unevenly across time and space by a set of values specific to modernity. It thus becomes a pervasive and persistent process. Due to its systematic and transformative nature, modernization leads to change in the very social system: once change is underway in one sphere of activity, it inevitably drives comparable changes in other spheres.

In addition to sharing evolutionary and functionalist assumptions, theories of the modernization school also took up a similar methodology in their research. They normally base their discussions and discourse on a high level of abstraction. As their objective is to explain general patterns, universal trends and shared aspects of development around the world, they have not concerned themselves with unique or historically specific events. With the purpose of defining a high level of generalization, academics based their work on the Parsons (1951) ideal-type model (traditional societies versus modern societies) so as to summarize their core arguments. Their preferred unit of analysis tended to be that of the nation state, even in critical and theoretical meanings, although this is left largely implicit.

9. These countries, liberated from colonial domination in the 19th century, even while remaining economically subordinate to the major powers (Great Britain and the United States), were also impacted by the deep economic, social and political crisis of the 1930s. Although these processes favored the rise to power of nationalist-populist parties, their economic and social consequences stimulated reflection on the causes of their underdevelopment, on economic dependence and on the most appropriate policies. It is no coincidence that in the wake of Second World War many Latin American economists, or those with experience of these countries, took leading roles in debating development related issues. Some examples include Prebish (1950), Cardoso and Faletto (1979), Frank (1970) and one of the leading development theorists, Hirschman (1968 and 1983), who had been broadly influenced by his own experiences as a specialist working in Latin America.

10. In the 1930s, the Soviet Union had undertaken accelerated industrialization based on five year plans, within a context of a highly centralized collective economy and presenting an alternative to the forms of accumulation found in Great Britain during the early stages of the Industrial Revolution: this Socialist style of planned accumulation was set in contradiction to the market-based mechanisms with a monopoly on exchange opposing free international trade. This is the period of Keynes' "General Theory" that appeared as if some point of rupture. On one hand, Keynes defended that capitalist economies lacked the mechanisms to guarantee the optimal allocation of capital and reformulated capitalism as a problem rather than some assumption of economic science. Furthermore, he opened the way for long term perspectives that had disappeared with the end of the classical school. Despite the comparative statistical analysis of the "General Theory", the questions it raised drew attention to a dynamic vision and to such an extent that the Keynesian model is drawn on to dynamize a family of growth models of which the Harrod-Domar model was the first. Hence, the relationships between the major economies are defined in relation to time that enables their deployment in the production of development programs. Thus, the methodological principle of uniqueness and universality is broken and the existence of an economic development theory legitimated. The successes of the Soviet industrialization model, particularly after the crisis in the capitalist economic system of the 1930s and later in the post-war period, gave relevance to the Marxist analysis of capitalism and their revolutionary perspectives. There were even economists who sought out common ground between the thinking of Keynes and Marx, thereby again opening the doors of the academic world to Marx, who had meanwhile been excluded as a confused and non-scientific thinker. This renewed interest in Marx contributed in the theoretical field to a higher profile for the problems inherent to development which, as Schumpeter (1959) detailed, were central to Marx's approach.

11. This period saw the foundation of the modern national accountancy practices along with methods to measure national production levels that enabled indicators to be presented that would provide a comparison of the respective wealth of countries and hence for the first time quantify the distance between countries. The United Nations also worked to harmonize accountancy practices and drafting historical data records thus also contributing towards the statistical output on which such comparisons are made.

12. Schumpeter had already individualized creation and destruction in his conceptualization of development.

13. Long distance and regional trade was carried out by private groups that in the case of regional trade corresponded to a division of labor subordinate to the social structure of the village based on lineage. In societies with *segmented* lineage (Evans Pritchard, 1964), the circulation of goods was carried out by the young acting in the service of the elders with the latter then redistributing the gains among the young (Pouillon, 1978, Ch. IV) and organized in accordance with rules of parentage (Meillassoux, 1975). In the case of long distance trade, it was undertaken by groups whose power coexisted alongside the village chiefs and elders. In places where trade was more intense, cen-

tralized and complex political structures were built up – what Evans Pritchard (1964) termed "state societies" –, with their own aristocracies and armies and able to generate significant wealth through trading (in gold, cola nut and slaves) (Coquery Vidrovitch, 1985; Hugon, 1999), as was the case with the major West African "empires" (Ghana in the 11th century, Mali in the 14th century, Songhai and Bounou in the 16th century), while other "empires" were economically based on tribute systems (the Wolof state in Senegal, Haoussa in Nigeria or the Merina in Madagascar, from the 16th to the 18th century) (Hugon, 1999).

14. European traders rarely penetrated far inland, limiting their scope of activities to the exchange of weapons and cloth for ivory, rubber and other tropical products. The dealings with the producers, transporters and intermediaries were all carried out by Africans who, lacking in capital, would receive the western goods as an advance and only later deliver the products for export. To cover possible risks to this system of operation, European traders would overcharge for their goods by 50 to 100% and thereby achieve very high profit margins. The earnings gained by the African traders were further reduced by tributes and taxation charged by the African governments. Alternatively, as in the case of the Dahomey kingdom and in the Niger delta, there was a monopoly on trade that provided the authorities with high levels of revenue (Colson, 1981).

15. For the Portuguese colonies, a statute of assimilation was enacted that would provide the educational background for a category of Europeanized Africans who gained an important role in the period between the two world wars, after which administrative reforms were introduced along with trends towards self-governance and later independence (Hugon, 1999; Coquery Vidrovitch, 1985, Ch. VI).

16. On how processes of peripheralization take place and the various formats that they displayed in differing parts of the continent, see Amim (1986) and Wallerstein (1985).

17. A thorough description is provided in Volpi (1994).

18. On the crisis beginning in 1929, see Galbraith's defining work (1972).

19. According to UN data, American exports to "underdeveloped" countries on the periphery before the war represented 17.2% of their total imports, rising to 32.1% in 1948 before sliding back to 25.8% in 1960 when European reconstruction had been completed. Furthermore, 68% of long term capital movements to the periphery were sourced from donations and public and private investment from the United States.

20. An important role is generally attributed to the Harrod-Domar model: this growth model, dealing with the Keynesian problem of full employment, became a development model on assuming a desirable growth rate as an objective that depends – with a constant capital coefficient – on the volume of savings and hence on capital accumulation. This model is subject to criticism given that it considers both capital as a constant and only extends to physical capital, excluding human capital. Furthermore, the most significant criticism consists of the incongruence of perceiving the concepts of economic growth and development as analogous. Neoclassical type models, such as that of Solow, while analytically different (with variable capital coefficients), also have the objective of development and productive growth and identify capital solely in its physical form. Other important theoretical approaches of this period are the dualist models (Lewis, 1973) and the theses from the structuralist Latin Americans.

21. In the ensuing decades and by the 1970s, these would influence the development projects implemented by international organizations such as the World Bank which (under the McNamara term of office) attempted to combine productive and social objectives, through integrated agricultural projects.

22. In the definition by Hugon (1999), the most vulnerable groups are those excluded from solidarity networks (based on parentage or otherwise), state support systems, social security and codification.

23. See, for example, Brander and Spencer (1983 and 1984, quoted in Hibou, 1998, p. 106), Dixit (1997), Helpman and Krugman (1985 and 1989, quoted in Hibou, 1998, p. 106), Krugman (1984, quoted in Hibou, 1998, p. 106, and 1987).

24. See, for example, Bhagwati (1987 and 1988) on compensation measures, Dnis (1985, quoted in Hibou, 1998, p. 106) and Godley (1982, quoted in Hibou, 1998, 107), the new Cambridge school, Cooper (1987) on external economic policy as a foreign policy tool.

25. Wim Naudé (discussion paper no. 2009/01, United Nations University, Unu-Wider, Helsinki, The financial crisis of 2008 and developing countries).

26. Own translation.

27. Emphasis should be paid to the current relevance of the framework set out by Giovanni Arrighi in the late 1970s.

28. As early as 1975, Polanyi had already rejected the idea of a global market as a rigid utopia. However, neither

Soros nor Polanyi are able to explain why dominant powers such as Great Britain in the last century and the United States more recently have not been able to produce equilibrium but instead only disorder and instability.

29. A term referring to the effect of the wealth of the richest serving as an instrument able to redistribute indirect benefits to poorer sections of the population (Aghion, Philippe and Bolton, Patrick, 1997). This constituted the economic policy of the Reagan administration (the 1980s) and better known as Reaganomics.

30. The impossibility of overcoming neo-Keynesian limitations (inability to meet the "guaranteed" conditions of incrementally raising the product-capital relationship) resulted in victory for the endogenous growth model by Solow in the late 1950s implying a certain extent of intervention in the macroeconomic framework (as Keynes agreed with). While analytically different to the earlier model (Harrod-Domar – capital coefficient fixed/Solow – variable coefficient), this retained growth in production as the development objective with capital also exclusively identified as physical capital.

31. The same critical position in relation to traditional models of economic growth whether in the exogenous version of Solow or in the endogenous version of the new classics found in neo-Schumpeterian and regulationist works. They all emphasize the limits to the classical models and the importance of technological and institutional change as a central argument to their respective theoretical approaches.

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