Conceptualizing and Contextualizing Underdevelopment

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Abstract

This paper conceptualizes and contextualizes underdevelopment. Methodologically the paper argues that underdevelopment in the third world nations resulted from the negative effects of colonialism and neo-colonialism ie exploitation of their mineral resources, unequal terms trade, imposition of foreign rule and dubious activities of multinational corporations. The paper also argues that the adoption of adjustment programmes by the third world nations has contributed immensely to their underdevelopment. However, the paper holds the view that there are internal dimensions to development of underdevelopment in the third world nations ie widespread corruption, prebendalism, personalization of power, poor leadership and lack of good institutions to discharge social responsibilities efficiently and effectively. The paper concludes that unless corruption is being controlled to the bearest minimum, good leadership installed and exploitative tendencies of international capitalist system controlled through a regulated capitalism third world nations would continue to be underdeveloped.

Keywords: Underdevelopment, Colonialism, Neocolonialism, SAP etc

1. Introduction

Underdevelopment theory emerged in the late 1950s under the leadership of the Director of the United Nations Economic Commission for Latin American Raul Prebisch. Prebisch and his associates did not agree that economic growth in the advanced industrialized nations leads to economic growth in the less developed countries. In the studies they conducted it was reported that economic advancement achieved by the richer countries only conditioned the development of underdevelopment of the Third world countries. They argued that the underdevelopment was due to colonial domination and neo-colonialism. The advocates of this theory were mostly social scientists from developing countries particularly Latin America. These included Samir Amin, Andrew Gunder Frank, Dos Santos, Aghiri Emmanuel and Walter Rodney etc.

Underdevelopment theorists argued that colonialism did not bring development of productive forces in the colonies. They contended that technological and industrial developments were not achieved in the third world, Banwo (1999), because colonies were made to be producers of raw materials that were exported into the metropoles (Ake, 1996). In effect, colonialism only conditioned anarchy of production because the local industries were destroyed and modern industrialization was not allowed to function effectively in the third world nations.

Underdevelopment theorists also argued that the relationship that existed between advanced capitalist countries and colonies was exploitative because it was perpetuated through exploitation of their mineral resources, forceful cultivation of cash crops, unequal trade exchange, institutionalization of indirect rule and imposition of external debt when they were not in need of the resources (Ihonvbere, 1996; Kieh, 1997). For instance, in 1958 colonial Nigeria incurred external debt of $2.8 billion to finance railway construction (Uniamikgobo, 1994). Subsequently, incurring external debt continues after the attainment of political independence. These features of colonial domination were not geared towards ensuring progress and development of the colonies because they distorted their economies and political structures, retarded their economic growth and development as well as eroded their political sovereignty (Lipsett, 1998). Therefore, this paper conceptualizes and contextualizes underdevelopment.

1.1 Conceptualizing Underdevelopment

Underdevelopment denotes the decline in the productive base of an economy, prevalence of poor people in the society, low standard of living, insecurity of life and property and inadequate provision of social amenities (Barkindo et al, 1994). Eheh (2005) identifies a number of indicators that constitute underdevelopment. These are low GDP and GNP, environmental degradation, low literacy rate, high infant and maternal mortality rates and inadequate health facilities. Others include malnutrition, unemployment, prevalence of HIV/Aids, food insecurity, weak and dilapidated social overheads and high crime rates. Eheh definition has captured the basic elements that qualified a nation to be called underdeveloped. These features are prevalent in most of the third world nations.
1.1.1 Literature, Contextual and Methodological Issues

The theory of underdevelopment emphasizes on the dubious activities carried out by transnational cartels and monopolies to exploit the economies of the developing nations. These could be identified by unhealthy competition that affects domestic industries, transfer of capital-intensive and labour saving technology rather than labour intensive technology and over-invoicing of import, under-invoicing of export and high debt burden (Offiong, 1980). These are exploitative mechanisms employed by the international capitalist system to subjugate Third world nations to economic and political control. This aided the underdevelopment of the countries.

Underdevelopment theorists contend that unless international economic relations are restructured, underdeveloped countries would never realize their economic potentials (Banwo, 1999). The structure of international economic relations is designed to perpetuate unequal trade relations between developed and undeveloped countries and subjugate Third world to international capitalist exploitation through debt overhang and debt burden. For instance, debt-overhang of sub-Saharan Africa that was $164.9 billion in 1988 rose to $215.7 billion in 2000. Specifically, in 2002, African external debt was estimated at $333.3 billion (Obadan, 2004a). The effect of debt overhang is the manifestation debt crisis in the weaker nations that affects their budgetary allocations. It is against this background that Third world countries have formed regional and sub-regional organizations to restructure their relations with developed countries. For instance, in Africa the OAU, now African Union and ECOWAS were formed. Despite these formations lack of political will hinders effective realization of their objectives. Similarly, third world nations are underdeveloped because they are integrated into the international capitalist system through debt overhang. For instance, Equador incurred external debt from the International Financial Institutions that amounted to $240 million (Chris, 2001). The debt was in form of contracts to hire engineering construction companies to build developmental projects in the country. But due to high interest charges, debt that was $240 million rose to $16 billion. This compounded the Equadorian debt crisis. Along this line Perkins (2004) observes that the inability by the country to pay its external debt provided the United States and its allies the opportunity to invade the Equadorian Amazon rain forest and exploited the oil potentials of the country, destroyed human lives as well as different species of animals and plants. By implication poverty increased from 50 to 70 percent, percentage allocated to poorest citizens declined from 20 to 06 percent and political sovereignty of the country has been infringed by the interference of the United States in its sovereign territory (Chris, 2001).

Third world countries are underdeveloped because they experienced shortage of capital. It was due to the transfer of capital abroad by plunder, unequal exchange and wastage through luxurious spending by the local bourgeoisie, massive payment of external debt and misappropriation of loan resources by state officials (Amin, 1974; Frank, 1969; Baran, 1973; Rodney; Ake, 1981). Meier (1976) and Hoselitz (1963) also agreed that the underdevelopment of the Third world countries could be situated within the context of the shortage of capital. However, they argued that the shortage of capital could be explained due to poor savings habit resulting from their family and value system. Whatever could be the explanation for the shortage of capital Third world countries were confronted with the shortage of capital and was the reason that necessitated them to obtain external loans from the international financial institutions to finance their development programmes. However, due to corruption, misappropriation of external debt, increase in interest rate charges, accumulation of arrears and interest, devaluation of currencies and lack of effective debt management strategies debtor nations were confronted with debt crisis (Ojo, 1994). The ability to pay external debt, democracy and good governance and adherence to the rule of law are conditions for further creditworthiness (IMF, 2000). These have not been met by most of the debtor nations and made the International Financial Institutions and their affiliates to develop rescheduling agreements with debt crisis-ridden nations under the pretext of debt relief. Perhaps as Banwo (1999) observed Third World nations are integrated into debt crisis through the politics of debt management. Ojo (1989) supported the argument when he argued that the debt rescheduling exercises conducted between external creditors and debtor nations only compounded the debt crisis confronting them. It resulted from the continuous accumulation of arrears and interest charges over the rescheduling period. The implication is that the logic of capitalist accumulation of the creditor cartels continues to rise while the available resources for socio-economic development in the Third World are crowded out.

The underdevelopment of Third world nations was attributed to the negative effects of colonialism and neo-colonialism (Nkrumah, 1966; Fanon, 1966; Frank, 1969; Rodney, 1972; Emmanuel, 1972; Amin, 1974; Baran, 1978). They argued that colonial domination and neo-colonialism had created structural distortions and dislocations in the Third world economies and forced them to specialize in the production of raw materials to be exported to the metropoles. They contended that the export of raw materials was characterized by unequal exchange to the detriment of the Third world countries. The exploitation continues despite the North-South dialogue that led to the establishment of New International Economic Order (NIEO). NIEO aimed at restructuring of international trade, ensuring the Third world countries to process and manufacture goods for export, adequate financial support from developed countries to the underdeveloped ones, transfer of technology and addressing debt crisis confronting the third world countries (Rourke, 2005). These objectives have
effectively not been achieved because the developed nations are at variant with some of the demands of the third world nations. Specifically, debt crisis has not been addressed among the Middle Income Countries because they did not fulfil the criteria for debt forgiveness. The criteria include external debt whose ratio to its export of goods and services is more than 275 percent; debt/GNP ratio is more than 50 percent; debt service ratio is more than 30 percent; and ratio of interest payment to its export of goods and services is more than 20 percent (Woodland, 1992). These conditions were very harsh for the Middle Income Countries that only the severely indebted nations were granted debt forgiveness. Therefore, conditions the Middle Income Countries to wallow in severe debt crisis. Despite this some high income countries were granted debt relief. For instance, the collapse of Soviet Union in 1989 exposed Russia as a threat to world peace. This resulted from its possession of weapons of massive destruction. Base on this the International Financial Institutions granted Russia debt relief of 50 percent (Ogbeifun, 2007). By implication the debt relief has political underpinnings because Russia is a high export earnings country not eligible for debt relief.

Despite the arguments presented by underdevelopment theorists, it was criticized by many scholars. For instance, Warren (1973) argued that underdevelopment which underdevelopment theorists accused the advanced capitalista nations for causing in the third world countries had no objectivity because the third world countries had achieved considerable progress in terms of productivity. He also argued that the increase in productivity had improved the living standard of the people in the third world nations. He justified his argument pointing out that they recorded an increase in per capita income in the manufacturing sector. He was of the opinion that the third world nations not only achieved economic growth and development but also attained their political independence. He maintained that they had recorded an impetus of political development. Despite the attainment of political independence Nkrumah (1965) argued that such political independence was sham because the economic independence is monitored and controlled by the imperialists. Marx (1878) already asserted that the economy of the state determines all the other superstructures. Therefore, the attainment of political independence is meaningless since the economic independence is in the hands of neocolonialists. Furthermore, Warren maintained that colonialism did not retard capitalist development in the Third world nations. However, it assisted in the attainment of economic and social development in their countries. Moreover, he acknowledged that there existed problems that hindered the attained of capitalist development in the third world countries. However, he contended that the problems could be situated within the internal contradictions in the third world. These contradictions included lack of forward and backward linkages and policy inconsistencies. Moreso, he identified the factors through which the third world economies were brought under colonial domination. These included the reparation of surpluses from the third world nations to advanced capitalist countries, the creation of internal division of labour and intensification of commodity production that reduced them to mere producers of raw materials. These bring anarchy of production and stagnate development in the third world countries.

Cardoso and Falletto (1979) also criticized underdevelopment theory. They asserted that developing countries have the opportunity to achieve meaningful economic growth and development despite the fact that they depend on international capitalist system for external debt, trade transaction and transfer of technology. Capital could only be obtained by the Third world nations through external debt financing. They argued that it could be realized through collective bargaining with foreign governments, transnational enterprises and institutions for global governance. According to them, this would preserve and promote the interest of the developing countries. However, the paper disagrees with Cardoso and Falletto because several rounds of collective bargaining were conducted between third world and developed nations but the efforts did not yield positive results.

Cardoso (1973) presented his theory of dependency termed “dependent development” to criticize and underdevelopment theory. In his theory, he argued that Latin American countries had achieved economic growth and development through the foreign investment. He rejected Frank’s theory of satellite-metropolitan relationship because it failed to acknowledge the structural changes that occurred in the Third world countries through centre-periphery relations (Ray, 2003). He maintained that dependency, monopoly capitalism and development are useful in analysing the dependent development that was achieved by the Third world nations. He contended that the foreign direct investment in form of joint venture between Third world and developed countries provided third world nations the opportunity to manufacture consumer goods. This helps in improving the living standard of the people. In addition, it fosters and reinforces commercial relations between the third world nations and the international capitalist countries. Furthermore, it offers the Third world nations the opportunity to transfer technology and obtain external loan from the advanced nations. There is no doubt developed countries invest in the third world nations and provide them with loan facility but unequal trade relations still exist in the international economic relations at the expense of the third world nations. Consequently, third world nations could not generate sufficient foreign exchange to repay their debt obligations and this compounded their debt crisis.

Peter (2008) also recognizes the role of negotiations between developing countries and the governments in the advanced capitalist countries on issues that concern dependency and development. These analyses made by
Cardoso, Falleti and Peter led to the emergence of a new framework of analysis concerning the problem of development in the developing countries. To this end, the role of politics and governments in ensuring negotiation with international capitalist system has become the new focus in determining the socio-economic development in the post-colonial states. New International Economic Order (NIEO), New World Order, New Socio-cultural Order, New Political Order, New World Technological Order, New Military Order etc were created to address problems affecting developing countries however, the objectives were not realized because the reasons behind their establishment are not meant to provide opportunities for the developing nations to compete with developed ones. The orders were designed to continue subjugating the developing countries within the framework of capitalist exploitation. Therefore, there still exist the characteristics of underdevelopment in third world countries.

In response to the critique of underdevelopment theory by the Marxist-Leninist school of thought, underdevelopment theorists argued that the industries that the Marxist-Leninists identified in the former colonies were packaging industries without productive autonomy. They also rejected the claims on the existence of local bourgeoisie because they were not the type of bourgeoisie that existed in the advanced capitalist countries. Furthermore, they argued that even the packaging industries that existed in the former colonies were gradually squeezed out as a result of the adoption of Structural Adjustment Programme (Banwo, 1999). The paper agrees with the argument raised by Banwo because SAP a response to debt predicament contributes to de-industrialization in most of the Third world nations that adopted the programmes.

The criticisms leveled against the underdevelopment theorists motivated them to divert their analyses of state economy from mere class, dependency and underdevelopment to the effects of political variables on economic growth and development (Coleman, 1976; Uphoff, 1972; and Ilchman, 1972). In addition, they focused their attention on how the rate of economic growth and development in the nations influence political struggle, create and intensify political instability as well as affect political integration (Coleman, 1967; Ilchman and Uphoff, 1972; and Beckman, 1983). Furthermore, they are concerned with how the institutionalization of political structures and good governance bring economic growth and development to the society (Banwo, 1999).

For instance, Jackson and Roseberg (1982) and Sandbrook (1985) attributed the underdevelopment of the third world nations to what they termed as “Personal Rule”. The theory states that the personalization of state by a leader impedes national development because his personal interest overrides national interest. In addition, the use of dubious mechanisms in all its ramifications by a leader to consolidate power with a view to perpetuating political aggrandizement clashes with developmental objectives of the states. They were the reasons for political decision makers to use the state and its organs as an avenue for misappropriating the resources obtained as external loan and revenue generated from the domestic production than promoting the common interest of the ordinary citizens (Leys, 1965). This made the Third World to experience shortage of capital thereby necessitated to incur fresh loans from the International Financial Institutions.

Bangura (1986) and Olukoshi (1989) contended with internal factors as advanced by the IMF and the World Bank to be responsible for the underdevelopment of the third world nations however, they considered those factors as secondary. For instance, Bangura (1986) identified the implications of mismanagement and corruption on the crisis of development as contributory rather than causative. Olukoshi (1989:23) also argued that the crisis of development in the post-colonial states could largely be attributed to the contradictions created by the advanced capitalist world. On this Olukoshi maintains that the crisis:

Could be traced to the contradictions inherent in the pattern of development, namely dependent capitalism, pursued by most African countries. Even in the absence of corruption and mismanagement, it could not have been possible to manage African economies in such a way as to permanently avoid crisis because inherent in the capitalist system are seeds of periodic, structural and conjunctural crisis (Olukoshi, 1989:23).

Indeed, third World nations have been integrated into the global debt crisis through the imposition of Structural Adjustment Programmes as conditionalities for loan facility. These include privatization, devaluation of currency, deregulation, reduction of public expenditure and trade liberalisation. Therefore, the implementation of these policies have only worsened the already existing economic crisis ie unemployment, inflation and poverty (Ake, 1981). Ebo (1998) and Gibbon and Ulukoshi (1996) argue that the imposition of these programmes by the powerful International Financial Institutions erodes the political sovereignty of the debtor nations. However, not all debtor nations lose their political sovereignties because the United States which is considered as the biggest debtor nation in the world its political sovereignty has not been eroded because it is a member of the board for the imposition of the adjustment programmes. This gives the US the opportunity not to impose adjustment programmes that would affect its economy.
1.1.2 Conclusion 3

From the above it could be understood that the underdeveloped nature of third world countries resulted from the two clashes of interests. The first clash is between the interests of imperialism, colonialism and neo-colonialism on one hand and the struggles for national liberation by both colonial and postcolonial states in the third world on the other hand (Ake, 1978; Babu, 1981; and Nkrumah, 1963 and 1971). The second clash of interests comprises the interests of the domestic ruling exploiters on one hand and those of the exploited class (Marx and Engels, 1977; Lenin, 1977; Oni and Onomode, 1975; Onyekpe, 1996; and Onyekpe, 2001 and 2003b). Therefore, development of underdevelopment is not a dying theory since international capitalist system is designed to perpetuate development of underdevelopment in the third world nations. Despite this there is the need to liberate third world countries’ economies from international capitalist domination and exploitation. It is in this direction that scholars argue that it could be achieved by establishing national sovereignty over their economies (Oni and Onomode, 1975; Babu, 1981; and Onyekpe, 1996). The arguments are that national sovereignty allows countries to make independent economic planning and manages its effective than being superimposed by the powerful nations (Babu, 1981; Kozlov, 1977; Oni and Onimode, 1975; Onyekpe, 1996; and Shvyrkov, 1980). In fact, national economic planning and its implementation have become serious problems confronting third world nations because the planning is guided, monitored and scrutinized by the super powers in an effort to obtain external loan (Onyekpe, 2004).

Monbiot (2003) suggests that to eliminate dependence of the third world nations from the powerful nations there is the urgent need to replace the IMF and the World Bank with an arrangement that will ensure equal exchange in trade among nations in the world. He also suggests that the third world countries ought to impose certain conditionalities to the powerful nations in their commercial relations.

Furthermore, there is the need for the entrenchment of democracy and good governance in world politics (Henriksen, 1978; Machel, 1977; Martinez, 1980; Momjam, 1980; Musa, 1982; Onyekpe, 1996; and Soremekun, 1983). This could be achieved through collective effort by all and sundry.

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