Spring 2001

Globalization and the Paradox of Incorporation and Marginalization: An Exploratory Note on Sub-Saharan Africa

Charles R. Lartey
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GLOBALIZATION AND THE PARADOX OF INCORPORATION
AND MARGINALIZATION: AN EXPLORATORY NOTE
ON SUB-SAHARAN AFRICA

by

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A Dissertation Submitted to the Faculty of Old Dominion
University in Partial Fulfillment of the Requirement for the
Degree of

DOCTOR OF PHILOSOPHY
INTERNATIONAL STUDIES
OLD DOMINION UNIVERSITY
May 2001

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ABSTRACT

GLOBALIZATION AND THE PARADOX OF INCORPORATION AND MARGINALIZATION: AN EXPLORATORY NOTE ON SUB-SAHARAN AFRICA

Charles R. Lartey
Old Dominion University, 2001
Director: Dr. Simon Serfaty

Utilizing a structured, focused analysis based on a case study of Sub-Saharan Africa (SSA), this research challenges the orthodox notion that the new international context of development that is instigated by the imperatives of globalization, and defined by the ideological framework of neoliberalism has universal, redemptive effects.

First, the literature is reviewed to show that this new context of development differs, ideologically, from the post-World War II development paradigms. Second, the demands of the new development framework are exposed with the examination of the links between globalization and neoliberalism. Third, with specific examples from different countries within the sub-region, the path, and the psychological processes through which SSA was (is) conditioned to the political economy of globalization are identified.

Then, on the basis of a specified theoretical model, the study examines whether SSA has been attaining the benefits presumed to be associated with subscription to the neoliberal policy demands of the new global market discipline. As a litmus test of competing interpretative accounts, our theoretical function reveals that globalization and its
associated neoliberal policy framework, in the context of SSA, precipitate a peculiar paradoxical relationship of incorporation and marginalization.

The adoption and implementation of neoliberal policies concurrently incorporate and marginalize SSA within the emerging political economy of globalization. The policy implications of this paradox are examined in the wider context of development and poverty alleviation concerns of the sub-region.
This dissertation is dedicated to
my late father, Theophilus K. Appah
who encouraged me to study abroad,
and to my mother, Juliana Osei Biama
who has to endure the pain of my long
absence from home.
ACKNOWLEDGMENTS

My special heartfelt appreciation goes to Professor Simon Serfaty, the chair of my dissertation committee. He has been a guiding light, an inspiration, and a constant source of encouragement and approval. Professors Xiushi Yang, and Trisha Bezmen, the other members of my committee were particularly helpful in the completion of this research. To them, I say thank you. I also extend my sincere thanks to Professor Regina Karp, the Director of the GPIS, who had so much confidence in me, I was compelled to go the extra mile towards the timely completion of my doctoral studies.

Indeed, it was a pleasure for me to work with so many inquisitive minds during my graduate studies in Japan, Canada, and the United States. To admit, the unscheduled discussions I had with Professors Kidane Mengisteab, now at the Pennsylvania State University, Ichiro Inukai at the International University of Japan, and Ozay Mehmet at Carleton University, Canada, encouraged me to adopt the topic of my dissertation. I owe them a deep debt of gratitude for alerting me to such a challenging field of research.

I cannot forget to mention the names of Ogawa Kooji, and Nishiyama Michiko of K&T Associates, Niigata, Japan for their financial support. Arigatoo gozaimashita. Last, but certainly not least, I reserve a special thank you note to Dr. Helen Taylor Greene of the Sociology and Criminal Justice
Department, Old Dominion University. She made this research sound a little bit English.
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CHAPTER I  
INTRODUCTION

As an all descriptive index, and as a convenient epithet, never in the academic discourse on international political economy has a phrase ever been used, overused, abused, disputed, contested, glorified and overglorified than the word "globalization."\(^1\) However, like a meteorite in space that is in constant motion, it is very difficult to grasp the underlying essence of globalization within a precise definitional fiat.

Beyond its over extended usage and its contested meaning however, the ideological framework of globalization has been employed to demarcate the new context of development in the emerging post-Cold War system. Therefore, as an all embracing catch-phrase that circumscribes the framework of the emerging political economy of development, globalization has elevated

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\(^1\)Globalization, as an analytic concept, has been utilized to the study of the various aspects of the society. However, the domain of our study, and the specific research questions posed for examination will be limited to issues relating to the new context of development associated with globalization. For a comprehensive review of the sociology of globalization, see Malcom Waters, *Modern Sociological Theory* (London: Sage Publishers, 1994). For the cultural implications of globalization, see M. Featherstone, ed., *Global Culture* (London: Sage Publishers, 1990).
the underlying tenets of neoliberalism\textsuperscript{2} to the status of an international theology.

To maximize the opportunities, and minimize the constraints of a globalizing world economy, conventional wisdom considers the dictums of neoliberal economic prescriptions as immutable laws that must be adopted by both the developed, and the developing countries. In this case, the ideational framework of globalization helps to frame issues, and define what constitutes development.

By extrapolation, the ideational framework of globalization also defines the appropriate policy tools for the alleviation of poverty. Simply put, globalization presents a new political economy\textsuperscript{3} of development. As we will see in Chapters III and IV, the main agent provocateurs of this new context of development are the World Bank and the International Monetary Fund (IMF).

\textsuperscript{2}The meaning, the underlying assumptions, and the central tenets of neoliberalism will be exposed in the subsequent Chapters of our dissertation. It will however suffice to indicate at this point that neoliberalism, as an ideological counterpart of globalization, is predicated upon the role of unfettered market forces in the allocation of productive factors, and the distribution of incentives. See Thomas J. Biersteker, "The 'Triumph' of Liberal Economic Ideas in the Developing World," in Barbara Stallings, ed., Global Change, Regional Response: The New International Context of Development (Cambridge: Cambridge University Press, 1995), pp. 174-198.

\textsuperscript{3}In its simplistic meaning, political economy is a term used to express how politics and economics interact to determine the manner by which societies assign tasks of the allocation of productive factors, and distribution of incentives to market forces and state controls. Market forces and state controls therefore constitute the two anti-podal ends of political economy. For a comprehensive review of the classical meaning of political economy, see M. Staniland, What Is Political Economy? A Study of Social Theory and Underdevelopment (New Haven: Yale University Press, 1985).
In spite of its powerful ideological connotations on the very essence of development, there are some lingering theoretical and practical controversies over the standard depiction of globalization and its effects. Some writers view the emerging trend as a global trap that is intended to weaken the collective power of labor against capital. Others consider it as a post-industrial form of slavery that is dressed in the camouflage of deterministic market forces. Still, others view it as a process with underlying mechanisms that enhance a genteel process of postmodern colonialism.

Parallel to the differential, and at times hyperbolic views on globalization is the observation among a disparate group of commentators that the effects of the emerging process are uneven. Indeed, there are winners and losers in the emerging trend. In this case, contrary to conventional opinion, the "ecclesiastical" admonitions of globalization have no universalizing redemptive effects. This is so because, some regions of the world are not well positioned to be able

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7See Hans-Henrik Holm and G. Sorensen, eds., Whose World Order? Uneven Globalization and the End of the Cold War (Boulder: Westview Press, 1996). In this edited volume, a group of writers analyze the effects of globalization from different regional perspectives and conclude that there are winners and losers in the emerging trend.
to maximize the opportunities, and minimize the constraints associated with the emerging global system.

With specific reference to Sub-Saharan Africa (hereafter referred to as SSA), there is a condescending resentment among some observers that globalization holds no prospect for the sub-region. The reigning notion is that SSA has been incorporated into the ideological framework of globalization. At the same time, the sub-region has been marginalized from the conventional benefits associated with the emerging system. Kidane Mengisteab, for instance, contends that,

it is a paradox that African economies are the most dependent on the global economy for their growth and they are the most marginalized in the global system. Ironically, the policies that have been implemented to promote integration with the global economy have reinforced marginalization.\(^8\)

The assertion here is that, by design, SSA has been co-opted into the ideational framework of the emerging global system. By default, however, the sub-region has been marginalized in the same system. That is to say, in specific reference to SSA, globalization seems to precipitate a constricting paradox of incorporation and marginalization.

In a related examination of this obfuscating contention, Manfred Bienefeld isolates and examines the application of neoliberal policies under globalization and concludes that, the process portends "serious consequences for large parts of...

---

the world." In his view, the neoliberal policies associated with globalization enhance the domination of less developed countries by the advanced industrial countries. According to the author, it is within such a prism of domination that the paradox of incorporation and marginalization manifests itself, especially, in the context of SSA.

Characteristic of other studies that make intermittent references to the paradox of incorporation and marginalization, the two studies indicated above do not specify a theoretical function that links marginalization with incorporation. As it will be demonstrated in this study, the specification of such a theoretical function is important in order to clarify the competing accounts on the marginalization of SSA.

As it will be detailed in Chapter V, there are those who believe that SSA has been marginalized because the sub-region has not gone far enough with the implementation of neoliberal policies. Others claim that the sub-region has been marginalized because of the very implementation of neoliberal policies. Without doubt, unless these competing claims are clarified on the basis of a specified theoretical function, it will amount to a truncated exercise in futility to prognosticate the policy implications of marginalization on development processes in SSA.

It is to examine the authenticity of the paradox of incorporation and marginalization on the basis of a specified theoretical function.

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theoretical function that the topic of this dissertation project was adopted. Rather than a detached theoretical exercise in itself, the instrumental values of the examination of this paradox are two-fold.

First, it will enable us to draw some relevant policy implications of the emerging political economy of globalization on development, and poverty alleviating efforts of SSA. Second, the delineation of the policy implications of marginalization will offer us the chance, in our concluding Chapter, to assess the authenticity of the World Bank's recent report that Africa could claim the 21st Century through the deepening of neoliberal reforms.\(^{10}\)

OBJECTIVES AND RESEARCH QUESTIONS OF STUDY

There are two interrelated objectives. The main objective is to examine whether the neoliberal policies associated with globalization constitute the implementation of Structural Adjustment Programs (hereafter referred to as SAPs) as recommended by the World Bank and the International Monetary Fund (IMF), and to analyze, on the basis of a specified theoretical function, whether the policies concurrently incorporate and marginalize SSA in the emerging global system.

A related objective is to examine the policy implications of the paradox of incorporation and marginalization for development priorities, and poverty alleviation concerns of the sub-region. The examination of our second objective is to

enable us to evaluate the World Bank's guarded optimism that Africa could claim this Century. The caveat here is that, the only acceptable yardstick for determining the authenticity of the World Bank's claim is the possibility of a development process that bears on poverty alleviation.

**Research Questions**

In order to streamline the examination of the objectives set in our study, the following four specific questions will be isolated and addressed under different Chapters.

Q1. To what extent do neoliberal policies constitute the ideological counterpart of globalization?

Q2. In what way does the adoption of neoliberal policies incorporate SSA into the ideological framework of globalization?

Q3. To what extent does the paradox of incorporation and marginalization manifests itself in the context of SSA?

Q4. What, if any, are the implications of the paradox of incorporation and marginalization on development priorities, and poverty alleviation concerns of the sub-region?

While the key concepts of our research questions such as incorporation, neoliberal policies, and marginalization await a more detailed definition in the subsequent Chapters of our study, it will however suffice at this point to provide some skeletal explanations.
As it will be detailed further in Chapter IV, incorporation is used to imply the subscription to the neoliberal ideology that underpins the globalization process. With incorporation operationalized in this manner, our study will emphasize the neoliberal policy framework of globalization, rather than the contested characteristics of the emerging process. As it will be examined further in Chapters IV and V, the policy flair of neoliberalism revolves around the promotion of market forces, the adoption of liberalization measures, and the institution of deregulatory schemes.

Marginalization, on the other hand, will be operationalized to indicate the incorporation of SSA into the ideational framework of globalization without the attainment of the conventional benefits associated with the adoption, and implementation of neoliberal policies. As an index of the economic regression of SSA, the degree and dimensions of the marginalization of SSA will be indicated by some specific data on trade, foreign direct investment, and other macroeconomic aggregates.

NOTES ON METHODOLOGY

As an exploratory endeavor, the purpose of the central research questions posed for examination in our study is to enable us, using SSA as a case study, and within the framework of neoliberalism, to develop an explanatory theory that links marginalization with incorporation. Our study is therefore a
"plausibility probe" toward the development of a policy-
relevant theoretical function,11 rather than a more rigorous
testing of stated hypotheses.

In this case, a "structured, focused" analysis that is
based on a "disciplined-configurative" mode of inquiry emerges
as the appropriate methodological approach for our study.12 As
rightly pointed out by Alexander L. George, this mode of
analysis is a qualitative-inductive procedure of theory
development that is predicated upon the "methodology of
explanation."13

According to Harry Eckstein, and as elaborated by
Alexander L. George, designing a plausibility probe as a
building block for theory development involves, essentially,
three phases. In Phase 1, a theoretical function is specified
within the existing explanatory framework. Phase 2 involves
the undertaking of a case study.14 In Phase 3, the results of

11Harry Eckstein distinguishes between a plausibility probe as a
preliminary stage of theoretical inquiry from rigorous testing of
hypotheses on the basis of statistical-correlational studies. See H.
Eckstein, "Case Study and Theory in Political Science," in F.I.
Greenstein and N.W. Polsby, eds., Handbook of Political Science
(Reading: Addison-Wesley, 1975), VII, pp. 79-138.

12"Structured" because the method employs a set of general
questions to guide data collection and analysis. "focused" in the sense
that the analysis deals selectively with only certain aspects of the
phenomenon under investigation. A "disciplined-configurative" mode of
analysis is a qualitative-inductive procedure that is based on causal
imputation, rather than a quantitative-deductive approach that is based
on causal inference in statistical-correlational studies. For a
comprehensive review of this mode of inquiry, see Alexander L. George,
"Case Studies and Theory Development: The Method of Structured, Focused
Comparison," in Paul G. Lauren, ed., Diplomacy: New Approaches in

13Ibid., p. 46.

14According to A.L. George, case studies are central to
qualitative-inductive procedures of theory development. In his view,
the case study are drawn upon "in order to assess, reformulate, or elaborate the initial theory stated in Phase 1."¹⁵

**Specification of a Theoretical Function**

As cursorily alluded to, there is no formal theoretical function that explains the paradox of incorporation and marginalization in the context of SSA. As a result of the lack of a precise theoretical specification, there are competing accounts on the marginalization of the sub-region. The resultant effect is that, it is conceptually difficult to assess the policy implications of marginalization on development and poverty alleviating objectives of the sub-region.

To help bridge this conceptual deficit, we intend to specify a theoretical model that extracts marginalization (M) from a functional relationship between incorporation (IC) and the gains (g) of integration (IT). Our guiding theoretical function takes the form of the following equation:

\[ M = IC - g(IT) \]

Simply put, we would like to examine whether in the context of SSA, marginalization (M) equals incorporation (IC) without the gains of integration (g[IT]).

¹⁵Ibid., p. 54.
Central to this functional relationship is the need to make a conceptual distinction between incorporation (IC) and integration (IT), and to specify that the gains (g) associated with integration (IT) do not necessarily come with incorporation into the ideational framework of globalization.

After this conceptual distinction is elaborated upon in Chapter V, the gains of integration g(IT) will be equated to the conventional benefits associated with the adoption and implementation of neoliberal policies. In this case, neoliberalism, as an ideological counterpart of globalization, provide the explanatory background for the specification of our theoretical function. It also provides the framework for the search of the paradox of incorporation and marginalization in the context of SSA.

Case Study on SSA

The main parameters of our theoretical function will be illuminated, and subsequently verified on the basis of a case study on SSA, with specific examples from different countries in the sub-region. In this direction, the first task will be to establish the links between globalization, neoliberalism, and recommended policies under SAPs. Chapter III examines these links. The next step will be to indicate how the implementation of these policies incorporates SSA into the ideational framework of the emerging system. Chapter IV examines the path of SSA's incorporation into the ideological framework of globalization. In effect, the two Chapters
establish the incorporation (IC) component of our theoretical function.

The third step will be to isolate the conventional benefits associated with neoliberalism, and to indicate whether the gains of integration are being realized in the context of SSA. The gains of integration are the measurable economic outcomes that, in the logic of neoclassical economics, come along with the implementation of neoliberal policies.

Some of these measurable economic outcomes include: gains associated with international trade, increasing foreign direct investment, diversification of exports, efficient management of external debts, and growth that bears on poverty alleviation. In the context of SSA, macroeconomic indicators pertaining to these measurable economic outcomes will be collated from data prepared by the World Bank, the IMF, and the United Nations.

The data is published in several volumes including *African Development Indicators, World Development Indicators, Global Development Finance, International Trade Statistics*, and others. With the description and interpretation of data on the measurable economic outcomes of neoliberal policies pertaining to SSA, the first part of Chapter V intends to establish the $g(IT)$ parameter of our theoretical function.
Verification of the Theoretical Function and Implications

With the incorporation (IC) of SSA established, and with the gains of integration $g(IT)$ identified, we would have isolated all the relevant parameters for the final verification of our specified theoretical function. As it will be demonstrated in the second part of Chapter V, the verification of our theoretical function will enable us to account for the competing explanations on the marginalization of SSA.

What must be noted here is that, the authentication of our specified theoretical function will not be an end in itself. It will only serve to equip us with the explanatory leverage in the examination of the implications of the paradox of incorporation and marginalization on the development, and poverty alleviation concerns of SSA. The policy implications of our study are the main theme in our concluding Chapter (VI).

LIMITATIONS OF METHODOLOGY

As an exploratory probe that is predicated upon the methodology of explanation, our study suffers from some obvious limitations peculiar to this kind of approach. In the first place, our study will be limited to the examination, and the drawing of theoretical inference on already accumulated macroeconomic data on SSA. Operating within a circumscribed data set, it is quite obvious that the nature of the existing data will have a preponderant influence on the verification of
our specified theoretical model, and on conclusions drawn from our study.

Second, as rightly pointed out by A.L. George, the "implications drawn from the case studies for theory development are provisional," in the sense that, "they depend upon the plausibility of the explanations for the outcomes" in specific contexts. Examination of existing data, and the contextuality of case studies combine to limit the generalizability of our research findings.

What must be noted here, however, is that, the underlying purpose of our study is not so much to develop an authoritative, theoretical verdict applicable in all contexts. Rather, the underlying purpose is to specify a theoretical function that will enable us to explain, and settle the competing explanations of the paradox of incorporation and marginalization in the context of SSA.

The development of a contextual theoretical function does not only help in drawing relevant policy implications, it will also permit a more rigorous testing of specified hypotheses in subsequent studies. In other words, the acknowledged limitations common to all qualitative, plausibility probes do not necessarily detract from the relevance of the objectives of this dissertation.

\[16\text{Ibid., p. 58.}\]
OUTLINE OF SUBSEQUENT ANALYSIS

Our objectives, and research questions are framed within the globalization-induced political economy of development that is predicated upon the hegemonic ideology of neoliberalism. Therefore, in order to set the background for our subsequent analysis, the literature is reviewed in Chapter II to show that the imperatives of globalization undermine the ideology of post-WW II development paradigms. As it will be demonstrated in this Chapter, the new political economy of globalization, in the context of SSA, entails a conspicuous paradox that is worthy of examination.

Chapter III sets the theoretical framework of our study with the exploration of the relationship between globalization and neoliberalism. Here, the essential characteristics of globalization will be salvaged from the raging debate on the emerging process. Then, the philosophical traditions, the theoretical precepts, and the underlying assumptions of neoliberalism will be identified. After that, the characteristics of globalization will be superimposed on the policy demands of neoliberalism in order to examine the fit between the two concepts. The analysis in this Chapter is intended to answer our first research question.

Chapter IV examines the dynamics that shaped the incorporation of SSA into the ideological framework, and policy imperatives of neoliberalism. In this examination, the conventional wisdom of incorporation, the means of incorporation, and the enforcement of the process of
incorporation will be considered. In essence, this Chapter intends to answer our second research question.

Having identified neoliberalism as the ideological counterpart of globalization that defines the new context of development (Chapter III), and having established the incorporation of SSA into the new framework of development (Chapter IV), we shall re-visit our theoretical function in Chapter V to examine the marginalization of the sub-region. By reflecting on some macroeconomic data pertaining to SSA, our theoretical function will be used as a litmus test to verify the competing accounts on the paradox of incorporation and marginalization. The underlying intention of this analysis is to answer our third research question.

The objectives of the concluding Chapter (VI) are threefold. The first is to draw together the main strands of the arguments presented in the previous Chapters. The second is to explore the policy implications of marginalization on development and poverty alleviating concerns of the sub-region. On the basis of the policy implications, the third objective will be the re-examination of the World Bank's guarded optimism that Africa can claim the 21st Century.

RELEVANCE OF STUDY

The importance of the objectives, and the central research questions posed for examination in our study cannot be understated. With the demise of Soviet communism by design, and the "triumph of capitalism" by default, there is an
emerging nomothetic presumptuous claim of universalism associated with the globalization-induced, and neoliberalism-defined framework of international development. A consistent mantra of the emerging universalism is that, economic openness, liberalization, and marketization have positive effects in all regions at all times.

The objectives, and the research questions of our study seek to demonstrate that this universalistic assumption glosses over some pertinent issues that are instrumental to the development efforts, and poverty alleviation concerns of SSA. It cannot be denied that globalization and its neoliberal framework offer both opportunities and challenges. Nevertheless, the ability of a region to take advantages of the opportunities while overcoming the challenges depends upon some determinative factors.

As it will be demonstrated in this study, some historically imposed, and other attenuating factors detract from SSA's ability to maximize the opportunities offered by the new context of development. It is instructive to note that, globalization, as an emerging process, is yet to exhaust itself but will continue to shape the developmental possibilities of the sub-region. In this case, the methodical examination of the questions posed in this study will be of substantial value to SSA as outlined below.

First, our study will be of pedagogical value to SSA with the provision of some discriminative insights on "do's and don'ts" in the emerging universalizing ideology of
neoliberalism. Second, with the exposure of the limitations of neoliberalism in the context of SSA, our study intends to open new vistas that will lead to the rejuvenation of scholarly interest in the developmental problems of SSA within the prism of the emerging political economy of globalization.
CHAPTER II
REVIEW OF THE LITERATURE

As noted in Chapter I, the central research questions of our dissertation find meaning within the developmental possibilities, and poverty alleviating concerns of SSA. As it is detailed later in subsequent Chapters, these efforts are currently being conducted within the globalization-induced political economy of development that is predicated upon the theoretical precepts of neoliberalism.¹ In the circumstances of SSA, Jan K. Black argues that post-WW II development efforts have always been influenced by the prevailing, and conventionally accepted theories and models.² Colin Leys also bemoans "the extraordinary degree to which African reality has been overlaid by theory." In his view, the "motive is good, but the pitfalls are many."³

As indicated by a number of observers, the framework of SSA's development has a credible, historically imposed theoretical imprint. On this note, the examination of the implications of the current globalization framework on the development prospects of SSA necessarily demands a recourse


previous attempts that cast the development process of the sub-region within theoretical paradigms. A systematic review of past efforts in this direction will in no doubt offer a crucial background for the comparative examination of the major implications of our study on the development process in the sub-region.

In this regard, the literature is reviewed to show that globalization signifies the anachronism of post-WW II development paradigms. The imperatives of globalization, and the demands of neoliberalism combine to define a new political economy of development that, in the view of Colin Leys, marks "the rise and fall of development theory." As it will be demonstrated in the final section of the review, the current paradigmatic shift, in the context of SSA, entails a conspicuous paradox that is yet to be fully examined.

TRADITIONAL DEVELOPMENT PARADIGMS AND SSA

That the new political economy of globalization signifies the rise and fall of traditional development paradigms is not far fetched. Before globalization became an issue, and neoliberalism emerged as its accompanying ideological framework of development, it was the contention of Claude Ake, and the thesis of Colin Leys that development

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4Ibid., pp. 3-44.


6Leys, The Rise and Fall of Development Theory.
initiatives in SSA have always been shaped, and constrained by externally delineated assumptions.

Emerging largely as a post-WW II orthodoxy, the traditional paradigms of development, that were essentially structured within the modernization and the dependency perspectives, were state-centric. From the early 1950s to the late 1970s, states in SSA were correspondingly instrumental in the development process. After the early 1980s, and with the new demands of globalization, the state-centric approach to development begun to crumble under the weight of the policy imperatives of neoliberalism. In this new framework, states in SSA were (are) expected to play subsidiary roles to the self-regulating processes of market forces.

On this note, the conception that globalization portends the end of development theory can only be collaborated on the basis of a two-stage approach. First, the traditional paradigms will be reviewed in the context of SSA. Second, the underlying doctrines will then be isolated and compared with the new ideological precepts of globalization. Among other things, a derivative of this approach will also illuminate the main assertion of John Brohman as expounded in his Popular Development. Brohman contends that, with a history of development that is essentially composed of an ever-changing external recipe, SSA has not only been sensitive but, also vulnerable to the demands of development theories that are

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mostly contrived, rationalized, and justified within the ethnocentric assumptions of other societies.8

Development Theory as a Post-WW II Tradition

Development theory emerged from the ashes of WW II. It was contrived in the 1950s as a practical exigency to deal with how the decolonizing regions "might be transformed and made more productive."9 After the War, analysts and policymakers, especially in the United States, began to focus exclusively on the causes of, and barriers to, growth and development in the decolonized regions of the South. Also, within the decolonizing countries in Africa, there was the need for strategies (or quick-fixes) to attain the much needed economic and social development that would give meaning to their newly won political independence. Therefore, development theory, as a postwar tradition, and in its application to SSA, has a recent history.

It was a child born of two parents: decolonization and the Cold War, and shaped during its conception by a correlation of factors. Peter Preston in his Development Theory10 identifies four major factors that conditioned the initial shape of post-WW II development discourse. First, the

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8 As a result of the untenable nature of ethnocentric assumptions, John Brohman calls for the rejection of grand theories in favor of the indigenization of the development process. See ibid., pp. 324-352.


available work of John Maynard Keynes\textsuperscript{11} was very influential. Appropriating from the lessons of the Great Depression of the 1930s, his theories of growth and welfare were predicated upon the interventionist roles of the state. Dubbed as the "Keynesian revolution," the underlying import was to improvise a middle course between complete capitulation to market forces, and total subjugation to the authoritarianism of the state. That middle path, in the view of Keynes, was to be courted through the regulatory functions of the state.

Second, the emergence of the United States as a hegemonic power after WW II veered the initial shape of development theory within the Cold War political agenda of the US. In its Cold War contest with the now defunct Soviet Union, development theory, that was patterned on the experience of western societies and specifically targeted to the decolonizing countries, became a propitious tool in the projection of American global power.\textsuperscript{12} Preston even conjectures that the establishment of the International Monetary Fund (IMF) and the World Bank in 1944 was an attempt to provide regulatory institutions that will enforce a pattern

\begin{quote}
\textsuperscript{11}Writing during the Great Depression period of the 1930s, Keynes theorized that economic disequilibrium and mass unemployment were related to the self-destructive processes of uncontrolled market forces. In response, he identified a strategic, regulative role of the state in the economy. See John M. Keynes, \textit{General Theory of Employment, Interest and Money} (New York: Harcourt, Brace and World, 1936).

\end{quote}
of development favorable to the Cold War, strategic calculations of the United States.\textsuperscript{13}

Third, the success of the Marshall Aid Plan in the economic reconstruction of war-torn Western Europe precipitated the idea that external diffusion of capital and technical assistance is indispensable in the process of development. Indeed, the success of the Plan gave a booster to the idea that, with the availability of financial and technical resources, development could result from deliberate, and intentional intervention in an economic system. To some extent, the circumstances of the Plan provided a vicarious blue-print for the subsequent application of development theory in the context of SSA.

Finally, the shape of post-WW II development theory, in the view of Preston, tended to yield to "the demands of nationalist developmentalism which was the ideology of the emergent nations."\textsuperscript{14} Rationalizing that political freedom would be meaningless unless it is linked up to some degree of economic self-sufficiency, political leaders in SSA were under pressure to fulfill the promises made during the struggle for independence. Therefore, to establish their legitimacy, post-independent states in SSA were compelled to assume the custodianship of a development process that would improve the welfare of the people. In this regard, the aspiration for nationalist developmentalism was a waiting call for a

\textsuperscript{13}See Preston, Development Theory, p. 157.
\textsuperscript{14}Ibid., Development Theory, p. 154.
development theory that recognizes the instrumental roles of the state.

The intersection of these factors shaped the nature of the developmental paradigm, and the very meaning associated with the term "development." The concern of development theory was to explain how the newly emerging countries could "catch up" with the already industrialized countries of the West. Development thus became synonymous to "modernization" or, better still, "Americanization." In its strategic connotation, the attendant responsibility of resuscitating war-torn Western Europe, and the need to mitigate the spread of communist ideals into the newly decolonized states meant the Marshall Plan for Europe, and modernization theory for the decolonizing world.\(^{15}\) In the furtherance of these two basic objectives, "America's foreign policy at the end of World War Two necessitated the ability and desire to employ loans, credits and investments everywhere to create a world economic order to its own desires."\(^{16}\)

In retrospect, development theory, in the circumstances of the decolonized countries of the South, was a post-WW II tradition that took shape within the Cold War contest between the United States and the Soviet Union. If development theory

\(^{15}\)It is in this respect that the mainstream development theory, especially in its political rationale, was considered as the "ideological child of [Communist] containment." See Peter W. Preston, Making Sense of Development: An Introduction to Classical and Contemporary Theories of Development and Their Application to Southeast Asia (London: Routledge, 1986), p. xv.

was a Cold War tradition, then, the new political economy of globalization, within which our research questions are situated, is a post-Cold War phenomenon. Continuity and change, rather than an abrupt break characterizes the interface between the previous paradigms of development and the current paradigm of globalization. In this wise, it would amount to a truncated exercise in futility to illuminate on the importance of our study without a review of the issues and pertinent questions central to the previous development paradigms.

MODERNIZATION THEORY AND SSA: THE LIMITS OF CONVERGENCE

Modernization theory (hereafter referred to as MT) was the first structured theory of development that emerged after WW II. As a development theory, it was fundamentally based on the dynamics of economic growth, and "the structural-functionalist analysis of industrial society."\(^\text{17}\) The economic growth theory of modernization rests on "the necessary conditions of equilibrium between aggregate savings and investment in a dynamic economy."\(^\text{18}\) The appropriate mix of savings and investment defines a pattern of growth that approximates the path of progression trailed by the advanced industrial countries.

\(^{17}\)Preston, Development Theory, p. 171.

MT is also based on the structural-functionalist dynamics of an equilibration process in which the constitutive institutions of an economic system work in harmony to ensure the sustainability, and viability of an integrated system that assumes a particular conception of society. In this case, the dynamics of economic growth theory, and the implications of the structural-functionalist analysis suggest that all societies will (must) converge toward a common destination of modernity that is characterized by a higher level of industrialization. Simply put, MT is a comprehensive systemic transformation in which societies change fundamentally from an approximation of the traditional model to an approximation of the modern model.\footnote{What distinguishes a traditional society from a modern society is based on some dichotomous sociological variables as found in the works of Talcott Parson. For instance, see Talcott Parson, The Structure of Social Action, (Glencoe, IL: Free Press, 1949), first published in 1937.}

it is possible to identify all societies, in their economic dimensions, as lying within one of five stages: the traditional society, the preconditions for take-off, the take-off, the drive to maturity, and the age of high mass-consumption.\textsuperscript{21}

Rostow's thesis characterizes a unidirectional conception of development in relation to specifically demarcated stages in which each stage materializes, runs its course and never recurs. According to Rostow, each stage is characterized by a particular composition of investment and a leading sector that propels the economy into the next stage. Of the five stages, the "take-off" is the most decisive. In his view, the take-off is distinguished from earlier industrial surges by the fact that prior and concurrent developments make the application of modern industrial techniques a self-sustained rather than an abortive process. \textsuperscript{22}

With a spiralling effect on the modernization of agriculture as a result of the expansion of new industries, the society is ushered into the stage of "drive to maturity." In this stage, Rostow intimates that about 20 percent of the national income must be reinvested so that productivity gain surpasses the rate of population growth.\textsuperscript{23}

The society graduates into the final stage of "mass consumption" when income rises sufficiently to transmute goods such as automobiles and television from luxuries into necessities. This stage completes the path of progress from

\textsuperscript{21}Rostow, \textit{The Stages of Economic Growth}, p. 4.

\textsuperscript{22}Rostow, \textit{The Process of Economic Growth}, p. 317.

\textsuperscript{23}See Rostow, \textit{The Stages of Economic Growth}.
tradition to modernity, with the model of the modern, plausibly in "the image of the USA writ large."\textsuperscript{24} In this case, anticipated convergence to the image of the industrialized West completes the path of modernization.

Rationalizing within the ontological presumptions of Rostow's path-dependent theory was (is) the notion that SSA was (is) backward and undeveloped because there were (are) inherent traditional barriers and other endogenous factors that impede growth and development conceived as modernization. That is to say, SSA was (is) a self-contained region whose internal ramifications have not been tempered by the universalizing principles of Western capitalist ideals in the organization of production and society. Underdevelopment was (is) therefore intrinsic to SSA.

The implication here is that, the current industrialized countries were once undeveloped. They were able to achieve their present level of industrial advancement through the appropriate mix of investment capital, and the perfection of other institutions. John K. Galbraith caricatures the parsimonious undertones of MT and conjectures that, SSA "need only to recreate in some rough form what the more developed countries already have. Development, in his view, degenerates into "the faithful imitation of the developed."\textsuperscript{25}

\textsuperscript{24}Preston, \textit{Development Theory}, p. 168.

As a path-dependent procedure, development simply transmutes into a process of modernization through the external diffusion of capital, technology and knowledge. This view of development therefore set the stage for increasing aid, technical assistance, investment policies, and other programs from the advanced countries to SSA.

For the efficient utilization of these external inflows toward the identification and promotion of the leading sectors of the economy, the transition model of W. Arthur Lewis\textsuperscript{26} constitutes a backdated, explanatory appendix to Rostow's theory. The central proposition of this model relates to the process of economic growth and expansion in a dual economy that is characterized by a capitalist modern nucleus, and a non-capitalist traditional sector. According to Lewis, the modern sector uses reproducible capital and employs wage labor for profit making, while the traditional sector is the subsistence part of the economy that does not hire labor for profits.

The basic interconnecting link between the two sectors is the unlimited supply of labor from the traditional sector to the modern sector at a fixed wage rate. With a perfectly elastic supply of labor from the reservoir of unskilled labor pool, and in combination with investible capital and technical assistance, the industrial sector emerges as the leading

\textsuperscript{26}Lewis's analysis is based on the existence of a dualistic economy composed of a traditional sector and a modern enclave, and the processes by which the modern sector expands to displace the traditional sector through industrial expansion. See W. Arthur Lewis, "Economic Development with Unlimited Supplies of Labor," \textit{Manchester School of Economics and Social Studies}, Vol. 22 (May 1954), pp. 139-191.
growth pole. Therefore, acting both as a magnet and fulcrum of
development, the modern, industrial sector draws labor from
the traditional sector until the surplus labor in that sector
has all been absorbed, and agriculture is modernized.

The implication of Lewis's model is that, in the
progressive transformation from tradition to modernity,
industry, acting as a growth pole, develops first before the
modernization of agriculture. In other words, industrial
development pulls agriculture from its traditional state.
Agriculture then develops as a result of the positive spill­
over effects of industrialization.27

Restated, MT considers development as growth in which
industrialization constitutes both the means and end of this
growth process. While Rostow's model provides the unilinear
rhythm of stages from tradition to modernity, Arthur Lewis's
dual-sector approach explains the sectoral dynamics that
propel undeveloped economies into the promised land of
development similar to the advanced industrial societies. An
industrial society, which in the purview of MT is the apogee
of progress, will be characterized by an integrated self­
sustaining economy reflecting the mirror image of the already
industrialized societies of the West.

27That, in the course of development, industry develops first
before the modernization of agriculture does not hold true in all
circumstances. For instance, in pre-War Japan, industrial development
was to a greater extent predicated upon the resources and revenue from
the agricultural sector. See K. Ohkawa and M. Shinohara, eds., Patterns
of Japanese Economic Development: A Quantitative Appraisal (New Haven:
Yale University Press, 1979). In South Korea on the other hand, industry
and agriculture developed concurrently. See L. Burmeister, "State
Industrialization and Agricultural Policy in Korea," Development and
The Application of MT

The apparent simplicity of the MT, and the expressed financial and ideological support by the United States within the prism of its own Cold War calculations, precipitated an unfounded optimism. Among the decolonizing countries of SSA, MT seemed to offer a convenient short-cut to progress and modernity. Within the United Nations, MT provides the framework within which the advanced countries could underwrite the developmental efforts of the less developed countries of the South.

With the active participation of the newly emerging countries of SSA, the United Nations declared its First Development Decade from 1960-1970 with an annual minimum of 5 percent growth of national income. The Second Development Decade from 1970-1980 raised the target to 6 percent, and in both decades, "ambitious targets of industrialization were also set." With industrialization as the hallmark of modernization, and with the advanced industrial countries as the target of excellence, countries such as Ghana, Kenya, Tanzania, and the then Ivory Coast, embarked on ambitious but, largely unexamined industrial projects.

Writing on Industrialization in West Africa, J.O.C. Onyemelukwe argues that, from the early 1960s to the late

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1970s, most countries in Africa adopted what is commonly referred to as import-substituting industrialization (ISI). It was a strategy to promote local industries through the application of selective fiscal and monetary instruments. This strategy was also accentuated by other forms of state intervention in production, distribution and exchange. With the abundance of raw material resources, and with the lack of an appreciable level of consumer goods, the ISI strategy took the form of the processing of raw materials and the production of consumer goods.

The idea of modernization through industrialization was very attractive but, the results were very disappointing. This assertion could be illustrated with specific examples in the sub-region. Immediately after Ghana's independence in 1957, President Kwame Nkrumah launched a major drive for industrialization. From the late 1950s to the early 1960s, W. Arthur Lewis, the architect of the dual-sector approach, was a revered economic adviser to the President on the subject of industrialization. Ghana's initial industrial drive was subsequently based on a report by Arthur Lewis, with recommendations that factories be established to manufacture goods that were being imported.

31 For a comprehensive review of import-substituting industrialization and its application to the Third World, see C.H. Kirkpatrick and F.I. Nixson, eds., The Industrialization of Less Developed Countries (Manchester: Manchester University Press, 1983).

32 This recommendation was embodied in a report that was written in 1953 by W. Arthur Lewis, titled "Report on Industrialization and the Gold Coast." Before independence, Ghana was previously called the Gold Coast. The report was written during the British colonial administration but became operative after Ghana's independence.
Ghana's industrial drive took the form of direct state participation. From 1962 to 1966, the share of the output of enterprises wholly or, partially owned by the state increased by 70 percent, accounting for almost 30 percent of gross manufacturing output. A wide range of industries were established with the largest including saw mills and timber processing plants, cocoa processing plants, cement manufacture, oil refinery, and others. Most of these enterprises turned out to be unviable because they were highly capital intensive and therefore, marked by gross underutilization of industrial capacity. For instance, as a result of what might be termed as "industrial overreach," Ghana built a mango canning factory with a productive capacity estimated to be greater than the world's demand for canned mangoes at that time!

As a result of Ghana's adoption of unexamined industrial projects, the positive impact of ISI on the welfare of the people was negligible. For instance, though, manufacturing output as a percentage of Gross National Product (GNP) rose from 4 percent in the period 1950-58 to 12 percent between 1962-65, the net impact on employment was negative. With an increasing lack of foreign exchange needed to import the required inputs, Ghana's industrial output declined by an average of 1.2 percent annually during the 1970s.

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35 Ibid., p. 3.
On these accounts, Ghana's post-independent industrial development reached its peak during the mid 1960s and experienced precipitous decline during the early 1970s. B.U. Ekuerharet reached a similar conclusion in his study of the Nigerian textile industry from 1964 to 1973. While Ghana and Nigeria experienced a discernible rise and fall in their industrial efforts, other countries in SSA clung to a parasitic industrial development that did not deliver the goods of modernization. For instance, the Ivory Coast and Kenya achieved a certain level of industrialization that was precariously dependent on external capital and technology. As a result, their industries remained as foreign enclaves with little forward and backward linkages to the other sectors of the economy.

The Limits of Convergence

Both anecdotally, and empirically, it became very clear by the early 1970s that the reliance on industrialization in most SSA countries was not showing signs toward integrated, industrial economies as predicted within the internal validating assumptions of MT. Contrary to Rostow's assertion, industry was yet to emerge as the leading growth pole. In


37Some writers even argue that the underdevelopment of Kenya is somehow related to the country's unexamined bid to catch up with the industrialized countries through the promotion of unviable industrial projects. See Colin Leys, Underdevelopment of Kenya: The Political Economy of Neocolonialism (Berkeley: University of California Press, 1975).
1970, the share of manufacturing as a percentage of Gross Domestic Product (GDP) was still 6.1 percent in Nigeria, 6.9 percent in Ghana, and 11.4 percent in Kenya. And contrary to the wisdom of Arthur Lewis's dual-sector theory, labor was still trapped in the traditional sector. Again in 1970, the share of manufacturing as a percentage of the total labor force was still 0.4 percent in Nigeria, 1.6 percent in Ghana, and 1.7 percent in Kenya.  

Lynn K. Mytelka characterizes such gaps between expectations and results as "the unfulfilled promise of African industrialization." Indeed, as rightly observed by Claude Ake, modernization through unexamined industrialization was (is) not a panacea to the disarticulated economies of SSA because,

the rigidity of the international division of labor has not allowed African economies to break out of the role of primary producers, for reasons which include lack of access to technology, the comparative advantage of the industrialized nations in manufacturing, and the constraints of the domestic market.  

In other words, the external validity (relevance) of MT within the historical and structural crevices of SSA was very specious. This is so because, the theoretical wisdom of the developmental experience of the industrialized countries was extracted, and subsequently extrapolated as universal truisms

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38 These figures were culled from Claude Ake, A Political Economy of Africa (New York: Longman Inc., 1981), Table 5.3, p. 91.


that were deemed applicable to the Third World. On a more practical level, modernization (or development) does not necessarily mean reconstruction that could be effected through the external diffusion of capital as it occurred under the Marshall Plan in postwar Europe.

As a result, the United Nations might have been too optimistic with its targets set during the two Development Decades from 1960 to 1980. For, by 1978, and with annual per capita incomes below US$ 360, more than 80 percent of the countries in SSA were categorized as low-income developing countries. Furthermore, the sub-regions' average rate of growth per capita of 0.9 percent during the two decades was the lowest of all regions of the Third World.41

By the mid-1970s, the initial optimism of anticipated convergence to modernity had metamorphosed into an unanticipated polarization between the sub-region and the advanced industrialized countries. During the late 1960s and the early 1970s, frustrations and disappointments associated with the unfulfilled promises of modernization became very pervasive. This compelled some countries in SSA to experiment with other alternative paths of development that were structured within the perspectives of dependency theory.

DEPENDENCY THEORY AND SSA: THE FAILURE OF AN EXPERIMENT

Dependency theory (hereafter referred to as DT) emerged largely as an intellectual criticism of, and moral revulsion

to the universalistic pretensions of MT, rather than as a precise, and realizable theory with redemptive developmental implications. In its origin as a distinct intellectual discourse, DT is associated with the initial structuralist works of Raul Prebisch. Within the framework of the United Nations Economic Commission for Latin America (ECLA), Raul Prebisch sought to understand the lack of development in Latin America.

The ECLA investigation was not conducted within the vortex of the reigning, formal models of conventional, orthodox economics but, by examining "the actual historically generated pattern of real economic activity." The results of the study indicated that, the lack of development in Latin America was (is) not due to endogenous deficiencies within the region. It was (is) the result of the unfavorable circumstantial position of Latin America within the international economic system. The structuralist analysis, as epitomized by the ECLA study, instigated formal modeling within the dependencia perspective.

A path-breaking analysis in this direction is found in the works of Andre Gunder Frank, who gave DT a paradigmatic

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42 As the Secretary-General of the United Nations Economic Commission for Latin America (ECLA), Raul Prebisch was instrumental in the creation of the United Nations Conference on Trade and Development (UNCTAD) in 1964. For a review of one of his works under consideration, see Raul Prebisch, The Economic Development of Latin America and its Principal Problems (New York: United Nations Publication, 1950).

43 Preston, Development Theory, p. 183.

44 The metropolis-satellite paradigm is expounded mostly in the following works of A. Gunder Frank: A. Gunder Frank, Capitalism and Underdevelopment in Latin America (New York: Monthly Review, 1967), and
model in the form of metropolis-satellite relations. According to A. Gunder Frank, while the metropolis (advanced countries of the West) in the center develops, the satellites at the periphery underdevelop because there is a continuing flow of economic resources from the latter to the former. As comprehensively argued by Arghiri Emmanuel, the flow of resources to the metropolitan countries occurs through the medium of unequal exchange; a characteristic feature of the international trading system. Predicated upon the unidirectional flow of economic surplus, development and underdevelopment, according to A.G. Frank, are two sides of the same coin. In other words, the causes of underdevelopment in the satellite countries are functionally related to their incorporation into the world capitalist system.

Implicit in the expository analysis of A.G. Frank is a distinction between undevelopment and underdevelopment. Undevelopment characterizes an original state of economic configuration. As an early stage of a pristine, unpenetrated economic evolution, undevelopment could be equated to Rostow's traditional society. Underdevelopment on the other hand is a creation. It is not intrinsic to the Third World. It reflects the systematic exploitation of the peripheral countries by the advanced core countries. Underdevelopment is therefore a


feature of maldevelopment that results from a specific pattern of development.

There are various strands within the dependency perspective. Notable among them are the dependency analysis of Celso Furtado, and Johan Galtung's structural imperialism.\textsuperscript{46} It is pertinent to note here that even a concise definition of the concept of dependency emerged from the revisionist work of Dos Santos. As he puts it:

By dependence we mean a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected. The relation of interdependence between two or more economies, and between these and world trade, assumes the form of dependence when some countries (the dominant ones) can expand and can be self-sustaining, while other countries (the dependent ones) can do this only as a reflection of that expansion, which can have either a positive or a negative effect in immediate development.\textsuperscript{47}

By this definition, the central claim of DT is that, the circumstances of the underdeveloped countries were (are) to a significant degree determined by the global structures within which the metropolis-satellite relationship takes shape.

Granting that the assertions of the DT are true, then, MT that is predicated upon the historical experience of Western societies that were undeveloped but not necessarily


underdeveloped, would be of little practical importance to the circumstances of SSA. The crucial question at this point is: Does the DT project an applicable, methodological framework that bears on the processes of development?

With prescriptions as derivative of diagnosis, the solutions for development shared by all dependency theorists range from a process of de-linking to, weakening the grip of the international capitalist system through the pursuit of nationalist developmental goals. As formalized by Samir Amin, de-linking is the pursuit of a system of rational criteria for economic options founded on a law of value on a national basis with popular relevance independent of such criteria of economic rationality as flow from the dominance of the capitalist law of value operating on a world scale.48

Arguing that de-linking is not synonymous with autarky, Samir Amin envisages a national policy of development that is removed from the dictates, and the logic of the transformation of the world capitalist system. Earlier on, the radical Chilean economist, Osvaldo Sunkel had, in 1969, defined a "national policy of development" as a force of national affirmation, an aspiration to self-determination and sovereignty, a desire to participate in the benefits and creation of modern and universal culture and science, the desire to attain liberty, democracy, equality of opportunity and well-being, which the industrialized countries enjoy to a greater or lesser extent.49

Put together, the DT clamors for a development process that is set within the framework of clearly defined national objectives, with preponderant emphasis on self-reliance, and with a high degree of autonomy in the making of crucial development decisions. In other words, development, in the dependencia perspective, is a self-defining process of national emancipation. In this process, domestic policy that emphasizes economic nationalism is the rule rather than an exception.

What must be noted here is that, the prescriptive analysis of DT does not totally reject the idea of industrialization which is the centerpiece of MT. While subscribing to the development enhancing implications of industrialization, the idea of spontaneous, and unexamined import-substituting industrialization (ISI) was rejected. As rightly pointed out by C.P. Oman and G. Wignaraja, "neither a laissez-faire strategy based solely on comparative advantage nor one of spontaneous, purely market-led industrialization was viewed as a viable route to development."\(^{50}\) Instead, DT advocates state-mediated investment planning "as a necessary complement to private initiative."\(^{51}\) In a state-mediated process of industrialization, the state would be in a position to plan, and coordinate industrial activities to foster greater social return on investment.


\(^{51}\)Ibid., p. 143
If labels are useful snapshots for the understanding of amorphously defined concepts, then, the prescription of the DT inadvertently borders on some form of "socialism" that would permit national economies to embark on an endogenously determined process of self-sustaining development. In the unstated premise of DT, the salvation for the peripheral countries cannot be found within the interstices of the international capitalist system.

The Application of DT: An Evaluation

From the mid 1960s to the early 1970s, the intellectual and moral wind of dependency analysis had already begun to undermine MT. As a result, DT became the pedagogy of the peripheral countries. In such a process of self-instruction, the realization that underdevelopment was (is) related to the dominant-subordination pattern of the international system was an eye opener to a number of Third World countries. As a result, in the mid 1970s, a group of less developed countries within the UN system led the demand for a New International Economic Order (NIEO). Realistic in its motivation, and moderate in its requirement, this group called for fundamental changes in the world market system.

While the demand for a NIEO was still on hold, some countries in SSA impatiently experimented with the underlying tenets of DT. For instance, Nigeria's Second National Development Plan, 1970-74 embodied "a clear strategy for reducing economic dependence," with the admonition that a
"truly independent nation cannot allow its objectives and priorities to be distorted or frustrated by the manipulation of powerful foreign investors." In spite of its high sounding nationalistic overtures, Claude Ake argues that the Plan was limited to the mere indigenization of capitalism, while "the structural link of the economy to the metropole" was nevertheless left intact.

With regard to the practicalization of the developmental assumptions underlying the DT, the case of Tanzania was very spectacular. In 1967, the ruling Tanganyika (Tanzania) African National Union (TANU), under the able leadership of J. Nyerere, instituted a dramatic change in its economic philosophy. The Arusha Declaration of 1967 delineated a precise strategy for the simultaneous achievement of self-reliance, socialism and development. Rationalizing that modernization, with its doctrinaire reliance on an external frame of reference leads neither to development nor to self-reliance, the Declaration demanded a new development perspective based "on the land, the people and on good leadership."

In the promotion of self-reliance in agriculture, a populist rural development strategy was initiated. This was structured around the Ujamaa village concept. These villages were essentially large scale farming communities that promoted

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53 Ibid., p. 116.
54 Ibid.,
the use of machinery and large-scale farming methods. In order to exploit the benefits of economies of scale, the government recommended that all scattered rural communities move to such recognized Ujamaa villages. Through persuasion, inducement, and in most instances compulsion, the response was very spectacular. By 1977, at least 90 percent of the total population have moved to the collective farming communities.\(^5\)

In spite of its redemptive implications, and its ideological connotations, the Ujamaa collectivization idea was defeatist in terms of the promotion of self-reliance in agriculture. First, the preponderant emphasis on the mechanized production of cash crops rather than food crops led to "substantial food imports."\(^6\) With production still geared towards the promotion of exportable cash crops, it is the contention of I.G. Shivji that the Tanzanian rural folks were not adequately equipped to meet the fundamental requirements of their social, and material development.\(^7\) Ironically in this case, the Tanzanian rural community, by the dint of the Ujamma experiment, degenerated into a captured peasantry in service to the openly denounced international market.

On the industrial front, the basic strategy adopted under Tanzania's socialism was the nationalization of foreign

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industrial assets and the creation of parastatal enterprises. The Tanzanian National Development Corporation that was established in 1965 became the fulcrum of the government's new industrial initiatives. From 1966 to 1973, the number of parastatals rose from 43 to 112. The spectacular growth in the number of such parastatals did not mean an increasing domestication of ownership and control of industrial production. This is so because the external financing of these firms increased from 20 percent in 1970-71 to 59 percent in 1973-74.

In the final analysis, nationalization merely led to the localization of foreign firms without any substantial, structural changes in Tanzania's bid for economic independence. The parastatals on the other hand became heavily dependent on foreign funds with debilitating consequences on Tanzania's balance of payment position. By the end of the 1970s, contradictions underlying Tanzania's lackluster socialist campaign have culminated in financial distress. The need to resort to external assistance had become a painful reality. Tanzania's external public debt increased from US$ 248 million in 1970 to US$ 1,095 million in 1978. With its economic debt, the vigor of the radical experiment gradually lost its appeal as an alternative paradigm of development.

58C. Ake, Democracy and Development in Africa, p. 78.
59Ibid.
In Zambia, President Kenneth Kaunda, in his 1968 Mulungushi Declaration, also sought to apply the principles of DT to an eclectic brew of socialism called the philosophy of humanism. The major policy demands of the Declaration included indigenization, nationalization, and the basic needs approach to development. In recognition of the fact that Zambia's economy was (is) preponderantly based on the production and export of copper, the government, in a knee-jerk response, nationalized all copper mining operations and placed them under Zambia's Industrial and Mining Corporation. Zambia's blatant display of economic nationalism did not however set the country on the path toward genuine economic independence. Paralleling Tanzania's experiment, by the end of the 1970s, external shocks in the form of declining copper prices had "pushed the country to a course of increasing indebtedness and dependence on the World Bank and the IMF."61

Amorphously, some countries even combined the radicalism of DT with the conservatism of MT. A spectacular case in point is embodied in Kenya's experiment from 1960 to the late 1970s.62 As stated in its Development Plan for the first period 1964 to 1970,

The Government of Kenya is dedicated to the creation of a democratic African socialist Kenya: democratic because it will be a free country in which there will be no place for discrimination by race, tribe, belief or otherwise; African

61C. Ake, Democracy and Development in Africa, p. 20.

because the nation must grow from indigenous roots, adapting the best from other cultural systems; socialist because all people have the right to be free from economic exploitation and social inequality. The principal aim of African socialism is to improve the welfare and living standards of this and succeeding generations.63

The explicit nature of Kenya’s objectives in this direction was understandable. Kenya did not only intend to insulate itself from the vagaries of the international system but also, to redress the monopoly and control of the domestic economy by foreign business expatriates; a legacy inherited from its colonial past. It is therefore not surprising that the quest for African participation was made the centerpiece of Kenya’s amorphous experiment.

With the commanding heights of its economy still in the hands of foreign business expatriates, the redistributive implications associated with the demand for African participation proved limited. As Wosene Yefru argues, the only beneficiaries were a small section of urban-based middle class that was located within the highly, capital intensive industries.64 By way of compensation, the government adopted a land settlement scheme to transfer some of the large-scale farms owned by the expatriate farmers to small-scale rural Kenyan farmers. However, this scheme did not solve the income inequalities that were prevalent in the Kenyan farming community.65 The government could not back its land settlement

63Cited in ibid., p. 363

64See W. Yefru, “The African Challenge to Philosophical Paradigm.”
scheme with a comprehensive rural development policy. The overall positive impact was therefore very minimal.

Colin Leys in his *Underdevelopment in Kenya*,66 argues that the Kenyan experiment started on a wrong footing. In his view, it was very difficult for the Kenyan government to embark on populist, nationalistic policies when the expatriate capitalist entrepreneurs operated to the imperatives of foreign capital, and not to the prerogatives of the Kenyan state. Simply put, the Kenyan state did not have total control over the means that would have enabled it to temper its socialist ideals with the realism of redistributive justice through resource reallocation. With the failure of the dependency appendix to an unexamined ISI, Kenya, by the early 1980s, had already resigned itself to the fate of a classical form of dependent development.

Two lessons are discernible from the application of the tenets of DT in the context of SSA. First, the paradigm offers little practical guidance in dealing with crucial factors in the international system beyond de-linking and the pursuit of other endogenously determined nationalist development policies. As partially demonstrated in the cases of Tanzania and Zambia, this approach leaves the external debilitating factors intact. Second, as shown in the case of Kenya, in practice, the ideals of DT demands an appreciable level of control over the allocation of resources, and distribution of resources.

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65 Ibid.
incentives. Without such control, the state would not be in a position to direct resources towards the objectives of self-reliant development.

Quite apart from some practical and theoretical bottlenecks, Wosene Yefru intimates that DT is in both spirit and content, a Eurocentric paradigm that illegitimately appropriates from the works of Karl Marx and Vladimir Lenin. In his view, the application of the Eurocentric paradigm in the circumstances of SSA is an unfortunate historical accident that did not spare the sub-region from the hegemony of European politico-economic constructs.

In spite of the apparent failure of the dependency experiment, Colin Leys rests on a pacifying note that such experiments must not be judged solely in terms of their results. As he puts it, the experiments must also be viewed in the light of the associated implication that "ordinary people" in SSA "do have collective historical choices which they may try to exercise if they will." That is to say, it is the freedom of choice, and a sense of autonomy, rather than the consequences of the choice that is important in such experiments.

On a more crucial note, the dissatisfaction with MT, and the subsequent experimentation with the dependency alternative that turns the tenets of modernization on its head, set in motion a frustrating pattern of re-examination within the


development community. This led to the emergence of a reformist response to development, with the alleviation of poverty as its main focus.

THE REFORMIST RESPONSE AND POVERTY ALLEVIATION

In recognition of the fact that the inconclusive approach of MT made the experimentation with other "non-western" alternatives attractive, a reformist movement arose within the development community during the early 1970s. The initial euphoria that greeted the launching of post-WW II development theory has, by the late 1960s, degenerated into generalized hysteria. Studies on poverty, inequality, and unemployment indicated that the benefits of growth were yet to reach the majority of people in Third World countries.69

In a mood of reflection, development analysts begun to question the very premises and assumptions of the reigning development paradigms that worship mere economic growth. This self-introspection process took a philosophical turn with a speech delivered by Dudley Seers in 1969. In that speech, he stated:

The questions to ask about a country's development are therefore:
What has been happening to poverty? What has been happening to

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69A notable example of such studies is, D. Turnham and I. Jaeger, The Employment Problem in Less Developed Countries: A Review of Evidence (Paris: OECD Development Centre, 1971). This study brought particular attention to the problem of unemployment in developing countries. Gunnar Myrdal on the other hand dramatized the problem of poverty in one of his books. See Gunnar Myrdal, Asian Drama: An Inquiry into the Poverty of Nations (New York: Pantheon, 1968).
unemployment? What has been happening to inequality? If all three of these have become less severe, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, and especially if all three have, it would be strange to call the result 'development,' even if per capita income had soared.70

The thought-provoking questions posed by Dudley Seers opened a new vista in development thinking. Issues relating to reductions in poverty, unemployment, and inequality emerged as irreducible qualities and the standard measurement of the appropriateness of all development programs.

In this new wave of reformist thinking, a coterie of development economists, including Richard Jolly, Hans Singer, and Hollis Chenery, began to highlight employment-oriented strategies, basic need approaches, and redistribution with growth strategies in their writings. As observed by Oman and Wignaraja, the underlying concern of this movement was the alleviation of poverty.71 It is in this respect that Colin Leys refers to the reformist response as "poverty oriented, or, "basic needs approach to development."72 It was an attempt to put a "human face" to the post-WW II, growth-inspired development paradigm.

70This quotation is part of a lecture entitled, "What are we Trying to Measure?" that was delivered by Dudley Seers at the 11th World Conference of the Society for International Development, New Dehli (November, 1969). This speech has been reproduced in some form in several volumes. For instance, see Dudley Seers, "What are we Trying to Measure," Journal of Development Studies (1972), pp. 21-25.


72C. Leys, The Rise and Fall of Development Theory, 112.
The chief popularizers of this reformist approach were the International Labor Organization (ILO), through its World Employment Programme (WEP), and the World Bank, under the presidency of Robert McNamara. The ILO patterned its new approach in response to the underlying flaw of the conventional paradigm of development. This flaw is concisely summarized by L. Emmerji:

This conventional model was therefore based on the assumption that growth, with emphasis on the modern sector, was in itself a solution to development because, so the assumption went, the fruits of this growth would automatically and within an acceptable period of time, spread to the less privileged sectors of the population. This assumption proved to be wrong.73

As an antidote to the failure of the trickle-down effects of economic growth, the ILO adopted an approach that involves direct attack on poverty through the generation of employment opportunities for the poor.

Through its WEP, the ILO, in the 1970s, embarked on a series of country missions to study the employment situations, and help formulate appropriate employment-oriented strategies in Third World countries. The ILO was of the opinion that the key to qualitative development was to switch emphasis from mere growth of Gross National Product (GNP) to emphasis on employment generation, especially in the informal sector.

For instance, in its mission to Kenya in 1972, the ILO "disaggregated the problem of poverty to focus primarily on

the 'working poor'." Since most of the working poor are located in the informal sectors of the Kenyan economy, the ILO encouraged an active government policy to tackle poverty and inequality in those sectors. Specific policies recommended by the ILO include; increasing the productivity of small farmers, and mobilizing the people for self-reliant development. Through these efforts, the ILO reasoned that the failure of the trickle down effect could be rectified through government policies that directly bear on the poor, and the marginalized.

Concurrent with the ILO’s efforts on the direct alleviation of poverty was a major policy re-examination within the World Bank. Living up to its name as a bank for reconstruction first, and for development second, the World Bank had, since its inception, concentrated on financing basic infrastructural projects in Third World regions, including SSA. The reformist wind of change caught up with Robert McNamara when he became the President of the World Bank in 1968.

As a previous Secretary of Defense schooled in the ethics of duty with honor, McNamara "ordered" an internal assessment of the World Bank’s activities vis-a-vis the developing world for the past years. The results were very disappointing: high rates of growth co-exist with poverty and

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74Ibid., p. 101.

75Robert McNamara was the Secretary of Defense under the Presidential administrations of J.F. Kennedy and L.B. Johnson from 1961-1968. This was the period during which the United States was deeply involved in the Vietnam War. See J.Lewis Gaddis, Strategies of Containment.
inequality in the developing countries. As Mahbub ul Haq puts it, the World Bank realized to its utter dismay that the trickle-down mechanism has not resulted in the distribution of the benefits of growth to the majority of the people in the developing world. Incensed by the revelations of the assessment, Robert McNamara committed the World Bank to doing more about poverty alleviation.

A 1975 World Bank study entitled Assault on World Poverty delineated the Bank's approach to poverty alleviation. This approach was predicated upon rural development, expansion of agricultural credits, improvement of land reform, and the provision of education, and basic health needs. To a greater extent, the results of the study reflected the new policy orientation of McNamara. For in 1973, he gave his famous speech in Nairobi, Kenya in which he stated among other things that, it is the intention of the Bank "to place far greater emphasis on policies and projects which will begin to attack the problems of absolute poverty..." He therefore prodded governments in developing countries to re-orient their development policies.

76 For a comprehensive summary of the results of this internal assessment, see D. Morawetz, Twenty-five Years of Economic Development, 1950-75 (Washington, DC: The World Bank, 1977).


Re-orienting development policies, as the Bank later emphasized in its 1975 study, centers on redistribution with growth. As an incrementalist approach, this "meant that with each increment of growth, the extra income [was] distributed to the poor, so as to gradually increase their share of national income."\(^1\) This was to ensure that the benefits of growth proportionally lead to the satisfaction of basic human needs.

With the international reach of the World Bank, and in recognition of its instrumental role in the development community, the satisfaction of basic needs and the alleviation of poverty emerged to the forefront of the development discourse. Most importantly, the international donor community, following the trails of the World Bank, did not hesitate to advance loans and credits to finance projects that bear directly on poverty alleviation.

In retrospect, the new orientation of the World Bank also helped to place poverty alleviation, and the provision of basic needs on top of the development agenda in most countries in SSA. This was equally true in countries that were either still patronizing the ideals of MT (as in Côte d'Ivoire), still experimenting with the tenets of DT (as in Tanzania and Zambia), or still operating within the amorphous interstices of MT and DT (as in Kenya). The implication here is that, pursuing a purposeful policy of poverty alleviation was deemed compatible with different ideological strands.

\(^1\)Ibid., p. 104.
Indeed, pursuing a policy of industrialization under the perspectives of MT does not necessarily conflict with the basic needs approach, and the direct alleviation of poverty. Indeed, there is a high degree of complementarity since, industrialization, if properly approached, increases the means available for meeting the basic needs of the poor. A strategy of rural industrialization that is labor intensive will appreciably be more pro-poor than capital-intensive projects with high external components that, as partially shown in the case of Kenya, remain as foreign enclaves within the domestic economy.

On the other hand, with its nationalistic pretensions, DT considers the improved welfare of the poor as an asset that must be courted for the struggle against powerful international forces, and other reactionary domestic constituencies. With the over-glorification of the "revolutionary" appeal of the masses, it is not surprising that Nyerere's Tanzania, and Kaunda's Zambia considered improvements in the lives of the ordinary people as the centerpiece of their socialist experiments.

POST-WW II DEVELOPMENT IDEOLOGY

MT emphasizes economic growth through industrialization. DT seeks independent, autonomous development through the pursuit of nationalist developmental goals. The reformist appendix to the traditional paradigms demands direct attack on poverty through a combination of redistributive strategies,
and other basic need approaches. In spite of the fact that the MT, the DT, and the reformist approach differ in their objectives, they share common, discernible ideological presumptions. Development, regardless of the disparate objectives envisaged, had a purposive end that was deemed attainable through deliberate efforts. As Cowen and Shenton admit, development was an intentional undertaking, not an immanent expectation.81

In view of the fact that development, as an intentional activity, results from decisions and choices, "development was a matter of policy; policy was the business of governments,"82 In this respect, the state, as a legitimate index of popular sovereignty, and as a repository of the collective will of the people, was very instrumental in the traditional development paradigms. The idea of development was therefore inextricably tied to state sovereignty. On this note, Geoffrey Kay is right with his observation that

National sovereignty can have no real meaning unless it is joined to the idea of development as progress towards a social and economic equality from which no nation is debarred for natural reasons. National sovereignty and development defined in this way adhere to each other as closely as the principle of equal rights adheres to that of the freedom of the individual.83

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81 See M.P. Cowen and R.W. Shenton, Development Doctrines (London: Routledge, 1996), pp. 173-253. Cowen and Shenton demonstrate that development, as a transitive verb, was a result of deliberate policies by the government. In their view, development was not an intransitive verb that resulted without deliberate act of government policies.


The reasons why development was equated with national sovereignty through the instrumentality of the state are not far fetched.

First, it was an attempt to fulfill partially, the obligatory contract between the government and the governed. As the most dominant organization within the society with legitimate control over the appropriation of resources, "citizens expected governments to be able to deal with problems perceived to be serious and believed to be soluble." Second, before globalization became an issue, and neoliberalism the issue (an assertion that will be detailed in Chapter III), "socially efficient markets were not thought to be primordial institutions; they were considered creatures of governments." As a flexible, manipulative instrument under the sovereign prerogatives of the state, it was the responsibility of the government to "co-opt" market forces toward the attainment of clearly set development objectives.

Third, the reigning notion was that the state, rather than the market is conveniently positioned to deal with the vulnerable, and the economically disadvantaged within an acceptable prism of social justice. As previously alluded to, this view became the centerpiece of the reformist response, especially, to the failed paradigm of modernization. In this case, states were expected to work on those benefits that

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could not be obtained from growth-induced processes of development.

Finally, post-WW II development theories were initially meant for the decolonizing countries of the South. These countries were equipped with rudimentary forms of market institutions, and an underdeveloped private sector. Against the background of such deficiencies, the state naturally emerged as the only institution capable of pursuing a purposeful development process. It was in respect of these factors that the post-WW II development paradigms were ideologically state-centric.

It is the contention of Colin Leys that, the feasibility of a state-centric approach to development was based on the notion that the state has control over the means of development.85 This control was exercised through a purposeful and direct manipulation of macroeconomic policy instruments to achieve planned targets. This exercise was normally conducted within the framework of Development Plans, in which productive resources are directed to selected sectors of the economy. In this process, Ankie Hoogvelt argues that, "states had recognized responsibility for domestic economic progress and capital accumulation."86 Indeed, it was an era in which the prerogatives of development were "embedded" in the nation-state.


In a state-centric ideological framework of development, the fate of the poor and the vulnerable were not left to the vicissitude of unregulated market forces. In addition, poverty alleviation was not peripherized as a pacifying derivative of putative growth rates. As already noted, McNamara's "revolution" at the World Bank during the 1970s elevated poverty alleviation to the fore of the development discourse. In this newly found "wisdom," states were empowered to intervene directly on behalf of the poor.

Without doubt, the ability of the state to perform these crucial roles was "associated with a degree of autonomy of the state bureaucratic apparatus."87 In this regard, Preston cannot be mistaken on his observation that the traditional paradigms of development were ideologically predicated upon "the policy interventionist role of the state."88 With the state as the prime mover of development, the idea of progress was deemed realizable through the autonomous decision-making of sovereign nation-states.

Globalization, by reducing the role of the state in crucial economic matters as a result of the restructured relationship between states and markets, has not only undermined the theory of the developmental state, but also, altered the very meaning of development. It is in this respect that Colin Leys surmises that the neoliberal policy correlate of globalization renders traditional paradigms of development

87Ibid., p. 205.

88P.W. Preston, Development Theory, p. 319.
Anachronistic.⁸⁹ Anachronistic in the sense that, the intentional processes underlying traditional development paradigms, and the interventionist roles of the state have been undermined by the neoliberal policy demands associated with globalization.

First, the new political economy of globalization, in the developmental circumstances of SSA, presents new issues that deviate from the previous paradigms within whose framework the sub-region has been operating until the early 1980s. Second, there are some debilitating facts, and other attenuating circumstances that detract from the redemptive implications of this new development orthodoxy. As a result, in the developmental context of SSA, there are some disturbing questions that are yet to be clarified within this new paradigmatic shift. As the next section demonstrates, it was in response to such unanswered questions that the main theme of our study was adopted.

GLOBALIZATION, SSA, AND THE NEW CONTEXT OF DEVELOPMENT

As an iconoclastic concept in its meaning, and as an interdisciplinary tool in its application, the essence of globalization has generated a considerable degree of controversy.⁹⁰ In spite of disagreements over its basic

⁸⁹See C. Leys, The Rise & Fall of Development Theory, pp. 3-44.

⁹⁰For a representative review of the controversy surrounding the meaning and evidence on globalization, see P. Hirst and G. Thompson, Globalization in Question: The International Economy and the Possibilities of Governance (Malden: Blackwell Publishers, 1996).
characteristics, and discord on evidence in its support, there is the emerging consensus that, globalization, as a new context of development, rides on the hegemonic ideology of neoliberalism.\textsuperscript{91} Dubbed as "Washington Consensus"\textsuperscript{92} (others claims Washington Confusion"),\textsuperscript{93} specific policy requirements under neoliberalism define the new framework of development.

The Issues of Development

As it will be expanded further in Chapter III, neoliberalism could best be understood through the conceptual optics of neoclassical economics that holds in high esteem, the equilibration processes of unfettered market forces.\textsuperscript{94}

\textsuperscript{91}Chapter III provides a detailed examination of globalization and its associated ideological framework of neoliberalism under the discussion of our theoretical framework. It will suffice to indicate here that, a number of writers have established the link between globalization and neoliberalism under varying contexts. For instance, see Naom Chomsky, \textit{Profit Over People: Neoliberalism and Global Order} (New York: Seven Stories, 1999), B.R. Barber, \textit{Jihad vs. McWorld: How Globalism and Tribalism Are Reshaping the World} (New York: Randomhouse, 1995), and Gary Teeple, \textit{Globalization and the Decline of Social Reform} (Toronto: Garamond Press, 1995).

\textsuperscript{92}This is a phrase coined by John Williamson to indicate the aggregation of specific neoliberal policies that are preferred, professed, and proselytized by the World Bank and the IMF, institutions that are headquartered in Washington, DC. See J. Williamson, "Democracy and the 'Washington Consensus'," \textit{World Development}, Vol. 21, No. 8 (1993), pp. 1329-1336.

\textsuperscript{93}In recognition of the fact that a considerable degree of policy disagreements exist among economic pundits within the World Bank and the IMF, Moises Naim, the editor of \textit{Foreign Policy} prefers the term "Washington Confusion" to "Washington Consensus." See M. Naim, "Washington Consensus or Washington Confusion?" \textit{Foreign Policy}, (Spring 2000), pp. 87-103.

Rationalizing within the ontology of neoclassical economics, the theology of the new neoliberal framework is predicated upon the regulatory functions of market forces, rather than on the interventionist activities of the state. Unlike the previous, traditional paradigms of development, states now play subsidiary roles to the primacy of market forces.

Specific neoliberal policy demands that are intended to enhance the intermediation of market forces in the context of SSA, constitute the policy conditionalities underlying Stabilization and Adjustment Programs (SAPs). As a product of the World Bank's diagnosis of, and prescriptions to the developmental crisis in SSA, SAPs emerged in the early 1980s as the procedural definition of the very development process in the sub-region. The adoption, and implementation of SAPs cast the developmental processes of SSA into the theoretical terrain of neoliberalism. This new template comes along with assumptions and demands that differ from the ideological presumptions of the post-WW II traditional paradigms.

With the promotion of exports and economic growth through neoliberal reforms as attainable targets, specific policies under SAPs range from privatization, through trade and

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95Some writers entertain the idea that, the ascendancy of market forces is imperceptibly leading to the decline of the state. In their view, the state, as a Westerphalian derivative, is under a serious threat from the new role of market forces in the current era of globalization. See Susan Strange, The Retreat of the State: The Diffusion of Power in the World Economy (Cambridge: Cambridge University Press, 1996).

financial liberalization, to deregulation, and the demand for
the reduced role of the state in direct economic activities. Extrapolating from the conventional wisdom of neoclassical
economics, it has been the doctrinaire position of the World
Bank that, the adoption of these policies will have positive
multiplier effects on growth, foreign direct investment,
diversification of exports, and the appropriate management of
the external debt.

The contentious issue here is that, SSA stands to benefit
developmentally if the sub-region follows the current tide and
adopts neoliberal policies that synchronize with the demands
of global neoclassicism. Reeling under heavy external debts,
confronted with declining terms of trade, threatened by
declining economic growth, and therefore faced with an

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97 For a complete list of the original neoliberal policy demands under SAPs, see Moses Naim, "Washington Consensus or Washington Confusion," p. 89.


imminent socio-economic convulsion in the early 1980s, most
governments in SSA were powerless to resist the temptation of
Structural Adjustment Loans (SALs) that were laced with
neoliberal policy conditionalities. It is therefore not
surprising that financially strapped and debt-ridden countries
in SSA subscribed to the neoliberal context of development as
a matter of national survival. To make a point but at the risk
of exaggeration, the adoption and implementation of SAPs
became an involuntary reflex with existential implications for
SSA.

The Facts on Development

According to Claude Ake,100 and Manfred Bienefeld,101
subscription to the current orthodoxy of neoliberalism
signifies the incorporation of SSA into the ideological
framework and the policy imperatives of globalization.
Granting this assertion to be true (an assertion that will
later be clarified in Chapters IV and V), two questions have
to be asked at this juncture; Does the incorporation of SSA
come along with the conventional gains presumed to be
associated with a region's integration with the globalizing
world economy? How does the new context of development that is
associated with globalization impact on development

100C. Ake, Democracy and Development in Africa.

101M. Bienefeld, "The New World Order: Echoes of a New
aspirations and poverty alleviating concerns of the sub-region?

Available facts pertaining to these questions do not only paint a gloomy picture, but also bring to the fore some disturbing trends, and theoretically challenging questions that are yet to be fully examined. The reigning notion is that neoliberalism, through the intermediation of SAPs, is yet to deliver its promise in the developmental context of SSA.\textsuperscript{102}

After nearly two decades of experimentation with the underlying tenets of neoliberalism, the Algiers Declaration issued at the end of the 35th Summit of the Organization of African Unity (OAU) in 1999 isolated globalization as a serious threat to the development prospects of Africa.\textsuperscript{103}

A threat in the sense that, though, there has been considerable improvement in trade (exports and imports) as a ratio of GDP, other critical indicators show declining trends. Per capita GNP, a useful measure of average welfare, decreased from US$ 639 in 1980 to US$ 503 in 1997.\textsuperscript{104} Terms of Trade, with 1987 as a base year of 100, deteriorated from 139.1 in 1980 to 96.6 in 1987.\textsuperscript{105} The value of SSA’s total commodity trade as a percentage of total world trade declined from 4.3

\textsuperscript{102}There is a daunting amount of literature on the unfulfilled promises of neoliberalism in the context of SSA. For a volume that summarizes the current debate on this issue, see Felix M. Edoho, ed., op. cit.

\textsuperscript{103}See, Xinhua News Agency, July 15 (1999).


\textsuperscript{105}Ibid., p. 89.
in 1986 to 1.8 in 1995.\textsuperscript{106} The total debt stock of SSA that stood at US$ 84.1 billion in 1980 rose to 235.4 billion in 1996, an increase equivalent to more than 300 percent of total exports.\textsuperscript{107} According to Kofi Annan, the UN Secretary General, in 1999, 44 percent of all Africans (51 percent of the ratio in SSA) live in absolute poverty.\textsuperscript{108}

In the face of such debilitating indicators, the much touted claim that globalization provides a non-discriminative template that is conducive to the development aspirations of all countries is untenable in the context of SSA. What must be noted here is that, beneath such universalistic, redemptive idealism is the painful reality that the new context of development discriminates between winners and losers. In this case, as a reflection of these worsening trends, SSA seems to be on a slippery slope towards the losing side of the game of globalization.

Quite apart from the gloomy picture painted by the declining trends that are cited above, it is in the view of Claude Ake\textsuperscript{109} that development (not putative GDP growth rates), and poverty alleviation that are crucial to SSA have been relegated to the fringes of the current political economy of globalization. With its demand for state disengagement, and

\begin{itemize}
\item \textsuperscript{108}See, \textit{Africa News Service} November 16 (1999).
\item \textsuperscript{109}C. Ake, \textit{Democracy and Development in Africa}.
\end{itemize}
the institution of the primacy of markets, the theory of the developmental state has been undermined, and subsequently de-ideologized. Development (whatever is left of it) has been reduced to reactions and responses to the challenges and opportunities of global market forces. Therefore, instead of pursuing a purposeful, planned development process (as it did under the traditional paradigms), SSA is now overwhelmed with the management and containment of crises associated with its incorporation into the logic of globalism.

With development reduced to crisis management, poverty alleviation, in the developmental context of SSA, has been peripherized. Peripherization of poverty alleviation is inherent to the logic of neoliberalism. This logic considers poverty as an unanticipated aberrant that must be dealt with by specifically designed programs detached from the processes of capital accumulation and economic growth.¹¹⁰ In this case, unlike in the traditional paradigms, especially with the reformist response, poverty alleviation cannot be made the centerpiece of the current neoliberal framework of development in SSA.

In retrospect, declining trends of critical economic indicators, the devaluation in the substance of development, and the peripherization of poverty alleviation capture the essence of SSA's marginalization within the emerging political economy of globalization. If we are to operate within the

presumptions of the new context of development, and agree for a moment that subscription to neoliberal policies comes along with the conventional benefits of integration, then, the marginalization of SSA constitutes an unanticipated paradox that demands a painstaking examination.

A PARADOX WORTHY OF EXAMINATION

Purposefully or serendipitously, and either based on faulty assumptions or false premises, the issue of SSA's incorporation and marginalization has been touched upon in the literature. M. Bienefeld\textsuperscript{111} and C. Ake\textsuperscript{112} for instance relate the adoption of neoliberal policies to the marginalization of SSA within the emerging global system. In spite of their painstaking efforts in linking globalization to marginalization, their analyses do not delve into a theoretical specification that underpins the paradox of incorporation and marginalization.

On the other hand, P. Collier,\textsuperscript{113} F. Ng and A. Yeats,\textsuperscript{114} and Yeats et al.\textsuperscript{115} explain the marginalization of SSA within

\textsuperscript{111}See M. Bienefeld, "The New World Order: Echoes of a New Imperialism."

\textsuperscript{112}See C. Ake, Development and Democracy in Africa.


the orthodoxy of neoclassical economics. Echoing the traditional position of the World Bank, and arguing strictly (or blindly) within the logic of neoliberalism, these writers claim that SSA has been marginalized because the sub-region has not gone far enough with liberalization and marketization. In their view, the only way SSA could obviate its marginalization is to deepen its incorporation into the emerging economic order through the continuing experimentation with neoliberal policies.

By conflating incorporation with integration, these orthodox sympathizers were oblivious to the fact that the former does not necessarily come along with the benefits associated with the latter. In other words, there is no automatic connection between incorporation into the global market discipline and the benefits accruable from this process. As a result of this oversight, their recommendation is not only theoretically deficient but also, practically obfuscating.

In the context of SSA therefore, incorporation and marginalization have either been presented as a positive functional relationship whereby marginalization deepens as the level of incorporation rises or, as an inverse relationship in which case marginalization declines with the depth of incorporation. Conceptually, these opposing accounts confound the issue as to how incorporation and marginalization, within the interstices of globalization and neoliberalism, impact on development and poverty alleviation concerns of SSA. In other
words, there could be no meaningful assessment of the impact of globalization unless the competing accounts are reconciled.

One obvious way to reconcile such contradictory accounts will be to examine the paradox of incorporation and marginalization under the guidance of a theoretically specified model. As indicated in Chapter I, this theoretical model adopts a conceptual distinction between incorporation and integration. A conceptual distinction in this direction will enable us to demystify the reigning notion that the benefits of integration are automatic associates of incorporation without other attenuating or, extenuating intervening variables. As of now, such an undertaking does not exist in the literature.

Incorporation, integration, and marginalization are concepts that are deeply embedded within the new context of development. In this regard, the next, logical step in our undertaking is to set the theoretical framework of our study by delineating the assumptions, philosophical traditions, and policy demands of neoliberalism, and to determine how the underlying tenets fit with the concept of globalization.
CHAPTER III
THEORETICAL FRAMEWORK

In Chapter II, post-WW development paradigms, and how their underlying ideological assumptions shaped the developmental processes of SSA were presented. The traditional development paradigms including the modernization theory, the dependency theory, and the reformist response were ideologically state-centric. With development predicated upon the interventionist role of the state, markets were entreated to the performance of some subsidiary functions.

With its insistence on the primacy of market forces, and its request for the subsidiary role of the state, the prerogatives of globalization and its associated hegemonic framework of neoliberalism, as previously alluded to, signify the rise and fall of traditional development paradigms. The new context of development, within which our research questions are framed, is essentially defined by the imperatives of globalization, and the theoretical precepts of neoliberalism. In this case, globalization and neoliberalism provide the relevant theoretical background for the examination of the questions posed in our study.

This Chapter, in effect, sets the theoretical framework of our study. Here, the various debates about globalization will be examined in an attempt to delineate its characteristics, and main ideological correlate, neoliberalism. After that, neoliberalism will be examined in

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the context of its philosophical and theoretical traditions, its underlying assumptions, and its policy demands.

In order to examine our first research question concerning the extent to which neoliberal policies constitute the ideological counterpart of globalization, the third Section examines the fit between globalization and neoliberalism. This assessment will also enable us to delineate the main features of the new context of development.

GLOBALIZATION: THE RAGING DEBATE

Globalization is a concept that is shrouded in a thick fog of controversial debates. To pierce through this outer shell in order to get to the substance of globalization is by itself a daunting enterprise that is beyond the scope of our study. Rather, a cursory survey of the globalization debate in the context of our research is presented. This enables us to isolate the main characteristics of globalization, and identify its underlying ideological framework.

For the sake of analytical clarity, the debate will be examined under three separate but interrelated themes. The themes are framed in the form of questions: (i) Is globalization a mere rhetorical nomenclature that does not describe any new distinctive phenomena or, is globalization a term that describes the reality of a new emerging order? (ii) Is globalization an inevitable process that proceeds on its own accord or, is globalization a contingent process that is courted into existence by special interests operating from
within an identifiable ideological framework? (iii) is globalization imperialistic?

Globalization: Rhetoric vs. Reality

For some time after the furor of globalization had reached its crescendo, and has even emerged as the buzzword for the description of the post-Cold War world order, some observers still believe that the term explains nothing new. For instance, Paul Hirst and Grahame Thompson argue that, Globalization in its radical sense should be taken to mean the development of a new economic structure, and not just conjunctural change toward greater international trade and investment within an existing set of economic relations... Increasing salience of foreign trade and considerable and growing international flows of capital are not per se evidence of a new and distinct phenomenon called 'globalization':..., they were features of the international economy before 1914. It is pertinent to note that, increasing international trade and investment, and growing international flows of capital are mere indices that reflect an economistic, reductionist view of globalization. This version, as it will be demonstrated in


2P. Hirst and G. Thompson, Globalization in Question: The International Economy and the Possibilities of Governance, p. 7, italics in original.

3Though there are various versions of globalization, this economistic, reductionist view is preferred by the multilateral institutions. For instance, see the World Bank, Global Economic Prospects and the Developing Countries (New York: Oxford University Press, 1995), and the UNDP, Human Development Report, 1997 (New York: Oxford University Press, 1997).
this section, does not capture the entirety of the emerging process.

Nevertheless, P. Hirst and G. Thompson put globalization on trial due to the distinction often made between a *globalized economy*, and an *inter-national economy*. The former is a system in which "distinct national economies are subsumed and rearticulated into the system by international processes and transactions." The latter, on the other hand, is a system in which processes that are determined at the level of national economies still dominate and international phenomena are outcomes that emerge from the distinct and differential performance of the national economies.4

On the basis of this distinction, the authors claim that the emerging world order does not represent a *globalized economy* because, distinct national economies still predominate in the increasing flow of trade, capital and investment.

By implication, if the emerging process is globalized in nature, then, distinct national economies should have been neutralized in the welter of international processes and transactions. And by extension, if national economies were neutralized, then, there would be no possibility of international governance on the bases of state-instituted multilateral systems. That multilateral governance is still possible, in the view of P. Hirst and G. Thompson, indicates that the present world order is more of an *inter-national economy* rather than a *globalized economy*.

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Writing alone in a different context, G. Thompson takes inspiration from the classic definition of globalization as offered by the European Commission to buttress his idea that the emerging process is not new. According to the European Commission,

Globalization can be defined as the process by which markets and production in different countries are becoming increasingly interdependent due to the dynamics of trade in goods and services and flows of capital and technology. It is not a new phenomenon but the continuation of developments that have been in train for some considerable time.\(^5\)

Reflecting on this view of globalization, G. Thompson claims that globalization is "just another word for the further internationalization of economic activity, in terms of greater integration and interdependence."\(^6\) In this case, globalization is a mere rhetorical nomenclature, a conjured word that explains nothing new. Like an emperor without an empire, globalization is a fictitious concept without any credible substantive bases.

"What's New? What's Not? (And So What?)," is the provocative title under which Robert O. Keohane and Joseph S. Nye Jr.\(^7\) sought to examine the authenticity of the globalization creed. As the chief advocates of the concept of complex interdependence,\(^8\) the authors argue that, the


\(^6\)Ibid.

"characterization of interdependence more than 20 years ago now applies to globalization at the turn of the millennium," and that, "this vague phrase (globalization) expresses a poorly understood but widespread feeling that the very nature of world politics is changing." After a careful delineation of the characteristics of interdependence and globalization, the authors gravitate to the conclusion that the two terms mean the same thing. In their view, globalization is nothing new. It is a superfluous nomenclature that vindicates the increasing relevance of complex interdependence among nation-states.

Kenneth N. Waltz, who constructed his theory of structural realism on the basis of the continuing predominance of nation-states, also decries the over-used meaning of the word globalization. Writing on "Globalization and Governance," K.N. Waltz admonishes that, "many globalizers underestimate the extent to which the new looks like the old." With his nostalgia for the continuing ubiquity of the Westphalian state-system, K.N. Waltz is very contemptuous of the idea that globalization is a new reality that undermines the conventional wisdom that the state remains the irreducible unit of the international system.

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10 For his theory on structural realism, see Kenneth N. Waltz, Theory of International Politics (Reading: Addison-Wesley, 1979).

That the new looks like the old, in his view, relates to the lingering predominance of states in the emerging process. Paraphrasing Emile Durkheim, K.N. Waltz concludes that, globalization is nothing more than increasing interdependence; a reflection of "the mere mutualism" of states. In an earlier article, Linda Weiss has also argued that the reigning globalist orthodoxy is an exaggeration, and that, the associated notion of the declining importance of the state is a myth. In her view, the contemporary international flows of capital, goods, investment and technology are not without historical precedent, and that, these processes did not, and will not undermine the supremacy of the state.

The assertion that globalization is a mere rhetorical verbiage that explains nothing new is based on three discernible factors. First, the increasing flows of trade, investment, and capital are nothing new; they are vestiges of the past. Second, as it was in the past, distinct national economies still form the bases of such flows. Third, contrary to popular notion, the emerging process does not reduce the predominance, and the decision-making autonomy of nation-states.

Of course, it cannot be denied that foreign trade and capital flow have characterized the international system even before 1914. However, to extrapolate from the enduring nature

\[\text{12}\text{Ibid., p. 697.}\]

of such flows to assert that the current changes do not constitute a new era is to neglect some prominent features of the emerging international system associated with the globalization process. It is instructive to note that large segments of the world did not fully participate in the pre-1914 international system. Today, more economies in Asia, Latin America, and Africa have not only opened their frontiers to trade and investment, but have also, in the form of a herd behavior, adopted market friendly reforms.

Also, unlike in the previous era, the volume of gross global financial transactions is much larger now. For instance, the volume of daily foreign exchange trade has increased from US$ 15 billion in 1973 to US$ 1.2 trillion in 1995, whereas cross border sales and purchase of bonds and equities by United States investors alone have increased from 9 percent of GDP in 1980 to 164 percent in 1996.\textsuperscript{14} Of crucial differential importance, free trade, capital flows, and foreign investment during the earlier periods of the twentieth century were conducted largely through bilateral arrangements.

Currently, the promotion of these activities is structured upon institutional foundations operating from within a specific, messianic ideology of free markets. The IMF, the World Bank, the United Nations Conference on Trade and Development (UNCTAD), and more recently, the World Trade Organization (WTO) are all regulatory multilateral

\textsuperscript{14} See \textit{The Economist}, Vol. 345, No. 8039 (October 18, 1997b), pp. 79-81.
institutions that establish rules to uniformalize these activities on a global scale. This important global regulatory appendix that confers a distinctive feature on the emerging process of globalization escapes through the analytic lenses of P. Hirst and G. Thompson.

The idea that national economies still dominate is a geographical fact that cannot be contested. However, the claim that distinct national economies still form the bases of the flow of capital, goods and investment is highly contestable. As a result of the increasing flexibility in the organization of production, there has been an increase in interfirm and intrafirm strategic alliances spread around the globe to such an extent that products, and investment capital are constantly becoming de-nationalized.

The traditional "made in specific country" label of products is constantly becoming anachronistic in an era in which multinational corporations (MNCs) organize production systems on a global scale. It is in this respect that Riccardo Petrella argues that globalization is the novelty of our times, and in this changed terrain, MNCs, rather than distinct national economies, are the primary actors. That MNCs are constantly undermining the traditional predominance of distinct national economies in the international flow of goods, capital, and technology is not an overstatement. MNCs

accounted for between 25 percent and 30 percent of the GDP of the world’s market economies in the mid-1980s, and also accounted for roughly 70 percent of the world’s commodity trade. By 1988, the biggest 300 MNCs accounted for about 70 percent of the total foreign direct investment stake.\(^\text{16}\)

It is partially in respect of the border-defying, and barrier-jumping activities of MNCs that James N. Rosenau characterizes globalization as a process that “is changing humankind’s preoccupation with territoriality and the traditional arrangement of the state system.”\(^\text{17}\) As a process, rather than as a stationary condition, a distinguishing feature of globalization is that, the underlying forces are not hindered or, prevented by territorial and jurisdictional barriers. In its broadened view therefore, globalization, as a boundary-broadening phenomenon, entails multiplicity of forces that compel hitherto distinct national economies to converge to a particular form of development. According to Malcolm Waters, there is a convergence toward capitalist development. He writes,

Globalization is...bound up intrinsically with the pattern of capitalist development as it has ramified through political and cultural arenas. However, it does not imply that every corner of the planet must become Westernized and capitalist but rather that every set of social arrangements must establish its position


in relation to the capitalist West..., it must relativize itself.\textsuperscript{18}

In this process of relativization, convergence, and "Westernization,"\textsuperscript{19} the underlying forces of globalization are imperceptibly undermining the autonomous decision-making power of sovereign states.

Susan Strange in her \textit{The Retreat of the State}\textsuperscript{20} offers a convincing theoretical foundation, and illuminating empirical evidence in support of her thesis that, the state is not only becoming defective but also, losing its sovereignty and autonomy to the underlying forces of globalization. In her view, the accelerating growth of technology has empowered markets to usurp the traditional functions of the state. This view buttresses James H. Mittleman's assertion that, states are now reduced to playing courtesan roles to "global market forces."\textsuperscript{21}

\textit{The Economist}, in its survey of the world economy arrived at similar conclusions.\textsuperscript{22} In its view, market forces are shrinking the autonomy of states, especially in the developing world, to such an extent that, governments have been rendered


\textsuperscript{20}See Susan Strange, \textit{The Retreat of the State: The Diffusion of Power in the World Economy}.


\textsuperscript{22}See \textit{The Economist}, Vol. 344, No. 8035 (Sept' 20, 1997a), pp. 23-27.
powerless in the institution of special programs on behalf of the poor, and the vulnerable in the society. By reducing the social space of governments, globalization has on the other hand elevated market forces that cannot be "socialized" on behalf of the poor and the needy.

Peter F. Drucker, on the other hand, was very nostalgic with his assessment of the declining autonomy of states.23 On the premise that the control of money, credit and fiscal policy constitutes the main pillar of "sovereignty" as coined by Jean Bodin in 1576, P.F. Drucker cites the case of the 1994/95 Mexican Peso crisis to demonstrate that the global economy is now the ultimate arbiter of monetary and fiscal policies. As the 1997/98 East Asian financial turmoil also demonstrates, governments (democratic or, otherwise) are now losing control over the very issues that should have been under the sole prerogative of autonomous nation-states. On this note, the assertion (made by the nay-sayers to globalization) that states still exercise autonomy in crucial decisions is a blanket statement that glosses over some disturbing trends associated with the emerging process.

In the final analysis; if the current flows of goods and investment capital have special qualitative features that were not remarkable in pervious years; if distinct national economies do not constitute the only bases for such flows; and if states are becoming powerless in the face of uncontrollable

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market forces, then, the emerging process is a reality that captures a new distinctive phenomenon called globalization. To suggest otherwise is to conflate a process with an end state of events. Globalization is a process; a work-in-progress. It is nowhere near an end product that could be subjected to an existential test against the yardstick of some static, hypotthesized end state of affairs. Conceptually, this was exactly what P. Hirst and G. Thompson did with their conjured image of what a globalized economy should be.

As a new and distinctive phenomenon, some writers view the emerging trend as a global trap that is intended to weaken the collective power of labor against capital.24 Others consider globalization as a post-industrial form of slavery, dressed in the camouflage of deterministic market forces whose,25 underlying processes need to be contained for the enhancement of global distributive justice.26 Still others view it as a neoliberal ideology masquerading in the guise of structural change.27


25See S. Rall, "Which Mexico Is It? Globalization is the New Form of Slavery Dressed in the Camouflage of a so-called Market Economy."

26Benjamin R. Barber variously refers to globalization as "savage capitalism" or, McWorld, and insists that the underlying forces undermine democracy and social justice. See B. R. Barber, Jihad vs. McWorld: How Globalism and Tribalism are Reshaping the World (New York: Ballantine Books, 1996).

27Gary Teeple argues that globalization is meaningless without its associated neoliberal hegemonic framework. See G. Teeple, Globalization and the Decline of Social Reform, especially, Chapters V and VI.
Beyond such hyperbolic assessments, Simon Valaskakis has presented the reality of globalization in a form of a theatrical prop. In his view, globalization is a new theatre with a new stage, new actors (falling and rising stars), and a new script. The new stage is the global market-place with a gestalt qualitat that is greater than the sum of the individual nation-states. The falling stars are the nation-state governments and the sub-national governments. The rising superstars are the MNCs, multilateral institutions (especially, the IMF, the World Bank and the WTO), and other special interest groups. The new script is the growing income inequality within nations, and between the rich and the poor countries.

With his admonition that, "an unexpectedly close synonym to contemporary globalization is privatization," Simon Valaskakis seems to imply that the theatre of globalization is sponsored by private capital. As a reflection of the incoherent manner by which the actors deal with the script, S. Valaskakis resigns with a deep sense of pessimism that, there is "little left on the left," at the same time, "all is not right on the right." In other words, globalization has undermined the ideology of the Left that accords primacy to the interventionist policies of the state. Ironically however,

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29Ibid., p. 154, italics in original.
30Ibid., p. 162.
the new neoliberal ideology of the Right that glorifies the pristine role of market forces cannot deal with the problems of poverty and inequalities either.

Disappointing as it might be to those who dismiss globalization on the basis of a hypothetical framework (as in the case of P. Hirst and G. Thompson), and distressful as it might be to those who have their scholastic tradition to defend (as in the cases of R.O. Keohane and J.S. Nye Jr., and K.N. Waltz), globalization is a reality, not a mere rhetorical nomenclature. It is a distinctive phenomenon that is undermining hitherto cherished theories and paradigms on interstate relations, the nature of the international system, and the major actors on the world stage. To paraphrase Victor Hugo's belabored maxim, globalization, and all that it stands for, is a reality whose time has come.

Globalization: Inevitability vs. Contingency

Settling the debate on the reality-check of the emerging process does not end the controversy surrounding globalization. It rather raises the debate to another level with unintended epistemological implications. That is, in terms of its origin and perpetration, is globalization an inevitable process that proceeds on its own accord or, is it a contingent by-product of deliberate, and specifically instituted policies? The debate on inevitability vs. contingency borders on the issue as to whether globalization is irreversible or, reversible.
The inevitability thesis presents globalization as an inexorable, natural result of market efficiency, and technological progress. It represents the final maturity of the "capitalist Enlightenment project of the past two centuries with its emphasis on universalism, scientism, rationality, private property rights, liberalism and individualism." In other words, globalization is the final culmination of progressive development that emanates from self-propelling dynamism of technological development within the framework of systematic and consistent maturity of the inner logic of market forces. As an inexorable, natural process, the inevitability thesis inadvertently glosses over the dynamics of power, and vested interests associated with the emerging process. Among others, Francis Fukuyama, Kenichi Ohmae, and Robert B. Reich are the self-anointed disciples of the inevitability thesis.

In his *The End of History*, Francis Fukuyama argues that, the emerging process of globalization is solely determined by technological advancement and the self-propelling process of market forces, and that, the underlying liberal revolution


constitutes the climax of a universal, historical development. He writes,

The unfolding of technologically driven economic modernization creates strong incentives for developed countries to accept the basic terms of the universal capitalist economic culture, by permitting a substantial degree of economic competition and letting prices be determined by market mechanisms.35

In other words, the emerging process of globalization, that is driven by the forces of technology, is a universal, inexorable development that could lead to the perfection of capitalism if market forces would be allowed to proceed according to their own inner logic. In specific reference to the associated liberal revolution, F. Fukuyama argues that,

The growth of liberal democracy, together with its companion, economic liberalism, has been the most remarkable macropolitical phenomenon of the last four hundred years... the current liberal revolution...constitutes further evidence that there is a fundamental process at work that dictates a common evolutionary pattern for all human societies - in short, something like a Universal History of mankind in the direction of liberal democracy.36

The implication here is that, globalization is not only an inevitable process due to technologically deterministic development based on market forces but that, the associated liberal ideological framework is universalistic in its evolution. The collapse of the Soviet Union, and the subsequent de-legitimation of communism as an alternative


36Ibid., p. 48, italics in original.
ideology gave Fukuyama's thesis a transient hope of a workable praxis in progress. This hope, in the view of John Gray is a delusion because there is no indication that the world is moving towards a unified global capitalism.37

Kenichi Ohmae also argues in support of the inevitability thesis. In his The Boderless World, he insists that the world is shrinking as a result of greater international connectivity, that, the traditional distinctions between core and peripheral regions of the world are blurring, and that, there is an irreversible convergence into a one world economy.38

In his other volume, he advances the argument that in today's borderless world, the forces of globalization are rendering the traditional notion of the nation state anachronistic, and that, nation states matter only if they put global logic first and function as ports of entry to the global economy.39 According to K. Ohmae therefore, the increasing trend toward a borderless world economy, and the withering away of the nation state are inexorable processes that can neither be prevented nor deterred by conscious acts of deliberation. As technologically determined processes within the prism of market forces, they are irreversible.


39See K. Ohmae, The End of the Nation State.
With a touch of passion and concern, Robert B. Reich also subscribes to the inevitability argument.\(^{40}\) He supports the assumptions about the irreversibility of globalization and about technological determinism. On the other hand, he expresses a deep sense of concern about the obnoxious effects associated with the disintegration of national economies, and the increasing gap between the poor and the rich. Notwithstanding such passionate qualifications, R.B. Reich uncharacteristically resigns to the logic of the automaticity argument with his departure that, the decline of national economic sovereignty is an irreversible result of exogenous, technological changes.

In short, the inevitability thesis presents globalization as an irreversible, natural, process. As an inexorable process, it precludes all other optimizing alternatives. And as a "hands-off" process that proceeds on its own accord, globalization does not depend on conscious acts of political agents. Globalization cannot therefore be courted into perfection (or redress the associated imperfections) through the deliberate institution of specific policies, claim the inevitability thesis.

As a result of the underlying deterministic premises, (read, benevolent dictatorial tendencies) adherents of this view of globalization are very apocalyptic in their recommendations; nations that do not incorporate their economies to the imperatives of globalization will be doomed

\(^{40}\)See R.B. Reich, The Work of Nations.
forever. By implication, the inevitability thesis assumes that the emerging process has an in-built, self-automating recoil that rewards nations that subscribe to the globalization creed, and punishes by marginalizing those that do otherwise.

Anecdotally and empirically, the inevitable thesis, like a fair weather construction, has been ruffled by the opposing assertion that there is nothing inexorable about globalization. Manfred Bienefeld specifically takes the assumption of technological determinism to task. In his view, the "primary driving force behind the liberalization of the world's financial markets is political, not technological." He elaborates,

globalization is not a technological or historical necessity, but a politically driven process whose apparent irreversibility stems from the fact that its gains have been increasingly institutionalized and protected by new international rules and regulations that threaten deviants with instant, collective retaliation.

Implied in this assertion is a claim that, globalization, far from being a technologically deterministic process, is a contingent by-product of deliberately instituted, monitored, and enforced rules and regulations. For instance, with MNCs as the main actors of the emerging global market place, the OECD issued a Declaration demanding that member countries accord a


42Ibid., p. 422.
high degree of operational freedom to such foreign enterprises. The Declaration reads in part that,

Member countries should..., accord to enterprises operating in their territories and owned or controlled directly or indirectly by nationals of another Member country... treatment under their laws, regulations and administrative practices, consistent with international law and no less favorable than that accorded in like situations to domestic enterprises.43

If technological determinism could be counted on to bring about the desired attitudinal changes, then the institution of such specific rules and regulations would have been superfluous. That this is not the case is due to the fact that, contrary to the inevitability thesis, technological revolutions do not necessarily yield corresponding ideological favorability toward the bolts and nuts of capitalism. That positive attitudinal changes are normally enforced through specific policies. In this case, the OECD Declaration went too far in its request for the granting of "citizenship" and "passports" to foreign owned enterprises.

Quite apart from the fact that technological developments are guided by specifically instituted rules and regulations, market forces are also socially engineered. Even before globalization became the buzzword and market forces emerged as its most laudable tone, Karl Polanyi had already observed that, the "road to the free market was opened and kept open by an enormous increase in continuous, centrally organized and

controlled interventionism." As it was true at the time of Polanyi, as well as in the current era of globalization; free market does not grow naturally, it is brought about by specific policy interventions.

Through their imposition of neoliberal-inspired economic reform measures on Third World countries, and their intervention in countries engulfed in financial turmoils (Mexico in 1994, and East Asia in 1997/98), the IMF and the World Bank are the current architects of the market engineering process. If globalization is predicated upon self-propelling processes of market forces, then there would be no need to impose market reforms on unsuspecting countries under the bait of financial inducements. And if market forces have its own in-built rectification logic, then that logic should have worked to address the financial turmoils in Mexico and East Asia without the emergency, policy interventions of the IMF and the World Bank.

Rather than an independent, self-equilibrating institution, the market in this instance behaves like an overweaned child that needs constant attention in order to neutralize its self-mutilating, suicidal predispositions. It is in recognition of such market engineering processes that James Petras states categorically that, "contingency, not inevitability, is present in the origins, perpetuation and future destiny of the globalist project." In his view, the

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contingent, engineering processes of globalization are unavoidable because,

the practitioners of globalism, if not the ideologues, are aware of the conditional sustenance of their project, the precariousness of its sustainability, and the political limits of its continuation over time.⁴⁶

A review of the constellation of forces involved in the market engineering process indicates that globalization is a particularistic, ideological project that is sponsored by international capital, backed by powerful western countries, and imposed, monitored and enforced by the IMF, the World Bank, the WTO, and other multilateral organizations.

Globalization is neither technologically determined nor, results from the natural unfolding of market forces. To suggest otherwise amounts to an illegitimate exculpation of powerful vested interests who are the main deliberate sponsors, and ultimate beneficiaries of the globalization process. Mention could be made here of the advanced industrialized countries, the major MNCs, and the other multilateral institutions.

To also suggest that globalization is irreversible, and that there is no alternative (TINA) is a premature triumphalist posture that is based on a "tunnel vision of history."⁴⁷ Beneath this posture is an attempt to demoralize


⁴⁶Ibid.

⁴⁷Ibid., p. 19.
all other plausible alternatives in order to present the underlying particularistic interests of the global project as universal truisms. It is partially in respect of such subliminal dictatorial tendencies of the emerging process; a process that does not portend equal benefits to all countries, that some observers, in a knee-jerk assessment, consider globalization as imperialistic.

**Globalization: Is It Imperialistic?**

Globalization has been considered as a new form of imperialism because, in the view of some observers, the emerging process continues to perpetuate the political economy of dominance and dependence. If globalization is a "new" form of imperialism, then, there must also have been an "old" form of imperialism with underlying dynamics and their effects similar to that of globalization.

According to Benjamin J. Cohen, the classical meaning of imperialism refers to "any relationship of effective domination or control, political or economic, direct or indirect, of one nation over another." Used in this sense, imperialistic.

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nation-states were the main flag-bearers of the old form of imperialism. Imperialistic relationships were enforced through the establishment of formal colonial empires. With the attainment of independence by the colonized countries, the matrix of imperialism shifted from formal political relationships to "more complex forms of economic penetration and domination of markets, sources of supply, and investment."\(^\text{51}\)

That globalization is a new form of imperialism might be attributed to the fact that although the methods of imperialism have changed, its actual substance remains constant. Instead of the previous conquest and control by imperial states, imperial control is now exercised informally through the activities of multinational corporations (MNCs), whose operations in outlying regions have been eased by the market-broadening logic of neoliberalism.

In this case, the players might have changed but, the substance of imperialism, that is, economic penetration and subordination of less developed countries through trade and investment, has even been intensified. In other words, globalization perpetuates, and intensifies the dominant-subordination pattern of relationships that parallel those established during the hey-days of classical imperialism.

As an unabashed advocate of the imperialistic view of globalization, Manfred Bienefeld argues that the emerging

\(^{50}\)Ibid., p. 16, italics in original.

\(^{51}\)Ibid., p. 11.
process perpetuates the dominant-subordination pattern of relationships between the advanced core countries of the North and the peripheral countries of the South.52 In his view, the emerging new world order that rides on the tenets of neoliberalism resuscitates "a more open and explicit form of imperialism" that portends "serious consequences for large parts of the developing world."53

The underlying assertion here is that, instead of the formal establishment of colonial empires, neoliberal policies perform the same boundary-broadening functions for the smooth operation of international private capital; an operation that is still detrimental to the interests of the subjugated regions. This view is supported by Rob Steven54 with his assertion that, though, classical imperialism operated primarily in national terms, now it functions through the medium of giant MNCs. In his opinion, these corporations take advantage of the permissive terrain provided by the institution, and enforcement of neoliberal policies.

Appropriating from the underlying tenets of the underconsumption hypothesis,55 James Petras also argues that globalization is imperialistic because, the emerging process

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52See M. Bienefeld, "The New World Order: Echoes of a New Imperialism."

53Ibid., p. 31.

54See Rob Steven, "New World Order: A New Imperialism."

55The underconsumption hypothesis states that, there is an underlying tendency for the rate of profits to fall in capitalist production systems that could be offset by gaining access to external markets. See Benjamin J. Cohen, The Question of Imperialism, pp. 36-42.
is largely in response to the over-accumulation crisis of capitalism. In his view, the "over-accumulation crisis refers to the massive growth of profits with the shrinking space for investment at acceptable rates of profit."56 The solution to the over-accumulation crisis, according to J. Petras, has been provided within the framework of globalization.

This is so because, capitalist entrepreneurs are now able to expand their productive activities to overseas markets, and in the process, widen the field for the investment of surplus profits. It is not surprising therefore, that, MNCs are the main driving force of the increasing international flows of capital, goods, and technology. In this case, posits J. Petras, the "imperial concept fits the realities much better than the assumptions that underlie the notion of globalization."57 The imperial concept better reveals the unstated intentions of the main forces behind the globalization project.

If we are to extrapolate from J. Petras's analysis, then, A. Sivanandan would not be far from right with his appositive remark that, "if imperialism is the latest stage of capitalism, globalism is the latest stage of imperialism."58 Contentious as this assertion might seem, one cannot neglect the fact that the emerging process is leading to the globalization of capitalism, yet, the benefits of this

57Ibid., p. 7.
58A. Sivanandan, "Globalism and the Left," p. 5.
expansion have not reached the majority of the poor in Third World countries.\textsuperscript{59}

Epitomized by the position of the World Bank, the multilateral institutions reject the imperialistic vulgarization of globalization. For instance, in its 1995 report on \textit{Global Economic Prospects and the Developing Countries}, the World Bank was compelled to act defensively. The Bank vehemently argues that the increasing incorporation of Third World countries into the logic of the emerging global market discipline is the most important opportunity for raising the welfare of both the developing and the developed countries.\textsuperscript{60}

Incorporation in the view of the Bank involves the adoption of outward-oriented growth strategies (read, neoliberal policies) conducive to greater openness to the world economy. The implication here is that, there is nothing imperialistic about globalization since, with the adoption of the appropriate policies, all countries, poor or rich, stand to benefit.

A cursory review of the raging debate on globalization does not only touch on some of the essential characteristics of the emerging process but also, reveals one interesting development. If globalization is a reality, it is because,

\textsuperscript{59}Priyatosh Maitra uses the case of India to illustrate the fact that, in spite of all the capitalist trappings, the poor in India are yet to benefit from the expansion of capitalism. See P. Maitra, \textit{The Globalization of Capitalism in Third World Countries}.

\textsuperscript{60}See The World Bank, \textit{Global Economic Prospects and the Developing Countries}.

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among other things, the current international flows of trade and investible capital are conducted on the basis of neoliberal rules set by multinational institutions.

On the other hand, if globalization is an inevitable process, it is because market forces (the centerpiece of neoliberalism) are self-perpetrating. If globalization is a contingent process, it is because neoliberal policies are specifically instituted to direct, and at times constrain market forces.

If globalization is imperialistic, it is because the underlying neoliberal policies perpetuate the dominant-subordination pattern of relationships. If globalization is not imperialistic, it is because the associated neoliberal policies provide a framework conducive to the developmental aspirations of both the developed and the developing nations. The emerging scenario here indicates that neoliberalism seems to be caught within the cross-fires of the raging debate on globalization.

In other words, the glorification, the proselytization, the legitimation, and de-legitimation of globalization are conducted within the ideology of neoliberalism. In this case, neoliberalism, and all that it stands for, seems to be an incontrovertible counterpart of globalization. As examined in the next section, the fit between neoliberalism and globalization is very clear.
NEOLIBERALISM: THE IDEOLOGICAL COUNTERPART OF GLOBALIZATION

As indicated in the summary of the preceding section, neoliberalism stands at the crossroads of the controversial debate on globalization. Both sides of the three major themes of the debate concerning globalization employ neoliberalism either as an offensive tool or, a defensive weapon. It is not surprising that globalization, as a process, and neoliberalism, as an ideological policy framework, have become two of the most commonly used terms in the description of the emerging international order. Indeed, the two terms have become the conventional lingua franca for the description of a new international context of development.

In spite of the fact that the emerging international political economy of globalization appears to be neoliberalism's preserve, we cannot however establish the link between globalization and neoliberalism unless the characteristic features of the latter are also isolated. Thus, this section examines the philosophical traditions, the theoretical precepts, the assumptions, and policy demands of neoliberalism. Section three will then be devoted to the examination of the necessary fit between globalization and neoliberalism.

Neoliberalism: Philosophical Traditions and Theoretical Precepts

The philosophical traditions of neoliberal international theory are found particularly in the works of Adam Smith,⁶¹
F.A. Hayek, Milton Friedman, and others. As the prefix "neo" of neo-liberalism partially indicates, neoliberalism, in its current version, is a re-incarnation (or resurrection, or better still, rejuvenation) of the political economy of classical liberalism. Classical liberalism, on the other hand, emerged as a reaction to the orthodoxy of mercantilism.

Premised on the ubiquitous role of the state, and appropriating from the principle of Gestalt Qualitat that the whole is greater than the sum of its parts, the doctrine of mercantilism was in spirit and content collectivist. While state interests determine all economic activities, maximization of public authority, argue the mercantilists, was necessary for the protection of individual freedoms. In a collectivist system in which wealth was a veritable index of state power, the mercantilists glorified state intervention in

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61 As the father of classical, liberal economics, the works of Adam Smith range from moral philosophy to economic philosophy. For a comprehensive review of his pioneering work on classical economics, see Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, ed., by Edwin Cannan (Chicago: University of Chicago Press, 1976 [1776]). Take note that this volume is divided into separate books with different Chapters.


the economy, and also advocated for the imposition of protectionist policies on foreign trade.

To re-state, the main focus of the mercantilist doctrine was the protection of the national autonomy, rather than the advancement of individual freedoms, and the encouragement of private initiatives. As rightly pointed out by G.T. Crane and A. Amawi, the acceptance of mercantilism "made sense sociologically in that it evolved simultaneously with the rise of the modern state."65 In as much as mercantilism was a product of its time, the underlying prescriptions of interventionism, the praxis of protectionism, and the subjugation of individual freedom to the collective will of the state became the focus of systematic criticism. Adam Smith was a pioneering figure in the deconstruction of the mercantilist thesis.

Writing largely in response to the reigning orthodoxy of mercantilism, Adam Smith sought to prove in his Wealth of Nations that prosperity, and individual freedom could best be maximized in a politico-economic system with less government interference. Indeed, Adam Smith was philosophically contemptuous of a collective authority that is exercised through the instrumentality of the state. He writes:

The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an

authority which could safely be trusted not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had the folly and presumption enough to fancy himself fit to exercise it.  

What is implied here is that, private individuals are well-placed in making their own decisions rather than having decisions made for them by some government agents who operate from within their own self-imposed sense of infallibility. Adam Smith even links the unshackling of economic activity from the authority of the government with the protection of natural liberty. He states that

All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring forth his industry and capital into competition with those of any other man, or order of men.

With this assertion, Adam Smith establishes a core, philosophical component of classical liberalism; the equation of economic freedom or laissez faire with natural liberty. In this paradigm, individual liberty is a derivative of the spontaneous order of the invisible hand of market forces. The invisible hand is a metaphor for a coordinating mechanism that is deemed spontaneous because, "it relies on self-generating and self-organizing properties." According to Adam Smith,


67Ibid., Book IV, Ch. IX, p. 208.
the role of the government must be limited to the provision of
the rudiments of law and order for the effective functioning
of the self-perpetrating processes of market forces.

In order to expand the horizon of the self-equilibrating
process of the market, Adam Smith advocates division of labor
in production and exchange. In recognition of the fact that
division of labor necessitates exchange but is limited by the
extent of the market, a domestic liberal economy, and
international free trade are the appropriate means to tease
the best out of individuals and nations.

The implication here is that, if left unregulated, market
forces will enhance the maximum realization of each
individual's potential. Market forces will also ensure the
maximum utilization of society's capital stock for the
betterment of the society. Turning the mercantilist thesis on
its head, Adam Smith methodically demonstrated in his Wealth
of Nations that, liberalization and free markets, rather than
regulations and trade restrictions, constitute the responsive
means to improve the liberty and economic freedom of the
people.

In his Capitalism and Freedom, Milton Friedman also
sought to philosophize the link between market forces and
freedom. In his view, a freely functioning market economy
facilitates economic and technological progress that in turn
enhances social mobility and political freedom. In the

68Sally Razeen, Classical Liberalism and International Economic

69See M. Friedman, Capitalism and Freedom.
rationalization of Friedman therefore, the expansion of government beyond its minimal functions impairs efficient use of resources, impedes progress, restricts social mobility, and subsequently limits political freedom as well. As an octogenarian economist, Friedman incorrigibly holds to these views.70

Beyond Adam Smith and Milton Friedman, F.A Hayek extends the link between the spontaneous order of market forces and political freedom and individual liberty to its philosophical limits. What Adam Smith refers to as the invisible hand, F.A. Hayek calls it the catallaxy of the market.71 Catallaxy is the neologism that Hayek uses to describe the special kind of spontaneous order produced by the market through people acting within the rules of the laws of property, tort and contract. Positing that only limited government can be decent government,72 the state matters only in the provision of a framework within which catallaxy may develop.

F.A. Hayek is also very remarkable with his views on social justice and equity.73 According to Hayek, social justice is strictly procedural and can only refer to the proper enforcement of general rules of universal application.

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70See Milton and Rose Friedman, Two Lucky People: Memoirs.


72For Hayek's view on the role of the government, see ibid., Vol. 1: Rules and Order.

73For a comprehensive review of Hayek's views on social justice and equity, see Law, Legislation and Liberty, Vol. 2: The Mirage of Social Justice.
without regard to its particular results. Therefore, the advancement of social justice, in the view of Hayek, is a mirage that is at best a nonsense, and at worst pernicious, and unjust. The advancement of social justice, argues Hayek, undermines the morality and the justice of the market place. It thereby confiscates the wealth of the more successful, prolongs the dependency of the needy, entrenches the special powers of organized interests, and overrides freedom and democracy.

It is in respect of such philosophical extirpations that David Henderson claims that classical liberals in the stature of Adam Smith, Milton Friedman, and F.A. Hayek cannot be egalitarian. This is so because their philosophical premises are based on the self-equilibrating processes of market forces. However, market forces are under no compulsion to operate under the guidance of deterministic moral compass set within the priorities of the poor and the needy.

To re-capitulate, Adam Smith, Milton Friedman, F.A. Hayek, and others provide the philosophical well-spring of contemporary neoliberalism. They were convinced in their belief in progress and the realization of the inner potential of all human beings (and all nations) in an unrestricted operational framework. In this vein, the contemporary theoretical precepts of neoliberal political economy is predicated upon the role of unfettered market forces in the

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allocation of productive factors, and in the distribution of incentives.

The distributive lever in the market system is price, that "transmits information to both consumers and producers" and thus enables them "through demand and supply to determine what is exactly produced and in what quantity." The market system in this direction thus constitutes "the social allocation of goods and services by means of the price mechanism." In its wider perspective, the international sequel of the free market system is an open world economy in which capital, technology, products, and to a lesser degree, labor flow across boundaries in a pattern dictated by comparative advantage.

As already indicated, the genesis of comparative advantage is a derivative of the work of Adam Smith. In his Wealth of Nations, he examined the advantages associated with large scale productive activities that are made possible by specialization and division of labor. Adam Smith reasoned that, with external markets as outlets for the dispensation of excess products, even smaller countries could specialize and gain from international trade. Adam Smith's analysis was however silent on the mechanism that determines what type of goods a country could specialize in order to participate in international trade.

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76 Gary Teeple, Globalization and the Decline of Social Reform, p. 79.
With his labor theory of value, David Ricardo\textsuperscript{77} is credited as the first economist to isolate the importance of relative costs as the basis of specialization that facilitates international trade. According to Ricardo, there will be no specialization among countries, and hence, no international trade if there are no differences in relative production (labor) costs between nations. The existence of differential costs enables a country to specialize in the production and export of the commodity whose comparative cost of production is lower than it is in the other country.

The Heckscher-Ohlin-Samuelson (H-S-O) trio\textsuperscript{78} also added another twist in the explanation of how comparative advantage promotes international trade. The H-O-S theory hypothesizes that, a nation would tend to export the products that use the nations' abundant factor intensively. Abundance in this case is based on relative factor endowments or, on relative prices of factors of production. An underlying caveat of the H-O-S theory is that, there is the tendency for relative factor prices to equalize on a common set of values world wide due to international trade. In this instance, international free trade that is facilitated by differential relative advantages among nations substitutes for the international mobility of factors.

\textsuperscript{77}For a recent edition of his theory, see David Ricardo, The Principles of Political Economy and Taxation (Cambridge: Cambridge University Press, 1981 [1817]).

There are even some pacifying implications within the theoretical precepts of free trade that are made possible by the removal of restrictions and other forms of protectionist measures. According to Adam Smith, the removal of restrictions, and the advancement of free trade precipitate transparency and justice in governance.\(^7^9\) Also, in his *Plan for Universal and Perpetual Peace*, Jeremy Bentham argues that active trade relations among nations will discourage wars.\(^8^0\) The author reasons that wars will be disruptive to perceived gains that are associated with free trade.

In a more recent work, R. Rosecrance in his *The Rise of the Trading State* re-echoes the pacifist tradition of neoliberalism.\(^8^1\) He defends international commerce as the main vehicle towards the attainment of peaceful relations among states. Rosecrance buttresses his argument with a claim that the "trading state" is imperceptibly displacing the "military state" because, the competition for global markets in the spirit of free trade is replacing the traditional territorial conquest.

The emerging scenario indicates that, the philosophical traditions, and the theoretical precepts of neoliberalism provide the sinews of a political-economic system with a

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\(^7^9\) For a review of the pacifying implications of free trade as expounded by Adam Smith, see A. Smith, *The Wealth of Nation*, Book IV, Ch. VIII.


strong pacifist appeal. This appeal could be exploited to counteract the potential evils in a world driven, and constrained by the tentacles of "big governments," and the ill-effects of protectionism. Granting these assertions to be true, then, the proselytization of neoliberal policies, as the advocates would admit, is not only morally justifiable but also, socially productive, economically prudent, and politically liberating.

Neoliberalism: Assumptions and Policy Demands

Though, Adam Smith and others provided the philosophical foundations of neoliberalism, the major analytical components of neoliberal policies are however embedded within the interstices of neoclassical economics.\(^8\) In this wise, the policy demands of neoliberalism are predicated upon some assumptions that find meaning within the ontology of neoclassicism. As a result of their pervasive peculiarities, and their ubiquitous implications, these assumptions are easily discernible. The assumptions range from issues that relate to the psychology of the economic individual, to factors that border on trade and international competitiveness.

At the heart of neoclassical economics is the utility maximizing individual. As a utility maximizer, the individual

\(^8\)The essential concept of neoclassical economics is market equilibrium that is established through the interplay of supply and demand. For a concise review of the political economy of neoclassicism, see James A. Caporaso and David P. Levine Theories of Political Economy (Cambridge: Cambridge University Press, 1996), Ch. 4.
is basically a choosing agent who decides from a number of competing choices and alternatives with the intention of achieving the highest level of satisfaction. The assumption here is that, the individual is capable of making a rational choice. In order to uphold the concept of rational choice, "the neoclassical theories also assume that acts of consumption of different goods all provide a common result: the satisfaction or utility of the consumer."\textsuperscript{83} The utility maximizing behavior, and the essence of rational choice is also predicated upon the ubiquitous assumption of \textit{homo economicus}.

The \textit{homo economicus} postulate, acting as a standard lever of efficiency, defines "the 'best' choices, [thus] those that maximize an individual's ends given the limited means available."\textsuperscript{84} In the ontological presumptions of neoclassical economics, \textit{homo economicus} is a universal rule of economic rationality that operates to maximize utility in all places, and at all times. As rightly observed by T.J. Barnes, \textit{homo economicus} defines the methodological agenda of neoclassical theory. That agenda is based upon reducing the complexity of economic events at any time or place to the universal trait of rational choice making; a trait that, because of its deterministic nature, is easily represented in a formal model.\textsuperscript{85}

\textsuperscript{83}Ibid., p. 80.

The implication here is that, "non-market relations and institutions are universal, unchanging, and have no significant impact on economic activities." As a result, argue the neoclassical theorists, there is an identifiable, universal domain of economic rationality that could be interpreted through equilibrium equations and formal models on the assumptions of individualistic exchange relations.

In such an ahistorical, contextually-unembedded, static, methodological framework, socio-historically rooted people are reduced to "atomistic individuals who are bound together only through market forces." In its far-reaching attribute, this reductionist perspective enhances a positivist mode of enquiry. This mode of enquiry relies on the knowledge that there is an objective world of events that could be analyzed by objective methods of research. It is in this respect that John Brohman argues in a different context that,

neoclassical economics exemplified the rise of positivism across the social sciences with its employment of the 'scientific method' of hypothesis testing, its ontological focus on empirical facts and events, its derivation of law-like generalizations, and its promise of predictable results based in the replicability of its models.

In this case, the assumption of methodological individualism provides the irreducible pedestal upon which the theoretical

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85 Cited in ibid.
86 Ibid., p. 297.
87 Ibid.
88 John Brohman, Popular Development: Rethinking the Theory & Practice of Development, p. 31.
edifice, and the associated policy postulates of neoclassical economics are constructed.

The universalistic overtones of rationalistic behavior of individual economic agents give credence to other forms of aggregated assumptions. These include the notion that markets are similar, that reactions to market signals by all sectors of the economy will be similar in all countries at all times, and that, open competition and utility maximizing behavior are coterminous. In other words, there is a tendency toward market equilibrium in all countries.

In recognition of the fact that market forces are expected to operate with the same logic even in variegated contexts, and in different circumstances, neoclassical theory assumes a monoeconomic perspective of development. In this view of development, neoclassical theory, and by extension, neoliberal policies, are equally applicable in both the developed countries, and the developing nations. That is to say, development is an ahistorical, unilinear process that could be perfected with the application of the appropriate tools of neoclassicism. Development then becomes a mere function of abstract economic principles operating in a socio-historical vacuum.

The hub of a neoclassical approach to development is the neoclassical theory on international trade and the concept of open (international) competition. As already indicated, international trade theory revolves around the concept of comparative advantage or, relative differential costs of
production that exist between, and among nations. With different relative costs, each country tends to specialize in the production and exportation of goods that have comparatively low production costs. As observed by Charles P. Oman and G. Wignaraja, the concept of comparative advantage is structured upon some key assumptions:

- production functions differ among goods but are the same in all countries for each good; different goods have different factor intensities; there are no barriers to trade; there is no international factor mobility; all factor and goods market are perfectly competitive...

The underlying import of these assumptions seems to conjure up a semblance of a neutral, international template that would be supportive of a non-discriminatory process of free trade, and an unbiased form of open competition. Paralleling the utility maximizing behavior of the methodological individual, is the extrapolation that free trade and the assumption of perfect competition will also lead to the efficient utilization of resources, and the maximization of the value of world output.

The neoliberal policy correlate of a globalizing world economy that is based on the philosophy of classical liberalism, and is predicated upon the assumptions of neoclassicism translates into the "demand for a radically deregulated global economy." As explained within the logic of neoliberalism, excessive government regulation stifles

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M. Bienefeld, "The New World Order," p. 32.
competition and as a result, distorts the efficient allocation of productive resources. The essence of deregulation therefore is to break-up the monopolistic power of public industries, and to reduce the regulatory functions of the state in the economy.

The demands for deregulation, and the withdrawal of the state from direct productive activities naturally come along with the request for privatization. It is the unstated premise of neoliberalism that, the private sector can perform better what the state performs poorly. The conventional wisdom is that, the rent-seeking behavior of states transmutes into misallocation of productive resources. Privatization of state enterprises is therefore intended to promote increased efficiency, introduce competition, and encourage foreign investment.

Private-sector entrepreneurial initiative on the other hand demands the promotion of private property rights. The institution of the primacy of private property rights is very important because, weak and undefined laws on private property negatively affect the utility maximizing behavior of the "rational," economic individual. As already alluded to, rational choices made by private individuals form the irreducible block for the construction of the neoclassical paradigm. On this note, Gary Teeple is right in his observation that, underlying the neoliberal agenda "is the

91For a comprehensive review of the pros and cons of privatization, see William Megginson, "Privatization," Foreign Policy, (Spring 2000), pp. 14-27.
principle of private property and the policy of advancing private property rights.\textsuperscript{92}

A market-informed, deregulated economy with a private sector-led organization of production and distribution of incentives provides the pedagogical framework for the acquiescence to other neoliberal policy demands. Central to this framework is the demand for trade liberalization.\textsuperscript{93} It is a process by which a country moves toward a neutral trade system with the removal of all trade distortions, including import tariffs, export subsidies, and other forms of protectionist measures.

To re-state, trade liberalization, in the logic of neoliberalism, is the only way a country could improve its access to the international market. As an elixir to the maximization of the benefits associated with comparative cost advantages, and as the gateway for the promotion of exports, trade liberalization is one of the crystal policies of neoliberalism.

Directly associated with trade liberalization is the demand for financial liberalization. The case for financial liberalization is built up on strong theoretical foundations within the framework of neoclassical economics.\textsuperscript{94} Within the

\textsuperscript{92}Gary Teeple, Globalization and the Decline of Social Reform, p. 76.

\textsuperscript{93}For a summary review of the link between trade liberalization and economic growth, see Sebastian Edwards, "Openness, Trade Liberalization, and Growth in Developing Countries," Journal of Economic Literature, Vol. 31, No. 3 (September 1993), pp. 1358-1393.

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theoretical wisdom of neoclassicism is the assertion that financial repression obstructs economic growth because of its debilitating effects on the development of efficient technology systems. This assertion is based on the assumption that, economic growth requires investments to be made in modern technologies, and that, foreign direct investment is directly related to the level of open financial systems.

In this regard, the neoliberal policy demand for financial liberalization is to promote savings and investment, by enhancing capital mobility. As explained within the logic of neoliberalism, financial liberalization has important benefits because, it creates opportunities for countries to gain from the increasing internationalization of finance. It is therefore in the interest of nations to open up their financial systems in order to tap into the largesse of international capital flows.

Finally, the need for governments to restructure their expenditure is another veritable neoliberal policy demand. The conventional wisdom here is that burgeoning fiscal deficits, due to unexamined government expenditure, contribute to inflation, which in turn, could lead to capital flight. In the admonition of neoliberalism, prioritization of government expenditure normally implies the reduction or, complete elimination of subsidies on social services.

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It is instructive to note that, subsidies on social services and other government targeted programs are normally instituted on behalf of the poor, and the vulnerable. The subliminal demand for the abrogation of such pro-poor policies through the streamlining of government spending, is in line with the philosophical caveat of classical liberalism. That is, as elaborated upon by F.A. Hayek, and Milton Friedman, social justice and other issues on equity must be reserved to the "moral compass" of market forces. In this case, subsidies and other social redistributive measures of the government adulterate the alleged compensatory justice of the market place.

As rightly observed by Peter Wilkin, these neoliberal policy demands are intended to "set the legitimate boundaries to the freest possible form of social organization," in the sense that, they enhance "a perfectly functioning market system."95 The underlying presumption here is that, the extension of private power in a market-mediated politico-economic system is not only the best way to maximize the welfare of the people but also, the surest means to increase the wealth of distinct national economies.

While this assertions could be internally validated within the ontological presumptions of neoclassicism, and justifiable within the theoretical confines of neoliberalism,

their external validity (as it will be demonstrated in Chapters V and VI) is contestable. However, as examined in the next section, what is less contestable is the logic between globalization and neoliberalism.

GLOBALIZATION AND NEOLIBERALISM: EXAMINING THE FIT

What has been done so far in this Chapter is to provide the necessary background information to enable us examine the necessary fit between globalization and neoliberalism. The question here is: To what extent does neoliberal policies constitute the ideological counterpart of globalization? The examination of this question partially bears on the isolation of the main underlying demands of the new context of development.

Largely by design rather than by default, the resurgence of the classical ideals of liberalism (now with the "neo" prefix) was coterminous with the ascendancy of the globalist project. This period coincided in the late 1970s, and the early 1980s with the conservative electoral victories in Britain (Margaret Thatcher in 1979) and the United States (Ronald Reagan in 1980). Before this period, classical liberal ideals were in a state of ideological hibernation. The lessons of the Great Depression of the 1930s, Karl Polanyi's demonization of unfettered market forces,96 and the post-WW II

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96 In his diagnostic assessment of the Great Depression, Karl Polanyi writes that, the "origins of the catastrophe lay in the Utopian endeavor of economic liberalism to set up a self-regulating market system." See K. Polanyi, The Great Transformation, p. 140.
The Keynesian revolution\textsuperscript{97} were factors that undermined the sanctimonious determinism of market forces. Among other things, these events helped to reduce the unexamined faith in classical liberalism.

Associatively, but not necessarily causatively, the industrialized countries, particularly the United States and Britain, slipped into industrial and economic recession during the quiescent moments of liberalism. In a characteristic post hoc ergo propter hoc reasoning, the global recession between the late 1970s and the early 1980s was, ipso facto, blamed on the folly of Keynesianism, and the bastardization of the pristine role of market forces. On the basis of this diagnostic assessment, the conservative electoral victories in the US and Britain made Ronald Reagan and Margaret Thatcher ideological partners in the revamping of the underlying tenets of liberalism.

While Ronald Reagan preached the virtues of limited government with the intention of creating a wider operating space for market forces,\textsuperscript{98} Margaret Thatcher on the other hand worked on the agenda of "rolling back the frontiers of the state."\textsuperscript{99} Limited government, the institution of market

\textsuperscript{97}The Keynesian revolution signifies the practicalization of Keynes's assumption that the state could intervene in the national economy to influence the levels of investment in order to regulate unemployment. See John M. Keynes, \textit{General Theory of Employment, Interest and Money}.

\textsuperscript{98}See John Gray, \textit{False Dawn}.

forces, and rolling back the state then became the initial defining characteristics of a born-again liberalism, that is, neoliberalism.

In the early 1980s, the IMF and the World Bank, in their economic reform recommendations to Third World countries, also became converts to the new faith of neoliberalism. The proselytization of neoliberalism then assumed the furor of an international, ideological project. As insightfully observed by Robert Cox,

> ideological analysis is... a critic's weapon and one most effectively used against the prevailing orthodoxies, which when stripped of their putative universality, become seen as special pleading for historically transient but presently entrenched interests.\(^{100}\)

Extrapolating from this observation, neoliberalism, in this case, constitutes a perfect ideological counterpart of globalization. This is so because, the universalistic claim of the underlying policies becomes a convenient cover for the penetration of international capital into distant lands, and for the re-vamping of recession-challenged capitalist production systems.

It is in this respect that Gordon Laxer believes that the hidden agenda of neoliberal policies is to remove "political barriers to transnationals' mobility,"\(^{101}\) and in the process,

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enhance the prospects for the globalization of capitalism. That is to say, at the international level, neoliberal policies support the ideology of global neoclassicism and thus provide the framework for the world-wide operation of private, international capital. The ability of neoliberalism to accomplish this feat is explained by the fact that, the nostalgic yearn of international capital to operate in a borderless, less restricted global market place is taken care of by some specific neoliberal policy demands associated with globalization.

With its insistence on the operation of market forces, deregulation, privatization, and liberalization, neoliberal policies advocate "the destruction of all borders, barriers, and policies which might interfere with accumulation at the global space." As a non-negotiable policy instrument of neoliberalism that functions through the dynamics of the price mechanism, the institution of market forces is intended to promote the interests of private property by restricting the role of the state in the accumulative process. The expansion of market forces, in effect, reduces the operating space of the state.

With the role of the state restricted, market forces do not only offer the incentives for domestic, private entrepreneurial activities but also, offer the attraction to international investors who operate on the principle of

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profits. It is instructive to take note here that, the efficiency of the profit lever in the direction of productive resources could be maximized within the framework of free markets. In this case, free markets provide both the "push" and the "pull" factors that broaden the horizon for the globalization of capitalist productive systems.

On the other hand, deregulation and privatization are both intended to increase the level of competitive efficiency in the economic system, and also to allow private entrepreneurs to be the main organizers of productive activities. Here again, the underlying import of these neoliberal policies feeds into a veritable assumption of the globalizing world economy. The assumption here is that, the private sector is more efficient than the state sector in direct economic activities.

Massive deregulations, and privatization of public corporations are now conducted within the framework of globalization-induced notion of economic efficiency. Prying beneath the facade of these requirements however indicates that, improving efficiency is an issue but, expanding the operating space for private capital is the real issue. As Gary Teeple puts it, these policies represent "the introduction of laissez-faire policies conducive to international capital, to competition at the international level, and to the leveling of conditions of national economies to standards of common
denominator."¹⁰³ That standard of economic denominator is the promotion of private entrepreneurship.

Trade and financial liberalization, as already noted, are two crystal policies of neoliberalism. In recognition of the fact that the increasing flow of goods, capital, and technology is the cornerstone of the globalization process, liberalization performs an essential lubricating function. While the adoption of trade liberalization policies enhance imports and exports of goods, financial liberalization promotes the mobility of investible funds, and as a result, facilitate the transfer of technology.

The liberalization requirement, among other things, provides the framework for surmounting some of the previous restrictions that reduced the flow of goods, capital, and technology on a wider scale. In this case, the much touted globalization of trade and finance would have been a hollow glorification without the increasing adoption of trade and financial liberalization by a growing number of countries. Gravitation toward liberalization was (is) not an inevitable process. As the next Chapter (IV) demonstrates in the case of SSA, the adoption of neoliberal policies was enforced through specific conditionalities and the manipulation of financial disbursements.

The emerging scenario indicates that, specific neoliberal policies synchronize very well with the imperatives of

¹⁰³Gary Teeple, Globalization and the Decline of Social Reform, p. 70.
globalization, and the internationalization of capitalism. If we are to rely on the explanatory power of similes, then, nuclear deterrent was to the Cold War as the policy arsenal of neoliberalism is to globalization. While communism was "contained" in the former, there is an attempt in the latter to globalize capitalism through the ideological weapon of neoliberalism. As a result, neoliberal policies transmute into the ideological handmaiden of globalization. Therefore, going beyond its normative framework, the universalistic appeal of neoliberal policies serves to hide the conscious, ideological proselytization of the particularistic interests of a globalizing international, private capital.

Expanding the possibilities for the global accumulation of international capital confines unsuspecting countries within the universalizing crosscurrents of the neoliberal agenda. In this penetrating framework, "the functions of the state become re-organized to adjust domestic and social policies to fit the exigencies of the global market and global capitalist accumulation."\(^{104}\)

In other words, the new context of development is a derivative of the re-generative requirements of a globalizing capital. In this regard, the underlying demands of this new context of development find meaning within the imperatives of globalization and its associated neoliberal hegemonic

framework. This new framework is well put by John W. Sewell, the President of the Overseas Development Council. He writes,

From a development perspective, the key challenge for decision makers is to design and adopt a set of policies that will ensure their countries can seize the opportunities created by globalization, so that people- and particularly poor people-can benefit from integration into the globalized economy, while at the same time can be protected from the inevitable costs that flow from rapid economic, social and political change.105

As the quotation above indicates, the new context of development involves the adoption of neoliberal policies that will enable countries to tap into the opportunities offered by globalization; opportunities that come along with some inevitable costs. The next Chapter (IV) examines the processes by which SSA was incorporated into the globalization-induced, and neoliberalism-defined development framework.

CHAPTER IV

NEOLIBERALISM IN THE CONTEXT OF SSA: THE PATH OF INCORPORATION

In Chapter III, neoliberalism was identified as the main ideological handmaiden of globalization. It was also noted in the concluding section of the previous Chapter that, the imperatives of globalization, and the policy demands of neoliberalism, in a multiplicative manner, define the new political economy of development. As a logical follow up, this Chapter (IV) examines a specific question: How does the adoption of neoliberal policies incorporate SSA into the ideological framework of globalization?

The intention here is to examine how SSA came to identify its development efforts with the logic of the globalizing economy. Therefore, this Chapter will examine the convoluted, and at times, controversial path by which SSA was incorporated into the imperatives of globalization through the adoption (others claim imposition), and implementation of neoliberal policies.

This Chapter demonstrates how the incorporation of SSA into the developmental context of neoliberalism is justified within the diagnostic assessment of, and policy prescriptions offered to address the economic crisis in the sub-region. This occurred between the late 1970s and the early 1980s. The justification of the "wisdom" of incorporation, the definition of the means of incorporation, and the enforcement of the process of incorporation were all conducted within the framework of the developmental crisis in SSA.
This section examines how the underlying "wisdom" of the incorporation of SSA into the ideological framework of globalization was justified on the basis of issues relating to the developmental crisis in the sub-region. First, the nature of the crisis between the late 1970s and the early 1980s will be cursorily reviewed in an attempt to isolate its peculiar dimensions. After that, the two competing debates over developmental strategy in response to the crisis will be isolated and examined. The final part of this section examines how the logic of Stabilization and Adjustment Programs (SAPs) emerged from the ashes of the debate to justify the "wisdom" of SSA's incorporation into the new development orthodoxy associated with globalization.

The Nature of the Crisis

In its 1990 assessment of the economic conditions in Africa, the World Bank concludes that "the economic outlook for Africa is potentially devastating yet, there are no quick fixes, no simple blue prints."¹ In spite of this gloomy picture, it is instructive to note however that the economic prospects for SSA were not congenitally bleak. Nevertheless, hopes and expectations at the time of independence gradually degenerated into fear and despair as a result of a complex

admixture between debilitating external, and constraining internal factors.

Subscribing to the post-independence development orthodoxy of the day, most countries in SSA embarked upon purposeful, comprehensive development programs. As reviewed in Chapter II, strenuous developmental efforts were conducted under the tenets of the modernization theory, the dependency alternative, and the reformist response with its special emphasis on poverty alleviation. To some appreciable extent, the post-independence, state-assisted development process paid off. The "average annual per capita growth rate between 1965 and 1973 was 2.9 percent, which was not far below the overall figure for low-income countries of 3.3 percent."2

Beginning from the late 1970s, these developmental gains began to be undermined by the crash in primary commodity prices, adverse terms of trade, falling foreign investment, and rising external debts.3 These problems were further aggravated by the 1973-1974 and 1979-1980 oil crises that sent the economies of SSA into a sharp downward spiral. The compendium effect of such adverse developments was that, by the early 1980s, SSA was in a severe economic crisis.

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### Table 4.1

SSA—Some Macro-Economic Indicators, 1980-1983

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Average Annual Growth</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Percentage Points)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross National Income</td>
<td>4.2</td>
<td>5.3</td>
<td>2.5</td>
<td>3.4(-)</td>
</tr>
<tr>
<td>Gross Domestic Product</td>
<td>3.8</td>
<td>2.2</td>
<td>1.4</td>
<td>0.9(-)</td>
</tr>
<tr>
<td><strong>Contribution to GDP Growth</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Percentage Points)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>0.7</td>
<td>0.5(-)</td>
<td>1.1</td>
<td>1.2(-)</td>
</tr>
<tr>
<td>Industry</td>
<td>1.6</td>
<td>0.4</td>
<td>0.2(-)</td>
<td>0.8(-)</td>
</tr>
<tr>
<td>Gross Domestic Investment</td>
<td>4.5</td>
<td>2.4</td>
<td>4.2(-)</td>
<td>2.4(-)</td>
</tr>
<tr>
<td><strong>(Percentage of GDP)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Account Balance</td>
<td>7.9(-)</td>
<td>12.0(-)</td>
<td>35.4(-)</td>
<td>18.3(-)</td>
</tr>
</tbody>
</table>


As indicated in Table 4.1 above, there were deteriorating trends in some of the major macro-economic indicators in SSA from 1980 to 1983.

While the percentage average annual growth of Gross National Income (GNI) declined from 4.2 in 1980 to negative 3.4 in 1983, the Gross Domestic Product (GDP) decreased from 3.8 to negative 0.9 during the same period. The contributions of agriculture, industry, and Gross Domestic Investment (GDI) to GDP declined in 1983 from their positive levels in 1980.

Among other things, these downward trends account for the
negative growth of the current account balance as a percentage of GDP. Deficits in the current account balance in turn impacted negatively on the total debt stock of the sub-region.

Table 4.2
SSA-Total Debt Stock (EDT), 1970 and 1980

<table>
<thead>
<tr>
<th></th>
<th>1970</th>
<th>1980</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(In Billions of USS)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Long-term Debt</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public and Publicly Guaranteed</td>
<td>5.7</td>
<td>53.9</td>
</tr>
<tr>
<td>Private Non-Guaranteed</td>
<td>0.3</td>
<td>4.6</td>
</tr>
<tr>
<td>Use of IMF Credit</td>
<td>0.1</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Short-term debt</strong></td>
<td>-</td>
<td>22.6</td>
</tr>
<tr>
<td><strong>Total Debt Stock (EDT)</strong></td>
<td>6.1</td>
<td>84.1</td>
</tr>
</tbody>
</table>


A conspicuous manifestation of the growing economic crisis in SSA during the early 1980s was the sub-region's burgeoning total debt stock. As shown in Table 4.2 above, this increased from USS 6.1 billion in 1970 to USS 84.1 billion in 1980.

As a result of a low international credit rating, private lending to SSA was substantially lower than assistance from major public international institutions, especially the World Bank. This explains why the proportion of public guaranteed debt is greater than that of private non-guaranteed debts (Table 4.2). In terms of its absolute size, the total debt...
stock of SSA was not substantial in comparison with Latin America during the crisis period of the 1980s.\(^4\)

Table 4.3

<table>
<thead>
<tr>
<th>SSA-Debt Indicators, 1980 and 1989</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>(Percentage Ratio)</td>
</tr>
<tr>
<td>EDT/XGS</td>
</tr>
<tr>
<td>EDT/GNP</td>
</tr>
<tr>
<td>TDS/XGS</td>
</tr>
<tr>
<td>INT/XGS</td>
</tr>
</tbody>
</table>

**Key**

EDT/XGS = Total debt stock as a percentage of total exports.
EDT/GNP = Total debt stock as a percentage of GNP.
TDS/XGS = Total debt service as a percentage of total exports (debt service ratio).
INT/XGS = Total interest payment as percentage of total exports (interest service ratio).


However, Table 4.3 above indicates that, the capacity for servicing the debt in terms of foreign exchange requirement and output forgone imposed a severe burden on the sub-region's economy. For instance, the total debt stock as a percentage of total exports of goods and services increased from 91.7

\(^4\)See Dharam Ghai and Cynthia H. de Alcantara, "The Crisis of the 1980s in Africa, Latin America and the Caribbean: An Overview," in
percent in 1980 to 238.9 percent in 1989. This means that by 1989, the total debt stock of SSA was more than twice the total proceeds from exports. Also, the debt service ratio (TDS/XGS), and the interest service ratio (INT/XGS) increased spectacularly from their 1980 levels (Table 4.3).

The selected macro-economic indicators above show that, by the beginning of the 1980s, SSA was in a severe economic crisis. While there were precipitous declines in GNI and GDP, there were negative growth rates in agriculture, industry, and gross domestic investment in proportion to GDP (Table 4.1). The total debt stock increased dramatically (Table 4.2), and the cost of debt servicing and interest payments were exacting heavy tolls on the economic capacity of the sub-region (Table 4.3). The need for a responsive strategy in the face of the economic downturn captured the attention of both internal policy makers, and external financiers.

The Debate Over Strategy

During the annual meeting of the World Bank and the IMF in Belgrade in 1979, African governors asked the World Bank to prepare a "special program of action" in response to the African economic crisis. In the interim, a summit held by African Heads of States and Governments in April 1980 in Lagos, adopted a comprehensive development program popularly

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referred to as the *Lagos Plan of Action* (LPA). Still rationalizing within the state-centric framework of development, and quite oblivious to the emerging wind of change, the LPA called for self-reliance, and self-sustaining development that is predicated upon the interventionist roles of the state. This prescription was based on the premise that 

Africa [was] directly exploited during the colonial period and for the past two decades; this exploitation has been carried out through neo-colonialist external forces which seek to influence the economic policies and directions of African States.7

In both spirit and content, the diagnosis of the crisis, and policy prescriptions offered by the LPA was a simple rehash of the underlying tenets of dependency theory. That is, the developmental crisis in Africa is an externally generated pattern of maldevelopment. Therefore, the promotion of a development process that insulates the region from the vagaries of the international system is the only viable solution.

Contemplation about the workability of the LPA document took an unanticipated defensive twist with the late 1981 publication of a World Bank study on the crisis in Africa, entitled, *Accelerated Development in Sub-Saharan Africa: An Agenda for Action*.8 True to its promise to a request made by

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7Ibid., p. 3.

8See the World Bank, *Accelerated Development in Sub-Saharan Africa: An Agenda for Action*. 

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the African governors in 1979, the World Bank's document, popularly referred to as the Berg Report, sought to formulate both the crisis and solution to the developmental predicament of SSA. The diagnostic assessment of the Berg report turned the analysis of the LPA document on its head. Reflecting on the diagnostic assessment of the Berg report in comparison with the LPA document, one African official remarked humorously that, "we asked for bread and they chucked a stone at us." What the official failed to realize was that, one cannot ask for "bread" from a warehouse stuck with "stones."

For, in contrast to the LPA document, the Berg report approached the diagnosis of, and prescriptions to the economic crisis from a more robust and free competitive market oriented, comparative advantage-inspired, neoliberal worldview. Operating within such an a priori conviction, the report argues that, internally generated constraints, "mismanagement" of the national economy in terms of overvalued exchange rates, and "excessive" intervention in the economy by national governments inhibits growth and development in SSA.

Arguing within the ontological purity of neoclassicism, it was (is) the contention of the World Bank that these "distortions," acting as extraneous variables, undermine the

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9The document was named after Elliot Berg who was the coordinator of the World Bank's African Strategy Review Group that produced the Accelerated Development report.


11World Bank, Accelerated Development, p. 27.

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allocative efficiency of market forces.\textsuperscript{12} That is to say, contrary to the recommendations advanced by the LPA document, the solution to the African crisis is situated in the perfection of market forces rather than in the perpetuation of state-centric approaches to development. Unleashing markets within the framework of Structural Adjustment Programs (hereafter referred to as SAPs) then became the centerpiece of the policy prescriptions advocated by the Berg report.

In recognition of the fact that the diagnostic assessment of the Berg report differs from that of the LPA, a long wandering debate over strategy emerged between the World Bank and the African group within the United Nations. While the World Bank defended the underlying tenets of the Berg report in its subsequent publications,\textsuperscript{13} the United Nations Economic Commission for Africa (ECA) in 1989 counteracted with a release of a new document. Entitled the \textit{African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation (AAF-SAP)},\textsuperscript{14} the document advocated an alternative strategy to SAPs.

\footnotesize\textsuperscript{12}Ibid.

\footnotesize\textsuperscript{13}In chronological order, some of the publications of the World Bank include: \textit{Sub-Saharan Africa: Progress Report on Debt Prospects and Progress} (1983); \textit{Toward Sustained Development in Sub-Saharan Africa: A Joint Progress of Action} (1984); \textit{Africa's Adjustment and Growth in the 1980s} (1989a); \textit{Sub-Saharan Africa: From Crisis to Sustainable Growth} (1989b); and \textit{Adjustment in Africa: Reforms, Results and the Road Ahead} (1994a).

\footnotesize\textsuperscript{14}See the ECA, \textit{African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation} (Addis Ababa: ECA, 1989).
Ridiculing the short-term, monetarist approach of the World Bank, the AAF-SAP document adopted a long-term, comprehensive approach to the African crisis. Contemplating that SAPs are concerned with short-term macroeconomic adjustments to the neglect of long-term development issues, the AAF-SAP argues for adjustment with deep-seated transformation. Specifically, the document insists that the marketization and liberalization premises of the World Bank may be valid in well-structured economies. In the view of the AAF-SAP, the premises of marketization and liberalization will not be necessarily valid in African economies characterized by weak and disarticulate structures unless they are combined with structural transformation of the African economies.15 Such structural transformation hinges on reducing dependence of African economies on uncontrollable external factors through the pursuit of endogenously determined development processes.16

While the AAF-SAP analysis merely rearticulates the underlying premises of the LPA document, the World Bank was recalcitrant with its insistence on the promotion of economic reforms in SSA that will eliminate distortions caused by excessive government intervention. As the World Bank further delineates in a different context, the removal of these distortions will help establish outward-oriented, market

15 Ibid., pp. i-iii.
16 Ibid., pp. 30-31.
mediated, flexible structures and incentives. This in a sense requires

unleashing markets so that competition can help improve the allocation of economic resources, ... it also requires getting prices right and creating a climate that allows businesses to respond to those signals in ways that increase returns to investment. \(^\text{17}\)

With the unleashing of markets as the cornerstone of the World Bank's approach to the economic crisis in Africa, and with the insistence of ECA on endogenous, self-reliant, structural reforms, the debate over strategy became increasingly polarized, and irreconcilable.

Why Did SAPs Emerge Victorious?

Caught within the endless debate between the World Bank and the ECA were dispirited countries in SSA that were in need of a strategy that is backed by the necessary finance. While the LPA and the AAF-SAP agendas were not backed by the necessary financial means, the World Bank could however count on its financial largesse in the promotion of SAPs. SSA was therefore confronted with a dilemma. The frustrating dilemma that confronted leaders in SSA during the 1980s could be understood if we are to isolate financial backing as the main independent variable in the debate over strategy.

Leaders in the sub-region were compelled to either accept an exogenously determined, economic reform program with substantial financial backing or, continue to toy with an

\(^{17}\)World Bank, *Adjustment in Africa: Reforms, Results, And the Road Ahead*, p. 61.
endogenous agenda that is financially hamstrung. There was therefore an inevitable trade-off between the procurement of external funding and the exercise of autonomy in decision-making. The painful reality was that SSA could not have it both ways. Confronted with declining economies and an ever increasing debt burden, leaders in SSA were able to solve the dilemma even before the debate over strategy wound down. That is, "by 1989, 35 sub-Saharan countries had adopted structural adjustment programmes..." 

Quite apart from its financial appeal, SAPs emerged victorious because the program was in tune with the emerging conservative philosophy of the early 1980s. As previously alluded to in Chapter III, associated with the conservative electoral victories in the United States and Britain was a concealed ideology of "rolling back big government" by strengthening the invisible hands of market forces. A closer review of the World Bank's 1981 Berg report (and its subsequent publications) indicates that the diagnosis of, and prescriptions to SSA's economic crisis was inadvertently colored by the new conservative thinking.

On the other hand, with the insistence on the increasing role of the state, the LPA and the AAF-SAP analyses were

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20Ibid., p. 19.
caught in a time-warp between the de-legitimating development ideology of the past, and the legitimating development ideology of the future. In this case, quite apart from the lack of financial backing, the LPA and the AAF-SAP options did not emerge attractive because the underlying premises were rationalized within a lingering ideology of the past. On the other hand, quite apart from the financial attraction, SAPs emerged victorious because the underlying premises synchronized with the emerging consensus on neoliberalism; an ideological counterpart of globalization. In this case, SAPs emerged from the assessment of the economic crisis to provide the justification for the incorporation of SSA into the "wisdom" of the new development orthodoxy associated with globalization.

SAPs AND NEOLIBERAL POLICIES: DEFINING THE MEANS OF INCORPORATION

The previous section has demonstrated how SAPs emerged victorious from the debate over strategy to justify the case for the identification of the development process in the sub-region with the ideological imperatives of the emerging development orthodoxy. To proceed with the examination of the question set in this Chapter, this section extends the examination of the meaning, and implications of SAPs. The intention here is to demonstrate that neoliberal policies underlying SAPs provide the means for the incorporation of SSA into the globalizing world economy.
SAPs: Meaning and Implications

To understand the meaning of SAPs in their application to SSA requires a cursory review of some international events that preceded the publication of the World Bank's 1981 Accelerated Development. As rightly hinted by M. Ould-Mey, SAPs as applied in Africa relate more to the global strategy of adjustment than to the developmental prerogatives of developing countries.21 The understanding of some of the major issues that impinge on the "global strategy of adjustment" will, in this case, illuminate the real meaning and implications of SAPs in the context of SSA.

As a result of a complex admixture of several factors, the world economy was in severe crisis by the end of the 1970s, and the beginning of the 1980s. The oil price increases imposed by the Organization of Petroleum Exporting Countries (OPEC) in 1973, and in 1979/80 precipitated inflationary pressures especially in the oil-importing countries of the West.22 Attempts to control such inflationary pressures through deflationary measures led to large increases in unemployment and the depression of domestic demand. Growing unemployment, and declining domestic demand contributed to a growing world-wide economic recession. Meanwhile, the post-WW II Keynesian revolution that allowed countries to pursue

21See M. Ould-Mey, "Global Adjustment: Implications for Peripheral States."

nationalistic policies behind protective walls undermines the ability to tackle the world-wide recession from an internationalist perspective.

In response to the economic crisis, the group of seven industrialized countries (G-7) attempted to devise a global strategy of coordination and cooperation. The Economic Declaration of Rambouillet issued during the first G-7 summit in France in 1975 warned against "a return to protectionism," encouraged the industrialized countries "to pursue policies which will permit the expansion of world trade." The Declaration also demanded the utilization of "the IMF and other international fora in making urgent improvements in international arrangements for the stabilization" of less developed countries.²³

The need to stabilize the world economy, especially that of the developing countries, was also the main agenda during the G-7 meeting in Puerto Rico in 1976.²⁴ In line with the stabilization objective, the G-7 summit in 1977 began to spell out the strategy of lending money in exchange for policy changes, and agreed in principle that additional resources be provided for the IMF and the World Bank to permit their lending to rise in real terms. Instructions were then given to these institutions to work together and consult with other developed countries in exploring how the details of this strategy could be best articulated.²⁵


²⁴Ibid.

²⁵Ibid., p. 322.
Responding to the instructions of the 1977 G-7 summit meeting in London, the World Bank began its annual publication of the *World Development Report* series in 1978, with subsequent themes centered on the growing interdependence among nations, and the need for global solutions of adjustment to the worldwide economic recession. Indeed, the first Chapter of the 1980 report was entitled "Adjustment and Growth in the 1980s." With adjustment as the new buzzword, the 1980 G-7 summit meeting in Venice moved to endorse this new strategy with a Declaration which, in part, reads, "We welcome the Bank's innovative lending scheme for structural adjustment."  

The foregoing historical accounts indicate that the need for a global strategy of adjustment in response to the economic recession that begun in the late 1970s was an approach that was initially engineered by the industrialized countries. The World Bank and the IMF were (are) merely the main *agent provocateurs*. As already noted, a group of African governors in 1979 asked the World Bank to assess the crisis in Africa and the Bank responded with its Berg report that recommended the adoption and implementation of SAPs. In this case, the governors were unknowingly requesting for an original version of a constitutional blueprint that later was revised into a series of volumes used to justify the continuing incorporation of SSA into the imperatives of a

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globalized solution to the crisis of capitalist accumulation. On this note, it seems as if the nature of the African crisis, and the appropriate response was already formatted even before the governors made their request in 1979. And that prestructured format was SAPs.

Prestructured in the sense that, in its diagnostic assessments of the African crisis, the Bank normally glosses over crucial, external debilitating factors and considers them as inconsequential in their effects. For instance, in an ahistorical view of events, external constraining factors, such as declining terms of trade, are in the calculations of the World Bank "surmountable obstacles"\(^{28}\) in the sense that, the external environment for Sub-Saharan Africa worsened only slightly between the early 1970s and the mid-1980s, because the increase in external transfers partly offset the income loss from deterioration in the terms of trade.\(^{29}\)

What the World Bank fails to consider in this assessment is that, in SSA, losses in export earnings due to declining terms of trade increased from US$ 0.4 billion in 1981 to US$ 4 billion in 1985.\(^{30}\) Quite apart from the direct effects of such income deprivation, the so-called external transfers are not philanthropic stipends. In reality, the external transfers are


\(^{29}\)Ibid., p. 28.

dollar denominated loans (debts) that continue to accrue interests. The principal must be amortized, and the interests must be serviced.

It is instructive to take note here that, during the "recycling" of petrodollars between 1973-1979, governments in SSA, in their shortsighted calculations, borrowed beyond their means. This was made possible because, awashed with funds from the oil exporting countries, international banks and other lending institutions lent without the slightest modicum of financial responsibility. Since the loans were dollar denominated, the increase in interest rate in the United States during the recession years between the late 1970s and the early 1980s meant an increased cost in borrowing and debt servicing.\(^3\)

It is not surprising that with deteriorating terms of trade, the debt position of the sub-region (Tables 4.2 and 4.3) worsened dramatically between the early 1970s and the mid-1980s. Debilitating as they might be, the World Bank considers external factors such as the impacts of worsening terms of trade as "surmountable obstacles" in the developmental crisis of SSA.

With external constraining factors presumed surmountable, the Bank's prescription for the development of SSA assumes the form of a standard package of SAPs. As a model, SAPs are structured within the orthodox view of neoclassical economics

\(^3\)For a comprehensive review of how the "recycling" of petrodollars and the recession in the US contributed to the growth of Third World debts, see John F. Weeks, "Losers Pay Reparations, or How the Third World Lost the Lending War."
that places preponderant emphasis on the efficiency of free markets and private producers, and the benefits of international trade and competition. According to the perspective of neoclassicism, free markets and free trade are the best means for achieving perfect macroeconomic equilibrium in distorted economies. The implication here is that,

national economies should be adjusted so that they will automatically respond to the incentives and adapt to the imperatives of the global market in an attempt to homogenize the law of value worldwide.\(^{32}\)

In this case, SAPs were not specifically tailored to the developmental needs of SSA. They were a derivative of the world-wide economic recession in the 1970s "which opened the door to an essentially Western strategy of global adjustment focused on dismantling nationalistic policies and opening new markets in the South and the East."\(^{33}\)

Dismantling nationalistic policies while subscribing to the law of the market circumscribe the incorporation of hitherto autonomous regions into the logic of the emerging global discipline. By implication, the associated policies of SAPs are therefore intended to transform SSA into a borderless, open economic territory. This is essential in order to bring the sub-region within the operating space of the re-articulating processes of global capitalism. Neoliberal policies underlying SAPs, in effect, define the means for such incorporation.


\(^{33}\)Ibid., p. 321.
Neoliberal Policies and Incorporation

The forgoing analysis indicates that, beneath the veneer of the World Bank’s attempts to diagnose the development crisis in SSA (was) is a hidden agenda. In direct relation to the need for an international adjustment, the unstated agenda (was) is to prescribe solutions that will incorporate the sub-region within the imperatives of a globalizing world economy through the adoption and implementation of neoliberal policies underlying SAPs. That neoliberal policies, euphemistically dubbed as the “Washington Consensus,” define the means of incorporation is not far fetched.

As already noted in Chapter III, classical liberalism provides the philosophical and theoretical traditions of neoliberal policies. However, the underlying analytical concepts are deeply entrenched within neoclassical economics. Therefore, the original neoliberal policy consensus underlying SAPs find meaning within the ontological dynamics of neoclassicism. True to their theoretical tradition, and reflective of their conceptual background, the underlying import of these policies is to free prices and markets from the influence of the state.

In the specific context of SSA, there are several discernible neoliberal policy demands under a standard package.

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34John Williamson considers the underlying neoliberal policies of SAPs as “Washington Consensus” in view of the fact that the policies approximate the conventional wisdom among the economically influential gurus within the US government and the international financial institutions. See John Williamson, "Democracy and the 'Washington Consensus'."
of stabilization and adjustment. A closer look at these policies reveals how, directly or indirectly, their implementation serves as the means for the incorporation of SSA into the emerging global market discipline. Conspicuous among these policies is the demand for trade liberalization. This involves the minimization (or removal) of all restrictions that impede the free flow of imports and exports.

In recognition of the fact that international trade is reinforced by a permissive financial system, an associated demand is the need for financial liberalization. The ultimate objective of financial liberalization is the reduction of all restraints on the mobility of capital so that interest rates could be determined by market forces in the long run. Trade and financial liberalization are therefore intended to instill a non-discriminatory, global market place to enhance the international flow of goods, capital, and technology. In this case, subscription to an unexamined logic of liberalization provides the means through which the economies of SSA become exposed to the global market discipline.

In the wisdom of neoclassical economics, government regulation in the corporate field stifles competition, and innovation. As an antidote, deregulation, as a neoliberal policy requirement, is a veritable component of SAPs. Under deregulation, governments are expected to "abolish regulations that impede the entry of new firms or restrict competition, and ensure that all regulations are justified by...prudential
supervision of financial institutions.\textsuperscript{35} Simply put, governments should avoid excessive regulation of the corporate sector in order to create a substantial space to be regulated by market forces.

Deregulation of the economy is normally related to another neoliberal policy requirement associated with the privatization of public corporations. This normally involves the "transfer" of state-owned enterprises to the private sector through outright sale or, the offering of stock shares to the general public. While the main justifications for privatization "tend to be the increase in efficiency, productivity, or competition,... it has not been shown that privatization has effectively contributed to any of these factors."\textsuperscript{36}

That this is the case is not far fetched. Consistent with the methodological individualism of classical liberalism that equates freedom with less government intervention, deregulation and privatization have become the major means for de-nationalizing the economy in order to enhance both domestic and international private economic initiatives. De-nationalization of the economy through deregulation and privatization therefore exposes the productive assets of SSA to the calculations of capitalist accumulation at the global level. With the accomplishment of such a basic incorporative

\textsuperscript{35}John Williamson, "Democracy and the 'Washington Consensus',," p. 1333.

function, increases in efficiency, productivity, or competition pale in significance.

Directly associated with deregulation and privatization is the demand for the promotion of foreign direct investment. With this demand, "barriers impeding the entry of foreign firms should be abolished; foreign and domestic firms should be allowed to compete on equal terms."37 Specific policies in this direction include the adoption of liberal investment codes with guarantees for the repatriation of profits, and with provisions against the nationalization of foreign assets. These provisions are normally accentuated with the promotion of private property rights. Liberal investment codes and the promotion of private property rights provide a permissive, investment environment for the attraction of international capital. With the promotion of foreign direct investment through these measures, the investment opportunities of SSA are exposed to the mercy of global capital that operates strictly according to the profit principle, rather than to the developmental prerogatives of the sub-region.

Central to SAPs is the insistence on the adoption of "competitive exchange rate that will bolster exports by making them cheaper abroad."38 In the specific context of SSA, this demand translates into the implementation of currency devaluation. Simply put, devaluation increases the price of


38 Moises Naim, "Washington Consensus or Washington Confusion?" Foreign Policy, (Spring 2000), p. 89.
imports, and decreases the price of exports. It is therefore expected "to stimulate the expansion and diversification of exports by raising their prices in terms of domestic currency, and to expand their market share in the international market by lowering their prices." With the exception of Ethiopia, Liberia and Rwanda, all states in SSA had devalued by the end of the 1980s.

In recognition of the fact that the price elasticity of demand for SSA's primary commodities is extremely low, devaluation does not necessarily lead to increasing volume (and value) of exports from the sub-region. On the contrary, as empirically examined by K. Mengisteab,

Attempts by a large number of countries to increase the volume of their exports through devaluation has worsened oversupply of primary commodities in the world market, culminating in the fall in their prices. Thus, contrary to increasing the volume and thus earnings of exports, devaluation results in the loss of export earnings...

It is partially in recognition of such defeatist results that T.M. Callaghy and J. Ravenhill argue that devaluation is a neoliberal strategy that intends to get SSA "back to the future" by "rehabilitating primary product export economies and making them work properly..." In other words,

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40 Ibid., p. 106.

41 Ibid., p. 117.

42 T.M. Callaghy and J. Ravenhill, "How Hemmed In?: Lessons and Prospects of Africa's Responses to Decline," in T.M. Callaghy and John
devaluation serves to deepen the incorporation of SSA into the new international division of labor (IDL) associated with the emerging global order by rejuvenating the primary product exporting functions of the sub-region.

Finally, the observance of fiscal discipline, and the prioritization of government expenditure are formidable neoliberal policy demands under SAPs. The former is to ensure that the government does not over-spend and finance the deficits through inflation-inducing measures. Inflation, according to the logic of neoliberalism, impacts negatively on both domestic and foreign investment initiatives. The latter, on the other hand, involves the elimination of subsidies on social services, the de-controlling of prices, and the shift in government expenditure from direct economic activities to the provision of basic infrastructural projects.

The ultimate objective of the observance of fiscal discipline is the procurement of a "non-threatening" macroeconomic environment for investment. The essence of the prioritization of public expenditure is to enable the government to reduce its expenditure on social and other economic services. Funds that become available are then used for the promotion of auxiliary, infrastructural projects that enhance the operation of markets and private business undertakings. Together, the underlying import of fiscal discipline and prioritization of public expenditure is to nurture the economies of SSA to be prospective units of the

global economy that operates on the principles of market efficiency, and are predicated upon the dynamics of private and corporate activities.

To recapitulate, by narrowing the parameters of the legitimate activities of the state, neoliberal policies provide the means for the incorporation of SSA into the larger ideological realm of globalization. The hidden agenda of the neoliberal policies under SAPs is succinctly summarized by Gary Teeple. He writes:

They are the policy side of the "new reality"; they represent the political requirements of capital internationalized, highly centralized and global in perspective. They also represent the last national policies to be promulgated, the final act of the independent nation-state, because with their acceptance the economic and political barriers to production and distribution around the world will have been minimized. With their adoption they will have in effect harmonized the national with the global economy.43

That is to say, neoliberal policies provide the procedural mechanism through which distinct national economies in SSA are neutralized by the common denominator of the global economy. By providing the means for the incorporation of distinct national economies into the logic of capitalist accumulation, neoliberal policies, in effect, transmute the "capitalist world economy" into a "world capitalist economy."44

43Gary Teeple, Globalization and the Decline of Social Reform, p. 75.

44Ibid., p. 63.
STRUCTURAL ADJUSTMENT LOANS (SALs) AND CONDITIONALITY: ENFORCING THE PROCESS OF INCORPORATION

As examined in the first section of this Chapter, the wisdom of incorporation is justified within the framework of the diagnostic assessment of the developmental crisis in SSA. The second section also argued that the means of incorporation are defined by the standard package of neoliberal policies underlying SAPs. As a follow up, this section intends to demonstrate that the process of incorporation is enforced through the conditionalities attached to the disbursement of funds associated with SAPs.

The funds accompanying SAPs are called Structural Adjustment Loans (hereafter referred to as SALs). The release of these funds are contingent upon the implementation of some specified neoliberal policies. To demonstrate how the process of incorporation is enforced through the conditionalities associated with the release of SALs, this section begins by analyzing the relationship between SAPs and SALs, and the convergence of functions between the World Bank and the IMF. After that, the varying meanings of conditionality, and the underlying psychological paradigm that makes the enforcement of incorporation possible will be examined.

SAPs and SALs: Convergence of Policy Between The IMF and The World Bank

The examination of the exact relationship between SAPs and SALs will not be complete without a cursory review of the
changed pattern of relationship between the IMF and the World Bank. This is so because, the link between SAPs and SALs, among other things, signify the increasing convergence of functions between the two Bretton Woods institutions.\textsuperscript{45} This convergence has simplified the links between SAPs and SALs.

Appropriating from the lessons of the Great Depression, the IMF and the World Bank were established in 1944 to ensure a stable and prosperous post-WW II international system. According to the IMF's Articles of Agreement, the purpose of the Fund is

to give confidence to members by making the general resources of the Fund temporarily available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in balance of payments without resorting to measures disruptive of national or international prosperity.\textsuperscript{46}

As defined by the Articles of Agreement, the IMF was primarily concerned with helping countries experiencing balance of payments disequilibrium.

If the maladjustment is considered temporary, countries could borrow from the IMF to finance the deficits. If the balance of payments discrepancy is pervasive and fundamental, the IMF usually recommends exchange rate adjustments. Either way, the borrowing countries were (are) expected to observe


some specific criteria set by the IMF. In recognition of the fact that lending and repayments are normally framed within three to five years, "Fund support is more to obtain quick foreign exchange to finance imports than to reform the underlying policy stance."47 In other words, the IMF was primarily concerned with short-term macroeconomic stabilization than long-term structural transformation in the economies of the borrowing countries.

On the other hand, suggestive of its name (International Bank for Reconstruction and Development), the World Bank was established as a project lending institution. Up until the late 1970s, and specifically before the publication of the Berg report, the World Bank was concerned with the provision of "long-term finance for productive projects, initially primarily for reconstruction purposes."48 In the performance of its traditional functions, funds advanced by the World Bank for the financing of infrastructural projects in developing countries were not subject to specific performance criteria, as it was in the case of the IMF. The Bank was therefore concerned more with long-term growth, and development prospects than with short-term macroeconomic equilibrium.

When the World Bank published its 1981 Accelerated Development, and the need for long-term "institution" of stabilization and adjustment programs (SAPs) in SSA came to the fore, policy collaboration between the two lending

48Ibid.
institutions became increasingly important. Indeed, policy convergence was inevitable because, while short-term macroeconomic imbalances could undermine the prospects of long-term growth and development, short-term macroeconomic equilibrium is a reliable snapshot of consistent growth and development. In this case, short-term macroeconomic equilibrium, and long-term growth are inextricably interwoven.

As a result of the complex relationship between short-term macroeconomic objectives, and long-term growth perspectives, there was a "marriage of convenience" between the IMF and the World Bank on the altar of SAPs. As rightly pointed out by Anne O. Krueger,

the Fund was moving toward domains that had earlier been almost exclusively the Bank's while the Bank, in moving toward program lending, was moving to incorporate some of the traditional concerns of the Fund.⁴⁹

Therefore, within the framework of SAPs,

there is little to distinguish between the assistance programs for structural adjustment provided by the two institutions from the standpoint of either the conditions they are designed to correct or the underlying perception of requirements for adjustment.⁵⁰

Indeed, as it was in the case of SSA, the World Bank lending under SAPs was originally predicated upon the existence of macroeconomic stabilization programs that were supported by the IMF's Structural Adjustment Facility (SAF).⁵¹ As a result,


the fusion of the macroeconomic stabilization efforts of the IMF, and the policy-based lending approach of the World Bank led to what is referred to as SAPs.

With the fusion of hitherto divergent approaches of the IMF and the World Bank, the link between SAPs and SALs became easily discernible. Simply put, SALs are non-project lending in support of policy and institutional changes prescribed under SAPs. They are quick disbursing loans to distressed economies undergoing SAPs. To receive SALs, the borrowing country must already have in place, "an IMF stabilization program." This requirement is to ensure the smooth coordination of the World Bank and IMF's policy conditionalities associated with the disbursement of funds.

The cross-conditionality between the IMF and the World Bank, in effect, establishes a mono-causal link between SAPs and SALs. The link here is that, SALs will be disbursed under the condition that the recipient countries adopt some specified neoliberal policy reforms under SAPs. It is in this respect that policy-based lending (PBL) has been used to describe the functional link between SAPs and SALs.53 What

then is the meaning of conditionality, and how does it help to enforce the process of incorporation?

**Conditionality: The Meaning of an Enforcement Strategy**

The relationship between the disbursement of SALs and the adoption, and implementation of some specified neoliberal policy reforms is captured by the concept of conditionality. Although, this relationship is defined by the concept of conditionality, the exact nature of the link between resource transfers (from the IMF and the World Bank) and policy change (on the part of SSA) is a highly contested issue. To some extent, the exact nature of the relationship could be gleaned from the underlying premise of the economic model of pure conditionality.

In its simplified form, this model is based on the presumption that there is lack of investment and therefore, restricted economic growth and development in SSA. This is because, interventionist policies of the government do not create the needed macroeconomic environment to entice external flows of investment. By tying financial resources to the performance of specific neoliberal policies, conditionality is expected to enhance the viability of loans, and also help install a macroeconomic framework attractive to direct foreign investment. Improved foreign investment will then catalyze growth, leading to long-term, sustainable development.54

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Extrapolating from the underlying logic of the pure conditionality model, the relationship between the release of SALs and the implementation of specified neoliberal policies could be viewed as reinforcement. The rationale here is that, the transfer of conditionality-based funds give positive incentives to countries in SSA to implement policy changes to which they are already committed under the IMF's Structural Adjustment Facility (SAF).

The relationship could also be viewed as imposition. The implication here is that powerful donors (in the stature of the IMF and the World Bank) capitalize on financial transfers to force neoliberal policy changes on otherwise unwilling, but equally vulnerable governments in SSA. On the other hand, "buy-and-sell" economists are compelled to view this same relationship as that of purchase. That is to say, donors "buy" reforms that governments in SSA would not have taken had it not been for the "price" paid by donors in terms of financial transfers in the form of SALs.

In spite of the varying interpretations, the role of conditionality in enforcing the process of incorporation is

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55 Conditionality as "reinforcement" characterizes the position of the World Bank as presented by two of its senior officials. See Vittorio Cobo and Stanley Fischer, "Adjustment Programs and Bank Support: Rationale and Main Results," (Unpublished Manuscript, August 1990).


very clear. The principle of conditionality ensures that, the graduated releases of SALs by the IMF and the World Bank are made contingent upon the adoption, and observance of a standard neoliberal policy package underlying SAPs. It is pertinent to note that most countries in SSA adopted SAPs in the first place ostensibly because of the associated financial attraction in the form of SALs. Therefore, conditioning the release of such funds on the implementation of neoliberal policies constitutes a powerful process of incorporating the economies of SSA into the ideological framework of a globalizing world economy.

If we are to view conditionality as "a side condition designed to ensure the execution of a contract," and if we are also to consider a contract as "a promise by one party to do something now in exchange for a promise by the other party to do something else in the future," then, conditionality is not novel in international finance. What is spectacular, however, is the constricting manner by which the IMF and the World Bank use conditionality as a threat strategy to incorporate SSA into the ideological policy framework of globalization.

The compulsion underlying the threat strategy is well satirized by Julius Nyerere, the late President of Tanzania, with his observation that:

The IMF has an ideology of political and social development which

58 Mosley et al., Aid and Power, p. 65;

59 Ibid.
it is trying to impose on poor countries irrespective of their own clearly stated policies. And when we reject IMF conditions we hear the threatening whisper: Without accepting our conditions you will not get any money, and you will get no other money.\textsuperscript{60}

Enhanced by the cross-conditionality between the IMF and the World Bank, these institutions are able to suspend the disbursement of SALs to specific countries in SSA if the recommended neoliberal policies are not implemented.\textsuperscript{61} Viewed from this perspective, conditionality could be considered as a bargaining chip by which an all powerful IMF and the World Bank seek to impose an \textit{a priori} neoliberal policy package on an unsuspecting, but financially-strapped SSA. It is in this respect that Mosley et al. argue that,

\begin{quote}
\text{it is the power-relationship between donor and recipient, rather than the severity of the economic "disease" from which a country is suffering, which principally determines the nature of the prescription offered as part of a conditionality package.}\textsuperscript{62}
\end{quote}

Extrapolating from the essence of the above assertion, the economic "disease" of SSA during the early 1980s (as outlined in the first section of this Chapter) unusually tilted the lever of power to the "dictatorial" advantage of the IMF and the World Bank.

\textsuperscript{60}This is contained in his speech delivered in 1980 entitled, "No To IMF Meddling" as cited in T. Hayter and C. Watson, \textit{Aid: Rhetoric and Reality} (London: Pluto Press, 1985), pp. 50-51.


\textsuperscript{62}Mosley et al. \textit{Aid and Power}, p. 96.
As a result of the debilitating economic conditions, most governments in SSA were powerless to resist the temptations of SALs that were laced with neoliberal policy conditionalities. In the paralyzed circumstances of SSA, and in a situation in which the post-independence, state-assisted development pattern runs counter to the new development orthodoxy of neoliberalism, the process of incorporation was not difficult to be enforced in the context of the sub-region.

Conditionality: The Psychology of an Enforcement Process

To re-state, the IMF and the World Bank incorporated SSA into the ideological policy framework of globalization by conditioning the delivery of SALs to the adoption, and implementation of neoliberal policies under SAPs. Revealingly, this conditioning process involves an unintended experiment (on the part of the IMF and the World Bank), and a learning pattern (on the part of SSA) that borders on behavior modification. The institution of the underlying, enforcement mechanism of the process of incorporation through the lever of conditionalities is analogous to a quintessential psychological pattern of an operant conditioning.63

In a typical operant conditioning experiment, a hungry rat is placed in a special box fixed with a lever. The

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63 Operant conditioning is a learning procedure in which the probability that an organism will emit a response is increased or decreased by the subsequent delivery of reinforcement or punishment. Pioneered by B.F. Skinner, operant conditioning, or instrumental learning involves the institution of voluntary responses from subjects through graduated deliveries of reinforcement by the experimenter. See L.A. Lefton, Psychology (Boston: Allyn and Bacon, 1994), Ch. 4.
experimenter intends to condition the rat to learn how to press the lever through the gradual delivery of food pellets anytime the rat gets near the lever until the rat eventually presses the lever. Sooner than later, the rat learns the association between "pressing the lever" and the "delivery of food pellets." As a result of this conditioned association, the rat, in anticipation of the delivery of food pellets, continues to press the lever even when the experimenter has achieved its purpose (teaching the rat how to press the lever) and therefore, has no inclination to deliver more food pellets.

For the sake of an analytic comparison, substitute the "rat" for SSA, "hunger" for the paralyzing economic conditions in SSA in the early 1980s, "food pellets" for SALs, "lever pressing" for the adoption, and implementation of neoliberal policy package under SAPs, and the "experimenter" for the IMF/World Bank. With these substitutions, the powerful psychological mechanism underlying the process of incorporation becomes clearer.

With declining growth rates in all major economic indicators (Table 4.1), with deteriorating debt conditions (Table 4.2), and with demanding debt service ratios (Table 4.3), SSA was really "hungry" in the early 1980s. The sub-region was therefore in an extreme psychological state of readiness to comply with any form of assistance that is regimented on the implementation of neoliberal policies, if nothing at all, just for the sake of survival. In recognition
of the fact that the existential reality of SSA was at stake, the IMF and the World Bank had a very conforming experimental subject.

In this conforming framework, conditioning the delivery of SALs to the implementation of neoliberal policies associated with SAPs became a simplistic paradigm of behavior modification. The independent variable is the graduated delivery of SALs. The dependent variable is the sequential implementation of neoliberal policies. Unlike in regular experiments, this paradigm did not require the painstaking control of extraneous variables because, the main experimental subject (SSA) was the very definition of the most needed background variable; "hunger." On the other hand, the IMF and the World Bank, under the pressure of the G-7, were consumed with the need to proselytize the new orthodoxy of neoliberalism.

As a result of the ironic fit between the needs of SSA, and the motivations of the IMF and the World Bank, enforcing the process of the sub-regions' incorporation into the logic of globalism assumed a typical psychological process of behavior modification, with the implementation of neoliberal policy conditionalities as the expected behavior. It is partially in respect of such underlying behavior modification processes of conditionality that G.K. Helleiner argues that, in Africa,

the need for conditionality is no longer argued primarily on the basis of the need for ensured repayment... The new emphasis upon broad policy-based conditionality on development assistance
evidently stems from the international consensus that domestic adjustment and development policies in the recipient countries have been seriously at fault and that African governments require not only external advice but also heavy pressure before they will adopt appropriate policies.\(^{64}\)

While the "heavy pressure" is exerted through the theatrics of conditionality, the "appropriate policies" in this case refer to the standard package of neoliberal policies associated with SAPs.

Some writers go beyond the dynamics of conditionality to dilate on the hidden agenda of the enforcement process. With its insistence on free trade, marketization, and liberalization, Cheryl Payer for instance believes that conditionality is purposefully framed to pry open the recipient countries' economies to the operational demands of international capital.\(^{65}\) Granting this assertion to be true, then, conditionality, as an enforcement mechanism, subverts the economic sovereignty of SSA by incorporating the sub-region into the ideological framework of globalization. Indeed, as rightly noted in a slip-of-the-tongue testimony by a former executive director for Canada at the World Bank, macropolicy advice incorporated in the SALs touches the very core of the development policy process ... The rate and manner of growth and related societal objectives of the recipient countries are the very stuff of that elusive concept called sovereignty.\(^{66}\)


\(^{66}\)Cited in Walden Bello *et al.*, *Dark Victory*, p. 28.
The implication here is that, with the provision of the process within which SSA's incorporation into the developmental context of neoliberalism is enforced, conditionality tends to undermine the economic sovereignty of the sub-region.

To avoid the psychological pain, the financial starvation, the economic disruption, and at times, the political upheaval associated with the withdrawal of SALs, SSA is compelled to operate within the limits set by the neoliberal policy conditionalities. In this restrictive framework, the sub-region is precluded from the advancement of nationalistic development agendas that deviate from the logic of neoliberalism.

The irony here is that, neoliberal policies are more in tune with the demands of a globalizing world economy. As it will be elaborated in the next Chapter (V), they are less responsive to the idiosyncratic developmental requirements of SSA. In this case, the demands of a globalizing world economy are enforced in the context of SSA through the neoliberal conditionalities associated with the disbursement of SALs.

CASE STUDIES AND EVIDENCE OF INCORPORATION

The examination of SSA's incorporation into the neoliberal ideological framework associated with globalization will not be complete unless it is buttressed with some

67 This assertion is one of the central theses of Claude Ake in his Democracy and Development in Africa.
specific case studies, and supported by other available evidence. A cursory overview of the path of incorporation in Ghana, Zambia, and Kenya will suffice in this case. It is instructive to note that the underlying ideological inclinations of Ghana and Zambia before the inception of SAPs were, to some extent, antagonistic to the neoliberal policy demands. On the other hand, the economic orientation of Kenya was characterized by some rudimentary forms of the neoliberal policy requirements.

These countries are chosen to demonstrate that the process of incorporation assumes a powerful, unilateral path irrespective of the differences in the initial ideological pretensions of states in the sub-region. The case studies highlight the convoluted, and at times, approach-avoidance path of incorporation that involves three discernible stages of contemplation (C), acceptance (A), and defense (D).

Contemplation in the sense that leaders in the sub-region were aware of the plausible diminution of economic sovereignty, and policy-autonomy reducing implications of SAPs. As a result, in almost all countries in the sub-region, there was an initial period of hesitation as to whether the neoliberal policy package should be either accepted or rejected. Through the dint of the "no alternative" rationalization that is boosted by the precarious economic conditions, acceptance of the program normally follows a "fruitless" period of contemplation.
In recognition of the fact that policy changes wrought by neoliberal policy conditionalities differentially impact on separate economic interests in the society, defense of the program becomes an inevitable undertaking. Contemplation (C), acceptance (A), and defense (D) then characterizes the path of SSA's incorporation into the neoliberal context of development as demonstrated below.

Ghana, 1982-1988

There is no other country in SSA where the C-A-D format of incorporation was more explicit than in the case of Ghana. At the zenith of Ghana's economic crisis, junior ranks of the army led by Flt. Lt. Jerry J. Rawlings launched a military coup on 31st December 1981, ostensibly, to embark upon a populist, anti-imperialist "revolutionary" agenda. A Provisional National Defence Council (PNDC) under the leadership of Rawlings was established as the vanguard of the "revolution." Operating within the orgy of anti-imperialist rhetorics, grassroots "revolutionary" committees were established throughout Ghana. Popular mobilization efforts were also encouraged. Self-reliance became the new buzz-word of development. And the attack on the exploitative nature of the international system, as the main justification for the adoption of an endogenous process of development, was very incendiary. Indeed, between 1981 and the first quarter of

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68 For a comprehensive review of the causes of the coup, and the implementation of the initial anti-imperialist agenda, see Zaya Yeebo, Ghana, The Struggle for Popular Power: Rawlings, Savior or Demagogue (London: Beacon Books, 1991).
1983, Ghana seemed to be on the path of no return toward the kingdom of anti-imperialist, revolutionary development.

By the last quarter of 1983, some events had compelled the PNDC's lackluster campaign to take a dramatic turn. Severe droughts, pervasive bush fires, and the repatriation of more than a million Ghanaians from Nigeria compounded Ghana's economic crisis. Financially strapped, and unable to fulfill the people-centered objectives as promised, the PNDC government recognized its need to go to the IMF and the World Bank.

With its initial anti-imperialist rhetorics, the decision to enter into rapport with the Bretton Woods institutions in order to be anointed with neoliberal policies took an unusually long period of contemplation. The pain of contemplation is best captured in a poetic outpour by Kwesi Botchwey, then Ghana's Finance Minister. He laments:

We were faced with two options... we had to maneuver our way around the naivetes of leftism, which has a sort of disdain for any talk of financial discipline, which seeks refuge in some vague concept of structuralism in which everything doable is possible... moreover we had to find a way between this naivete and the crudities and rigidities of monetarism which behaves as if once you set the monetary incentives everybody will do the right thing and the market will be perfect.69

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69Cited in Thomas M. Callaghy, "Political Passions and Economic Interests: Economic Reforms and Political Structure in Africa," in T.M. Callaghy and John Ravenhill, eds., Hemmed In: Responses to Africa's Economic Decline (New York: Columbia University Press, 1993), p., 469. It is instructive to note that, quite apart from the official contemplation, Kwesi Botchwey had his own cognitive dissonance to resolve because, during his studies in the United States, he wrote a Ph.D. dissertation criticizing international monopoly capital!
So endemic was the contentious debate between the continuation with populism and the acceptance of the IMF and the World Bank's neoliberal policies that it caused a split within the ruling PNDC government.\textsuperscript{70} However, the contemplation was eventually resolved, giving way to the acceptance phase.

With the assurance of monetary incentives and the possibility of long-term growth acting as pull factors, and with the serious economic crisis acting as the push factor, the PNDC had moved to embrace the long-awaited arms of the IMF and the World Bank by the last quarter of 1983. Treating Ghana like a prodigal child who has eventually decided to deal with the pains of adulthood, the Bretton Woods institutions were particularly enthusiastic about Ghana's newly found wisdom.\textsuperscript{71} Armed with the disciplinarian tools of neoliberalism, the IMF and the World Bank did not however compromise on the strict adherence to neoliberal policy conditionalities for the subsequent releases of SALs.

As carefully examined by John Toye, some of the initial conditionalities in the context of Ghana included; devaluation in order to enhance the production and export of cocoa, restructuring of the Ghana Cocoa Marketing Board in order to encourage private sector initiatives in the cocoa business, removal of subsidies and price controls, cost recovery and the removal of government subsidies in health and education, trade

\textsuperscript{70}See Zaya Yeebo, Ghana, The Struggle for Popular Power.

and financial liberalization, public expenditure programming, privatization (divestiture) of public enterprises, and banking reforms.\(^7\)

Against the backdrop of these policy conditionalities, Ghana was baptized into the path of incorporation in August 1983 when the IMF granted Ghana Special Drawing Rights (SDR) of 359 million, and the World Bank also advanced US$ 65 million.\(^7\) After Ghana's initial symbolic acceptance of the global market discipline, there was no turning back. Converting the vigor of radicalism to the meticulous execution of the neoliberal agenda, Ghana continued to receive increasing disbursement of SALs from both the IMF and the World Bank.

By 1986, Ghana had received US$ 1 billion in additional assistance from these two institutions.\(^7\) By 1987, in recognition of its sweeping neoliberal reforms, Ghana has emerged as the third largest recipient of World Bank credits after India and China, with per capita external assistance twice the average of Africa.\(^7\) If we are to refresh our memory to the realization that the size of SALs disbursed by the


\(^7\)See Ghana News, Vol. 12, No. 8 (August 1993), p. 8

\(^7\)Jeffrey Herbst, The Politics of Reform in Ghana, p. 119.

\(^7\)Miles Kahler, "International Financial Institutions and the Politics of Adjustment," in Joan M. Nelson, ed., Fragile Coalitions: The
Bretton Woods institutions is coterminous with the depth of neoliberal policy reforms, then, by 1988, Ghana was the most incorporated country in SSA.

As a reflection of the depth of Ghana’s incorporation into the logic of the global market discipline, the country has been isolated by the World Bank\(^{76}\) as the most faithful pupil of neoliberal reforms in Africa. However, Ghana’s meteoric rise to the stardom of international adjustment was a precarious achievement that depended on continued defense on the domestic front. Paralleling the idea that charity begins at home, the defensive brush began to operate within the upper echelons of the governing council. By the end of 1983, Rawlings had purged all anti-reform members of the ruling PNDC government and replaced them with conservatives sympathetic to the neoliberal agenda.\(^{77}\)

As a result of the implementation of conditionalities such as devaluation, the removal of subsidies, and public expenditure prioritization that took the form of the retrenchment of government workers, urban workers were the first to organize against the neoliberal reforms. Branding the leaders of the Trade Union Congress (TUC) as “infantile leftists” whose ideas are inimical to progress, most of them were arrested and detained by the PNDC government.\(^{78}\) Also, 

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\(^{76}\)See the World Bank, Adjustment in Africa: Reforms, Results, and the Road Ahead.

\(^{77}\)See Zaya Yeebo, Ghana, The Struggle for Popular Power.
when university students demonstrated in 1983 to register their protest against the possibility of increased tuition due to the removal of subsidies on education, the government responded by closing all universities in Ghana.79

In the course of defending the implementation of the neoliberal agenda, the Ghanaian government ended up alienating its previous allies such as labor and student groups who were at the forefront of the earlier radical, anti-imperialist agenda. New coalitions were then built with members of the business community who were the main beneficiaries of marketization and the associated liberalization measures. With the realignment of its support base, the PNDC government, between 1982 and 1988, set the tempo for Ghana's continuing incorporation into the logic of globalism. In other words, there was no turning back from the adoption and implementation of neoliberal economic reforms.

Zambia, 1983-1993

The former President of Zambia, Kenneth Kaunda, had a very ambivalent relationship with the Bretton Woods institutions. As an elder African statesman well known with his brand of socialism called "humanism," Kenneth Kaunda and his United National Independence Party (UNIP) saw the IMF and

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78See Jeffrey Herbst, The Politics of Reform in Ghana, Ch. 4.

79The current writer was a student at the University of Ghana, Legon in 1983 when all universities in Ghana were closed for nearly one year.
the World Bank as agents of neocolonialism. In spite of its ideological stance, Zambia was not insulated from the general economic decline that affected SSA in the early 1980s. With falling GDP growth rates, declining export revenues, mounting debt arrears, and increasing foreign exchange shortage, Zambia was a typical African country in crisis by 1983.

Constrained by its anti-neocolonialist pretensions but equally haunted by the need for external finance, entering into an agreement with the IMF and the World Bank was only a matter of "how," not "when." And the contemplation on the question of "how" assumed a frustrating approach-avoidance cycle. Seeking refuge in a "no alternative" argument, Zambia accepted the standard package of neoliberal policy conditionality and entered into a funds-for-policy-change agreement with the IMF from 1983 to 1987.

Still contemplating, Zambia suspended formal talks with the donors from 1987-1988, reinflated the national currency, reintroduced subsidies on essential items, and adopted a home-grown New Economic Recovery Plan (NERP). However, while the local press continued to eulogize the "divorce" between the IMF and the government as a sign of commitment toward the course of an independent Africa, President Kaunda was coping

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80 See Margaret Hanson and James J. Hentz, "Neocolonialism and Neoliberalism in South Africa and Zambia."


82 Ibid., p. 131.
with the fallout from breaking with the IMF. To his utter surprise,

disbursements of multilateral credits were suspended, and bilateral aid dried up as allocated projects were brought to a close and no new funding emerged.\textsuperscript{83}

Reeling under the pangs of financial starvation, Zambia decided to resume talks again with the IMF in 1989. To restart the clock of neoliberal indoctrination, the IMF treated Zambia as a fresh-starter. Zambia was compelled to sign in 1990, a "Policy Framework Paper (PFP), required for any severely indebted country wanting to use the Extended Structural Adjustment Facility (ESAF)" administered by the IMF.\textsuperscript{84} President Kaunda did not survive the completion of agreement under the PFP.

In the general elections held in November 1991, the Movement for Multiparty Democracy (MMD) led by Frederick Chiluba assumed the reign of government. Chiluba's government moved to an unqualified acceptance of the implementation of neoliberalism under the guidance of the Bretton Woods institutions. The introduction of a manifesto presented by the MMD, and approved by the cabinet stated among other things that the

MMD believes that economic prosperity for all can best be created by free men and women through free enterprise; by economic and social justice involving all the productive resources..., and by liberalizing industry, trade and commerce, with the Government

\textsuperscript{83}Margaret Hanson and James J. Hentz, "Neocolonialism and Neoliberalism in South Africa and Zambia," p. 485.

\textsuperscript{84}Ibid., p. 487.
only creating an enabling environment whereby economic growth must follow as it has done all the world's successful countries.\(^{85}\)

The contents of the MMD's manifesto were apparently similar to an executive summary of the World Bank's 1981 Berg report. Also, the underlying spirit was reflective of the ideological wisdom of neoliberalism. As a result of the congenial perspective of the new Zambian government, agreement was quickly reached with the IMF. The commitment of President Frederick Chiluba to neoliberal reforms was signified by the government's swift implementation of key policies that the previous government had backed away from, specifically the removal of price subsidies on maize meal and petroleum and the nearly complete liberalization of foreign exchange.\(^{86}\)

With the IMF and the World Bank satisfied with the neoliberal reforms of the new government, almost US$ 1 billion in external assistance has been advanced to Zambia annually since the beginning of 1991.\(^{87}\) President Chiluba, in effect, ended the approach-avoidance cycle of the contemplative stage. This is not to suggest that his unqualified acceptance of the means, and the process of Zambia's incorporation into the new ideological agenda was without some challenges.

Campaigning under the banner of economic reforms during the 1991 November elections, the MMD exaggerated the expectations of the people concerning the benefits associated

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\(^{85}\)Cited in Ibid., p. 488.  
\(^{86}\)Ibid., p. 487.  
\(^{87}\)Ibid., p. 488.
with marketization and liberalization. When the MMD assumed power and was confronted with policy conditionalities that included the removal of subsidies on essential items, the people felt betrayed. The government found it particularly difficult to justify the abandonment of some elementary forms of redistribution with growth as it was under former President Kaunda's brand of socialism.

Disillusionment and disappointment spread through the Zambian society as a result of the widening gap between promises of neoliberal reforms and increasing hardships felt by the people. The Zambia military thought it had a historical duty to fraternize with the grievances of the public. As a pre-emptive defense to an alleged coup plot, the government responded by imposing a "state of emergency" in 1993.\(^8\)\(^8\) This enabled the state to use extra-constitutional means to clamp down on opposition to the leadership of President Chiluba and his neoliberal reforms. Reforms lingered on against the background of widening neoliberal policy conditionalities.

In the final analysis, during the incubating period from 1983 to 1993, Zambia had prepared itself to be incorporated into the emerging development orthodoxy of neoliberalism. As Margaret Hanson and James J. Hentz conclude after their comprehensive study of Zambia, "there is no turning back on significant macroeconomic reforms of monetary and trade liberalization."\(^8\)\(^9\) It is instructive to note that, though,

\(^{88}\)Ibid., p. 490.

\(^{89}\)Ibid., p. 491.
Zambia's preparation for the global market discipline took a series of twist and turns, the underlying C-A-D format of incorporation was nevertheless discernible.

Kenya, 1980-1989

Unlike Ghana and Zambia, Kenya was not initially characterized by a moribund ideology that stood in direct opposite to the kind of neoliberal reforms professed by the Bretton Woods institutions. Instead, since 1965, Kenya has been promoting "an economic strategy that anticipated many of the key ingredients in contemporary adjustment programs, including private ownership of the country's most productive economic assets..." 90 As a result of import-substituting industrialization, manufacturing was a thriving sector of the Kenyan economy. Kenya was even exporting manufacturing products to its neighboring countries. 91 It seemed as if the Bretton Woods institutions had a responsive framework for their neoliberal experiment.

Yet, writing on the relationship between Kenya and the World Bank, Paul Mosley argues that "few country lending experiences have given the Bank so much cause for frustration." 92 The irony here could be explained. The World


Bank's neoliberal policy conditionalities were inimical to the interests of large-scale farmers and other domestic industrialists who were operating behind the protective walls of the government. Simply put, because the basis of Kenya's success was not based on the tenets of laissez-faire economics, particularly threatening were the demands for liberalization and marketization. It is within this conflicting prism that the C-A-D format of incorporation, in the circumstances of Kenya, could be examined.

Unlike Ghana and Zambia, the post-independence Kenyan economy experienced a substantial level of growth in comparison with other developing countries. Average real GDP growth rates increased from 5.9 percent between 1960-69 to 10 percent between 1970-1975. Between the same time intervals, investment as a ratio of GDP increased from 20.5 percent to 23.2 percent. In spite of these positive indicators, the economic downturn that was to give the IMF and the World Bank the opportunity to embark upon their neoliberal experiment in the context of Kenya was not long in coming.

As a result of a sharp fall in the price of coffee, and a doubling in the price of imported oil, the Kenyan economy slipped into severe crisis beginning from the late 1970s. Exports began to decline from the early 1980s, "private sector investment began to dwindle and inflation rose to over 20


93 See Paul Mosley, "How to Confront the World Bank and Get Away With It," Table 6.1, p. 100.
percent in 1982."^{94} The private-sector led development that was flourishing behind the protective walls provided by the state came under a very severe strain. The only reprieve was the availability of "low-interest programme finance: precisely the function which the World Bank's Structural Adjustment Lending programme was intended to fulfill."^95

Submitting to a standard package of neoliberal policies in order to secure the much needed finance was a frustrating decision that involved a great deal of contemplation on the part of the Kenyan government. The Kenyan government was central in the management of the national economy. It set and controlled exchange and interest rates, protected domestic industries through the manipulation of tariffs and trade licensing, and also fixed and regulated the prices and marketing of agricultural commodities. In the performance of these roles, the government was not only able to extract rents but also, exercise a great deal of political leverage.

In this case, unlike in the cases of Ghana and Zambia, the contemplation by the Kenyan government was not so much about the loss of autonomy in the implementation of anti-imperialistic development agenda. It was about the loss of rents and power in submitting to market forces underlying the neoliberal policy conditionalities. As in the cases of Ghana and Zambia, however, the Kenyan government was compelled by

94Ibid., p. 103.

95Ibid.

the "no alternative" persuasion to enter into regimented policy-based agreements with the IMF and the World Bank in 1980.

When Kenya eventually accepted to be subjected to the global market discipline, negotiations between the government and the Bretton Woods institutions led to "at least 10 policy-based loans" from 1980 to 1989. In view of the fact that the involvement of the government in the economy was very pervasive, incorporating Kenya into the logic of global market forces demanded the institution of unusually broad-based neoliberal policy conditionalities. Some of the conditionalities include: devaluation; removal of controls on interest rates; prioritization of public expenditure; elimination of import licensing; rationalization of the tariff system; removal of price controls; and removal of controls on external capital accounts.

In their far-reaching implications, the implementation of these neoliberal policy requirements meant the subjugation of the rent-seeking position of the Kenyan government to market forces. It also meant the neutralization of the privileged positions of large scale farmers and other domestic, private industrialists. These groups were nurtured by the patronizing, interventionist policies of the state, rather than groomed by

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97 Ibid., p. 414.

98 For a comprehensive list of agreements with the IMF and the World Bank and the associated neoliberal conditionalities, see Paul Mosley, "How to Confront the World Bank and Get Away With It," pp. 104-106, and pp. 110-112.

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the dictates of international market forces. As a result of
the political clout of domestic, established interests, the
governments' defense of the exposure of Kenya to the
globalizing economy meant the resolution of a very frustrating
dilemma. As Howard P. Lehman puts it, the Kenyan government
was

caught directly in the cross-fire between international financial
interests pressing for an open, trade regime and domestic
manufacturing interests seeking continued protection of
ISI (import substituting firms). 99

In order to defend its position by way of resolving the
dilemma between international demands and domestic concerns,
the Kenyan government pursued a hard-nosed bargaining strategy
with the IMF and the World Bank. The rationale of the unusual
bargaining approach was to reconcile the demands of the
Bretton Woods institutions with domestic political interests.
It is in respect to such a bargaining style that Paul Mosley
admits that Kenya gave the World Bank so much frustration, and
also chose to entitle his article, "How to Confront the World
Bank and Get Away With It." 100

One should not read too much into Mosley's title and
conclude that the government wanted (or was eventually able)
to resist the incorporation of the Kenyan economy into the
logic of the global market discipline. Certainly, that was not
the case. Rather than exposing the economy to the sudden

99 Howard P. Lehman, Indebted Development: Strategic Bargaining and
Economic Adjustment in the Third World (New York: St. Martin's Press,
1993), p. 73.

100 Paul Mosley, op. cit.
"shock" of global market forces, what the Kenyan government insisted on in its deliberations with the IMF and the World Bank was a gradual sequencing of neoliberal policy conditionalities.

Ostensibly, gradual sequencing was intended to systematically sensitize established domestic interests to the inevitabilities of a globalizing economy. Indeed, this approach paid off in the sense that the Kenyan government was able "to placate the demands of the international financial community," while protecting "the established interests of the governing coalition."¹⁰¹ In this case, the Kenyan government was able to prepare its economy to be incorporated into the neoliberal context of development without serious political convulsions (as in the case of Ghana), and without frustrating oscillations (as in the case of Zambia).

The World Bank's Interim Assessment On Incorporation: Notes On Some Evidence

In a self-congratulatory mood, the World Bank, in its Adjustment in Africa: Reforms, Results and the Road Ahead, presents an interim assessment on the incorporation of SSA into the ideological framework of neoliberalism. The World Bank defines SSA as "World Bank borrowers south of the Sahara."¹⁰² This definition comprises all the 45 countries in SSA. In this vein, if we are to take note that borrowing is

¹⁰¹Howard P. Leyman, Indebted Development, pp. 77-78.
conducted within the framework of conditionalities, then, this
definition is by itself, an indication of the expansive nature
of SSA's acquiescence to the neoliberal experiment.

On the basis of this definition, the World Bank draws a
balance sheet on the extent of the sub-regions' incorporation
into the logic of global market forces. Focusing on 29
countries in SSA that were undergoing adjustment between 1987
and 1991, the World Bank asserts that many "African countries
are moving in the right direction with their macroeconomic,
agricultural, and trade policies..."\textsuperscript{103} To demonstrate that it
has been able to purchase far-reaching neoliberal reforms in
SSA as a result of increasing transfer of conditionality
loans, the World Bank conjectures that "Africa was receiving
almost $20 per capita in net transfers, four times the amount
going to poor countries elsewhere."\textsuperscript{104}

In the assessment of specific policies, the World Bank
was particularly enthusiastic with the extent of progress made
on the liberalization of trade. The World Bank sets the
measuring rod that "evidence on import liberalization is
progress in eliminating nontariff barriers (NTBs),"\textsuperscript{105} and
admits in the context of SSA that, "progress has been made in
reducing the number of goods requiring prior approval for
import."\textsuperscript{106} With improvement on the distributive mechanisms of

\textsuperscript{103}Ibid., p. 9.
\textsuperscript{104}Ibid., p. 28.
\textsuperscript{105}Ibid., p. 70.
\textsuperscript{106}Ibid., p. 71.
the market through the removal of price controls, SSA was given a positive nod with the assessment that "most countries have removed almost all price controls, keeping them for only a few strategic goods."¹⁰⁷

As already noted, privatization of state-owned enterprises is one of the crystal policies of neoliberal conditionalities. In its evaluation, the World Bank expresses optimism on the efforts so far made in the sub-region. The World Bank writes;

... privatization efforts appear to have been moderately successful. Almost all countries have managed to halt the increase in public enterprises, and several have begun to reduce the number. Throughout the region, reform has led to the privatization of hundreds of public enterprises...¹⁰⁸

The privatization efforts are accentuated by some progress in the liberalization of finance. On this, the World Bank notes that,

the rationalization and liberalization of interest rates, among the most common features of adjustment programs, have been somewhat successful in easing financial repression. Interest rates were fully liberalized in Burundi, The Gambia, Ghana, Kenya, Madagascar, Malawi, Mauritania, and Zambia.¹⁰⁹

In its evaluation, the World Bank sounded bullish with the interim evidence on the successful institution of neoliberal conditionalities, and concludes that adjustment "is an

¹⁰⁷Ibid., p. 90.
¹⁰⁸Ibid., p. 103.
¹⁰⁹Ibid., p. 114.
essential step to getting on a poverty-reducing growth path."

110

The adoption and implementation of neoliberal policy conditionalities, as examined in this Chapter, provide the means, and the process through which SSA is incorporated into the emerging global economic order. With the World Bank's optimistic assessment on the evidence of neoliberal conditionalities, what remains to be examined is whether SSA is benefiting from its incorporation into the ideological framework of globalization.

110 Ibid., p. 219.
CHAPTER V

IN SEARCH OF A PARADOX: INCORPORATION AND MARGINALIZATION

We have identified neoliberalism as the main ideological counterpart of globalization that defines the new political economy of development (Chapter III). We have also established the incorporation (IC) of SSA within the ideological framework of this new political economy of development (Chapter IV). We are now in a position to examine our third research question, that is; To what extent does the paradox of incorporation and marginalization manifests itself in the context of SSA? In the examination of this question, this Chapter re-visits our specified theoretical function in order to examine the issues relating to the marginalization (M) of SSA. As stated in Chapter I, our theoretical function takes the form of the following equation:

\[ M = IC - g(IT) \]

where, marginalization (M) equals incorporation (IC) without the gains associated with integration \((g[IT])\). The gains of integration \((g[IT])\) are the conventional benefits associated with the adoption, and implementation of neoliberal policies. As a useful theoretical guide, this equation is predicated upon the conventionally neglected distinction between incorporation \((IC)\) and integration \((IT)\).

To highlight on this distinction, the first section of the Chapter examines the conventional gains associated with neoliberal policies with the intention of demonstrating that
incorporation is not the same as integration. With the g(IT) part of the equation identified, the second section then examines the meaning and dimensions of marginalization on the bases of some macroeconomic indicators pertaining to SSA. On the basis of our theoretical function, the third section accounts for the competing explanations on the marginalization of SSA. The Chapter concludes with the examination of a subsidiary question: Is the marginalization of SSA reversible?

INCORPORATION IS NOT THE SAME AS INTEGRATION

To demonstrate that incorporation is not the same as integration is to demarcate the globalization terrain into its superstructural and substructural components. While the former refers to the ideological and ideational aspects of globalization, the latter constitutes its substantive, measurable outcomes. Incorporation relates to the former, while integration relates to the latter. As analyzed in Chapter IV, incorporation describes the "conditionalized" subscription (or compliance) to the neoliberal ideology that underpins the globalization process. Incorporation therefore finds meaning within the ideological, and the superstructural realm of globalization.

Integration on the other hand is definable on the basis of measurable economic outcomes associated with a regions' incorporation into the defining ideology of globalization. These measurable economic outcomes are the conventional benefits associated with the adoption, and implementation of
neoliberal policies. Without doubt, the benefits associated with neoliberal policies provide a belabored research milieu for neoclassical economists.

Jose A. Ocampo stipulates that trade liberalization enhances better allocation of resources, facilitates higher rate of technical progress, and improves access to international markets.¹ This view is seconded by Dean DeRosa of the IMF's Research Department.² He argues that protectionism hinders exports, and as a result, reduce the production possibility frontiers of SSA. The admonition here is that, SSA stands to gain from liberalization of trade and finance. A.J. Yeats, A. Amjadi, U. Reincke, and F. Ng, a conglomeration of World Bank economists, glorify the benefits of neoliberal policies with an underlying apocalyptic threat.³ They argue that globalization improves the opportunities for trade liberalization and that, countries risk marginalization if they are unable to open their economies and participate in international trade.

Commenting on its multiplier effects. F. Ng and A. Yeats insist to the point of doctrinaire premonition that neoliberal policies under SAPs promote growth and development because, open economies attract foreign direct investment into regions

³See Alexander J. Yeats, Azita Amjadi, Ulrich Reincke, and Francis Ng, "What Caused Sub-Saharan Africa's Marginalization in World Trade?"
undertaking reforms. In their view, which is also shared by the World Bank, trade and financial liberalization have positive multiplier effects on growth, foreign direct investment, diversification of exports, and the effective management of external debts.

As if to emphasize the point that these multiplier effects are relevant to the primary developmental concerns of SSA, Barber Conable, in his September 1987 address to the Board of Governors of the World Bank, stated:

In Sub-Saharan Africa our goals are to help meet the current crisis by organizing major programs in the severely debt-distressed countries, to see the productive capacity of African economies rebuilt, and to help ensure that the welfare and food security of Africa's millions of poor people are protected in the process of adjustment and recovery.

The assumption here is that, neoliberal policies will benefit SSA by improving the productive capacity of the sub-region, by maximizing average welfare, and by alleviating poverty. These conventional benefits associated with the implementation of neoliberal policies are the measurable outcomes that constitute the gains of integration (g[IT]).

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4 See Francis Ng and Alexander Yeats, "Open Economies Work Better! Did Africa's Protectionist Policies Cause its Marginalization in World Trade?"


It is pertinent to note that a region could be incorporated (that is subscribe to the neoliberal policy framework of globalization) but at the same time, perform poorly on the measurable outcomes of integration. In this case, incorporation, as specified in our theoretical model, is not necessarily the same as integration. To conflate the essence of the two terms is to inadvertently lock the crucial window that permits a meaningful analysis on marginalization in the context of SSA. By design or by default, the World Bank, in its evaluations on SSA in the current global context, commit this conceptual error.

The World Bank conflates incorporation with integration. It therefore substitutes the ideological link with the global economy, and most importantly, the subscription to neoliberal policies for measurable outcomes of integration. The conflation of incorporation and integration mirrors significantly in the World Bank's report, *Global Economic Prospects and the Developing World*. In this report, the Bank argues that all developing countries, including SSA stand to gain from integrating into the emerging global economy. On the bases of these conceptual conflagrations, the World Bank, in its traditional defensive use of figures, provide statistics to show the level of SSA's integration into the global economy.

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7See the World Bank, *Global Economic Prospects and the Developing Countries*.  

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Table 5.1
SSA-Integration with the Global Economy

<table>
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<th>1987</th>
<th>1997</th>
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<tbody>
<tr>
<td>Trade as % of PPP(^a) GDP</td>
<td>15.6</td>
<td>17.8</td>
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<tr>
<td>Trade in Goods as % of GDP</td>
<td>67.6</td>
<td>94.4</td>
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<tr>
<td>Gross Private Capital Flows as % of PPP GDP</td>
<td>2.5</td>
<td>5.6</td>
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<tr>
<td>Gross FDI(^b) as % of PPP GDP</td>
<td>0.4</td>
<td>1.0</td>
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\(^a\) Purchasing Power Parity (PPP) means the indicators involved are weighted in national currency then converted into international dollars.

\(^b\) Foreign Direct Investment.

As indicated in Table 5.1 above, total trade as a percentage of GDP increased from 15.6 in 1987 to 17.8 in 1997. Trade in goods alone as a percentage of GDP increased from 67.6 in 1987 to 94.4 in 1997. Also, gross private capital flows as a percentage of GDP rose from 2.5 in 1987 to 5.6 in 1997. Within the same time interval, gross FDI as percentage of GDP increased from 0.4 to 1.0.

Enamored by the paltry increases in trade, private capital flows, and foreign direct investment as presented in Table 5.1 above, the World Bank concludes insensitively that SSA is performing well on the course of integration, and that, the sub-region is already benefiting from its incorporation into the "globalizing" world economy. In recognition of the fact that the World Bank equates incorporation with
integration, and correspondingly assumes an automatic link between incorporation and the measurable gains of integration, the presumption that SSA is on the right path is subterfuge to real facts.

This is so because, if we conceptually disentangle incorporation from integration, and disaggregate the aggregated indicators on integration (as in Table 5.1 above) into its component parts (as it will be done in the next section), the facts on SSA's marginalization, emerge to the fore. In this case, the aggregated indicators on integration appear as statistical personae, a mask, or a convenient euphemism that hides the painful reality of SSA's marginalization within the emerging global system.

That is to say, incorporation is not the same as integration. Incorporation constitutes the subscription to the neoliberal ideological framework of globalization. It is the identification with the policy framework of the emerging global market discipline. Integration on the other hand is the substantive, measurable results attainable through the identification with the underlying policy tenets of globalism. These measurable results, as already indicated, are the conventional benefits associated with the implementation of neoliberal policies. In recognition of the fact that an "incorporated region" does not automatically assume all the conventional gains, inter-changing the two terms amounts to a serious conceptual block on the analysis of marginalization, especially in the context of SSA.
MARGINALIZATION: THE FACTS, THE MEANINGS, AND DIMENSIONS

On the basis of the distinction made between incorporation and integration, to verify our theoretical specification \( M = IC - g(IT) \) is to demonstrate that the conventional benefits associated with neoliberalism are not applicable to SSA. Operating within the conventional benefits of neoliberalism, what actually pertains in SSA will be indicated (and explained) by some selected macroeconomic data of the sub-region. After that, the meanings and dimensions of marginalization will be operationalized to reflect the gap between the presumed benefits of neoliberalism and what actually exists in SSA.

Marginalization: The Facts

To recall, the conventional gains associated with the subscription to neoliberal policies include: increased international trade through access to international markets; diversification of exports; increasing foreign direct investment; growth that bears on the maximization of average welfare; and the effective management of external debts. The nagging question at this point is: Are these conventional benefits realizable in the context of SSA? Available indicators do not paint optimistic trends.

SSA's subscription to the idea of export and import liberalization is yet to instigate the much needed increased international trade and access to international markets. This
is so because, selected indicators on international trade point to declining trends.

As indicated in Table 5.2 below, with 1987 as the base year of 100, SSA's Export Unit Values decreased from 128 in 1980 to 107 in 1997, while the Import Unit Values increased from 92 in 1980 to 111 in 1997. With decreasing export values and increasing import values, SSA needed more exports to obtain the same unit of imports. This partially explains the deteriorating trend in the sub-region's Terms of Trade, which declined from 139 in 1980 to 97 in 1997 (Table 5.2).

As a result of worsening terms of trade, SSA is the only sub-region with a persistent declining trend in the average annual percentage change in real trade to GDP ratios. The unfortunate scenario here is that, though, SSA has the highest percentage ratio of exports to GDP in comparison with other developing regions in the world, the sub-region has been marginalized from world trade. As shown in Table 5.2, the value of SSA's Total Commodity Trade as a percentage of Total World Trade declined from 4.3 in 1986 to 1.8 in 1995, while the value of its Manufactured Exports as a percentage of Total World Manufactured Exports decreased from 5.2 in 1986 to 3.0 in 1995.

In addition to these declining trends, Taxes on International Trade as a percentage of Total Revenue increased

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8See the UNDP, Human Development Report, 1997, pp. 84-85.

9This ratio measures the extent at which economies are open to the outside world in terms of trade. See Kidane Mengisteab, Globalization and Autocentricity in Africa's Development in the 21st Century, Table 3.2., p. 76.
Table 5.2

SSA-Selected Indicators on International Trade, 1980-1997

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<td>Total Commodity Trade</td>
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<td>3.4</td>
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<td>3.2</td>
<td>5.3</td>
<td>2.5</td>
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<td>2.0</td>
<td>1.8</td>
<td>-</td>
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<td>Manufactured Exports</td>
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<td>5.2</td>
<td>4.2</td>
<td>3.6</td>
<td>4.7</td>
<td>3.5</td>
<td>3.5</td>
<td>3.2</td>
<td>4.7</td>
<td>3.3</td>
<td>3.0</td>
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<tr>
<td><strong>Terms of Trade(^a)</strong></td>
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<td>(1987 = 100)</td>
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<tr>
<td>Export Unit Values</td>
<td>128</td>
<td>-</td>
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<td>-</td>
<td>98</td>
<td>98</td>
<td>111</td>
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<td>Terms of Trade</td>
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<tr>
<td>Taxes on International Trade and Transactions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10.1</td>
<td>12.7</td>
<td>10.7</td>
<td>10.3</td>
<td>11.1</td>
<td>10.8</td>
<td>12.2</td>
<td>14.3</td>
<td>15.4</td>
</tr>
</tbody>
</table>


\(^a\) The figures are rounded to one decimal place.
from 10.1 in 1988 to 14.1 in 1997 (Table 5.2). This means that it is becoming increasingly costly for SSA to engage in international trade. As a summary, Table 5.2 indicates that SSA has not only been marginalized from world trade but also, it has been compelled to engage in international trade on deteriorating terms, and with increasing transaction costs. The gains associated with international trade, and improved access to international markets are yet to be realized in the context of the sub-region.

With regard to the much touted gains associated with the diversification of exports, the scenario in SSA rather paints an increasing concentration on the export of few primary commodities.\textsuperscript{10} The sub-region is yet to diversify its economy toward the production and export of manufactured goods. As indicated in Table 5.3 below, the annual percentage growth in the production and export of manufactured goods declined from 26.8 in 1980 to 10.4 in 1996. The decline in the export of manufactured goods, that signifies a process of de-industrialization, is compensated for by an increasing production and export of primary commodities. In average terms, cocoa, coffee, and cotton still form more than 60 percent of SSA's total exports.\textsuperscript{11} The production and export of these primary commodities, as measured by thousands of metric


\textsuperscript{11}Ibid., p. 6.
Table 5.3

SSA-Selected Indicators on Diversification of Exports, 1980-1996

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>1980</td>
<td>863</td>
<td>807</td>
<td>404</td>
<td>26.8</td>
<td>14.6</td>
</tr>
<tr>
<td>1987</td>
<td>1115</td>
<td>931</td>
<td>604</td>
<td>12.3</td>
<td>19.6</td>
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<tr>
<td>1988</td>
<td>1081</td>
<td>803</td>
<td>568</td>
<td>8.9</td>
<td>-2.6</td>
</tr>
<tr>
<td>1989</td>
<td>1356</td>
<td>881</td>
<td>708</td>
<td>4.1</td>
<td>-2.6</td>
</tr>
<tr>
<td>1990</td>
<td>1346</td>
<td>1018</td>
<td>592</td>
<td>5.2</td>
<td>0.2</td>
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<tr>
<td>1991</td>
<td>1365</td>
<td>820</td>
<td>564</td>
<td>1.5</td>
<td>-10.3</td>
</tr>
<tr>
<td>1992</td>
<td>1186</td>
<td>840</td>
<td>570</td>
<td>6.8</td>
<td>-5.0</td>
</tr>
<tr>
<td>1993</td>
<td>1467</td>
<td>828</td>
<td>582</td>
<td>5.8</td>
<td>4.9</td>
</tr>
<tr>
<td>1994</td>
<td>1288</td>
<td>738</td>
<td>619</td>
<td>4.3</td>
<td>18.1</td>
</tr>
<tr>
<td>1995</td>
<td>1337</td>
<td>763</td>
<td>611</td>
<td>10.4</td>
<td>15.4</td>
</tr>
<tr>
<td>1996</td>
<td>1839</td>
<td>949</td>
<td>642</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from the World Bank, *African Development Indicators, 1998/99.*
tons, have been increasing since 1980 (Table 5.3). In this case, SSA is reverting to the performance of its traditional role as exporter of primary products.

Regrettably, the paltry increases in Net Foreign Direct Investment, and Net Private Capital Flows do not help the diversification efforts in the sub-region. As shown in Table 5.4 below, the Net Foreign Direct Investment in SSA increased from US$ 0.9 billion in 1990 to US$ 2.6 billion in 1996. As a percentage of GNP, this ratio increased in the same time interval from 0.3 to 0.8. Within the same time interval, Net Private Capital Flows rose from US$ 0.3 billion to US$ 11.8 billion.

Quite apart from the fact that SSA has been marginalized from the global flow of investment and private capital in comparison with East Asia and the Pacific (Table 5.4), the main function of these flows tend to deepen the dependency of SSA on primary products. That is to say, the multiplier effects of these investments tend to negate the industrialization efforts of the sub-region.

As disappointingly stated by the World Bank, in "Sub-Saharan Africa foreign direct investment is confined largely to natural resource sectors in a few countries."¹² In other words, instead of the gains of export diversification, foreign direct investment, in the context of SSA, deepens the pain.

¹²The World Bank, Global Development Finance, Vol. 1: Analysis and Summary Tables, p. 28
Table 5.4:

<table>
<thead>
<tr>
<th>Year</th>
<th>SSA-FDI (Billions of U.S. Dollars)</th>
<th>East Asia and the Pacific (Billions of U.S. Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>0.9</td>
<td>10.2</td>
</tr>
<tr>
<td>1991</td>
<td>1.6</td>
<td>12.7</td>
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<tr>
<td>1992</td>
<td>0.8</td>
<td>20.9</td>
</tr>
<tr>
<td>1993</td>
<td>1.6</td>
<td>38.1</td>
</tr>
<tr>
<td>1994</td>
<td>3.1</td>
<td>44.1</td>
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<tr>
<td>1995</td>
<td>2.2</td>
<td>51.8</td>
</tr>
<tr>
<td>1996</td>
<td>2.6</td>
<td>61.1</td>
</tr>
</tbody>
</table>

Net Foreign Direct Investment (Percentage of GNP)

<table>
<thead>
<tr>
<th>Year</th>
<th>SSA-FDI (Percentage of GNP)</th>
<th>East Asia and the Pacific (Percentage of GNP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>0.3</td>
<td>1.6</td>
</tr>
<tr>
<td>1991</td>
<td>0.6</td>
<td>1.2</td>
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<td>1992</td>
<td>0.3</td>
<td>2.6</td>
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<tr>
<td>1993</td>
<td>0.6</td>
<td>4.5</td>
</tr>
<tr>
<td>1994</td>
<td>1.2</td>
<td>4.4</td>
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<tr>
<td>1995</td>
<td>0.8</td>
<td>4.2</td>
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<tr>
<td>1996</td>
<td>0.8</td>
<td>4.2</td>
</tr>
</tbody>
</table>

Net Private Capital Flows (Billions of U.S. Dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>SSA-PCF (Billions of U.S. Dollars)</th>
<th>East Asia and the Pacific (Billions of U.S. Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>0.3</td>
<td>19.3</td>
</tr>
<tr>
<td>1991</td>
<td>0.8</td>
<td>20.8</td>
</tr>
<tr>
<td>1992</td>
<td>-0.3</td>
<td>30.9</td>
</tr>
<tr>
<td>1993</td>
<td>-0.5</td>
<td>62.4</td>
</tr>
<tr>
<td>1994</td>
<td>5.2</td>
<td>71.0</td>
</tr>
<tr>
<td>1995</td>
<td>9.1</td>
<td>84.1</td>
</tr>
<tr>
<td>1996</td>
<td>11.8</td>
<td>108.7</td>
</tr>
</tbody>
</table>

and uncertainty associated with the export of primary products.

Quite apart from the negative effects of foreign direct investment, there are substantial decreases in the net flows, and net transfers from multilateral institutions, including the IMF. Net flows represent all disbursement of loans less all repayments of principal loans. Net transfers are net flows less interest payments.

In current prices, Long and Short Term net flows to SSA decreased from US$ 8615 million in 1980 to US$ 2672 million in 1996, while Long-Term Loans alone decreased from US$ 8615 million to US$ 866 million in the same time period (see Table 5.5 below). The revelation here is that, SSA has been receiving declining financial net flows from the multilateral financial institutions since 1980.

On the other hand, Long and Short Term net transfers declined from US$ 5104 million in 1980 to US$ -2568 million in 1996, while Long-Term net transfers decreased from US$ 6133 million in 1980 to US$ -3979 million in 1996. The meaning of the negative signs is that, since 1996, SSA has been a net transferor of financial resources to the World Bank and the IMF. In terms of net transfers, SSA gives more than it gets from these institutions.

If we are to cast the reverse flow of resources within our conditionality experiment (as explained in Chapter IV), the intentions of the Bretton Woods institutions become very clear.
Table 5.5
SSA-Indicators on Net Flows and Net Transfers, 1980-1996

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</thead>
<tbody>
<tr>
<td>Net Flows in Millions of U.S. Dollars (Current Prices)</td>
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</tr>
<tr>
<td>Long and Short Term Loans, including IMF</td>
<td>8615</td>
<td>9917</td>
<td>7125</td>
<td>7075</td>
<td>7160</td>
<td>4104</td>
<td>5320</td>
<td>5932</td>
<td>7352</td>
<td>7469</td>
<td>2672</td>
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<tr>
<td>Long-Term Loans, including the IMF</td>
<td>8615</td>
<td>6131</td>
<td>5725</td>
<td>6312</td>
<td>4853</td>
<td>4562</td>
<td>4139</td>
<td>5679</td>
<td>4799</td>
<td>4557</td>
<td>866</td>
</tr>
<tr>
<td>Net transfers in Millions of U.S. Dollars (Current Prices)</td>
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</tr>
<tr>
<td>Long and Short Term Loans, including IMF</td>
<td>5104</td>
<td>6208</td>
<td>2413</td>
<td>2516</td>
<td>1847</td>
<td>-1156</td>
<td>726</td>
<td>2563</td>
<td>2822</td>
<td>2500</td>
<td>-2568</td>
</tr>
<tr>
<td>Long-Term Loans including IMF</td>
<td>6133</td>
<td>2953</td>
<td>1668</td>
<td>2375</td>
<td>255</td>
<td>-96</td>
<td>103</td>
<td>2837</td>
<td>678</td>
<td>33</td>
<td>-3979</td>
</tr>
</tbody>
</table>

The World Bank and the IMF are operating either as cost-conscious experimenters, or cunning manipulators who after conditioning an expected behavior (implementation of neoliberal reforms) fail to deliver the promised rewards (increasing disbursement of reform loans). However, behaving like the rat in the operant experiment that continues to press the lever even when the experimenter stops delivering the food pellets, SSA is still on the path of reforms in expectation of increasing loans from the World Bank and the IMF. The psychological implication here is that, SSA is financially marginalized within a neoliberal policy trap.

Financially "hemmed in" within the confines of neoliberalism, SSA cannot even count on its own, internally generated investment funds. As a percentage of GDP, the Gross National Savings declined from 20.3 in 1980 to 8.4 in 1997, while Gross Public Investment decreased from 7.2 in 1988 to 5.8 in 1997. On the other hand, Gross Domestic Savings, as a percentage of GDP, declined from 24.6 in 1980 to 11.6 in 1997, while Gross Domestic Investment fell from 23.1 to 18.3 within the same time period (see Table 5.6 below). Compelled to deal with deteriorating terms of trade (see Table 5.2) associated with the continuing export of primary products (see Table 5.3), and confronted with reverse transfer of resources (see Table 5.5), SSA is deeply incapacitated in the generation of substantial investment funds (Table 5.6).

The offshoots of these marginalization trends thwart the efforts of SSA on its journey toward the kingdom of welfare-
Table 5.6
SSA-Indicators on National and Domestic Savings and Investment, 1980-1997

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</thead>
<tbody>
<tr>
<td><strong>Percentage of GDP</strong></td>
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</tr>
<tr>
<td>Gross National Savings</td>
<td>20.3</td>
<td>12.2</td>
<td>12.2</td>
<td>10.3</td>
<td>8.6</td>
<td>4.7</td>
<td>5.4</td>
<td>7.8</td>
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<td>9.9</td>
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<td>Gross Public Investment</td>
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<td>7.1</td>
<td>6.7</td>
<td>6.1</td>
<td>6.4</td>
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<td>5.7</td>
<td>5.5</td>
<td>5.5</td>
<td>5.8</td>
</tr>
<tr>
<td>Gross Domestic Savings</td>
<td>24.6</td>
<td>15.6</td>
<td>16.0</td>
<td>14.9</td>
<td>12.5</td>
<td>8.2</td>
<td>9.2</td>
<td>11.4</td>
<td>10.6</td>
<td>13.5</td>
<td>11.6</td>
</tr>
<tr>
<td>Gross Domestic Investment</td>
<td>23.1</td>
<td>18.9</td>
<td>18.3</td>
<td>17.0</td>
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<td>19.1</td>
<td>19.7</td>
<td>18.7</td>
<td>18.3</td>
</tr>
</tbody>
</table>

Source: Adapted from the World Bank, *African Development Indicators, 1998/99.*
maximizing growth, as promised within the universalistic presumptions of neoliberalism. As indicated in Table 5.6, the annual percentage change in GDP growth declined from 3.8 in 1980 to 3.5 in 1997. In average terms, this is not a spectacular decline since Table 5.7 below indicates that there were appreciable growths in 1995 and 1996. In a broader macroeconomic perspective however, there seems to be growth without the type of development that translates into the improvement of average welfare.

As an appropriate surrogate for the measurement of average welfare, GNP per capita decreased from US$ 639 in 1980 to US$ 503 in 1997 (see Table 5.7). The decline in average welfare is accentuated by the fact that, neoliberal policy demands such as the removal of subsidies on essential services, and the effects of devaluation precipitate increase in cost of living. As shown in Table 5.7, an increasing cost of living is reflected by the rise in the Consumer Price index (with 1987 as base year of 100) from 40 in 1980 to 305 in 1997. With declining GNP per capita, and with rising cost of living, the average person in SSA is yet to benefit from the sub-regions' incorporation into the ideological framework of globalization (this issue awaits a more detailed analysis in Chapter VI).

The compendium effect of growth without development, worsening terms of trade, declining share of total world trade, de-industrialization, and rejuvenation of primary exports is a deteriorating debt position of SSA. As indicated
Table 5.7
SSA-Indicators on GDP Growth Rates, GNP Per Capita, and Inflation, 1980-1997

<table>
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</thead>
<tbody>
<tr>
<td>GDP Growth</td>
<td>3.8</td>
<td>4.0</td>
<td>3.0</td>
<td>1.3</td>
<td>1.2</td>
<td>-1.1</td>
<td>0.6</td>
<td>1.7</td>
<td>4.1</td>
<td>5.1</td>
<td>3.5</td>
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<tr>
<td>U.S. Dollars</td>
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<td></td>
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</tr>
<tr>
<td>GNP Per Capita</td>
<td>639</td>
<td>536</td>
<td>537</td>
<td>522</td>
<td>517</td>
<td>520</td>
<td>502</td>
<td>485</td>
<td>488</td>
<td>503</td>
<td>503</td>
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<tr>
<td>Inflation</td>
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<tr>
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<td></td>
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</tr>
<tr>
<td>Food Price Index</td>
<td>40</td>
<td>100</td>
<td>112</td>
<td>124</td>
<td>138</td>
<td>161</td>
<td>190</td>
<td>203</td>
<td>232</td>
<td>262</td>
<td>289</td>
</tr>
<tr>
<td>Consumer Price Indexa</td>
<td>43</td>
<td>112</td>
<td>122</td>
<td>138</td>
<td>157</td>
<td>186</td>
<td>203</td>
<td>231</td>
<td>253</td>
<td>277</td>
<td>305</td>
</tr>
</tbody>
</table>

a. The figures are rounded to one decimal place.

Source: Adapted from the World Bank, *African Development Indicators, 1998/99.*
in Table 5.7, SSA's Total Debt Stock rose from US$ 180.1 billion in 1990 to US$ 228.2 billion in 1999. Servicing such debts imposes severe strain on the sub-regions' economy. For instance, Total Debt Stock as a percentage of Total Exports increased from 91.7 in 1980 to 236.9 in 1996. This means, by 1996, the total debts of SSA were twice the value of its exports (see Table 5.8 below). The lesson here is that, the deterioration of the indebted position of SSA seems to be positively related to its incorporation into the global market discipline.

Major macroeconomic indicators presented above show that SSA is performing poorly on the measurable outcomes of integration, irrespective of the fact that the sub-region has been incorporated into the ideological framework of globalization. This, in essence, captures the paradox relating to SSA's incorporation into the logic of globalism, and its concurrent denial of the gains associated with integration. In relation to the sub-region's worsening debt position, the negative impact of this paradox is devastating because, the sub-region has to operate within the framework of what Howard P. Lehman refers to as "indebted development."¹³

¹³As explained by H.P. Lehman, "indebted development" involves the "process and policy outcomes of economic adjustment and debt management strategies for Third World states who must interact at both levels of analysis." See Howard P. Lehman, Indebted Development: Strategic Bargaining and Economic Adjustment in the Third World, p. 2.
Table 5.8
SSA-Summary Debt Data, Selected Years, 1980-1999

<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>Total Debt Stock (US$ bn.)</strong></td>
<td>180.1</td>
<td>187.3</td>
<td>187.4</td>
<td>197.3</td>
<td>212.8</td>
<td>226.8</td>
<td>229.3</td>
<td>222.1</td>
<td>221.3</td>
<td>228.2</td>
</tr>
<tr>
<td><strong>Ratio of External Debt to GDP</strong></td>
<td>61.6</td>
<td>62.8</td>
<td>62.1</td>
<td>65.7</td>
<td>71.4</td>
<td>62.0</td>
<td>56.2</td>
<td>51.2</td>
<td>53.3</td>
<td>72.0</td>
</tr>
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<tr>
<td><strong>In Percentage Ratios</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EDT/XGS</strong></td>
<td>91.7</td>
<td>226.6</td>
<td>241.7</td>
<td>236.9</td>
</tr>
<tr>
<td><strong>EDT/GNP</strong></td>
<td>30.6</td>
<td>71.1</td>
<td>81.3</td>
<td>72.6</td>
</tr>
<tr>
<td><strong>INT/XGS</strong></td>
<td>6.2</td>
<td>9.1</td>
<td>5.5</td>
<td>5.6</td>
</tr>
</tbody>
</table>

**Key**

EDT/XGS = Total Debt Stock as Percentage of Total Exports
EDT/GNP = Total Debt Stock as Percentage of GNP
INT/XGS = Total Interest Payment as Percentage of Total Exports

Marginalization of SSA: Meanings and Dimensions

The deteriorating macroeconomic indicators as delineated above serve as the basis for the various meanings and dimensions of the marginalization of SSA. As rightly pointed out by James H. Mittelman, the meaning of marginalization could best be understood in relation to the specific positions of regions within the emerging Global Division of Labor and Power (hereafter referred to as GDLP).  

If economic strength is an index of political power, and political influence the determinative factor in the hierarchical organization of regions within the emerging GDLP, then, the worsening economic indicators place SSA at the bottom of the race. At this juncture, a specified definition of marginalization is in order.

Marginalization is an epithet for describing SSA's diminishing influence, and increasing irrelevance in the emerging GDLP. SSA's diminishing influence, and increasing irrelevance is explained by the fact that, though, the sub-region has been incorporated into the neoliberal ideological framework, it is yet to benefit from the gains of integration. In comparative terms, marginalization refers to the economic regression of Africa relative to other regions of the world and the diminishing importance of Africa to the global economy, particularly to the industrialized countries.

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The economic regression of SSA, as indicated by the worsening macroeconomic trends, reduces the importance and relevance of the sub-region within the emerging global system. To make a point, but at the risk of an exaggeration, SSA is increasingly relegated to the footnotes of the globalizing world. The relegated position of SSA is best captured in an assessment by the *New York Times*. It writes,

Africa's share of world trade ... is now closer to 2 percent. That is so marginal it is almost as if the continent has curled up and disappeared from the map of international shipping lanes and airline routes that rope together Europe, North America and the booming Far East. Direct foreign investment in Africa is so paltry it is not even measured in the latest World Bank study.\(^\text{16}\) That is to say, in terms of trade and investment, SSA is virtually non-existent in the calculations of the industrialized countries. Such diminutive position of the sub-region affects its relative power position in the international system.

By extension, and specifically in connection with the distribution of power and its influence, marginalization is "the relative or absolute lack of power to influence a defined social entity while being a recipient of the exercise of power by other parts of the entity."\(^\text{17}\) In other words, SSA cannot drastically change the policy orientation of SAPs, but will as a result of its powerlessness, continue to play by the rules


of the neoliberal game, notwithstanding the fact that the measurable outcomes are disappointingly negative.

Two dimensions of marginalization could be deduced from the characterizations above; external, and internal. External marginalization captures the nondescript relationship between the sub-region as a whole, and the global economic system as a unit. It reflects the subordinated position of SSA within the hierarchical (Darwinian) arrangement of the international system. Internal marginalization on the other hand signifies how the people of SSA are unwittingly made to bear the burden of poverty that is a derivative of the sub-region's external marginalization.

According to the 1995 Oxfam Poverty Report, 48 percent of the population in SSA were living in poverty in 1990. This ratio is expected to increase to 50 percent by the end of the year 2000.18 It is in this respect that Adebayo Adedeji argues that, in terms of "the prevalence of poverty ... sub-Saharan Africa is the world's most marginal region."19 Poverty and destitution undermine the external marginalization of SSA. As a result, the two dimensions of the sub-region's marginalization are self-reinforcing.

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ACCOUNTING FOR THE PARADOX OF INCORPORATION AND MARGINALIZATION

What has been done so far is to isolate the various components of our specified theoretical function \( M = IC - g[IT] \) that indicates that, marginalization \( M \) equals incorporation \( IC \) without the gains of integration \( g[IT] \). The identification of the various terms of the model is a descriptive guide to the explanation of the paradox of incorporation and marginalization. It is pertinent to note however that while the facts, and evidence on the marginalization of SSA invokes less contention, there is a considerable degree of disagreement in accounting for the marginalization of the sub-region. For the sake of conceptual clarity, and especially to vindicate our specified theoretical function, the competing explanations will be demarcated into two basic strands: the orthodox, and the unorthodox views.

The Orthodox View: Insufficient Reform Thesis

The orthodox accounts reflect the traditional positions of the World Bank, the IMF, and their neoliberal apostles who operate from within the internal validating assumptions of neoclassical economics. In spite of some fine shades of differential emphasis, the orthodox view accounts for the marginalization of SSA from the perspective that the sub-region has not gone far enough with liberalization, devaluation, and marketization. In this case, insufficient neoliberal reforms, rather than unresponsive neoliberal policies explain the marginalization of the sub-region.
Two World Bank economists, Francis Ng and Alexander Yeats, argue that protectionist policies are the main explanatory causes of Africa's marginalization in world trade. According to the authors, protectionist policies prevent Africa from developing new export products. As a result, Africa is compelled to rely on the export of primary commodities that are "of declining relative importance in international trade." Ng and Yeats conclude their study with an emphatic statement that there is "little support for the proposition that external protection caused Africa's marginalization in global trade." The implication here is that SSA's own internal protectionist policies are to be blamed for the economic retrogression of the sub-region.

In another context, a group of World Bank experts, Yeats et al. contend that anti-competitive domestic policies, rather than external trade barriers account for SSA's shrinking share of world exports. These authors admit that "exports from sub-Saharan Africa accounted for 3.1 percent of world exports in 1995, but by 1990 its share had fallen to 1.2 percent... implying annual trade loss of 465 billion in current prices." In accounting for this loss, the authors claim that

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20See Francis Ng and Alexander Yeats, "Open economies Work Better! Did Africa's Protectionist Policies Cause Its Marginalization in World Trade?"

21Ibid., p. 893.

22Ibid., p. 901.

23See Alexander J. Yeats et al., "What Caused Sub-Saharan Africa's Marginalization in World Trade?"

24Ibid., p. 38.
SSA's marginalization is due to the fact that the sub-region has not done much on trade liberalization. In their expert recommendation, they warn;

If sub-Saharan Africa is to reverse the unfavorable export trends of the past two decades, it must quickly adopt appropriate trade and structural adjustment policies to change its international competitiveness and permit its exporters to capitalize on opportunities in foreign markets.25

Reading between the lines, these policy experts are certainly re-echoing the fundamental logic of increased exports through the policy of massive devaluations. In the logic of the neoclassical model, devaluations facilitate exports by reducing the existence of anti-export bias through the realignment of price ratios between exports and imports. In the view of Yeats et al., the continuing existence of such anti-export bias accounts for the marginalization of the sub-region in world trade.

Two officials of the IMF's Research Department, Dean DeRosa and Joshua Greene, also support the devaluation argument.26 The authors ridicule the much touted assertion that concurrent devaluations undertaken by exporters of primary products will lead to a downward trend in export prices and reduced economic welfare. Contrary, the authors insist that "exports in Sub-Saharan Africa may well rise following devaluations by a number of countries"27 because,

25Ibid., p. 41.

26See Dean DeRosa and Joshua Greene, "Will Contemporaneous Devaluations Hurt Exports from Sub-Saharan Africa?" Finance and Development, (March 1991), pp. 32-34.
"Simultaneous devaluations by a number of African countries are unlikely to reduce world commodity prices sufficiently to reduce their total export earnings."28 The conjecture here is that, SSA has been marginalized because specific neoliberal policies that are intended to boost exports and increase the availability of foreign exchange have not been fully exhausted.

It has also been the contention of the World Bank that, "the need to increase exports was ... to improve growth and the balance of payments," and that, "an overvalued currency has been the primary obstacle to exports, with devaluation a major part of the cure."29 The assumption here is that, there is more than a probabilistic relationship between devaluation, increased exports, increasing foreign exchange, and the efficient management of external debts. What the World Bank is subliminally suggesting is that, SSA's approach-avoidance attitude toward devaluation negatively impacts on most of the worsening indicators that index the marginalization of the sub-region.

On the assumption that import liberalization has positive multiplier effects on the value and volume of exports, Dean DeRosa admonishes that, "if sub-Saharan African countries had opted for open economic policies, they would have unleashed a strong supply-side response from domestic producers."30 The

27 Ibid., p. 32.
28 Ibid., p. 34.
29 The World Bank, Adjustment in Africa, p. 75.
contention here is that, SSA has not gone far enough with the marketization process to expose the economy to international competitiveness. As a result, domestic producers are denied the entrepreneurial incentives to produce more for the export market, hence, the marginalization of SSA from international export markets. In other words, it is not that SSA has been marginalized from the world trading system but that, the sub-region has marginalized itself from the opportunities inherent in the international trading system.

The insufficient reform thesis also accounts for the marginalization of SSA with regard to the flow of foreign direct investment. On the premise that financial repression inhibits direct foreign investment, the standard argument rests on the lack of the minimum threshold of financial liberalization. The underlying assumption of this argument is that, external investment inflows are directly related to the level of open financial systems. This is so because, financial liberalization, and the adoption of favorable investment codes creates incentives for the increasing flow of foreign direct investment. On this note, SSA has been marginalized from direct foreign investment flows and all the associated benefits because, the financial systems of the sub-region have not been liberalized enough.

\[30\] Dean DeRosa, "Protectionism in sub-Saharan Africa hinders Exports," p. 42.

The underlying tenets of the orthodox explanation are not far fetched. According to the orthodox position, neoliberal policies that define the current development framework are technically neutral in their application, and non-discriminative in their effects. If faithfully adopted and implemented, the substantive, measurable economic outcomes will be the same in all contexts. In other words, under all circumstances, and in all contexts, there will be no discrepancy between the internal validating assumptions, and the external results of neoliberal policies.

In this case, SSA has been marginalized not because neoliberal policies are externally irrelevant in the context of the sub-region. Rather, SSA has been marginalized because, the implementation of neoliberal policies has not gone beyond the much needed critical threshold. This minimum threshold is needed to facilitate the sanctimonious determinism of market forces in the realization of the measurable gains of integration. The vindication of the orthodox view in the light of our theoretical function awaits the consideration of the unorthodox view.

The Unorthodox View: Unresponsive Neoliberal Reforms

In accounting for the marginalization of SSA, the unorthodox view also operates within the interstices of neoliberalism but, figuratively turns the insufficient reform thesis on its head. According to the unorthodox position, contextually unresponsive neoliberal policies, rather than
insufficient reforms explain the marginalization of the sub-region. Therefore, the unorthodox view, as a matter of principle, rejects the universalistic, redemptive connotations of the neoliberal model.

As previously alluded to, Alexander J. Yeats et al., and Francis Ng and Alexander Yeats claim that internal protectionist policies hinder the promotion of export-led growth, and thus deepen the marginalization of SSA from global trade. Adebayo Adedeji, an African statesman, and a respected guru of the unorthodox view, reject the internal protectionist argument.32 In his view, from the onset of colonization, through the establishment of neocolonial relationships, to the current orthodoxy of neoliberalism, SSA's economy has been predicated upon the export of primary commodities. However, with regard to exports, and contrary to the orthodox assertion, "the international environment has been hostile to Sub-Saharan Africa."33

Hostile in the sense that, the development of synthetic materials and other substitutes undermine the international demand for SSA's primary commodities. This assertion holds even when devaluation reduces the external price of the sub-region's products.34 On the other hand, as Belinda Coote

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painstakingly explains in the circumstances of some selected African countries, if SSA attempts to add value to its primary products by processing them, the sub-region runs into stiff tariff barriers imposed by the industrialized countries of the North. In retrospect, formidable external impediments more than internal protectionist schemes obstruct SSA from participating fully, and beneficially in the international, manufactured trading system.

In the face of the external impediments to the export of SSA's manufactured products, the neoliberal invocation of an export led growth transmute into the re-vamping of raw material exports. Rejuvenating the export of primary commodities precipitate the marginalization of SSA because it takes the sub-region "back to the future" in its traditional role as a raw material producing enclave.

With the re-incarnation of its unenviable traditional position, SSA is relegated to the lowest level of what James H. Mittelman refers to as the emerging global division of labor and power (GDLP). In this case, the idea that the promotion of markets and economic liberalization will encourage free trade with equal benefits to all participants is a highly misplaced faith with an unintended consequence. It

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35See Belinda Coote, The Trade Trap.

serves to incorporate, but marginalize SSA from the emerging global order.

Devaluation, as already indicated, is also a darling tool in the explanatory analysis of the orthodox thesis. The admonition is that, SSA has been very recalcitrant in its application of devaluation as a policy instrument for the promotion of exports, and in attracting foreign direct investment. To be fair and precise, most countries in SSA have implemented across the board devaluations. Even the World Bank, an incorrigible apostle of this policy, has acknowledged the possible destabilization effects of devaluation on the economy of the sub-region. In a comment on the magnitude of Ghana's devaluation, the Bank states;

Sudden large changes in prices may themselves hinder adjustment as in Ghana where industrial firms had great difficulty financing the working capital requirements of a ten-fold devaluation in 1983.37

The concern of the World Bank in this instance partially supports the unorthodox position. That is to say, it is not that SSA has been marginalized because it has not been following the prescribed neoliberal policy conditionalities. Rather, it has been marginalized because neoliberal policy instruments, such as devaluation, are not producing the anticipated results.

That neoliberal policies are not producing the desired results is concurred by Sebastian Edwards with his observation

that, "nominal devaluations in Africa are fully translated into higher domestic inflation without reducing the anti-export bias."\(^{38}\) Also, as a result of "elasticity pessimism" associated with SSA's primary exports, even Anne Krueger, an influential free trade advocate, sounds bearish on devaluation. She insists that, "domestic inflation is triggered by devaluation," and as a result, precludes "any change in the real price of foreign exchange."\(^{39}\) With domestic inflation (see Table 5.7), and without substantial changes in the real price of foreign exchange, the power of devaluation in the promotion of exports remains in the virtual realm of the neoliberal model.

Quite apart from the fact that devaluation in the context of SSA does not necessarily promote exports, the effects of this policy also contribute to a process of de-industrialization (refer Table 5.3). In his examination of why British industries are quitting Africa, Brain Scudder isolates devaluation and the liberalization of import controls as the main culprits.\(^{40}\) Devaluation increases the price of imports and as a result, raises the operational costs of industries with high import components. Liberalization, on the other

\(^{38}\)Sebastian Edwards, "Openness, Trade Liberalization, and Growth in Developing Countries," p. 1370.


\(^{40}\)See Brian Scudder, "Why the British are Quitting Africa," Africa Business, No. 199 (May 1995), pp. 16-19.
hand, floods the local market with foreign substitutes and thereby, discourage local industrial investments.

The product of these two basic policies of neoliberalism is not only forcing governments to abandon industries, it is also driving British investors out of Africa at an alarming rate. As at 1989, there were 90 British companies operating in English Speaking Africa (ESA). By the middle of 1994, over half of these companies had disinvested, or preparing to disinvest from this region. In the face of this disinvestment fever, liberalization of the financial system, and the enactment of favorable investment codes that are intended to attract foreign investments degenerate into self-defeating, neoliberal rituals with repugnant consequences. The case of Ghana exemplifies such an unresponsive neoliberal thesis.

In 1985, Ghana adopted a new Investment Code with guarantees against nationalization, and with provisions for unrestricted transfer of dividends and charges for technology transfers. According to The Economist Intelligence Unit Report on Ghana, this Investment Code is one of the most liberal investment documents in Africa. Disappointingly however, the pattern of investment after the promulgation of the Code is not the type that could precipitate a diversified industrial system. There has been negligible foreign interest other than

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41Figures are cited in ibid.

in the financing of gold extraction and timber logging, which are basically primary products.

Foreign investment in the extractive, primary sector has been so intense that, by 1992, gold has taken over cocoa as the leading foreign exchange earner for Ghana.\(^{43}\) This type of foreign investment seemed inimical to Ghana's industrialization efforts when the then Finance Secretary reprimanded that:

Investors should choose the most efficient technologies available, but it is clear that to prevent an intensification of the enclave nature of mining operations, we need to encourage the processing of some of the mineral products locally and stimulate the growth of mining service activities supplying inputs into the sector.\(^{44}\)

In as much as the Secretary would have preferred diversification of industrial investments, the above supplication that reflects his country's marginalization from the boom of global industrialization is very nostalgic. But, from the neoliberal framework within which his government operates, the supplication is illegitimate.

Incorporated into the policy interstices of globalization, foreign investors in SSA act purely on the distributive (in)justice of price signals, rather than on moralistic, or nostalgic compulsions of state directives. The irony here is that, an Investment Code that was intended to assist an industrial diversification plan rather turns to

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deepen the pain of Ghana's reliance on the export of primary commodities. In this particular instance, liberalization of Ghana's investment regime has not been responsive with regard to the anticipated results. The deepening of the extractive, enclave sector was not what the government expected to gain with its "over-liberalized" Investment Code.

According to the unorthodox thesis, it is within the deep recesses of such unresponsive neoliberal policies that the marginalization of SSA assumes its dynamic form. In other words, the marginalization of SSA is a direct function of the sub-region's incorporation into the contextually unresponsive neoliberal framework that is associated with the developmental paradigm of globalization. The crucial question that emerges at this point is: To what extent do the two competing explanations on the marginalization of SSA fare in the light of our specified theoretical function?

A LITMUS TEST OF COMPETING EXPLANATIONS

The insufficient reform thesis, an account preferred by the Bretton Woods institutions, claims that SSA has been marginalized because the sub-region has not gone far enough with neoliberal reforms. This means SSA has not been incorporated enough. By implication, this explanation relates incorporation (IC) as a function of the gains of integration (g[IT]). In its notational form, IC = g[IT]. In other words, there is a direct, automatic link between the depth of incorporation (IC) and the attainable level of the gains of
integration (g(IT)). As incorporation (IC) deepens, the gains of integration (g(IT)) also increases.

If we are to accept the orthodox explanation, then, we must also concede that there are no intervening variables between incorporation and the attainment of the gains of integration. In this case, marginalization (M) emerges as an inverse function of incorporation (1/IC), in the sense that, marginalization decreases (or increases) with increasing (or decreasing) incorporation. Granting this assertion to be true, then, marginalization could not be equal to incorporation without the gains of integration as presented in our theoretical function as:

\[ M = IC - g(IT) \]

However, implied in our function is the assumption that there are some intervening variables that limit the ability of SSA to maximize the measurable outcomes of integration. This is in spite of the fact that the sub-region has been incorporated into the ideological framework of globalization.

In this case, the identification of some intervening factors that limit the maximization of the gains of integration in the context of SSA will be useful at three levels. First, it will vindicate our theoretical function. Second, it will shake, and then bury the orthodox presumption that the means (that is, incorporation through the implementation of neoliberal policies), in an unmediated matrix, justify the ends (that is, the attainment of the gains of integration). Third, it will enable us to reappraise the
unorthodox explanation in light of our specified theoretical function.

The unfortunate fact that unexamined adoption of neoliberal policies both incorporates, and marginalizes SSA within the global trade and investment regime is accentuated by some factors that operate to the disadvantage of the sub-region in the international system. G.K. Helleiner has cautioned analysts that the operations of international market forces "are clearly not ethically rooted." It is therefore improper to make pragmatic assertions about the operation of international market forces on the basis of distributive justice that hinges on moral premises.

While mindful of Helleiner's precautionary note, one cannot on the other hand lose sight of one basic unchanging constant. That is, a historically conditioned component of an unequal international exchange system, that works to the detriment of SSA, cannot be rectified merely by strategically uninformed liberalization of trade, and investment on the part of the sub-region. Take note that trade and foreign direct investment epitomize the major "push" and "pull" factors that determine the degree to which regions could maximize their economic outcomes of integration. Regrettably however, there are some factors that detract from the ability of SSA to

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maximize the gains associated with foreign trade, and foreign
direct investment.

It cannot be denied that trade and foreign direct
investment provide an essential stimulus to the maximization
of the gains of integration. However, as rightly pointed out
by Benjamin J. Cohen,

The strength of the trade stimulus depends on the net volume of
demand which foreign buyers bring to the export sector. The
strength of the investment stimulus depends on the net volume of
capital which foreign investors bring to the investment sector.47

In the context of SSA, there are some factors that limit both
the volume and impact of trade and investment. For instance,
the net volume of demand that foreign buyers bring to the
export sector depends on the income elasticity of demand for
SSA's primary products. Simply put, income elasticity of
demand represents the percentage change of quantity demanded
in response to percentage change in income. In other words,
how much will the foreign demand for SSA's exports increase
as a result of an increase in the income of foreign buyers.

If this ratio is positive, then, a rise in the income of
foreign buyers will translate into rising demand for SSA's
exports. If the ratio is negative, then, a rise in the income
of foreign buyers will lead to declining demand for SSA's
exports. Regrettably, the income elasticity of demand for
SSA's primary products is less than one.48 This means that,

47Benjamin J. Cohen, The Question of Imperialism: The Political
Economy of Dominance and Dependence, p. 170.

48See Kidane Mengisteab, "Devaluation: The Response of Exports and
Imports," p. 117.
increasing income in the advanced countries does not necessarily translate into a greater than proportional rise in demand for exports from SSA. Accounting for such an unfortunate scenario inadvertently demands a reappraisal of the unorthodox accounts on the marginalization of SSA from the international trading system.

Implied in the unorthodox accounts is the contention that the demand for SSA's primary products is influenced by the trend of industrial production in the advanced countries. Indeed, as already noted, technological improvements in the production of synthetic materials and other substitutes undermine the demand for raw materials and other primary products from SSA. Compounding this loss is the deteriorating trend in the sub-region's terms of trade (refer Table 5.2).

Blinded by its unbridled faith in the orthodox accounts on the marginalization of SSA, and paradoxically oblivious to the gap between textbook models and what pertains in the real world, the World Bank argues that unfavorable terms of trade is "not decisive in Africa's stagnation and decline." In its characteristic theatrical use of statistics, the World Bank argues,

If an annual income loss of 1 percentage point from declining terms of trade reduces the annual growth rate by no more than

49 Take note that the World Bank has described the policies it imposed on SSA during the early 1980s as "textbook" policies because they took little accounts of local social, and economic conditions. See the World Bank, Adjustment Lending: An Evaluation of Ten Years of Experience, p. 66.

50 The World Bank, Adjustment in Africa: Reforms, Results, and the Road Ahead, p. 27.
0.8 percentage points, then the falling terms of trade can account for no more than 10 percent of the reduction in growth rates between the early 1970s and the mid-1980s.\textsuperscript{51}

Inherent in this unorthodox account is an unfortunate implication that SSA's declining terms of trade is a "given" in the international exchange system that the sub-region must learn to live with because, it does not lead to a spectacular reduction in growth rates. This assessment is far from right.

As a result of the low income elasticity of demand, and especially due to declining terms of trade, devaluation, as a neoliberal policy requirement, does not lead to increased exports. Instead, the decline in export prices as a result of devaluation constitutes an unintended transfer of financial gains to the importing countries. This is so because, with the decline in export prices, the importing countries are in a position to buy the same volume of raw materials, if they choose to, with smaller expenditures. In this case, the role of SSA as a raw material exporter constitutes an "original sin" that condemns the sub-region to a disadvantageous position in terms of the operation of international market forces.

To further appreciate some of the neglected intervening factors, take note that neoclassical theories on international trade do not incorporate transportation costs to their models. But in the real world of international exchange, transportation costs could be additive to, or subtractive

\textsuperscript{51}Ibid.
from the gains of trade. After analyzing data on some selected countries in SSA, Yeats et al., in this instance, apologetically assert that,

A large share of sub-Saharan Africa's foreign exchange earnings, which might otherwise be used for productive investment, are being used to pay for international transport services ... Overall the countries of sub-Saharan Africa generally are at an important transport cost disadvantage relative to competitors. One-half the nominal vessel freight rates are more than 2 percentage points above those paid by other exporters of the same goods, and a larger adverse margin occurs for air freight than for vessel shipments.\(^52\)

Paradoxically, in their explanation of the marginalization of SSA from world trade, the authors do not explain how the perennial, adverse transportation costs as elaborated above, could be rectified by the mere deepening of neoliberal policies. Writing in a different context, Alexander J. Yeats again argues that other institutional factors also prevent SSA from achieving the optimum terms for their imports. He elaborates,

An example of institutional arrangements at the national level which may adversely influence African import prices is the practice of tying bilateral aid, so that recipients must use the funds to buy goods produced in the donor country. Because they are in a sense "captive importers," the African countries may not be offered prices that would prevail in international markets more generally ... Such overpricing could of course, be used as a means of transporting profits and capital out of Africa.\(^53\)

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\(^{52}\)Yeats et al., "What Caused Sub-Saharan Africa's Marginalization in World Trade?" p. 40.

Granting that the apologetic assertions of Yeats et al., and A.J. Yeats are formidable, then, as indicated in Table 5.2, SSA's Export Unit Values have been deflated by excessive international transaction costs, while its Import Unit Values have been inflated by overpricing of imports.

Deflation of export prices, and inflation of import prices precipitate marginalization because, it precludes the sub-region from achieving the benefits that are attainable within the circumference of the international trading system. Either way, SSA is denied the much needed foreign exchange that accrues from international trade, hence, the declining ability of SSA to rely on national savings and investment (refer Table 5.6). It has been the insistence of the World Bank that SSA must continue to open its region to international trade.  

On this request, and in recognition of the detracting intervening variables as adumbrated above, one might be tempted to ponder whether the international trading system is also opened to the sub-region. That this is not the case is explained by the fact that, SSA has adopted the necessary trade liberalization policies that would have even made Adam Smith blush! Yet, the sub-region has been marginalized from all the measurable benefits of international trade.

For instance, according to the United Nations Development Programme (UNDP), the conclusion of the General Agreement on Trade and Tariff (GATT) was expected to raise overall global

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54 See the World Bank, Adjustment in Africa, p. 25.
income from US$ 212 billion to US$ 510 billion between 1995 to the year 2001. During this period, SSA stands to lose about US$ 1.2 billion. Therefore, with regard to international trade, and contrary to what the orthodox accounts would like us to admit, there is no direct automatic link between trade liberalization and its associated benefits. This is equally true in connection with foreign direct investment.

It is instructive to note that the strength of foreign direct investment (FDI), as a stimulus to development, depends on two factors. First, it depends on the net volume of capital that foreign investors bring to the investment sector. Second, its multiplier effects depend upon the extent to which the invested funds could generate backward and forward linkages within the host economy.

In order to attract substantial net volumes of FDI, most countries in SSA have adopted far reaching liberal investment regimes. As previously mentioned, the 1985 Ghana's Investment Code is not a typical case in point. For, in an empirical study of the investment regimes in Cameroon, Kenya, and the then Ivory Coast, Ndiva Kofele-Kale concludes that most countries in SSA compete for FDI with over-liberalized investment provisions. Some of these over-liberalized provisions include corporate tax exemptions ranging from five

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55See the UNDP, Human Development Report, 1997, p. 82.

to twenty-five years, favorable tax treatment on the repatriation of royalties and profits, an import duty exemptions.\textsuperscript{57} 

In spite of these favorable provisions, SSA has been marginalized from the net flow of FDI in comparison with other developing countries (see Table 5.4). According to a global investment report released by the United Nations Conference on Trade and Development (UNCTAD) on October 3, 2000, investments by multinational corporations in Africa represent a meager 1.2 percent of global FDI flows, and just 5 percent of total FDI flows into developing countries.\textsuperscript{58} 

It is in light of such unintended marginalization of some regions within the global investment community that Paul Bennell argues that, there is a yawning gap between rhetoric and reality.\textsuperscript{59} In other words, the adoption of favorable investment regimes, as required within the logic of neoliberalism, does not necessarily translate into increasing flow of FDI into SSA. Some of the intervening factors that explain the gap on FDI in SSA are easily discernible.

Take note that FDI is a preserve of giant multinational corporations with huge investment and capital outlays. Therefore, to justify operational costs, and especially to maximize profits, the availability of bigger markets ranks

\textsuperscript{57}\textit{Ibid.}.

\textsuperscript{58}See \textit{Africa News Service} (October 4, 2000).

high in the investment calculations of giant corporations. It
is not surprising that, in spite of its on-and-off
confrontation with the rules of international trade, "China
continues to be by far the largest recipient of FDI inflows,
with $42 billion in 1996."60

Unlike China, SSA does not have the power and the
audacity to flex its muscles in the face of conventionally
accepted rules of international trade. And unlike China, the
sub-region has even instituted liberalized Investment Codes.
Yet, investments are not forthcoming simply because,
individual countries in SSA, probably with the exception of
Nigeria, do not have the minimum market threshold attractive
to profit-maximizing global corporations. The average size of
the market in SSA is only about US$3.5 billion.61 In
recognition of the fact that smaller markets preclude large-
scale investments, SSA cannot simply attract increasing
volumes of net FDI by the mere compensation of its fragmented
markets with the adoption of competitive liberalized
Investment Codes.

Quite apart from fragmented markets, the burgeoning size
of SSA's total debts is also having its own negative toll on
the net flow of FDI into the sub-region. As indicated in Table
5.3, the total debt stock of SSA increased from US$180.1
billion in 1990 to US$228 billion in 1999. Psychologically,

60The World Bank. Global Development Finance, Vol. 1: Analysis and
Summary Tables, p. 29.

61See Barnabas Thondlana, "Why Investors Shy of Africa," African
SSA's increasing debt "overhang" acts as a "scarecrow" to would be investors in projects of long-term gestation periods. This creeping debt size makes the financial future of SSA highly unpredictable. As a result, it has a negative impact on the psychology of foreign investors.

The scenario that increasing debts will translate into future taxes on corporate profits cannot be ruled out. What must be noted here is that, the increasing debt size partially reflects the increasing foreign exchange gap between SSA's exports and imports. In this case, there is a self-reinforcing cycle of deprivation between international trade and FDI in the context of SSA. Apparently, the multiplier effects of the paltry volume of FDI that emerges from such vicious cycle of deprivation cannot be completely positive.

As the World Bank admits, and is exemplified in the case of Ghana, FDI in SSA "is confined largely to natural resource sectors ..."\textsuperscript{62} Within the natural resource sector, mining operations receive the bulk of FDI. With its concentration in the extractive sectors, FDI in SSA has minimal multiplier effects on the economy of the sub-region as a whole. This is so because most extractive industries tend to be capital, rather than labor intensive; employing most sophisticated technologies. With technology appropriate to their home countries rather than to SSA, these industries remain as foreign enclaves and subsequently do not provide the essential forward and backward linkages within the economy of the sub-

region. These linkages would have contributed to the diversification of the productive base of SSA.

Simply put, concentration on extractive undertakings provides a weak transmission belt for the development of other auxiliary industries. In this instance, FDI does not necessarily precipitate diversification of exports as explained within the equilibration logic of neoliberalism. That this is not the case is explained by the fact that there are some intervening factors that obliterate the link between the provision of favorable investment regimes (as required by neoliberalism) and the attainment of the benefits associated with FDI (which constitute the gains of integration).

SSA has been deprived from the foreign exchange associated with international trade. The sub-region has been denied of the benefits that come with FDI. It has also been marginalized from net flows and net transfers (refer Table 5.5). As a result, some countries in SSA have resorted to unusual means in the generation of funds. For instance, in order to concoct favorable statistics on Ghana's economy to the international donor community to get more loans, there is an indication that proceeds from privatization of state-owned enterprises are used in balancing the budget instead of putting them into productive investments.\(^{63}\)

In a characteristic one shot sale to support the public budget, the government of Ghana floated its shares in the Ashanti Goldfields Corporation at the London Stock Exchange.

\(^{63}\text{See West Africa, No. 4036 (February 1995), p. 221.}\)
Meanwhile, Ashanti Goldfields is one of the best performing corporations in Ghana. In this instance, privatization, as a neoliberal policy requirement, is no more a principle toward the promotion of industrial efficiency. As a result of the increasing foreign exchange gap associated with SSA's marginalization, privatization has degenerated into a mode of behavior characteristic of governments hard-pressed for hard currency.

To recapitulate, our theoretical function is predicated upon one crucial assumption. That is, there are some unfavorable intervening factors that prevent SSA from maximizing the measurable gains of integration. This is the main reason why marginalization (M) is equated to incorporation (IC) without the gains of integration (g[IT]). In the realm of international trade and foreign direct investments, some of these detracting, intervening factors that account for the marginalization of SSA have been identified, and explained.

Using the underlying assumption of our theoretical function as a litmus test of the competing explanations on the marginalization of SSA, the unorthodox accounts, rather than the orthodox accounts, have been vindicated. To recall, the insufficient reform thesis (the orthodox view) claim that SSA has been marginalized because the sub-region has not gone far enough with the implementation of neoliberal policies. By implication, this view is oblivious to some contextual,  

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64See West Africa, No. 3968 (October 1993), p. 1811.
intervening factors that prevent SSA from maximizing the gains of integration. The ecclesiastical implication of the orthodox view is: Seek ye first the neoliberal kingdom and all others shall be added unto it.

On the other hand, the unresponsive neoliberal reform thesis (the unorthodox view) rejects the universalistic, redemptive connotations of neoliberal policies associated with the emerging global order. According to the unorthodox view, there are some intervening factors that limit the "responsiveness" of neoliberal policies in the context of SSA. As a result of these factors, SSA is hamstrung in maximizing the gains of integration, hence, the marginalization of the sub-region.

With the identification of some intervening factors in the realm of international trade and FDI, the unorthodox position on the marginalization of SSA fits our specified theoretical function more than the orthodox accounts. Indeed, if international trade, and FDI are the main apertures through which SSA is entreated to participate in the globalizing economy, then, the sub-region will continue to operate from a marginalized position. The marginalized position of SSA within the merging GDLP portends far reaching devastating implications.

The implications of the paradox of incorporation and marginalization on development, and poverty alleviating efforts of the sub-region are examined in the next Chapter. It is however appropriate to conclude this Chapter with the
examination of a specific question: Is the marginalization of SSA reversible?

IS MARGINALIZATION REVERSIBLE?

Is the marginalization of SSA a reversible process or, a permanent feature that will continue to characterize the position of the sub-region within the emerging GDLP? As a reflection of the contending explanatory accounts delineated above, the (ir)reversibility of SSA's marginalization seems to be fractured into two simplistic but, diametrically opposing tendencies. Though, the explanatory accounts of the insufficient reform thesis do not fit our theoretical function, it is however appropriate, for comparative purposes, to expatiate on its underlying prescriptions.

If we are to explain marginalization of SSA through the conceptual optics of the insufficient thesis, then, reversing marginalization means a deeper commitment to the universal principles of neoliberalism. On the other hand, if we are to prognosticate within the prism of the unorthodox accounts, then, the only available option is for SSA to strategically "de-link" from the universalizing policy presumptions of neoliberalism. How feasible are these two competing solutions?

Salvation Through Further Neoliberal Reforms?

Salvation through further neoliberal reforms is predicated upon two disputable implications. First, there is an implied caveat that all currently developed countries
reached their level of advancement on the basis of laissez-faire policies as currently suggested under neoliberal reforms. Second, there is the added assumption that all countries have equal power to influence the international system to suit their respective development agendas.

Probably, with the exception of Adam Smith's Britain, that all presently advanced nations achieved their level of greatness through laissez-faire capitalism is untenable. Even Britain's advocacy for a free trade regime during the middle of the 19th Century was contingent upon the country's attainment of an appreciable level of industrial prominence. Robert Gilpin for instance contends that, Britain became the champion of free trade after its industry had developed behind strict protectionist walls. In this case, free trade, and other laissez-faire incantations become a hypocritical facade behind which Britain sought for markets, and glory in distant lands. The role of the state in the initial protection of British industries, and in the subsequent crusade for free trade was the rule, rather than an exception.

Quite apart from Britain's instrumental use of laissez-faireism to achieve specific national objectives, the developmental experiences of Japan and the Asian NICs (South Korea, Taiwan, Hongkong, and Singapore) also undermine the monolithic, capitalist development argument. Chalmers Johnson argues that Japan's Ministry of International Trade and Industry (MITI) was instrumental in the promotion of selected

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industries in the course of Japan's development.66 Alice Amsden also demonstrates the ubiquitous role of the state in the development of South Korean industries.67 Yoshimatsu Hidetaka on the other hand argues that the NICs also developed a distinct form of capitalism that is "characterized by active state intervention in the economy and close state-business relations."68

Regardless of the available evidence, the current neoliberal paradigm within which the orthodox view claims the marginalization of SSA is reversible appears oblivious to the fact that there is no time-tested unilinear, capitalist path of development. Therefore, to insist on the path of unexamined neoliberalism brings to the fore, some undisclosed intentions. That is, with a playing field established to the advantage of the more powerful states, the proselytization of neoliberalism degenerates into a powerful ideological instrument. It is the process through which the advanced countries gain non-reciprocal and exploitative access to the markets of less developed countries, including SSA. Hyperbolic, but very descriptive, Scott Burchill refers to this as the politics of

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"free trade imperialism" that tends to marginalize developing countries, especially SSA.

In retrospect, the assumption that all currently developed countries achieved their level of greatness on the wheels of neoliberalism is not supported by the available evidence. Rather, free trade and other neoliberal incantations become the issue only when the envisaged benefits tilt to the advantage of the more powerful nations. In its marginalized position, and politico-economic diminutive posture, SSA does not possess the economic clout and political leverage not only to manipulate, but also participate beneficially in the international system of trade and investment.

On a more crucial note, the idea that the marginalization of SSA could be reversed through the deepening of unexamined neoliberal reforms is at best, conceptually obfuscating, and at worst, otiose. In the first place, the assertion that reforms have not gone deep enough is to admit, inadvertently, to some level of the neoliberal dosage. And as the indicators on the marginalization of SSA show, that discernible level of neoliberal reforms does not currently augur positive results. Therefore, to deepen neoliberal policies in its present mold is to embark on a circuitous experimentation that could only result in further destitution, and marginalization of the sub-region.

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Second, conceived within the presumption of the universalistic attributes of western capitalist development, the standard neoliberal policy package under SAPs comes as a technical solution to the developmental problems of SSA. And as with all technical solutions, there is an inherent tendency within the presuppositions of neoliberalism to externalize failures, and internalize successes. As a result of this tendency, the critical threshold point at which neoliberal reforms could be "frozen" and evaluated as a failure (which will call for program re-examination) or, a success (which will indicate the continuation of the program) is very evasive.

Beneath this time-saving evasiveness is a quintessential neoliberal policy trap. Conspicuous failures along the road imply insufficient reforms that must be rectified through further reforms; discernible successes mean progress that must be defended through the advancement of neoliberal reforms. In this case, with the marginalization of SSA, to concede to the prescriptions of the insufficient reform thesis is to justify the permanent consolidation of the sub-region on the failure side of the neoliberal policy trap. And if SSA gets stranded

70The tendency to externalize failures, and internalize success is an attempt to preserve the precarious internal validating assumptions of the neoclassical model. For instance, the World Bank argues in its 1993 report on East Asia that, the success of that region was due to "getting the basics right" through the promotion of "market friendly intervention," and "good governance." See the World Bank, The East Asian Miracle: Economic Growth and Public Policy (Oxford: Oxford University Press, 1993). However, with the onset of the 1997/98 financial crisis in East Asia, both the IMF and the World Bank, this time, isolated the East Asian state-assisted model as the main culprit. See Steve Radelet and Jeffrey Sachs, "The East Asian Financial Crisis: Diagnosis, Remedies, Prospects," Brookings Papers on Economic Activity, Vol. 1 (1998), pp. 1-90.
within the prison walls of neoliberalism, there will be no escape latches that could lead to autonomous policy freedom. Should this option hold true, the transient hope that the marginalization of SSA could be reversed through further neoliberal policies will be replaced by permanent despair, hopelessness, and powerlessness.

Salvation Through Strategic “De-linking?”

If SSA has been marginalized because the standard neoliberal policy package under SAPs is not responsive in the context of the sub-region, then, one might be tempted to fall victim to a post hoc ergo propter hoc fallacy with the prescription for reversing marginalization. That is, the marginalization of SSA could be reversed through some form of a "strategic de-linking" from the logic of neoliberalism in particular, and from the capitalist framework of development in general. As a concept of development, and particularly as a strategy to reverse the marginalization of SSA, de-linking ranges from some form of African socialism,71 through autocentricism,72 to popular development approaches.73

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72On autocentric development, see Kidane Mengisteab, Globalization and Autocentricity in Africa's Development in the 21st Century.

73On popular development approaches, see John Brohman, Popular Development: Rethinking the Theory & Practice of Development.
Samir Amin is the chief advocate of the strategy of de-linking. In his view, "the concept of 'delinking' is in no way synonymous with autarky." Rather, it is the pursuit of a system of rational criteria for economic options founded on a law of value on a national basis with popular relevance independent of such criteria of economic rationality as flow from the dominance of the capitalist law of value operating on a world scale.74

In other words, de-linking is an attempt to pursue a nationalist development process that is removed from the dictates, and the logic of the transformation of the world capitalist system. In this process, positive factors in the international system are selectively appropriated in support of domestic development agendas. This is in direct contrast to the current neoliberal framework in which national development priorities (granting that they exist) are subjugated to the imperatives of a globalizing world economy.

In this sense, an autocentric development approach is a peculiar strand of the strategy of de-linking. A defining feature of an autocentric strategy "is to base African economies primarily on social needs and thereby to promote internal dynamics without discarding the benefits of external dynamics."75 Promoting the internal dynamics of development is to expand control of the national process of capital accumulation. Here, development would be geared towards the

74Samir Amin, Delinking: Towards a Polycentric World, p. 62.

75Kidane Mengisteab, Globalization and Autocentricity, p. 22, italics in original.
satisfaction of social needs, rather than in meeting the scheduled demands of an externally imposed frame of development.

In a similar vein, popular development is an epithet for the "indigenization of development thinking ..." that involves "an intellectual emancipation and a fundamental reassessment of the major Western-based development paradigm." As the various strains of the de-linking strategy fumble to explain, and as John Brohman also admits, popular development does "not necessarily preclude Western concepts and methods, but entails a more realistic view of them as reflecting a specific geographical and historical context."

The underlying import of popular development is the need to re-examine ethnocentric theories of development in the light of local needs and contextual circumstances. Subscription to established theories, argues John Brohman, might not be responsive to the peculiar developmental needs of less developed regions, especially SSA.

The extent at which the marginalization of SSA could be reversed through the wisdom and the tenets that are exposed under the various strands of the de-linking strategy is very limited. In the first place, the "do's and don'ts" of the de-linking approaches reflect more of a moral revulsion to the universalistic claims of neoliberalism than a concise, workable blueprint for reversing the marginalization of SSA.

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76 John Brohman, Popular Development, p. 337.

77 Ibid.
It is instructive to note that even before neoliberalism became an issue, and the marginalization of SSA emerged as the issue, some countries in the sub-region had already experimented with some form of de-linking.

As already noted in Chapter II, Tanzania under J. Nyerere, Zambia under K. Kaunda, Ghana under Kwame Nkrumah, and to some extent, Nigeria during the 1970s were periods during which de-linking emerged as the spirit of the development process. As already alluded to, these experimentations did not tackle the fundamental structural problems of these countries. The experiments led to increasing indebtedness without formidable transformation toward economic independence and policy autonomy. Also, instabilities associated with the dependence on primary products undermined dependable, external sources of development funds.

The strategy of de-linking could not prove effective at a time when SSA, at least, had some appreciable degree of freedom to operate in a world without a rigid ideological development framework during the '60s and the '70s. In the current era of globalization, the ideological hegemony of neoliberalism has been elevated into an international theology. In this case, de-linking, as a strategy for reversing the marginalization of SSA, has been deeply incapacitated. It is therefore highly debatable whether de-linking could prove useful in reversing both the external, and internal marginalization of the sub-region. That this is the case is not far fetched.
SSA's highly indebted position (see Table 5.8) denies it the needed financial freedom to embark upon an endogenously determined development agenda that could possibly help reverse the internal marginalization of the sub-region. This is so because, as already noted in Chapter IV, the release of SALs is contingent upon the adoption of prescribed neoliberal policy conditionalities. Lacking its own financial resources for development, SSA's recourse to the funds of the IMF and the World Bank will continue to be the rule, rather than an exception.

On this note, it would be wishful thinking to presume that the Bretton Woods institutions will release substantial funds in support of amorphously defined, populist development agendas. This is so because, de-linking as a strategy, deviates from the logic of neoclassicism but, illegitimately appropriates from the spoils of collectivism, and blatantly identifies with the passion of redistributive justice. If SSA still has its eyes on the financial largesse of the IMF and the World Bank in support of some radical marginalization reversing agendas, the sub-region will eventually avail itself to the painful lesson that the Bretton Woods institutions do not, and will in no way finance "socialism" in the sub-region.

There are those who will counteract the recalcitrance of the Bretton Woods institutions with a pacifying note that SSA could rely on funds from other international private banks or, depend on its own internally generated funds. As a result of a complex admixture of some factors, funds from these two
sources cannot provide the much sought for financial redemption. As rightly pointed out by Anne O. Krueger, open and liberalized regions that win the World Bank's seal of approval attract other international, private capital flows.\textsuperscript{78}

In other words, international capital trails the path set by the IMF and the World Bank. This is especially true in SSA where the presence of these institutions is used as an index of a favorable investment climate, and their absence, an indication of a hostile investment atmosphere. A strategy of de-linking that runs counter to neoliberal prescriptions, and thus invokes the displeasure of the World Bank will \textit{ipso facto} incur the wrath of the international community.

The sub-region cannot count on internally generated financial resources in a situation in which "primary commodities account for 80 percent of exports."\textsuperscript{79} As already indicated, the prices of primary commodities are influenced by external factors that are beyond the exclusive control of the sub-region. As a result, proceeds from exports do not, and will not provide a reliable source of investment funds. For all practical purposes, embarking on a strategy of de-linking in an attempt to reverse the marginalization of SSA will not only face monumental external constraints, but also, will be financially hamstrung.

In spite of its nationalistic appeal, de-linking as a strategy does not address the fact that the debilitating,


external circumstances that continue to shape the marginalization of the sub-region cannot be overcome through the sheer force of populist rhetoric. The unfortunate fact is that, the development process of SSA is now caught within the excruciating pain of the neoliberal policy trap. As a result, the marginalization of SSA, as a paradox, is emerging as an enduring feature of the globalizing world economy.

Regrettably the enduring feature of SSA's marginalization cannot be reversed through an unexamined deepening of neoliberal reforms. It can neither be rectified through the adoption of some nationalistic, indigenization programs that are contemptuous of the reigning logic of neoliberalism, and run counter to the imperatives of globalization. As a result of the inadequate prescriptions of the orthodox and the unorthodox explanations, SSA is now caught within the paradoxical logic of neoliberalism, within which there is no redemption, and without which there are no pacifying alternatives.
CHAPTER VI

CONCLUSIONS AND POLICY IMPLICATIONS

The main objective of this dissertation was to examine whether neoliberal policies associated with globalization concurrently incorporate and marginalize SSA within the emerging international economic system. The examination of this objective was to enable us isolate the main implications of the paradox of incorporation and marginalization on development and poverty alleviating efforts of the sub-region.

In recognition of the fact that the objectives set in our study demanded a plausibility probe rather than a more rigorous testing of stated hypotheses, the appropriate mode of analysis was a qualitative-inductive procedure. This procedure was predicated upon the methodology of explanation. As outlined in Chapter I, designing a plausibility probe that is based on the methodology of explanation involves three essential stages: specification of a theoretical function, the undertaking of a case study, and verification of the theoretical function on the basis of the case study.

A theoretical function that isolates marginalization (M) as incorporation (IC) without the gains of integration (g[IT]) was specified. To test this theoretical function, a case study of SSA was conducted. After that, our specified theoretical function was verified by drawing upon the issues, and the facts delineated in our case study. In order to facilitate the methodology of explanation, four specific questions, as stated
in Chapter I, were isolated for comprehensive examination. The first three of these questions that highlight on the main terms in our theoretical function, have been examined in Chapters III, IV, and V respectively.

The final question to be addressed relates to the implications of incorporation and marginalization on the development priorities and poverty alleviation concerns of SSA. Therefore, the examination of the implications of marginalization is the main subject of our concluding Chapter. However, in order to cast the examination of our final question in a refreshing perspective, it would be appropriate, first, to marshal the main findings in our previous Chapters.

As it was emphasized in Chapter I, discussions on the marginalization of SSA would be meaningless unless they are conducted within the developmental prism of the sub-region. Development that bears on poverty alleviation, in this case, serves both as the backdrop and the end-point of our discussion of the marginalization of SSA. In this direction, the literature was reviewed in Chapter II to indicate that, in the context of SSA, the imperatives of globalization and the associated neoliberal policy demands signify the rise and fall of post-WW II traditional development paradigms.

As amply demonstrated in the final section of Chapter II, it is within the new globalization induced, and neoliberalism defined framework of development that the paradox of incorporation and marginalization, in the context of SSA, finds meaning. Therefore, in order to set the relevant
theoretical framework for the examination of the main objective of our study, the links between globalization and neoliberalism were examined in Chapter III.

In response to our first question, the underlying intention was to demonstrate the extent at which neoliberal policies constitute the ideological counterpart of globalization. The examination of this issue was very important. This is so because, we could not have authenticated the incorporation of SSA into the ideational framework of globalization without establishing the fact that neoliberalism constitutes the ideological handmaiden of globalization.

Indeed, after the essence of globalization was salvaged from the raging debate, and its characteristic features superimposed on the theoretical precepts and policy demands of neoliberalism, the fit between the two became conspicuously clear. As a contingent, ideological project, rather than an inevitable outcome of market forces, the substantive aspects of globalization include the internationalization of finance and production, and increasing flow of capital, goods and technology. As amply demonstrated, the realization of these substantive correlates of globalization would have remained frozen on the calculating boards of the World Bank and the IMF without their activation made possible through the instrumentalities of neoliberal policies.

As explained in Chapter III, the adoption and implementation of neoliberal policies serve as a lubricant, a greasing process that aids the actualization and spread of the
substantive aspects of globalization. In this case, globalization, contrary to the inevitability thesis, is a contingent process that rides on the proselytization of neoliberal policies. Therefore, as the main force *des frappe* of the globalization project, the instrumental value of neoliberal policies parallels that of atomic weapons in the prism of WW II, and nuclear deterrence in the calculations of the Cold War. In this regard, neoliberal policies, in both spirit and content, constitute the ideological armor of the globalization project.

In its practical connotation, the ascendancy of neoliberalism defines the legitimate framework of the new context of development. In response to our second research question, Chapter IV examined the path by which SSA was incorporated into the new globalization-induced, and neoliberalism-defined context of development. The underlying essence of this examination was to establish the parameter of incorporation (IC) in our theoretical function.

As outlined in Chapter IV, the debilitating economic crisis in SSA during the early 1980s provided a very receptive psychological background for the IMF and the World Bank to impose a global market discipline on the sub-region. In such a conforming framework, the justification of the wisdom of incorporation, the definition of the means of incorporation, and the enforcement of the process of incorporation were all conducted within the theoretical interstices of neoliberalism.

As demonstrated in the contexts of Ghana, Zambia, and...
Kenya, enforcing the process of incorporation took the form of quintessential conditionality experiments. In these experiments, the deliveries of funds were made contingent upon the adoption, and implementation of some specified neoliberal policies. In spite of some initial, frustrating contemplation, a greater number of countries in SSA eventually moved to accept and defend their incorporation into the orthodoxy of the new development framework. So successful was the incorporation experiment that, the World Bank, in its 1994 interim assessment, commended SSA on its efforts toward the adoption, and implementation of neoliberal policies.¹

In spite of the World Bank's premature commendation, our study adopted a countervailing position that incorporation is not an end of itself. It only serves as the means for the realization of the conventional benefits associated with the adoption, and implementation of neoliberal policies. It was on the basis of this qualification that the search for a plausible paradox of incorporation and marginalization, in the context of SSA, was examined. In effect, the main focus of Chapter V was the examination of our third research question.

Conventionally, the World Bank assumes that there is an automatic link between incorporation and the attainment of the benefits underlying neoliberalism. On the basis of this supposition, the World Bank presents some summary indicators on SSA's integration into the global economy (see Table 5.1) to posit that the sub-region is benefiting from the new

¹See the World Bank, Adjustment in Africa: Reforms, Results, and the Road Ahead.
context of development. However, as demonstrated in Chapter V, lost within the labyrinth of the World Bank's aggregated summary data are some macroeconomic indicators that bear on the marginalization of SSA within the emerging economic order.

In order to facilitate the examination of the paradox of incorporation and marginalization, a conceptual distinction was made between incorporation and integration within the template of globalization. Incorporation (IC) was employed to signify the subscription to the neoliberal, ideological counterpart of globalization. Integration [IT] on the other hand was used to indicate the substantive, measurable economic outcomes from subscription to the ideational aspects of globalization. The conventional benefits associated with neoliberalism were then equated with the gains of integration (g[IT]).

On the basis of this distinction, we were able to specify all the parameters of our theoretical function that served as a convenient guide to the explanation of the paradox of incorporation (IC) and marginalization (M). Restated, M = IC - g(IT). That is, marginalization (M) equals incorporation (IC) without the gains of integration (g[IT]). Before accounting for the paradox on the basis of our theoretical function, the facts, the meanings, and dimensions of SSA's marginalization were identified.

As indicated by the various macroeconomic data presented in Chapter V, SSA has been disenfranchised from all the relevant, measurable indicators on the gains of integration.
Contrary to the much touted gains from free trade, the sub-region has been marginalized from the international trading system. This was indicated by the sub-region's decreasing share of total world trade. Compounding this are deteriorating terms of trade, and increasing costs of international trade and transactions (see Table 5.2).

Also, instead of the anticipated diversification of exports, the sub-region is still precariously hooked to the export of some selected primary commodities. And with precipitous declines in the export of manufactured goods, de-industrialization has unwittingly replaced diversification of exports in the context of the sub-region (see Table 5.3).

In addition, in comparison with other developing countries, SSA has been marginalized from the international flow of net foreign direct investment (see Table 5.4). Marginalized from the flow of foreign direct investment, the sub-region, has by 1996, also become a net transferor of financial resources to its long and short term creditors (see Table 5.5). As noted in Chapter V, the compendium effect of these marginalization trends on the financial position of the sub-region has been very devastating. Instead of the effective management of the external debts, SSA has been marginalized to operate on the fringes of the emerging global order under a constraining debt peonage (see Table 5.8).

Interestingly, the facts on the economic regression of SSA elicit an appreciable level of consensus even among a disparate group of commentators. However, there has been a
considerable degree of disagreement on the causes of the sub-region's marginalization. As outlined in Chapter V, the unorthodox thesis, an explanation preferred by the Bretton Woods institutions, considers marginalization as an "original sin" that could be atoned through further incorporation into the neoliberal ideological framework of globalization. On the other hand, the unorthodox thesis considers the marginalization of SSA as a "creation" that deepens with increasing incorporation into the ideational imperatives of globalization.

Using our specified theoretical function as a litmus test for the verification of the competing explanations, the accounts of the unorthodox thesis appeared more authentic than that of the orthodox explanations. For one thing, if we were to accept the explanations of the insufficient reform accounts (the orthodox thesis), then, there would have been nothing paradoxical about the incorporation and marginalization of SSA. This would have been the case because, as an expression of an inverse relationship, marginalization would continue to decrease with increasing incorporation. As of now, the selected macroeconomic data presented in Chapter V does not vindicate such an inverse relationship.

Rather than an expression of an inverse relationship, the verification based on our theoretical function vindicate the underlying tenets of the unorthodox thesis. That is, the incorporation and marginalization of SSA captures a paradoxical relationship in which the latter is positively
related to the former. In other words, contrary to the admonitions of neoliberalism and its orthodox defense, the marginalization of the sub-region deepens with increasing incorporation into the ideological framework of globalization.

If marginalization (M) deepens with increasing incorporation, and could therefore be operationally defined as incorporation (IC) minus the gains of integration (g(IT)), then, there must be some detracting, intervening factors that explain the gap between IC and the g(IT) in the context of SSA. Indeed, with the isolation of some detracting, intervening factors in the sphere of international trade and foreign direct investment, we were able to explain the underlying dynamics, and the manifestation of the paradox of incorporation and marginalization in the context of SSA.

In other words, as demonstrated in Chapter V, there are some contextual, intervening factors that disable SSA from benefiting from the gains of integration. This is in spite of the fact that, to a recognizable degree, the sub-region has been incorporated into the ideational framework of globalization. Therefore, contrary to the universalizing, redemptive effects of neoliberalism as professed by the Bretton Woods institutions, incorporation and marginalization indicate a prototypical paradoxical relationship in the context of SSA. As an expression of a paradoxical relationship, an attempt to redress marginalization through further unexamined incorporation will amount, technically, to a neoliberal policy suicide.
Therefore, as demonstrated in the final section of Chapter V, reversing the marginalization of SSA is not an assured certainty within the foreseeable future. This is so because, SSA is now caught in a frustrating neoliberal policy trap of incorporation without a dependable exit strategy. It is within such a neoliberal policy trap that the policy implications of marginalization on development and poverty alleviating efforts of SSA could best be examined.

POLICY IMPLICATIONS

As a developing region that is marginalized within the circuitous policy trap of neoliberalism, development and poverty alleviating concerns of SSA are deeply impaired. Consumed by its unbridled faith in neoliberalism, and apparently oblivious to the implications of SSA's marginalization, a recent World Bank report argues that Africa can claim the 21st Century.² Counting on the alleged opportunities that are offered by globalization, the Bank argues that Africa can claim this Century if it is able "to overcome the developmental traps that kept it confined to a vicious cycle of underdevelopment ...³

In order to overcome such "developmental traps," the Bank, as usual, proposes some prescriptions that do not substantially deviate from the contested presumptions of neoliberalism. However, largely by design rather than by

²See the World Bank, Can Africa Claim the 21st Century?
³Ibid., p. x.
default, the World Bank does not explain how an export strategy based on primary commodities could lead to the maximization of gains from international trade.

Moreover, the report does not explain why foreign direct investments have eluded SSA in spite of the fact that many countries in the sub-region have adopted over-liberalized investment strategies. In essence, the World Bank, in its report, was still operating under the assumption of a direct link between unexamined neoliberal reforms and the gains of integration.

However, as demonstrated in our study, SSA has been marginalized as a result of the very implementation of such unexamined neoliberal policy reforms. And if SSA is still "confined to a vicious cycle of underdevelopment," then, the latest World Bank's offer amounts to serving the sub-region with another indigestible neoliberal policy prescriptions. This time again, SSA is expected to demonstrate good table manners. In this case, and in respect of the marginalization of the sub-region, the neoliberal policy prescriptions are part of the problem rather than a solution to the development crises.

More importantly, our examination of the marginalization of SSA instructs us that, the issue as to whether Africa could claim this Century must not be judged in terms of how far the region travels on the path of neoliberalism. It must instead, be evaluated substantively in terms of the crystallization of
a purposeful development pattern that has positive effects on
the alleviation of poverty.

On the basis of this pedagogical caveat, the World Bank's
guarded optimism that Africa could claim this Century seems to
be an unfounded one. This is so because, in the neoliberal
framework in which SSA has been operating within a
marginalized circuit for the past two decades, development has
been de-ideologized, and poverty alleviation has also been
peripherized. As a result, instead of a triumphant journey,
SSA will be compelled, by the circumstances of its
marginalization, to make an ill-fated entry into the 21st
Century.

DE-IDEOLOGIZATION OF DEVELOPMENT

As noted in Chapter II, the doctrinal assumptions upon
which post-WW II development theories were based have been
obliterated as a result of the imperatives of globalization,
and the policy demands of neoliberalism. To recall, post-WW II
development paradigms were ideologically state-centric. In
that framework, autonomous governments in SSA were able to set
and pursue clearly defined goals of development. An intention
to develop was therefore transmuted into an ideology of
development when it was attached to the agency of the state,
and was considered as an expression of state policy.

In contradistinction to the post-WW II development
ideology, the current framework insists that development is
possible in so far as it conforms to the logic of
neoliberalism, and is attuned to the dictates of global market forces. In this de-ideologized development paradigm, states matter in so far as they facilitate the process of incorporation through the promotion of market forces, and the institution of other liberalization measures.

That is to say, there is the doctrinaire insistence that self-regulating, maximizing market in this era of globalization may be minimally assisted by the state to realize its potential. As a result, the role of the state in a de-ideologized development process is limited to the provision of a basic macroeconomic framework to enhance that self-regulating market. As demonstrated in the case of SSA, "notes" on how to provide the framework for the operation of global market forces are embodied in the neoliberal policy conditionalities associated with SAPs.

Therefore, in the fulfillment of these new demands, states in SSA have unwittingly become conveyer belts for the domestication of rules and regulations that find meaning within the imperatives of international market forces. States in the sub-region are therefore hamstrung in the performance of their previous developmentalist roles. This is so because, stripped of its nationalistic content, and therefore internationalized, development has been de-ideologized to indicate reactions and responses to the challenges and opportunities of global market forces. As succinctly expressed by Peter W. Preston,

a new general approach to development [will be] concerned with the general structural analysis of the dynamics of the global
industrial-capitalist system and with elucidation of the ways in which particular local groups read and react to the system's constraints and opportunities.  

Regrettably, in recognition of the debilitating implications of its marginalization, SSA is not well positioned to minimize the constraints, and maximize the opportunities inherent in the globalization-induced, neoliberalism-defined, and de-ideologized framework of development. Operating from a marginalized position, and bombarded by uncontrollable market forces, SSA has been precluded from embarking upon a purposeful, and an intentional development process.  

In its stead, the sub-region is now consumed with the management and containment of unanticipated crises associated with its incorporation, and marginalization from the international economic system. Such a reactive, and non-purposeful development posture, is in essence, a response to the new de-ideologized context of international development. In this new de-ideologized framework of development, poverty alleviation has also been peripherized.  

PERIPHERIZATION OF POVERTY ALLEVIATION  

Although, the World Bank surmised that Africa could claim the 21st Century, it was also compelled to admit that, Africa is not only poor but also, has "the world's highest income inequality..." True to its neoclassical tradition, the Bank adds that, "growth that translates into rising consumption is
... essential for poverty reduction." While the World Bank's identification of the extent of poverty in Africa cannot be contested, its recommendation that poverty could be addressed through unexamined growth is highly contestable. This is so because, in a de-ideologized development framework, growth, as measured by annual percentage change in GDP, does not necessarily translate into either improvements in average welfare, or to the reduction of poverty, as measured by GNP per Capita (see Table 5.7).

Table 6.1
SSA-Income Poverty, Selected Years, 1987-98

<table>
<thead>
<tr>
<th>People Living on Less Than $1 a Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>--------</td>
</tr>
<tr>
<td>Millions</td>
</tr>
<tr>
<td>Share of Pop. (%)</td>
</tr>
</tbody>
</table>

Note: The poverty line is set at US$ 1.08 a day using 1993 as the base year for the calculation of purchasing power parity (PPP).
^a Preliminary figures.

6Ibid., p. 91.
As a result, both the absolute size and the percentage of the poor continues to increase in SSA since the middle of the 1980s. As indicated in Table 6.1 above, the number of poor people in SSA increased from 217 million to 291 million from 1987 to 1998.

Also, as a reflection of the two dimensions of marginalization as demarcated in Chapter V, Table 6.1 shows that almost half the population of SSA has been internally marginalized. In the face of these worsening trends, the presumed automaticity of the link between growth and poverty alleviation is a spurious assertion that only finds meaning within the logic of trickle down economics.

In the ontological presumptions of neoclassical economics, "tricklism" is the standard lever by which the benefits of growth "seep" down gradually to improve the welfare of the poor. The assumption here is that, growth will transmute into jobs and other general economic opportunities that will lead to improvements in the standard of living of the marginalized people in SSA. In other words, the invisible hand of the market forces is equally capable of performing the essential redistributive, and poverty alleviating functions that were traditionally reserved to the prerogatives of the state.

Enamored by this neoclassical logic, the Bretton Woods institutions did not find it necessary to initially embody poverty alleviating mechanisms as core concepts of the neoliberal reforms that were prescribed to SSA in the early
1980s. Poverty alleviation, which in the context of SSA was (is) an important goal of development was therefore considered peripheral to the main economic reform programs. It was not until the obnoxious, social effects of SAPs informed the 1987 publication of UNICEF's *Adjustment with a Human Face* that the World Bank found it expedient to temper adjustment with some amorphously defined programs. These programs were intended to bear directly on the alleviation of poverty.

Regarded at that time as the most faithful pupil of neoliberal reforms, which technically means the country with the emerging sinews of the paradox of incorporation and marginalization, Ghana was chosen as the first country for such targeted programs in SSA. In 1987, the World Bank instituted in Ghana's adjustment framework, a Program of Action to Mitigate the Social Costs of Adjustments (PAMSCAD). As a contrived appendix to a neoliberal agenda, PAMSCAD was not explicitly incorporated as a core component of Ghana's reform package.

PAMSCAD remained as a mere appendage, an "add-on," and an afterthought that became necessary when the ill-effects of unexamined neoliberal reforms led to economic hardships in Ghana. As an adjunct to the main program of neoliberal reforms, PAMSCAD could not even mitigate the obnoxious effects of adjustment, let alone alleviate the structural poverty in

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Ghana. In this particular instance, a de-ideologized, neoliberal framework of development that demands "safety valves" (such as PAMSCAD) to be instituted in order to mitigate the associated obnoxious effects unwittingly peripherize poverty alleviation.

With the failure of "tricklism," and with poverty alleviation peripherized, the World Bank, from the late 1980s, was placed in a very frustrating position. The Bank was compelled not only to "think the unthinkable" but also, "do the undoable" by defending its position on the alleviation of poverty within the infrastructure of neoliberal reforms. This defense took the form of the release of reports on why neoliberal reform is the surest route to poverty alleviation.

Indeed, the 1990 World Development Report exclusively focuses on poverty. In this report, the Bank demanded that target transfers and safety nets be directed to those who are not positioned to benefit from neoliberal reforms. The guidelines for the appropriate design of safety net programs were provided in a subsequent publication of the World Bank. Another publication, Taking Action to Reduce Poverty in Sub-Saharan Africa, details how the problem of poverty could be solved within the framework of neoliberal reforms as a concerted action between the Bank and governments in the sub-

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region.\footnote{See the World Bank, \textit{Taking Action to Reduce Poverty in Sub-Saharan Africa} (Washington, DC: The World Bank, 1997b).} As if the Bank is still haunted by the burden of proof, the most recent report is even subtitled with a palliative phrase of \textit{Attacking Poverty}.\footnote{See the World Bank, \textit{World Development Report, 2000/2001: Attacking Poverty} (Washington, DC: Oxford University Press, 2000b).}

Ironically, notwithstanding such voluminous treatises, poverty alleviation is yet to be placed at the heart of the neoliberal reforms in SSA. While the copious reports sought to dilate on poverty alleviation outside the main framework of economic reforms, SSA continues to operate within the uncertainties of neoliberalism, with increasing poverty as the only probable certainty. That this is the case is not far fetched.

As cursorily alluded to in the final section of Chapter II, neoliberal policy package under SAPs considers the manifestation of poverty as an unanticipated aberrant, a pathology that must be tackled outside the main framework of economic reforms. In this vein, neoliberal reforms isolate poverty alleviation from the logic of economic growth. As the various reports by the World Bank indicate, issues relating to poverty alleviation are considered in specifically designed, and targeted programs. Doctrinally, as a wayward child of macroeconomic adjustment, the round peg of poverty alleviation cannot be fixed into the square hole of neoliberal reforms.

The resultant effect is that, poverty alleviation which is of most crucial importance to SSA is considered only in

\footnote{See the World Bank, \textit{Taking Action to Reduce Poverty in Sub-Saharan Africa} (Washington, DC: The World Bank, 1997b).}
some amorphously designed programs that are secondary to the main neoliberal reforms. An obvious implication here is that, as a result of its external marginalization, SSA does not have the funds to seriously embark upon such peripherized poverty alleviation programs. With poverty alleviation programs peripherized, and therefore made to wither through severe financial starvation, it is not surprising that almost half the people in SSA continue to live in poverty (see Table 6.1).

The emerging scenario indicates that, against the background of SSA's marginalization, the development process has been miniaturized on the alter of global market forces. Poverty alleviation has also been displaced from the center stage of the new context of development. In recognition of these factors, the idea that Africa could claim the 21st Century is an unfortunate assertion that glosses over some debilitating trends.

CLOSING THOUGHTS

The analysis so far indicates that SSA has been straddled within the paradox of incorporation and marginalization. Within this framework, development has been reduced to sporadic reactions to the uncertainties of global market forces. In this paradigm also, poverty alleviation has been relegated to the background of macroeconomic adjustment. Therefore, to be realistic without necessarily becoming neither pessimistic, nor hyperbolic, our exploratory study
seems to suggest that the globalization syndrome represents a false dawn in the context of SSA.

This is plausibly so because, as a result of the imperatives of globalization, the rudiments of development that bear on poverty alleviation have been pulverized, and irretrievably miniaturized on the alter of international market forces. It is within such global market forces that, SSA, through the dynamics of the neoliberal policy trap, will continue to be marginalized into a paralyzed, psychological state of regressive involution.

In recognition of these trends, and contrary to the World Bank's qualified optimism, Africa could claim the 21st Century not on behalf of the poor in Africa but, on behalf of the demands, and imperatives of the emerging global market discipline. It is within such unenviable feat that the constraining effects of the paradox of incorporation and marginalization will continue to undermine the hopes and aspirations of the sub-region.
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