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modernization meant the spread of democracy and the weakening of traditional elites; in terms of cultural sphere, modernization meant growing differentiation between the various cultural and value systems, secularization and the emergence of new intelligentsia. These developments were closely related to the expansion of modern communications media and the consumption of culture created by centrally placed elites, manifested as changes in attitudes, especially the emergence of an outlook that stressed individual self-advancement.

Bert Hoselitz (1960), on the other hand, had questioned economic growth as the measure criteria while measuring modernity and proposed a sociological alternative and was interested in the impact of growth on living standards and emphasized cultural change as a precondition for economic development. Using Parsons's 'pattern variables' to look at the differences in behaviour between peoples in modern and traditional societies, he argued that in traditional societies (i.e., underdeveloped economies) particularism prevailed in the distribution of economic roles, whereas in more complex (i.e. developed economies), universalism underlay a more efficient allocation of labour and resources. Traditional societies usually exhibited a lack of reliance on individual achievement, emphasizing ascription (e.g., Kinship relations) as the basis for distributing economic goods. In traditional societies, the performance of economic tasks was typically diffused, whereas in advanced societies economic tasks were characterized by specificity of roles. And finally, in underdeveloped societies the elite was self-oriented, whereas in the advanced countries elites exhibited collectivity-oriented attitudes (also in Peet and Hartwick 1999, 77–78). Hoselitz applied these differences to an analysis of the development process under the assumption, drawn from Adam Smith, that increasing productivity was associated with more detailed social divisions of labour. As a consequence, a sociological theory of economic growth had to determine the mechanisms by which the social structure of an underdeveloped economy was modernized, i.e., altered to take on the features of an economically advanced country (ibid, 78–79).

W.W. Rostow (1960) also proposed a model of human progress, an alternative to Marx's theory of history. He gave five stages of economic development (see Spybey 1992, 22) which can be described as given below.

Stage 1: (Traditional society) in which output is limited without the application of Western science and technology, values are fatalistic and political institutions are undeveloped.

Stage 2: (The pre-condition for take-off) which include the introduction of ideas for economic progress, involving education, entrepreneurship and the expansion of a commercial infrastructure.

Stage 3: (The take-off) in which the traditional barriers are overcome, Western technology is introduced and political institutions develop. Modernization becomes a real possibility when the rate of increase in investment overtakes the rate of increase in population. Both industry and agriculture are mechanized.

Stage 4: (The drive to maturity) when 10 to 20 per cent of the national income is invested, the use of consumer technology becomes widespread and an impression is made on the capitalist world economy.

Stage 5: (High consumption) when the mass production of consumer goods dominates the economy and a large economic surplus is created. Rostow observed that this was used in the USA mainly for ultra-high consumption, in Europe mainly for the welfare state, and in the USSR mainly for producer and military technology. Rostow took his model from the British Industrial Revolution and developed it as a blueprint for the implanting of capitalism in all countries as a means to economic growth and modernization and also a bastion against communism.

The advocates of Modernization theory claim that the real causes of underdevelopment and poverty are the internal factors in the poorer regions, like lack of proper education, traditional agrarian economy, the traditional attitude of the people, improper division of labour, lack of scientific and technological expertise, lack of proper infrastructure and communication facilities, etc. So the modernization theorists place the argument that changing these aforementioned factors would be the ultimate strategy and lead to the path of development. The key idea is that the industrialized countries should be the models for economic development and social progress of developing countries. There is a continuum between the underdeveloped and developed countries. To remove the backwardness and poverty situation in the poorer countries, there should be modernization of the forces of production, flow of finance, transfer of modern technology and scientific knowledge, etc. 'Development' here is understood as mere increase in production and efficiency and the growth in per capita income. It is the economic growth and industrialization which has been taken as the measuring rod of a developed society.

Broadly speaking, the theory paid attention to the deficiencies in the underdeveloped countries and advocated certain policies to overcome those deficiencies. The Western countries practiced capitalism and it is the industrial capitalism that brought in development in the region. As has been stated before, several modernization theorists also claim that in Western countries, political modernization accompanied economic progress where tyrannical Kings and monarchs along with the feudal lords were overthrown and democratic form of government were established over the years. Such a system introduced individual freedom, liberal democracy with emergence of political parties, universal franchise and establishment of the rule of law. As the theory claims, the poorer countries of the Third World didn't transform themselves from traditional to modernity and therefore was left behind in the developmental process. The modernization theorists therefore suggest that the underdeveloped countries should follow the developmental path of the West for their socio-economic and political transformation.

However, this theory has been highly criticized by many despite its several relevant propositions. The critics most particularly outlined the fact that the theory does not consider the factor that the inequality that exists between different regions

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of the world that are divided as developed and underdeveloped might cause instability. It avoids the fact that there might be conflict of interests between the rich and the poor. The theory also considers the historical development of the industrialized countries and ignores the same in case of the Third World countries. The modernization approach is condemned as theoretically incapable of what on any plausible account would be part of the commodities of enquiry. The formulation traditional/modern is thus skewed or biased in that it rules out consideration of the part played by the developed in creating the circumstances of the underdeveloped (Preston 1996, 174–175).

4.4 CENTRE–PERIPHERY THEORIES

The Centre–Periphery explanation of development and underdevelopment is an important milestone in the history of development theories. This model is found in the arguments of ‘Dependency theorists’. The principal argument of this theory is that the resources flow from the ‘periphery’ constituting the poor and underdeveloped countries to the ‘core’ representing the developed, wealthy countries. The ‘core’ groups of countries become rich at the cost of the ‘peripheral’ countries. The theory was developed in 1970s as a reaction primarily to some earlier theories of development which advocated that all societies progress through similar stages of development and that present day underdeveloped states are in a similar state of condition, which the present developed states experienced few years past. Therefore, the underdeveloped states should be helped in implementing the policies that the developed states followed in order to bring them out of poverty. Such common paths of development are investment, transfer of technology, integration of national markets with that of the international markets, etc. Contrary to this view, the Centre–Periphery theorists argue that underdeveloped regions are not merely the primitive variants of developed regions. Rather, they have their own unique features and societal structures. Going against the ideology of free market economy, this theory argues that the underdeveloped countries need to minimize their contact with the world market so that they can chase the path of development looking at their own needs and strategy. So, the Centre–Periphery theory is basically a critique of the modernization school. This theoretical foundation developed first in Latin America, amongst social scientists such as Raul Prebisch, an Argentinian economist and later on got substantial intellectual input from other Latin American scholars like Celso Furtado, Theotonio Dos Santos and F.H. Cardoso. Samir Amin of Senegal and Andre Gunder Frank of Germany also discussed extensively on Centre–Periphery model. Later, Immanuel Wallerstein also talked about the issue with some supplementary focus in his World–Systems theory. However, there are different points of view among the Centre–Periphery theorists and hardly there is any agreement among all on the issue of development and underdevelopment. Nonetheless, there are some core propositions which seem to underlie the analyses of most of the theorists.

According to the Centre–Periphery model, underdevelopment is not the result of tradition, but it is linked with the practical requirements of the development of capitalism in the industrialized countries. As said above, the theory assumes a central core of capitalist countries, where market determines the economy and is the sole driving force. On the other hand, in the peripheral countries, the organic composition of capital is low so also the wage-levels unlike the core capitalist countries. Even in peripheral countries, process of production and distribution of commodities may be carried out largely by non-market agents like kinship or traditional patron-client ties. Therefore, the Centre–Periphery model suggests that the global economy is based on the structured relationship between capitalist centres which by using military power, political influence and economic dominance, extract wealth from the poorer peripheral economies. The primary reason that gives profit to the core capitalist countries is the inequality of wage between the core and the periphery, which brings profit for capitalist enterprises to establish their production units in underdeveloped/peripheral regions. So, according to the proponents of the Core–Periphery model, the argument that the core capitalist countries are developing traditional and backward economies through relocation of industrial units and enterprises in underdeveloped regions is misleading and that the process actually helps the capitalist countries which prosper at the expense of the poorer peripheral countries. Underdevelopment is an active process of impoverishment and poverty which is very much linked to the process of development. Some parts of the world are underdeveloped and face poverty situation because some other parts are developed. Development and underdevelopment are two aspects of the same process. In other words, economic development and social progress in industrialized countries created poverty in the peripheral countries. The later countries are poor because development process in West European and North American countries changed and impoverished many economies in the Third World regions of Asia, Africa and Latin America through the process of colonialism and imperialism.

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Fernando Henrique Cardoso (1979) described the main features of the dependency theories in the following way:

- (1) There is a financial and technological penetration of the periphery and semi-periphery countries by the developed capitalist core countries.
- (2) This produces an unbalanced economic structure within the peripheral societies and among them and the centres.
- (3) This leads to limitations upon self-sustained growth in the periphery.
- (4) This favours the appearance of specific patterns of class relations.
- (5) These require modifications in the role of the state to guarantee the functioning of the economy and the political articulation of a society, which contains, within itself, foci of inarticulateness and structural imbalance (cited in Tausch and Heshmati 2009).

Another influential thinker in the Centre–Periphery debate, A.G. Frank also discussed widely on the issue of dependency and underdevelopment. Frank (1967,

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1969) was highly critical of the modernization theorists. As he said, the arguments of the modernization theorists are extracted from the historical experience of the developed countries of Europe and North America and this perspective is not appropriate to understand the situation in the underdeveloped Third World countries. Opposing the modernization theorists, Frank said that the Third World countries could never follow the Western path because they have experienced something that Western countries have not experienced. In other words, Western countries have not experienced colonialism while most Third World countries are former colonies of the Western countries. Many Third World countries were advanced before they were colonized. Formulating the concept 'the development of underdevelopment' Frank stated that underdevelopment is not a natural condition but an artifact created by the long history of colonial domination in the Third World countries (So 1990, 96). As So (ibid, 97) writes, 'Frank formulated a "metropolis-satellite" model to explain how the mechanism of underdevelopment works. Such metropolis-satellite relationship has its origin in the colonial period, when the conqueror implanted new cities in the Third World with the aim of facilitating the transfer of economic surplus to Western countries. The national cities then became the satellites of the Western metropolis.' As Frank stated, the metropolis-satellites relation, however, is not limited to the international level, it penetrates to the regional and local levels of the Third World countries as well. Therefore, just as the national cities have become the satellites of the Western metropolis, so these satellites immediately become the colonial metropolis with respect to the provincial cities, which in turn have local cities as satellites surrounding them. A whole chain of constellations of metropolises and satellites is established to extract economic surplus, in the form of raw materials, minerals, commodities, profit from Third World villages to local capitals, to regional capitals, national capitals, and finally to the cities of the Western countries.

However, the Centre-Periphery model and the particular theories of dependency have come under severe criticism. As Peet and Hartwick (1999, 111) discussed, this model was holistic in that it attempted to place a country into the large global system. In its simple form, it stressed the external causes of underdevelopment rather than those internal to a peripheral society. A strong emphasis was placed on economic rather than social or cultural interactions. Again this model was also politically radical with most of its adherents proclaiming the need for some kind of socialist revolution although a purely nationalist politics (merely cutting a peripheral country off from the world capitalist system so that it could develop autonomously) could also emerge from purely spatial versions of the dependency perspective.

4.5 WORLD SYSTEM AND UNEQUAL EXCHANGE

The World-System theory came into existence following the criticisms of the Centre-Periphery model. It is a multi-disciplinary and macro approach to world history

and world capitalist system. This was initiated by Immanuel Wallerstein among others and this theory focuses on inequality as a separate entity from growth in the broader context of development. This is an analysis of the pattern of change in the global capitalist system. The proponents of this theory reject the idea that industrialization can only bring development. The World-System theory gives emphasis on the global systems and not on individual nation states. Its basic unit of analysis is the world capitalist system, not any particular economy. The Global or world system is identified as the international division of labour that divides the whole world into a three-tier system consisting of the 'core' countries, and the 'periphery' countries between which lies the 'semi-periphery' countries an intermediary layer.

The most familiar account of the World-System model of development was developed by Immanuel Wallerstein. He traced the rise of the world system to 15th and 16th century, with the European economy suffering severe crisis and its transformation into a capitalist model from a feudal one. The West European region duly took the advantage of the capitalist system and gained control over most of the world economy, leading the development movement through the spread of industrialization and capitalist economy. This indirectly produced inequality and underdevelopment.

To Wallerstein, the modern world system is analyzed not on the basis of class, state, society or country but the unit of analysis is the larger historical system, in which these categories are located. In his book '*The Modern World-System*' (1974), Immanuel Wallerstein made the most significant argument unlike most other Marxian theorists who talked about the development of capitalist economy and subsequent inequalities on the basis of class. His theory does not concentrate on the relations between social classes or between the state and workers; rather, it focuses on a large economic entity, the 'world system' that is not constrained by socio-political boundaries something that is characterized by an unjust division of labour which produces unequal exchange relations between different geographical areas of the world (Mooney and Evans 2007, 252).

According to Wallerstein (1990, 2000), the existing integrated world capitalist economy is dated back to the 16th century. The transition from feudalism to capitalism involved the creation of the world economy. As he said, capitalism, which was restricted to Europe first, went beyond it and covered the whole world. In his *Theory of the Modern World System*, Wallerstein (1974) discussed two Types of world systems: 'World Empire' referring to the ancient Rome which was based on political and military domination, and 'capitalist world economy' which relied on economic domination. Of the two, the later was more stable. He also talked about a possibility of another world system, a 'socialist world government' which unlike its capitalist counterparts integrates the political and economic sector. As mentioned above, in the capitalist world economy, Wallerstein described the geographical division of labour: the core, the periphery and the semi-periphery. The 'core' geographical area dominates the world economy and exploits the rest

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of the system. The 'semi-periphery' is a residual category that encompasses a set of regions somewhere between the 'core' and the 'periphery' respectively. 'As the world system gradually expands across the globe, it exerts pressure on individual nations to become part of the world economy. Nations remain independent as states, as long as they integrate themselves into the 'interstate' system. Otherwise, they risk being taken over by states already incorporated into that political system' (Mooney and Evans 2007, 253). After individual states become part of the world system, as a matter of policy, they have to employ various strategies/approaches, including the cultural denigration of 'others' to protect their economies from outside influence. The world system is not maintained through consensual agreement, rather through social forces which are in constant conflict, threatening to collapse the system. Wallerstein argued, the modern capitalist world economy is the current type of world system which operates on the basis of economic exploitation through an unjust global division of labour rather than relying on political domination as did an earlier system (ibid, 252).

So to Wallerstein this division is not based on state borders rather on the bases of the economic division of labour. In the modern era, capitalism provides a basis for the growth and development of world economy. 'The Premise of the World-System theory is that the world order has a patterned unity in which it is possible to weight the relevance of different components of the system and it proposes that levels in the system are integrated and claims to show how the global systems impacts on locals and the reciprocal effects of these on each other' (Ray 2007, 21–22).

For a 'just' human cause, Wallerstein advocated that more equitable global exchange relations can be achieved through the formation of a 'third world system', which he referred to as a socialist world government. A socialist world economy, based on collective ownership and control of the (economic) resources, would both integrate the political and economic spheres that modern capitalism separates and eradicate the economic exploitation between geographical regions/borders, among labourers across the globe and eliminate unequal distribution of resources (Wallerstein 1974, 1990, 2000; Mooney and Evans 2007, 253). However, the World-System theory also attracted various criticisms. It has focused much on economy and capitalist system and not enough on society and culture. It has also been criticized for being too core-centric and state-centric.

'Unequal exchange' as a concept was primarily used in the Marxian analysis. The concept was coined in 1962 by Arghiri Emmanuel (Emmanuel 1972), a Greco-French economist. It refers to a system of exchange where the rate of profit has been equalized internationally, while the wage-levels of the labour have not. The dependency theorists while analyzing the Centre–Periphery model of development and underdevelopment analyzed the concept of unequal exchange. They principally analyzed the issues of monopoly and Centre–Periphery trade. The fundamental argument is that if unequal exchange is practiced in trade, then the producers, investors and even consumers obtain either higher costs or lower incomes or

sometimes both while purchasing and selling of products than they would have, if the products had traded at their actual price or value. This is a disadvantaged position in trade and the market position of the producers/investors gets affected and exacerbated. However, on the other hand, the beneficiaries of such transaction gain a huge profit. So the theorists argue that the beneficiaries of unequal exchange are the capitalists. Nonetheless, to Emmanuel the beneficiaries are the consumers or workers from the high-wage countries. Samir Amin widely used the notion of unequal exchange in his analysis of uneven development of poor and rich countries. The theory of World System discussed above also took reference of the idea of unequal exchange. Wallerstein's discussion on world capitalism was based on the unjust division of labour that produced unequal exchange relations between different geographical areas of the world which he divided into the core, the periphery and the semi-periphery.

After the analysis of different models of development, it can be stated that (Spybey 1992, 32) the chief weakness with Centre-Periphery argument is that it is only a kind of mirror image of the Modernization theory. Modernization theory states that countries will develop if they modernize, i.e., if they change their social institutions from the traditional to the modern, whereas dependency model arguing about the issue of Centre-Periphery states that peripheral countries cannot develop because they have been placed in a position of economic dependency by Western modernization. In terms of 'unequal exchange', the Third World supplies raw materials at market prices that remain relatively low, whilst it must obtain most of its requirements in manufactured goods from the West at relatively high prices. Besides, both Modernization theory and Centre-Periphery theory make absolute statements about the relationships between the developed and the developing countries. Essentially, Modernization theory is about the progress of capitalism and the avoidance of socialism, whilst Dependency theory is about the need to break up the capitalist system to allow the Third World out of its subservient role.

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4.6 CAPITALIST MODEL OF DEVELOPMENT

It has been discussed in earlier units that development is viewed by different scholars differently and each interprets the notion of development from his own theoretical and ideological view-points. Capitalist model of development has been severely criticized by the Marxists. It refers to the type of development model in which the means of production are owned by private individuals and the whole economic system is aimed at private profit. The market related factors like supply, demand, price and distribution of products or commodities are decided by private actors. Profit is distributed among the factory owners, and wages are paid to workers who work in the factories.

Capitalism is defined by some scholars as an economic system, where the forces of production are privately owned. Some loosely define it as a system where most sources of productions are in private hands, while others refer to the

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latter as a mixed economy biased towards capitalism. More fundamentally, capitalism is defined as a system where commodities are produced to generate profit or surplus value. Private ownership in capitalism implies the right to control property, including determining how it is used, who uses it, whether to sell or rent it, and the right to the revenue generated by the property (Bessette, 1996, 637).

As stated by Mooney and Evan (2007, 17–18), perhaps a fundamental basis of capitalism globally is the existence of private property rights, internationally, and the freedom to trade such property rights. Of course, property rights and the freedom for exchange are also the basis for markets. Such rights can be held in respect of the means of production like land, financial capital, natural resources, and one's own labour. Naturally, the output of any business units or companies, whether products or services, also can be openly traded. Markets can only operate on a global scale with free and transparent trading, supported by international trade law. The effects of capitalism depend largely on how open the societies are that are involved. Problems usually attributed to global capitalism can also be viewed as problems of the respective individual countries, particularly that their more localized markets have not been fully articulated. In other words, using a fundamental definition of capitalism as exchange-based on the establishment of property rights, problems may arise if property rights are not rigorously or justly defined. For example, a nation may not define within its laws the ownership of natural resources in a way that the populace accepts as fair. Workers who exchange their own labour may perceive the wages they receive from international companies as insufficient. Indeed, consumers at the other end of the commodity chain may argue that wages and conditions are unjust. Or small family businesses and business units may be driven out by international competition which is seen as causing changes in culture that are not acceptable (ibid).

Here, the problem is not the international markets per se, but the 'externality' of property rights that are not well defined. Besides, the multinational company that is paying low wages, and is not providing healthcare and other facilities to its local employees, may be exerting undue power over the working conditions because the nation's laws do not ensure that firms supply such broader public benefits. Further, the demise of small family business and small farm life may result because the government does not incorporate the need to protect certain cultural institutions within its laws. At the same time, nation-states may be, or may perceive themselves to be, unable to amend laws and property rights in order to protect these goods not factored into market economics. This may be because of the pressure from large corporations, conditions imposed by the IMF, etc. (ibid, 18–19).

Capitalist model of development at a global level is largely seen as a positive and irreversible process although many especially Marxist thinkers criticize it severely. The reason why certain thinkers criticize this model is due to the fact that notwithstanding its global spread, the capitalist model of development has produced inequality, poverty and exploitation especially leading to regional imbalance in wealth. Such an account has already been discussed in previous sections in the

form of theories of development. Therefore, it can be stated that there should be certain stricter safeguard measures for trade in international markets, so that property rights, surplus distribution, labour welfare management, etc. are perfectly followed. Different individual countries may take different strategies of their own in accordance with their specific nature of needs, market condition and affordability. Despite the fact that most of the countries in the world follow the capitalist model of development, yet all of them have different laws and strategies for trade. A well articulated and perfectly managed system can prove capitalist model of development beneficial.

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CHECK YOUR PROGRESS

1. What does Modernization theory depict?
2. What are different connotations of the term 'modernization'?
3. State the basic difference between traditional and advanced societies.
4. According to the advocates of Modernization theory, what are the real causes of underdevelopment?

4.7 SOCIALIST MODEL OF DEVELOPMENT

Socialist model of development is suggested as an alternative to the capitalist model. Socialism is a model that advocates public or common ownership and cooperative management of the means of production and allocation of resources. Newman (2005) in *The Blackwell Encyclopedia of Sociology* (Cox 2007, 4557) wrote that socialism refers to the doctrines and practices sharing a pattern of family resemblances centred on collective property, social equality, cooperation and communal forms of economic and political association. Beyond these shared attributes, socialism as doctrine and practice is characterized by immense diversity and competing claims to authenticity, which belie the frequent eliding of socialism with Marxism. This internal diversity was already present when the term was first used in English in the 1820s and in French and German in the 1830s, as well as in earlier political and religious movements that anticipated future socialist practices.

A society can be called as socialist when its social and economic structures are planned on the basis of equal power-relations and where the hierarchical and bureaucratic form of governance is found absent. As Hoffman (2006, 589–90) wrote in *'The Cambridge Dictionary of Sociology'*, the socialists give an optimistic view of human nature, stress the importance of cooperation, see freedom in terms of material resources and support equality. Socialism is more than a notion that individuals can only survive in a society, since socialists challenge both conservative ideas of hierarchy and the liberal notion that humans can only flourish when they acquire private property and produce through a market. For the Marxists, socialists can be of either Utopian or scientific. The Utopians link socialism to

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supposedly timeless values like equality and justice. Nineteenth-century Utopians sought to establish egalitarian communities rather than transform the whole societies. However, they are criticized by the Marxists for failing to connect socialism to a particular group in society, a particular period of history and a revolutionary political project. Marxism claims to be scientific socialism on the grounds that socialism is tied in an empirically demonstrable way to the material interests of workers. Although individuals from other social classes can join the socialist cause, only the working class has the organizational experience to bring about a socialist society. The socialist model backs the argument that when there is high level of income inequality and incompatibility in wealth distribution among the bourgeoisie and the working class, revolution should bring transformation in society by introducing socialism. It advocates for a classless society where the state itself withers away. Although Marxists see capitalism as an immoral system, socialism is not merely ethically desirable, but historically necessary.

Robin Hahnel and Michael Albert (2001) identified five economic models within the rubric of socialist economics. They are:

- (1) **Public Enterprise Centrally Planned Economy:** In this, all property is owned by the State and all key economic decisions are made centrally by the State itself, for example, the former Soviet Union.
- (2) **Public Enterprise State-Managed Market Economy:** This is one form of market socialism that attempts to use the price mechanism to increase economic efficiency, while all decisive productive assets remain under the ownership of the State. The example of such a model is the post-reform socialist market economy of China.
- (3) **A Mixed Economy:** In this model, both public and private ownership are mixed and industrial planning is ultimately subordinated to market allocation. This model was generally adopted by social democrats for example, in 20th century Sweden.
- (4) **Public Enterprise Employee-Managed Market Economies:** In this form of socialist model, publicly owned, employee-managed production units engage in free market exchange of goods and services with one another as well as with final consumers. Such a model was practiced in the mid-20th century Yugoslavia.
- (5) **Public Enterprise Participatory Planning:** This features social ownership of the means of production with allocation based on an integration of decentralized democratic planning, for examples, stateless communism and libertarian socialism. An incipient historical forebear to this model is that of Catalonia during the Spanish revolution.

4.8 MIXED ECONOMY

A mixed economy is an economic model of development that includes a variety of private and government-controlled features that reflect the characteristic features

of both capitalist and socialist models of development. 'The Oxford Dictionary of Sociology' notes that the mixed economy combines the elements of market economy with elements of a command economy, i.e., combines characteristics of capitalism and socialism. In a mixed economy, some but not all of the activities of production, distribution and exchange are organized by the state. The state generally plays a larger role in setting policy, rules and objectives, and in controlling labour, than would occur in a purely market economy. The term is also sometimes used more loosely to refer to an economy which includes any elements other than a pure market economy, for example, pockets of subsistence farming in particular areas of a country.

Mixed economy model is an endeavour to gain the advantages of freedom without reducing governmental control. It is an economic system where both state and private individuals play a role in the management of economic and other activities. In the set up of a mixed economy, there are two sectors, private and public that are entrusted with economic and other functions. Both these sectors are expected to work in harmony. Along with it, the national economy is regulated and governed by both government and the market. Gokhale and Kadam (1991, 261–263) give the following features of a mixed economy.

(1) Co-existence of Public and Private Sectors: One of the most outstanding features of this system is that there co-exist two sectors: a public sector and a private sector. In a rare case, it is also possible that there may be one more sector namely, joint sector. A public sector is regulated, run and managed by the government itself. It creates a state monopoly in concerned spheres. However, it may be noted that a mere fact that some such activities are run and carried on by the state doesn't constitute a public sector. What is implied here is that state and its agencies undertake certain economic and similar activities with the purpose of achieving certain social objectives, such as equitable distribution of national income and wealth, balanced economic growth, etc. Similarly, the private sector is also entrusted with certain activities. Though the state is given general authority or power to control the working of the private sector, the latter enjoys certain basic freedom to initiate, undertake and to carry on such activities within the given framework with the purpose of making and maximizing profits. Thus, both the sectors coexist in this system.

(2) Co-existence of State-control and Market-mechanism: In a mixed economy, there also coexists the state control and market mechanism. There are two kinds of forces which govern, regulate and direct the national economy with the purpose of achieving the given objectives. Allocation of resources, determination of prices and distribution of national income, etc. are brought about by these forces in a desired manner, keeping in view the basic objectives sought to be achieved. In some cases, the state decides in which sector, in which industry and

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to what extent resources should be channelized. Similarly, it determines prices of certain goods and services. It also influences distribution of income and wealth, etc. in the country. At the same time, the market mechanism also influences these aspects. Thus in a mixed economy, these two kinds of forces regulate, control and direct the national economy so as to ensure that the desired objectives are achieved.

- (3) **Economic Planning:** A mixed economy is also characterized by economic planning. It is consistent with the philosophy of socialism. A mixed economy also aspects some features of socialism. National economy is controlled and directed by economic planning and consequently, allocation of resources, pattern of investment, production of goods and services, etc. are influenced by it. However, in such a system, there is no place for central planning which is found in authoritarian socialism. More or less there is liberal economic planning. However, its rigidity depends upon a given country.
- (4) **Democratic Freedom:** In a mixed economic system, there exist various democratic freedoms to a great extent. Various political rights, such as right to freedom, right to form political parties, right to contest elections, right to hold public office, right to freedom of speech and expression, etc. are allowed to the citizens in this system. These freedoms are essential to the working of democracy in the concerned countries. In all mixed economies, there exists a democracy and where there is a democracy, democratic freedoms have to be provided and maintained.
- (5) **Economic Freedoms:** In a mixed economy, there also exists economic freedom to a great extent. It is true that these freedoms are narrow in comparison to a capitalist system. In the absence of such freedoms, a private sector cannot function. Therefore, economic freedoms, such as freedom of occupation, freedom of consumption, freedom of investment, freedom of savings, etc. are provided and maintained under this system.
- (6) **Positive Role of the Government:** In a mixed economy set-up, the government plays a positive and meaningful role in various economic matters. It has to direct and control the national economy so that the desired objectives can be realized. However, for this purpose, it has to keep and assist both the sectors and bring about harmony between them. Individual interests should be harmonized with the public or social interests.

4.9 GANDHIAN MODEL OF DEVELOPMENT

The Gandhian model of economic development and social progress has been an important alternative to capitalist or socialist models. To Gandhi, real development

is manifested in the philosophy of 'Sarvodaya', the term he coined, referring to the 'universal upliftment' or 'progress of all'. 'Sarvodaya means good of all resides in the good of one. That there could be interests of one person which are against the interests of another is inconceivable. Similarly, there could be no interest of one community to the class or country which would be against the interest of any other community, class or country. The idea of opposition of interests is itself wrong' (Gokhale and Kadam 1991, 353). *Sarvodaya* advocated everyone's development. It implies free and full development of every individual. Gandhi was against any coercion of individual even in the interest of the good of majority. He wanted to build a social order based on non-violence, where individual's rights would be properly safeguarded. He propagated individualism in the form of self-reliance and self-help (Mohanty 1997, 38). Gandhi believed in decentralized economy and universal literacy. He also believed in withering away of state as Marx did. According to Gandhi much of the common affairs of the people can be conveniently managed through the cooperatives. The cooperative structures must grow up from the below. He firmly believed villages to be the focal point of development. Villages have a bigger role to play in the development of a nation. To materialize it, ideal *Panchayats* at local level are given key role to play in the Gandhian model of development (ibid).

Although we in India have well-acknowledged the contribution of Mahatma Gandhi, the Father of our Nation, to India's independence, we have given little attention to his economic thought (Jena 2008, 114). Even Gandhi himself was against his ideas being taken as constituting an ideal model. As he said, 'If I were to know, after my death, that what I stood for had degenerated into sectarianism, I should be deeply pained. ... You are no followers, but fellow students, fellow pilgrims, fellow seekers and fellow workers'. (Harijan 02/03/1940, quoted in Tendulkar 1952, 303). He wanted to restore the traditional resource of India by reviving the traditional crafts. He emphasized the need for strengthening the village economy where most of the Indians earn their means of living. Gandhi said, 'Crafts were to be revived, everyone was to spin, and everyone therefore, was to buy raw cotton or grow his own and a spinning wheel with which to spin it' (Rivett 1959, 3). He always asked for village self-sufficiency. He was in favour of small-scale and cottage industries and disliked the large-scale machine-based factories especially in Indian conditions with plentiful of labour and scarce capital.

Gandhi talked about an important notion of 'Trusteeship'. This principle, which relates to the ownership of wealth and property, is an attempt towards the removal of the sufferings of the poor masses which was the primary concern of Gandhian thought. According to Gandhiji, the owners of property and wealth should treat themselves as 'Trustees' appointed by the society. According to him neither capitalism nor socialism is desirable because the former uses the property for individual gains while the latter destroys the individual liberty. Hence, both cause loss to social welfare. Therefore, 'Trusteeship' becomes a desirable choice. When an individual earns more than his requirements, he becomes a trustee.

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This means that the surplus earning should be used by him for the society (Gokhale and Kadam 1991, 338–39). Gandhi was looking for a society of all happiness and prosperity.

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CHECK YOUR PROGRESS

5. How did the political modernization and economic progress coincide in Western countries?
6. What is the principal argument of the Centre–Periphery model?
7. When and how was Centre–Periphery theory developed?

4.10 SUMMARY

- According to the Modernization theories, the real causes of under development and poverty are the internal factors in the poorer regions, like lack of proper education, traditional agrarian economy, improper division of labour, lack of scientific and technological expertise, etc. The Modernization theorists give the argument that the underdeveloped countries should follow the developmental path of the West for their socio-economic and political transformation.
- The Centre–Periphery theorists argue that resources flow from the ‘periphery’ constituting the poor and underdeveloped countries to the ‘core’ representing the developed, wealthy countries and that the ‘core’ groups of countries become rich at the cost of the ‘peripheral’ countries.
- The World–System theory talks about a Global or World–System which is identified as the international division of labour that divides the whole world into a three-tier system consisting of the ‘core’ countries, and the ‘periphery’ countries between which lies an intermediary layer of the ‘semi-periphery’ countries.
- Capitalist model of development refers to the type of development model in which the means of production are owned by private individuals and the whole economic system is aimed at private profit.
- Socialism is a model that advocates public or common ownership and cooperative management of the means of production and allocation of resources.
- A mixed economy is an economic model of development that includes a variety of private and government control features that reflects the characteristic features of both capitalist and socialist models of development.

4.11 KEY TERMS

- **Human development:** It is the study of how people develop on physical, intellectual and social levels. It probes the different stages of life to better understand how people work.
- **Social development:** The process of planned social change designed to promote the well-being of the population as a whole in conjunction with a dynamic process of economic development.
- **Particularism:** Exclusive attachment to the interests of one group, class, sect, etc., especially at the expense of the community as a whole.
- **Capitalism:** An economic system in which the means of production are privately owned and operated for profit. Decisions regarding supply, demand, price, distribution and investment are made within a free market.
- **Communism:** A socio-political movement that aims for a classless and stateless society structured upon common ownership of the means of production, free access to articles of consumption and the end of wage labour and private property in the means of production and real estate.
- **Utopian socialism:** A term used to define the first currents of modern socialist thought. It is distinguished from later socialist thought by being based on idealism instead of materialism.
- **Mixed economy:** Economic system in which both the private enterprise and a degree of state monopoly (usually in public services, defense, infrastructure and basic industries) coexist.

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4.12 ANSWERS TO 'CHECK YOUR PROGRESS'

1. Modernization theory depicts the differences between societies in terms of their positions on various indices of modernity or development that measured their similarity to the model of modern industrial society.
2. In the economic sphere, modernization meant specialization of economic activities and occupational roles and the growth of markets; in terms of socio-spatial organization, modernization meant urbanization, mobility, flexibility and the spread of education; in terms of the political sphere, modernization meant the spread of democracy and the weakening of traditional elites; in terms of cultural sphere, modernization meant growing differentiation between the various cultural and value systems, secularization, and the emergence of new intelligentsia.
3. Traditional societies usually exhibited a lack of reliance on individual achievement, emphasizing ascription (e.g., Kinship relations) as the basis for distributing economic goods. In traditional societies, the performance of

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economic tasks was typically diffused, whereas in advanced societies economic tasks were characterized by specificity of roles.

4. The advocates of Modernization theory claim that the real causes of underdevelopment and poverty are the internal factors in the poorer regions, like lack of proper education, traditional agrarian economy, the traditional attitude of the people, improper division of labour, lack of scientific and technological expertise, lack of proper infrastructure and communication facilities, etc.
5. In Western countries, political modernization accompanied economic progress where tyrannical kings and monarchs along with the feudal lords were overthrown and democratic form of government were established over the years. Such a system introduced individual freedom, liberal democracy with the emergence of political parties, universal franchise and establishment of the rule of law.
6. The principal argument of Centre-Periphery model theory is that the resources flow from the 'periphery' constituting the poor and underdeveloped countries to the 'core' representing the developed, wealthy countries. The 'core' groups of countries become rich at the cost of the 'peripheral' countries.
7. The theory was developed in 1970s as a reaction primarily to some earlier theories of development which advocated that all societies progress through similar stages of development and that present day underdeveloped states are in a similar state of condition, which the present developed states experienced few years past.

4.13 QUESTIONS AND EXERCISES

Short-Answer Questions

1. What are the factors that decide the development or underdevelopment of a country?
2. Write a brief note on modernization theories.
3. What are the main advantages of Centre-Periphery theory of development?
4. What is meant by 'unequal exchange'?
5. Write a short note on the mixed economy.

Long-Answer Questions

1. What are the different theories of development? Also give the basic arguments of Modernization theories.
2. Critically analyze the Centre-Periphery theory of development.
3. What is World-System? Explain its basic parameters.

4. What are different models of development? Discuss the capitalist notion of development.
5. Evaluate the socialist model of economic development.
6. What is mixed economy? Give its relevance in the Indian scenario.
7. What do you mean by the Gandhian model of development? Explain how it can help in improving the condition of masses in India.

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UNIT 5 INDIAN EXPERIENCE AND DEVELOPMENT

Indian Experience and
Development

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5.0 INTRODUCTION

In this unit, you will learn about the Indian experience of development process. More particularly, you will learn about the sociological appraisal of the Five Year Plans of India and socio-cultural repercussions of globalization. The unit also discusses about social implications of the info-tech revolution and the issue of development and displacement.

5.1 UNIT OBJECTIVES

After reading this unit, you will be able to:

- Critically evaluate the sociological appraisal of the Five Year Plans in India
- Understand the socio-cultural repercussions of globalization
- Discuss the social implications of the info-tech revolution
- Throw light on the issue of development and displacement