

Economism and critical silences in development studies: a theoretical critique of neoliberalism

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Because of the recentness of neoliberalism's rise in popularity within development studies, it has only been in the last few years that it has been subject to close scrutiny in the development literature. Moreover, much of the criticism of the neoliberal approach has been focused on the immediate consequences of structural adjustment and other neoliberal policy instruments on Third World countries. However, there is also a theoretical critique that can be applied to neoliberalism which can help explain the root causes of many of its shortcomings as a development strategy. Given the close links between neoliberalism and neoclassical theory in general, much of this theoretical criticism concentrates on basic problems of the neoclassical framework. This paper particularly focuses on the problem of economism and the consequent neglect of three important areas of development studies: sociocultural and political relations, the intersubjective realm of meanings and values in development, and the environment and issues of sustainability.

The narrowness of homo economicus and associated neoclassical assumptions

The multifaceted and dynamic nature of development processes makes it necessary to take an interdisciplinary approach to the study of development, one that includes sociocultural, political, and environmental factors as well as those economic. However, neoliberalism and other mainstream development frameworks that draw their conceptual roots from neoclassical theory have virtually omitted non-economic factors of development from serious consideration.¹ As Hirschman notes, 'The discipline became professionally more narrow at precisely the moment when the problem [of development] demanded broader, more political, and social insights'.²

Characteristically, neoclassical theory treats people as atomistic individuals who are bound together only through market forces. People are reduced to isolated creatures of the marketplace, devoid of history, cultural traditions, political opinions and social relationships beyond simple market exchanges.³ The conventional assumption is that non-market relations and institutions—the broader environments within which economies operate—are universal, unchanging, and have no significant impact on economic activities.⁴ Economies take on an ahistorical, static nature and economic change becomes solely the result of exogenous changes in tastes and technology.⁵ Stripped of their social relations

and historical dynamism, economies are reduced to simple technical devices for allocating scarce resources. The consequences are often unrealistic and trivial results derived from narrow, simplistic analyses that ignore the complexities surrounding Third World economic realities.

The gap between theory and reality within neoclassical economics is largely rooted in a series of unrealistic assumptions, especially those linked to the *homo economicus* postulate. The concept of *homo economicus* first emerged with the birth of marginalist or neoclassical economics, as it became known, around 1870. From its origins, neoclassical theory has basically conceived of a world composed of scarce means and unlimited desires, within which individuals must make choices. The role of *homo economicus* within this world becomes one of defining the 'best' choices, ie those that maximise an individual's ends given the limited means available. *Homo economicus* performs this function as a 'rational, self-interested, instrumental maximizer with fixed preferences'.⁶ Social processes are reduced to a universal psychological end—utility—which supposedly motivates all economically rational behaviour.

Homo economicus, then, represents yet another universalistic Western concept: economic behaviour in all places at all times follows the strictures of economic rationality. This universal rule of economic rationality determines which choices are best (ie which maximise utility) in all situations. Barnes notes that *homo economicus* provides neoclassical theory with a methodological agenda '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 determinist nature, is easily represented in a formal model'.⁷ In the end, such reductionism means that *homo economicus* exists neither in the real world of the South nor the North. The real world is instead composed of individuals and social groups whose behaviour may change across time and space according to complex interconnections between individual attitudes, beliefs and motivations, on the one hand, and the influence of historically constituted societal structures and relations, on the other.

Ultimately, what neoclassical theorists have to understand is that there is no independent, universal sphere of economic rationality that is explicable by equilibrium equations and formal models based on assumptions of individualistic exchange relations. By precluding attention to elements of human behaviour that do not fit its narrow definition of economic rationality, neoclassical theory leaves itself no mechanism for understanding and explaining the often messy empirical world that so defies its models. Moreover, even rational behaviour (eg the pursuit of profits) cannot be understood without paying attention to non-market values, rules, relations and institutions. Development is not simply economic growth, but also involves critical changes in social relations and institutions. Changes in practices spring from mutual actions and relations among classes and social groups; they cannot simply be understood as aggregations of isolated individual actions, as is posited by neoclassical theory.⁸

Inevitably, neoclassical theorists pay a heavy price for the simplicity and elegance of their models: empirical ignorance, a misunderstanding of socioeconomic processes, and, as a result, the advocacy of unrealistic and bizarre policy recommendations.⁹ In order to explain how actual economic activities unfold in

their real-world settings, we must understand the local historical and geographical context in which these activities take place. This means moving away from universal models based on absolutes, such as the *homo economicus* assumption, towards the adoption of a more relativist stance. A central tenet of relativism is that human activities cannot be explained by recourse to theoretical absolutes, but need to be examined within their particular contexts. This position is especially relevant to the study of development processes in Third World countries that normally unfold in contexts that bear only a superficial and often misleading resemblance to their First World counterparts.

Neglect of factors differentiating markets

Because their development strategies are based on market-led growth, neoliberals and other neoclassical theorists especially need to develop a better understanding of the different ways that markets work in developing countries and the factors that contribute to these differences. It is normally assumed that markets are essentially similar and that reactions to market signals by the private sector will be equivalent from country to country. Indeed, the overall dependence of market-led growth strategies on the 'trickle-down' mechanism assumes a basic uniformity in Third World markets based on open competition and economically rational behaviour by entrepreneurs. However, these universal assumptions about markets and the private sector have little historical evidence to support them. Such assumptions appear to be particularly unrealistic for more underdeveloped economies marked by dualistic structures in poorer, predominately rural areas of the South (eg much of Africa, South Asia). As Stewart comments: 'Traditional elements in the economy have different organisation, operate in different labour and capital markets, pay different prices for these resources, and have quite different access to technology, from firms operating in the modern sector.'¹⁰ In the case of Africa, for example, Havnevik states that 'it is wrong to think that [Western-style] land, labour, credit, and product markets exist naturally ... Factor, product, and financial markets [have been] historically rare in Africa'.¹¹ It follows that if development in these areas is to conform to neoclassical prescriptions for market-led growth in the Western image, new market institutions will somehow need to be created and sustained in an environment likely to be rather inhospitable.

The general effectiveness of neoclassical trickle-down strategies also presupposes the presence of a capitalist class that is able and willing to respond to market incentives with investments and other accumulation activities. However, class differences between countries may profoundly affect investment patterns and other key elements of the accumulation process. Within developing economies, domestic capitalist firms often play a relatively small role in comparison to state-owned and family enterprises, both of which normally make production decisions based on criteria that diverge from neoclassical assumptions of profit maximisation.¹² Moreover, particularly in Africa and Latin America, domestic capitals have generally remained quite weak, while innovative entrepreneurs with significant investment capacities have yet to emerge in most countries.¹³ Under these circumstances, market incentives may be largely ineffective in

stimulating the investment capital needed to create added employment and income. This means that if the trickle-down strategy is not to be short-circuited by insufficient investment, capital will need to originate from abroad—an especially dubious proposition for exactly those more underdeveloped countries which most often lack a domestic capitalist class.

The trickle-down process is further restricted in much of the South by tendencies toward monopolisation in key economic sectors.¹⁴ In many countries, economic monopolisation has been associated with state protectionism of existing enterprises and resource constraints that prevent new firms from entering markets.¹⁵ Lack of competition, however, is not just a common trait of the South's domestic markets. The global food and commodity markets upon which many Third World exporters are especially dependent are typically dominated by a few transnational agribusinesses based in the USA and other industrialised countries.¹⁶ At either the national or international scale, then, the distributional impact of market-led growth cannot be specified *a priori*—as trickle-down theory attempts to do. Each country has its own historically evolving class and social structures and occupies a particular position in the international economic order, both of which will influence the strength of any trickle-down mechanisms. In fact, Booth comments that 'trickle-up' might be a more appropriate term to describe the distributional impact of development in the severely polarised agroexport economies of areas such as Central America and the Caribbean.¹⁷

The different ways that internal and external structures may affect market processes illustrate the fact that the market is at root a social process. Development, whether market led or not, is not a function of abstract economic mechanisms operating in a social vacuum, but necessarily also involves changes in social relations, structures and institutions. This is not to argue that the importance of economic growth to the South should be neglected, but that a broader, more balanced approach to development be taken that links the economic performance of regions and countries with the historical constitution of sociocultural and political structures. As Dietz and James note: '[Neoclassical] economic orthodoxy pays far too little attention to how powerful social and political forces can encapsulate and steer market forces'.¹⁸

Under-theorisation of the state, institutions and relations of power

The assumption of methodological individualism that produces the neoclassical world of atomistic individuals devoid of social relations is particularly ill-equipped to come to grips with the structured context within which relations of power arise. However, as Klein remarks, 'There is scarcely an assumption or an implication of conventional economic theory which is not altered when the realities of economic power are incorporated in the analysis'.¹⁹ While it is a truism that the market influences resource allocations in all capitalist systems, if we examine the structures out of which relations of supply and demand are created, powerful vested interests will inevitably be found that shape how markets operate.²⁰ Moreover, this pattern is undoubtedly most pronounced in many of the highly polarised and authoritarian societies of the South in which the vested interests of the elite monopolise state access to the exclusion of the

popular sectors. Little if anything meaningful can be understood about the effects that such power relations can produce on economic development (eg restrictions on market participation by some classes and social groups, limitations on aggregate demand rooted in societal polarisation) by using the neoclassical 'adding-up' approach of methodological individualism that neglects people's social and political make-up.

Along with its neglect of power relations, neoclassical theory has also afforded little attention to the institutional dimension of development. In recent years, an institutionalist critique has emerged of the one-dimensional, universalist logic of neoclassical theory that tends to equate state intervention with economic inefficiencies and predatory policies regardless of the historical, institutional and political context.²¹ It is noted that countries within the same geographic region often share institutional characteristics that distinguish them from countries in other regions.²² These institutional differences are, in turn, linked to underlying historical, sociocultural, and politico-ideological factors. Such factors mean that the feasible range of institutional change associated with development may differ widely; change that may generate benefits in one country, given its particular social make-up, may produce disastrous results in another. Onis comments, for example, that within the institutional and political context of East Asia, bureaucratic autonomy has been associated with extremely effective forms of state economic intervention. However, he also notes that it was not bureaucratic autonomy *per se* that produced effective state intervention, but rather a whole set of broader societal factors that collectively established the preconditions allowing for effective state action.²³ By contrast, similar types of state intervention might be quite counterproductive in other countries that lack such preconditions.

A basic inconsistency pervades the neoclassical and, by extension, neoliberal attitude towards state intervention. On the one hand, the Third World state is typically characterised as almost completely omnipotent in its ability to set policy according to its macroeconomic objectives. On the other hand, it is also described as virtually totally impotent and incapable of acting in an economically rational and efficient manner (unless, of course, it effectively follows neoclassical policy prescriptions). Contrary to this rather naive, monistic view of politics, however, the state is neither all-powerful nor completely powerless. In reality, both states and their polities are highly differentiated. Sources of state differentiation originate both from the internal composition of the state itself (eg bureaucratic structures, types of government) and from its broader social composition (eg relations with powerful classes, regional groups, familial and ethnic groups). As a result, states often have divergent technical capacities and other capabilities with which to carry out policy. Moreover, states are normally permeated by contrasting interests and tensions that may be reflected in diverse forms of economic intervention and other political behaviour. Economic as well as political actors struggle to make dominant those forms of intervention from which they and their allies will benefit most. Therefore, neither the structures nor the functions of the state should be seen as monolithic.

Both the internal and external structural features of the state, then, may affect its ability to devise and carry out different forms of economic intervention.

Given the tremendous structural diversity of Third World states and their societies, one would think that forms of state intervention ought to be correspondingly diverse. Indeed, a number of recent comparative political studies has emphasised the considerable variety that marks forms of state intervention in developing countries.²⁴ However, despite their focus on (reducing) state intervention, neoliberals have devoted remarkably little analysis to either the causes or consequences of different forms of such intervention. Characteristically, a simplistic univariable definition or indicator of state intervention is presented rather than any serious attempt to elaborate the different ways that states may intervene economically. This neglects analysis of the nature of the state and of its relations with the broader society, both of which are necessary to understand the nature of state interventions. In Africa, for example, Mengisteab and Logan find differences in forms of intervention according to the social composition of various states: policies in Mobutu's Zaire tended to conform to the elitist interests of the ruling class and state functionaries, while those in Nyerere's Tanzania or Mugabe's Zimbabwe were directed towards the redistributive interests of the poor majority.²⁵ Similarly, O'Donnell finds that particularities within both internal and external state relations have affected forms of state intervention in Latin America: before the mid-1980s, the neocorporatist or bureaucratic-authoritarian regimes of the Southern Cone carried out a mixture of coercive and neopopulist measures which reflected both their authoritarian political structures and the traditional strength of corporatist relations within the region's polities.²⁶

Disregard for culture and history

In the long run, the viability of any economic strategy depends on a host of historical, political and cultural variables. In order to be useful, a strategy must be able to adapt to historically changing conditions, while keeping interrelationships between economic and non-economic factors under constant and rigorous scrutiny. A growing number of development theorists—including some within economics itself—has reached the conclusion that neoclassical theory has overemphasised the technical analysis of abstract economic and scientific issues, to the neglect of other aspects of development that are based in real-world processes and are more immediately relevant to the well-being of the majority in the South.²⁷ Such criticism has touched off a rather vitriolic debate within development theory that is being waged both within and outside economics. On the one hand, some commentators (including a few economists) have charged that neoclassical theorists are too comfortable in their abstract world of universal assumptions and formal models to want to enter into the more messy and chaotic world of real social processes:

When you dig deep down, economists are scared to death of being sociologists. The one great thing [they] have going for [them] is the premise that individuals act rationally in trying to satisfy their preferences. That is an incredibly powerful tool because you can model it.²⁸

On the other hand, many neoclassical economists contend that the inclusion of

non-economic factors in explanations of economic growth and development will only detract from the scientific rigor and precision of their framework. As the following statement illustrates, some of the leading figures in the neoliberal counterrevolution have been particularly disdainful of research (especially by other economists) that seeks to establish the causal relevance of non-economic factors in processes of growth and development:

People delight in putting forward ex-post explanations, or rationalizations, for observed phenomena. Economists are no exception. Those who have failed to understand, nay foresee, actual developments because of faulty or inadequate economic reasoning fall back on noneconomic explanations, just as our ancestors thought to find the causes of lightning and thunder in the supernatural. Explaining intercountry differences in economic growth rates is no exception. With little knowledge, but fertile imagination, economists have wandered onto the fields of cultural and social phenomena when their models have failed them.²⁹

Problem of discipline-centrism and fragmentation

A common problem affecting economics, political science, psychology, sociology, and, to a lesser extent, other disciplines such as social anthropology and geography that are involved in development studies, has been the persistence of 'discipline-centrism'.³⁰ The development process is compartmentalised by each discipline to suit its own areas of specialisation, research methods, and theoretical frameworks. For the most part, interdisciplinary approaches to development have yet to attain intellectual respectability; development theorists commonly contend that interdisciplinarity tends to lead away from more important 'scientific' and 'rigorous' research within disciplinary specialisations. Instead of being constituted as a distinct area of intellectual enquiry because of its peculiar issues and problems, the field of development studies has become incorporated, in bits and pieces, into various disciplines. For example, economics (which in recent years seems to have got away with the biggest haul) tends to emphasise factors such as savings, capital, investment stimuli, and so on. By contrast, political science stresses equality, participation, responsive public officials and political accountability, while sociology highlights modernity, specialised roles and pluralism.³¹

The problem with this disciplinary segmentation is that development processes are inherently multifaceted—involving a complex web of sociocultural, political, economic and environmental factors. It follows that the traditional subject matter of any one discipline cannot adequately deal with the complexity of this topic. Yet 'purists' within particular disciplinary segments often limit their interaction with those in other branches who may have somewhat different concerns or may use unfamiliar research methods or theoretical discourses. The increasingly knotty, interwoven nature of development problems, however, demands new methods and insights that the traditional disciplinary orthodoxies have failed to provide. In order to be able to understand, explain and act effectively, development theorists and practitioners need to adopt more open, pluralistic perspectives that incorporate recent conceptual and methodological advances in a variety of disciplines, as well as indigenous insights into development from a range of

sources within the South itself. To do this, however, they need to eschew intellectual and disciplinary arrogance, escape the conceptual and methodological straight-jackets of the traditional disciplinary specialisations, and avoid the close-minded adherence to ideological convictions that has unfortunately come to characterise much of development studies.

Domination of positivist modes of enquiry

Despite the recent rise of post-positivist forms of explanation in most of the social sciences, the field of development studies still largely remains dominated by positivist modes of enquiry. Indeed, it might be argued that, with the rise of neoliberalism, mainstream development theory is probably more dominated by positivist methods today than at any time in the postwar era. This is in large part a result of the continuing domination of the positivist philosophy of science in a few of the central disciplines concerned with development studies, especially economics. As Wilber notes, it has only been quite recently that the positivist dominance of postwar economics has been challenged and, up to now, the development of alternative theoretical discourses has mostly taken place on the margins of the discipline.³² Moreover, the influence of positivism within economics is particularly strong in many of the most prestigious universities of the North, particularly in the USA, that have advanced graduate programmes, major sources of funding and other resources needed to support development research on an ongoing basis. Many of the key actors in both the academic community and major development institutions—such as the IMF and World Bank—that are responsible for the rapid ascendancy of neoliberalism within development theory are connected to this select group of leading First World universities.³³

An examination of the basic principles of positivism demonstrates its close connections with neoclassical economics and, by extension, mainstream development theory as practised at these leading universities. Among the important principles that define positivism as a distinct philosophy of science are: a belief in naturalism or the essential unity of all science under the 'scientific method' first developed in the natural sciences, an ontological focus on the empirical world of observable events and phenomena, the derivation of universal causal laws or generalisations based on empirical regularities, and the conviction that an objective world exists that can be accessed and explained by objective research methods. Like all positivists in the social sciences, neoclassical economists believe that any differences between research in the social and natural sciences are differences in degree rather than kind. No essential differences are thought to exist that would render the human-based subject matter of economics inappropriate for research methods developed in the natural sciences. If explanations in economics have yielded less predictable results than those in the natural sciences, this can be attributed to the relative immaturity of positivist models and techniques in economics—something that can eventually be overcome as more rigorous research progressively fills the gaps of knowledge.

As in the natural sciences, the ontology of neoclassical economics is basically composed of an empirical world of observable events and phenomena. Other

parts of reality that cannot be observed and measured (eg values, meanings, social relations) are considered to lie beyond the boundaries of proper science. It is from regularities or correlations among empirical facts that neoclassical economists derive causal laws or generalisations upon which explanations are based. Because these empirical facts are invested with a universality, questions concerning their social constitution and historical meaning are excluded from analysis. Causality flows out of simple relations between isolated empirical facts themselves, rather than from analysis of either their 'inner constitution' (ie their social composition according to class, gender, ethnic and other social relations) or the historically changing contexts within which they occur. The neoclassical world of these empirical facts is thought to be objective and to be explainable using objective research methods. This means that neoclassical research typically pays little attention to ideological biases and other non-objective factors that may influence the framing of research questions or the methods by which studies are carried out. Moreover, neoclassical research characteristically employs *a priori* models and theories that rule out subjective factors and separate the observer (researcher) from the observed (research subjects). As a result, neoclassical development studies tend to treat people as objects to be studied rather than as subjects of development in their own right, whose knowledge and interpretations of the world might contribute not only to the findings but also to the design of research projects.

A subjectivist critique: omission of values and meanings

At the core of much of the criticism of positivism within the social sciences is a concern for the human factor and for the subjective realm of values, meanings and interpretations. Many researchers who have adopted post-positivist positions (ie those based on one of the humanist approaches, realism, structurationism, postmodernism) have concluded that the postwar social sciences, in their anxiety of become more 'scientific' or 'objective', have adopted positivist methods that are inappropriate to the study of social subjects and that neglect many important issues related to methods of acquiring knowledge in the social sciences. Individuals and social groups are treated like atomistic facts or things that are devoid of any social content or meaning and follow universal laws which determine their behaviour. Historically constituted values and meanings, which may vary considerably over both time and space, are either excluded completely from analysis or are treated as simple universals in a way that denies their social construction.

Within neoclassical theory, for example, economic values are based on the universal concept of consumer sovereignty and are thus assumed to be stable and consistent. This denies possibilities for differentiation within the subjective realm of values, interpretations and meanings which might be based either on broad processes of social change or on individual variations among people's perceptions, aspirations and access to information and resources. In practice, the universalisation of values within neoclassical theory has systematically excluded the wishes and aspirations of dominated classes and social groups, particularly the poor, women, and minority ethnic groups. These silences underscore the fact

that neoclassical economics, like all discourses, is intersected by relations of power. Recognition of connections between power relations and particular forms of discourse (ie scientific paradigms) leads away from positivist notions of objectivity and the distinction between facts and values. Within development theory, it also highlights the need to examine the ways in which the neoclassical paradigm has furthered the power and influence of certain groups (ie those of global capital, core capitalist countries) at the expense of other needs and desires, particularly of the poor and disadvantaged in Third World countries.

In general, subjectivist critiques of the neoclassical framework in development studies emphasise the need to pay more attention to human complexities and to the dynamic, open-ended, and non-determined nature of social processes. Emphasis is placed on processes of social change, non-equilibrating tendencies, local diversity and human creativity. It is believed that efforts should be made to explore various subjective elements of development among different classes and social groups, alongside the usual studies of overt materialist behaviour and the more objective features of development. This involves attempts to 'bring the actors back' into development studies in the particular economic, political, and sociocultural contexts within which they operate. Research tries to interpret others' understanding of their world from their own special vantage points and without preconceived notions and conceptions. Contrary to neoclassical theory, it is neither assumed that the economic sphere is dominant nor that social processes conform to some sort of predetermined universal logic.

Moreover, advocates of alternative conceptions of development contend that a primary concern for 'humaneness', including social, ethical and moral considerations, should replace the abstract, technical focus that the science of economics has given to development theory.³⁴ Inevitably, this raises questions of purpose within development studies and brings issues such as social justice and environmental sustainability to the forefront. Accordingly, new questions and criteria are needed to assess development performance in diverse areas such as employment and equity, family life, individual freedom, cultural values, community welfare and ecological soundness. Questions that presently revolve around narrow concerns of 'How much economic growth?' in neoclassical theory are transformed into broader issues of 'Economic growth for what and for whom?'³⁵

Need for a hermeneutic component focused on development values and meanings

If development is about processes of human action and interaction rather than just about goods and resources, then it is clear that development theory must deepen its understanding of what it is to be human. This involves incorporating a hermeneutic component into development studies that addresses the ways in which mutual actions and social relations are linked with intersubjective values and meanings. A hermeneutic approach focuses on questions of discourse, meaning and interpretation. It contends that empirical facts are not objectively given and universal but are socially constructed within particular historical settings. Moreover, human practices are composed of modes of mutual action

and social relations which cannot be addressed by frameworks that treat them merely as aggregations of atomistic individual actions. A hermeneutic view of development would stress that one must understand the discourse, or the underlying configuration of interpretations and meanings, before one can understand social practices. Social practices which may on the surface appear to be similar may be interpreted quite differently and may take on distinct meanings for different groups of people.

The hermeneutic environment of social practices is profoundly historical rather than universal in nature. Neoclassical theory assumes a world composed of detached, rational agents who perceive their situations from a transcendent universal position. Optimal actions are supposedly calculated from disinterested observations that have no bearing on other (economic) agents. By contrast, hermeneutic agents are situated within a historically constituted social context. Rather than being detached and merely self-interested, they are embedded within a complex structure of social relations that requires them to make calculations or tradeoffs based on the perceived impact of their actions on others. This is particularly true for many Third World societies in which traditional values and meanings are so closely linked to local social structures (eg kinship, ethnic, community ties). Within these settings, individuals and social groups are both products and constitutive parts of the historically changing ensemble of economic, political and sociocultural processes that make up particular societies. Their practices both shape and are shaped by the distinct structures of value and meaning that constitute those societies.

Neglect of the environment and issues of sustainability

Issues related to environmental deterioration and the sustainability of development have only recently begun to receive attention in development studies.³⁶ Over the past decade, however, a growing number of authors has linked various types of environmental problems to mainstream strategies of development, especially those which focus on maximising economic growth through large-scale agricultural and industrial projects. Because the success of any long-term development project ultimately depends on the sustainability of the environment, there is increasing agreement that sustainability should be explicitly included as one of the central goals of development strategies.³⁷ This requires broadening the focus of development beyond simple considerations of economic growth; in many cases, it may also entail reconciling difficult tradeoffs between development objectives (eg between maximising economic growth and managing resources appropriately). In addition, it means that we must recognise that no one model of development can offer a universal solution for achieving environmental sustainability in all places at all times. Even the most elegant and internally coherent models that ignore variations in society–nature relations are doomed to failure because they neglect the different ways that social groups interact with their environment over time and space. Because of this, they have little chance of being appropriate to the diverse needs and desires of those that must implement them; they will therefore quickly be discarded by Third World countries as foreign and unworkable.

The environment and issues of sustainability have been largely ignored not only by mainstream development studies but also by neoclassical theory in general. When they are considered at all, natural resources are basically regarded as inputs for processes of production and consumption. In the same way as scarcities of other inputs (eg labour and capital) force choices, scarcities of natural resources force decisions over the ends to which they will be put. Given the different ends of various economic agents, natural resource use can be portrayed as an optimisation problem: 'environmental quality [or deterioration] is the result of the aggregated decisions of all individual economic agents, weighing the benefits derived from increasing production and consumption against the benefits enjoyed when the environmental quality is improved'.³⁸

The basic analytical framework of neoclassical theory was developed during the late 19th and early 20th centuries when the availability of natural resources was not generally regarded as an obstacle to economic growth. Perhaps this explains why the neoclassical approach contains so few categories and concepts suitable for analysing environmental problems, especially those occurring on a large and global scale.³⁹ Within neoclassical theory, environmental problems become simple negative externalities. As such, they represent effects on economic agents that are external to the central focus of the theory on the market itself.

Following the classic work of Hotelling, neoclassical theorists have especially tended to equate natural resources with other economic assets worth 'holding' in the present.⁴⁰ Certain material and energy-yielding natural resources are especially worth holding because of the threat of their future scarcity from continuing depletion. Therefore, policy ought to be set by locating an optimal rate of extraction or depletion for these economically valuable assets. For any particular resource, this will depend on its relative scarcity (ie its 'shadow' price) over time in comparison to other 'natural' or economic assets. Relative scarcity, in turn, depends on factors such as technological advance, possibilities for substitution, economies of scale, market imperfections, patterns of property rights and the 'renewability' of the resource.⁴¹ Moreover, the optimal rate of exploitation for a resource, just as for any other economic asset, should be most efficiently derived from the unhindered operation of market forces. Such neoclassical orthodoxy tends to produce an ahistorical, technical and quite optimistic view towards resource depletion and related environmental problems: 'There seems to be little reason to worry about the exhaustion of resources which the market already treats as economic goods'.⁴²

Given the prevalence of this viewpoint within mainstream economic theory, development studies has paid little attention until recently to concerns over environmental destruction and the sustainability of development. During the last decade, however, a growing number of development analysts, including many economists, has begun calling for a critical re-examination of the way in which natural resources and the environment have been treated in the theory and practice of development. On the one hand, this has been prompted by an increased awareness of the theoretical critique to which the neoclassical development framework has recently been subjected over issues of sustainability. This critique has especially been pioneered by groups of environmentalists, conserva-

tionists, and ecologists, as well as by some academic disciplines (eg geography, resource management, biology and other natural sciences) that are struggling to find a place alongside economics in development studies.⁴³ On the other hand, calls for an alternative framework have also been propelled by a growing realisation of the substantial and, in many cases, irreversible damage that has been inflicted on the environment as a practical consequence of neoclassically driven development projects.⁴⁴ As a result, many multilateral and bilateral development organisations have become critical of the negative impact that postwar development projects have often made on the environment.⁴⁵ The World Bank, for example, recently engaged in the following self-criticism:

... numerous public investments—often supported by development agencies, including the World Bank—have caused damage by failing to take environmental considerations into account or to judge the magnitude of the impacts. Indonesia's transmigration program, Sri Lanka's Mahaweli scheme, and Brazil's Polonoreste projects are examples of large programs that caused unanticipated damage in earlier years.⁴⁶

Principal problems with the neoclassical treatment of the environment

In the last few years, a multifaceted critique has emerged in the development literature over the way in which the neoclassical paradigm treats environmental questions and issues. This critique may be divided into the following eight problem areas. First, neoclassical theory assumes that values are created exclusively by the market, based on the individual preferences of economic agents. A problem arises over how to aggregate these individual preferences into a collective statement on the value of specific natural resources and other environmental factors. Attempts at aggregation meet with problems of cardinal measuring of utility and of interpersonal comparisons of utility, especially among different societies over time.⁴⁷ In many cases, the preferences of economic agents are either not known (particularly for future generations) or, at best, only partially known (among various social groups in different societies). But, unless individual preferences can be satisfactorily aggregated, it becomes impossible to weigh the value a society puts on the production and consumption of goods and services that damage the environment (eg through pollution or species extinction) *vis-a-vis* the value the society puts on environmental conservation.

Second, a related problem arises over how the environmental costs and benefits of development can be expressed as market prices in order to fit into neoclassical calculations. In most instances, the social costs of environmental damage can be measured. However, problems often arise in trying to determine the value of benefits, particularly the benefits of avoided environmental damage. This problem is illustrated by the following example:

... the costs of decreasing the pollution level of a river that contains heavy metals from the effluent of a firm along that river, equal the purification costs of the polluted river plus the costs of adapting the polluting production process. Problems arise when the benefits of a clean river have to be estimated. Some benefits can be expressed in market prices, such as the lower costs of producing drinking water and the higher proceeds from fishing. Many benefits, however, cannot be expressed in

market prices, simply because there are no markets for public goods like ecosystems and landscapes. What is, for example, the price of a square mile of wetlands?⁴⁸

Third, environmental concerns are normally excluded from standard income-accounting techniques, such as the measurement of growth by gross domestic product (GDP), based on market transactions. Measurements of GDP typically do not account for depreciation in the form of costs for maintenance of either physical capital stock or human capital stock.⁴⁹ Indeed, expenditures on inputs required to offset the effects of environmental depreciation are normally recorded as extra (gross) income. If environmental destruction (eg pollution, soil erosion, depletion of non-renewable resources) were to be fully accounted for by making appropriate deductions from GDP figures, measurements of development performance might be dramatically altered.⁵⁰ This would be particularly true for many recent industrialisers (eg Brazil, South Korea, Mexico and Thailand) that are facing escalating environmental costs in the form of physical damage and resource depletion, loss of amenities and rising health problems. Extensive remedial spending to correct such problems (eg public spending on relocation, cleaning up polluted areas, converting polluting processes) will affect future growth rates and will represent a negative counterbalance to past growth that omitted environmental depreciation. As the Malaysian Prime Minister recently admitted in Penang, 'We have been misled by the way we have been measuring growth'.⁵¹ This realisation has led several development analysts to call for the incorporation of environmental accounting into the System of National Accounts.⁵²

Fourth, neoclassical methods typically neglect issues of intergenerational gains and losses resulting from the impact of development on the environment. In particular, the choice of an appropriate discount rate raises important questions concerning the rights of future generations.⁵³ The neoclassical methodology assesses the value of contributions to future income (whether positive or negative) by discounting them to the present at an agreed interest rate, which represents the 'social rate of discount'. Although they should be crucial to all long-term development decision making, rates of discounting that would be appropriate for different times and places have yet to be devised. In practice, many development agencies simply declare the discount rate to be 10%. However, at a discount (interest) rate of 10%, the present value of a dollar's worth of costs incurred 30 years hence would be less than six cents.⁵⁴ Using this type of calculation, the question becomes, who will pay any attention to the long-term effects of present development practices? Risks of irrecoverable damage to environmental systems (eg from 'irreversibilities', 'threshold effects') are not factored into such calculations. Neither are the needs and desires of future generations, to whom considerable environmental costs are often being transferred. As the Brundtland Commission noted, the ethics of this intergenerational transfer of environmental costs are highly questionable:

[There may be] profits on the balance sheets of our generation, but our children will inherit the losses. We borrow environmental capital from future generations with no intention or prospect of repaying... We act as we do because we can get away with

it; future generations do not vote; they have no political or financial power, they cannot challenge our decisions.⁵⁵

Fifth, the way in which neoclassical theory treats environmental questions fails to consider the impact of imbalances of power within and among societies. This means that neoclassical methods neglect equity issues not only among generations, but also among current classes and social groups. Imbalances of power present dominant economic and political groups with opportunities to put their individual and short-term interests ahead of the collective and long-term interest of a sustainable social and physical environment. Neoclassical recommendations to internalise external 'diseconomies' disregard imbalances of power. It has been pointed out that forces in most societies with interests in such diseconomies are much more powerful than forces in favour of a sound environment.⁵⁶ Moreover, many poor and otherwise disadvantaged people may be virtually defenceless to prevent environmental damage resulting from pollution and other 'diseconomies' generated by others. Broad and Cavanaugh, for example, offer the example of poor families on Palawan Island in the Philippines who were powerless to stop the destruction of their traditional fishing grounds by environmentally unsound logging practices pursued by large corporations with close ties to the national government.⁵⁷

Sixth, both neoclassically driven development initiatives and environmental agendas are commonly imposed by the North on the South, a process that has gained momentum in recent years with the rise of neoliberal development strategies. It has long been recognised by dependency theorists and others that the origin of development initiatives in the North is key to understanding their social and environmental impacts on the South. Given that there is a 'low income elasticity of demand for environmental protection in developing countries and the opposite in developed countries',⁵⁸ many development analysts are becoming increasingly concerned over tendencies by transnational corporations to shift environmentally destructive operations to the South in order to lower costs and escape regulations. Potentially severe conflicts have also been noted between the liberalised trade regimes advocated by neoclassical theorists and the protection of global environmental standards.⁵⁹ The lack of proper regulations over the rapidly expanding global trade in highly toxic substances serves to underscore such concerns. Increasingly, not only major development initiatives but also the environmental agenda for the South is being directed by the North.⁶⁰ Rising concerns in the North over the global impact of environmental destruction in the South (eg from the destruction of tropical rainforests) has prompted international development organisations (including multilateral institutions, bilateral aid agencies and nongovernmental organisations) to take the lead in setting the environmental agenda for many Third World countries. Consequently, many analysts have begun to question whether the issues and the methods of this agenda will be appropriate for the South, particularly the interests of its poor.

Seventh, the neoclassical framework's focus on linear relations and equilibrium concepts is inappropriate for the analysis of many issues related to environmental sustainability. New developments in areas such as thermodynamics and catastrophe theory in a variety of disciplines have demonstrated that

ecological systems are prone to sudden changes that cannot be predicted by linear models or equilibrium concepts. Whereas traditional positivistic frameworks based on linear relationships maintain that small changes produce small effects in ecological processes, new ways of thinking that allow for nonlinear and chaotic behaviour within ecosystems point in the opposite direction. It is now commonly thought that the slightest perturbations in, for example, the climatic regime may throw a fragile ecosystem into disequilibrium—with potentially catastrophic and largely unpredictable results. Many processes in nature and, hence, human interventions in these processes appear to be hardly predictable for at least three reasons: the existence of synergetic effects that increase the combined impact on the environment of separate practices (eg industrial emissions), the presence of critical thresholds in most ecosystems and the fact that many practices have a delayed effect on the environment.⁶¹ This means that devastating and largely unpredictable long-term consequences may sometimes be produced by even small human-produced changes in an ecosystem, such as increases in atmospheric carbon dioxide resulting from deforestation or industrial pollution. At a minimum, these new insights should alert development strategists to the possibility that the ecosystems which sustain development are sensitive and fragile. Given the devastating implications of sudden environmental change, this requires that we incorporate new ways of thinking and new practices into development strategies that emphasise sustainability.

Eighth, neoclassical theory's treatment of the environment and natural resources as 'externalities' does not contribute to sustainable development strategies. Externalities are so termed because they are external to the market trading process upon which neoclassical theory focuses. Moreover, externalities, as the term implies, are normally viewed as 'peripheral, expendable, or of very low priority' relative to the exigencies of economic growth within neoclassical models.⁶² However, from a sustainable development perspective such externalities are integral and fundamental to ecological processes upon which all development is based. Rather than being relegated to the margins of development strategies, a concern for externalities ought to be put at the centre of development theories and practices. Externalities may arise from a variety of sources to which solutions may be applied. For example, current property rights in most countries provide little incentive to protect the environment. Institutional failures and development projects narrowly conceived to maximise economic output have also frequently contributed to increasing externalities. Proponents of sustainable development contend that, in the broadest sense, externalities represent the complex web of interrelationships between human and natural systems upon which overall systemic balance and well-being depends. Because of this, attention to the production of externalities ought to assume greater conceptual and practical importance in development strategies, rather than being treated peripherally as an afterthought or add-on.

New issues and alternative directions for sustainable development

The escalating costs of externalities produced by current development practices, many of which have yet to be explored, have provided the focus for a growing

number of studies employing a variety of sustainable development perspectives.⁶³ Some of these studies emphasise the high 'opportunity costs' associated with irreversible environmental damage that may foreclose future options for using certain areas. Other studies have highlighted the neglect by neoclassical theory of the essential 'utility-yielding' role of ecosystems and their environmental functions. And a third group of studies has broadened the discussion to issues of 'coevolutionary development,' or interrelationships between social and ecological systems in which feedback mechanisms that previously maintained ecosystems have been progressively shifted to the social system. Many of these studies of sustainable development challenge neoclassical theory to re-examine a series of environmental and distributive questions that have largely been neglected. It is argued that development is not well measured by focusing on economic growth alone. Instead, attention should be given to issues such as redistributive justice and egalitarian ethics, human capital development, protection of the environment and species survival, and the diverse interests and desires of traditionally excluded groups such as minorities and indigenous peoples.⁶⁴ Strategies that may generate high growth but also produce widespread alienation and distributional disparities in areas such as income, health, education and employment ought to be avoided, particularly in already polarised Third World countries. Likewise, growth-orientated strategies that generate unacceptable levels of environmental destruction should be abandoned in favour of alternative approaches that address the need for ecosystem maintenance and the preservation of biodiversity.

In many cases, this will require the imposition of specific standards and regulations by local communities, national governments, international bodies and other authorities to ensure that development practices are sustainable from a social and ecological point of view. These standards should be derived from scientific knowledge of the functioning of ecosystems, as well as ethical views concerning the current and inter-generational distribution of resources (ie the quantity and quality of natural resources that are available to different classes and social groups within and among countries, both currently and for future generations). Both 'command and control' and economic instruments may be used to ensure that development practices conform to ecological standards and social goals. The choice between types of instruments will depend on the conditions prevailing in particular countries and should be measured by the usual criteria, such as effectiveness and efficiency. However, given the destructive legacy of past development practices in most Third World countries, as well as the many theoretical shortcomings of the neoclassical model, it should be emphasised that sustainable development cannot be fostered by depending on market-driven development programmes or theoretical frameworks. The development literature is full of examples of how the exposure of Third World peoples to the full rigors of the price system has produced both economic misery and environmental destruction. In most cases, it appears that goals of social equity and environmental sustainability would have been better served by creating democratic institutions at various scales to facilitate popular participation in environmental decision making. This would force development to

conform to environmental standards and social goals that, at best, can only be partially attained by adhering to neoclassical market-led principles.

Conclusion

Over the past decade, neoliberalism has experienced a meteoric rise in popularity, moving from the margins to the centre of mainstream development studies. It has only been in the last several years, therefore, that analysts have been able to subject the neoliberal framework to close scrutiny. Much of the criticism that has subsequently been levelled at neoliberalism has been directed at the disappointing results that neoliberal development strategies have produced in many Third World countries. However, given the close association of neoliberalism with orthodox neoclassical theory, there is also a theoretical critique which can be applied to this development approach. A central component of this critique is the tendency of neoclassical theory to slide into a narrow type of economism which denies conceptual space for sociocultural and political relations. This is the principal cause of the yawning gap that has appeared between development theory, as it is postulated by the neoliberal approach, and the realities of development in various Third World countries. It is also closely connected to the neoliberal framework's neglect of two increasingly important concerns of development studies: the intersubjective realm of meanings and values in development and the area related to the environment and sustainable development.

The gap between theory and reality in neoclassical theory is largely rooted in a series of unrealistic assumptions, especially those linked to the *homo economicus* postulate. The concept of *homo economicus* attempts to reduce the complexity of real-world decision making to the universal trait of economically rational choice making. Such reductionism strips development processes of possibilities for variation and change based on individual motivations and beliefs, as well as the influence of historically constituted societal structures and relations. *Homo economicus* becomes a creature solely of the marketplace, devoid of a history, culture, and social and political relations. Moreover, markets are assumed to react similarly everywhere—as if non-market mechanisms had no bearing on market outcomes. The sphere of market exchange is abstracted from the realm of production and relations of power. In the end, an ideological conception of the market is offered as a substitute for particular, historically constituted markets in different countries. Likewise, a highly ideological conception of the state is offered in place of a careful analysis of variations in state intervention, institutional structures and power relations. In reality, both states and their polities are highly differentiated among Third World countries. Sources of this differentiation originate both from the internal structures of the state itself and from the broader realm of state–society relations. In order to address sources of this political differentiation, as well as variations in social, cultural and economic relations in general, development studies need to avoid the type of ideological narrow-mindedness and discipline-centrism to which neoliberalism has unfortunately succumbed.

Closely related to neoliberalism's problems with economism is its dependence

on an essentially positivist mode of scientific enquiry. More broadly, positivist methods restrict research to the narrow empirical world of observable events and phenomena. Other components of reality, such as social relations, values, meanings and interpretations, are excluded from serious consideration. Individuals and social groups are treated like atomistic objects or things that follow universal laws and are devoid of any social content or meaning. However, if development concerns processes of human action and interaction rather than just goods and resources, it is important to deepen our understanding of what it is to be human. This necessitates incorporating a hermeneutic component into development studies that addresses how human actions and social relations are linked with intersubjective values and meanings. The hermeneutic environment of social practices is profoundly historical in nature, rather than being universal as is assumed in neoclassical theory. Social practices, which in the closed empirical world of neoliberalism may appear to be similar, may in the real world be interpreted quite differently and may take on distinct meanings across time and space.

Another serious theoretical shortcoming of the neoliberal development framework that stems from its neoclassical roots is its inappropriate treatment of issues related to the environment and sustainability. Natural resources and ecosystems have either been ignored completely or treated peripherally as mere externalities by neoclassical models and development projects. Thanks largely to the efforts of environmentalists and others interested in creating more sustainable forms of development, a multifaceted critique has emerged of the neoclassical treatment of the environment. This critique may be divided into the following problem areas: the aggregation of individual preferences into collective values on the environment, the expression of environmental costs and benefits as market prices, techniques of environmental accounting and the measurement of depreciation, issues of intergenerational equity and the choice of an appropriate discount rate, imbalances of power and equity issues within and among societies, the imposition by the North on the South of both neoclassically driven development initiatives and environmental agendas, the use of linear models and equilibrium concepts to study ecological processes, and the treatment of the environment and natural resources as externalities. Given these basic theoretical problems, as well as the poor environmental record of neoclassically driven development projects in many Third World countries, many analysts are calling for changes in both development theories and practices. To provide more sustainable forms of development, economic mechanisms must be complemented by specific regulations designed by the state and other authorities to ensure that development practices conform to ecological standards and social goals. In order to be effective, this will also mean the creation of democratic institutions at various scales to facilitate popular participation in environmental decision making.

Notes

¹ There are, however, other traditions within economics that place more stress on the contributions that non-economic factors make towards economic growth and development. John Stuart Mill focused attention

- on the psychological factors involved in economic growth. Ragnar Nurske emphasised the social and political factors upon which economic development is based alongside capital formation. Gunnar Myrdal criticised tendencies towards 'economic reductionism' in development theory and called on analysts to pay attention to sociocultural and institutional factors.
- ² A O Hirschman, 'The rise and decline of development economics', in *Essays in Trespassing: Economics to Politics and Beyond*, Cambridge: Cambridge University Press, 1981, pp 1–24.
 - ³ S Bowles & G Gintis, 'The revenge of homo economicus: contested exchange and the revival of political economy', *Journal of Economic Perspectives*, 7, 1993, pp 83–102; P Nicholaides, 'Limits to the expansion of neoclassical economics', *Cambridge Journal of Economics*, 12, 1988, pp 313–328; P Streeten, 'Markets and states: against minimalism', *World Development*, 21, 1993, pp 1281–1298.
 - ⁴ H Bruton, 'The search for a development economics', *World Development*, 13, 1985, p 1105.
 - ⁵ M Feldman, 'What kind of economics for what kind of planning?', *Journal of the American Planning Association*, 53, 1987, p 428.
 - ⁶ P Hirsch, S Michaels & R Friedman, 'Dirty hands versus clean models: is sociology in danger of being seduced by economics?', *Theory and Society*, 16, 1987, p 322.
 - ⁷ T J Barnes, 'Rationality and relativism in economic geography: an interpretative review of the homo economicus assumption', *Progress in Human Geography*, 12, 1988, p 477.
 - ⁸ T Barnes & E Sheppard, 'Is there a place for the rational actor? A geographical critique of the rational choice paradigm', *Economic Geography*, 68, 1992, pp 1–21; P Nicholaides, 'Limits to the expansion of neoclassical economics', pp 313–328.
 - ⁹ Several analysts have noted that this has been a problem not only in the Third World but also in Eastern Europe, where outside neoliberal advisors have imposed policy measures that have often been unworkable because of a lack of basic knowledge of existing conditions within the countries of the region. Winiecki, for example, states: 'The architects of "heterodox" stabilization programs for post-STEs [Soviet-type economies] in East and Central Europe clearly neglected most of the legacy of these countries' past economic system. This omission meant that policies and particularly policy measures taken within the framework of stabilization cum liberalization were sometimes expected to deliver outcomes that a better knowledge of the STE regime would regard as unattainable.' J Winiecki, 'Knowledge of Soviet-type economy and heterodox stabilization-based outcomes in Eastern Europe', *Weltwirtschaftliches*, 129, 1993, p 405.
 - ¹⁰ F Stewart, 'Review of Deepak Lal: the poverty of development economics', *Journal of Development Studies*, 21, 1985, p 285.
 - ¹¹ K Havnevik (ed), *The IMF and the World Bank in Africa*, Uppsala: Scandinavian Institute of African Studies, 1987, p 425.
 - ¹² Family firms commonly integrate production and consumption decisions, which may lead to outcomes quite different from those in which production and consumption decisions are made separately (as is assumed in neoclassical theory). Analysts of Third World rural development have particularly objected to depictions of peasant behaviour (ie as conservative, economically irrational, afraid to take risks) that are based on neoclassical assumptions of profit maximisation within the sphere of production (M Lipton, 'Limits of price policy for agriculture: which way for the World Bank?', *Development Policy Review*, 5, 1987, pp 197–215). Similarly, parastatals often may not follow the maximising criteria of neoclassical theory, but may commonly be directed by various types of bureaucratic/satisficing behaviour designed to meet different goals.
 - ¹³ S Bitar, 'Neo-conservatism versus neo-structuralism in Latin America', *CEPAL Review*, 34, 1988, pp 45–62; F Cardoso & E Faletto, *Dependency and Development in Latin America*, Berkeley, CA: University of California Press, 1979; H Stein & E W Nafziger, 'Structural adjustment, human needs, and the World Bank agenda', *Journal of Modern African Studies*, 29, 1991, pp 173–189.
 - ¹⁴ G K Helleiner, *The New Global Economy and the Developing Countries: Essays in International Economics and Development*, Brookfield, VT: Grower, 1990.
 - ¹⁵ K Mengisteab & B Logan, 'Implications of liberalization policies for agricultural development in sub-Saharan Africa', *Comparative Political Studies*, 22, 1990, pp 437–457.
 - ¹⁶ Corbridge notes, for example, that the global market in foodgrains is dominated by just five 'merchants of grain' (S Corbridge, 'Urban rural relations and the counterrevolution in development theory and policy', in R Potter & T Unwin (eds), *The Geography of Urban–Rural Interaction in Developing Countries*, London: Routledge, 1989, pp 253–254). Domination of global markets by First World importers particularly affects the price elasticity of primary commodities exported by the poorest and most dependent rural-based Third World countries, many of which are concentrated in Africa.
 - ¹⁷ D Booth, 'Marxism and development sociology: interpreting the impasse', *World Development*, 13, 1985, pp 761–787.
 - ¹⁸ J Dietz & D James, 'Trends in development theory in Latin America: from Prebisch to the present', in Dietz & James (eds), *Progress Toward Development in Latin America: From Prebisch to Technological Autonomy*, Boulder, CO: Lynne Rienner Publishers, 1990, p 9.

- ¹⁹ P Klein, 'American institutionalism: premature death, permanent resurrection', *Journal of Economic Issues*, 1978, p 266.
- ²⁰ Drawing on evidence from a wide range of Third World markets, White identifies four different types of power that shape the way markets operate: the politics of state involvement or the realm of state power and regulation; the politics of market organisation or the realm of associational power and internal market regulation; the politics of market structure; and the politics of social embeddedness involving various forms of social, cultural, and ideological power (G White, 'Towards a political analysis of markets', *IDS Bulletin*, 24, 1993, pp 2–3).
- ²¹ Dietz & James, 'Trends in development in Latin America', pp 1–11; Z Onis, 'The logic of the developmental state', *Comparative Politics*, 24, 1991, pp 109–126.
- ²² T Banuri & E Amadeo, 'Worlds within the Third World: labour market institutions in Asia and Latin America', in T Banuri (ed), *Economic Liberalization: No Panacea: The Experience of Latin America and Asia*, New York: Oxford University Press, 1991, p 173.
- ²³ Z Onis, 'The logic of the developmental state', p 125.
- ²⁴ T J Biersteker, 'Reducing the role of the state in the economy: a conceptual exploration of IMF and World Bank prescriptions', *International Studies Quarterly*, 34, 1990, pp 477–492; Mengisteab & Logan, 'Implications of liberalization policies', pp 437–457; P Streeten, 'Markets and states', pp 1281–1298; R Wade, 'Managing trade: Taiwan and South Korea as challenges to economics and political science', *Comparative Politics*, 25, 1993, pp 147–167.
- ²⁵ Mengisteab & Logan, 'Implications of liberalization policies', p 454.
- ²⁶ G O'Donnell, 'Reflections on the patterns of change in the bureaucratic–authoritarian state', *Latin American Research Review*, 13, 1978, pp 3–38.
- ²⁷ S Bitar, 'Neo-conservatism versus neo-structuralism in Latin America', pp 45–62; S Chakravaty, 'Development strategies for growth with equity: the South Asian experience', *Asian Development Review*, 8, 1990, pp 133–159; S Rashid, 'Economics and the study of its past', *World Development*, 16, 1988, pp 207–218; P Steidlmeier, *The Paradox of Poverty: A Reappraisal of Economic Development Policy*, Cambridge, MA: Ballinger, 1987.
- ²⁸ Charles Schultze, former president of the American Economic Association, quoted in R Kuttner, 'The poverty of economics', *Atlantic Monthly*, February 1985, pp 74–84.
- ²⁹ B Balassa, 'The lessons of East Asian development: an overview', *Economic Development and Cultural Change*, 36 (3), 1988, p S274.
- ³⁰ G G Joseph, V Reddy & M Searle-Chatterjee, 'Eurocentrism in the social sciences', *Race and Class*, 31, 1990, pp 1–26; A H Somjee, *Development Theory: Critiques and Explorations*, Basingstoke: Macmillan, 1991.
- ³¹ A H Somjee, *Development Theory*, pp 43–44.
- ³² C Wilber, 'Methodological debate in economics: editor's introduction', *World Development*, 14, 1986, pp 143–145.
- ³³ This is true not only for development specialists from the North, but also for many professionals from the South who are responsible for designing and implementing development policies in their respective countries. Many leading Third World development professionals have received the bulk of their graduate training within a handful of economics departments and associated disciplines in well known First World universities. An important part of such training involves a 'socialisation process' in the subject areas, theoretical discourses and methods of analysis that are deemed appropriate for the advanced study of development. Given this type of academic socialisation, other types of subjects, concepts and theories, and research methods that do not easily fit the established parameters of the accepted models may seem peculiar and out of place. This may even include forms of indigenous knowledge from the home countries of Western-educated development professionals who have spent a prolonged period away from their own Third World countries. In effect, these development professionals have adopted the discourse and methods of the international community of mainstream development 'experts' that serve the interests of global capital and the core capitalist countries.
- ³⁴ J Dreze & A Sen, *Hunger and Public Action*, Oxford: Clarendon Press, 1989; B Ingham, 'The meaning of development: interactions between new and old ideas', *World Development*, 21, 1993, pp 1803–1821; P Streeten, 'Markets and states', pp 1281–1298.
- ³⁵ R D Hamrin, 'Ethical economics: a new paradigm for global justice and stewardship', *Futures*, 21, 1989, p 609.
- ³⁶ P Dasgupta & M Maler, 'The environment and emerging development issues', paper presented to the Annual Conference on Development Economics, Washington, DC: World Bank, 1990; M Munasinghe, 'Environmental issues and economic decisions in developing countries', *World Development*, 21, 1993 pp 1729–1748.
- ³⁷ It should also be noted, however, that there is probably less agreement on the concept of sustainable development itself. For some, sustainability permits maximising economic growth, albeit with strict environmental constraints. For others, sustainability means protecting and preserving ecosystems through minimising uses of the natural environment beyond those that meet people's basic material needs.

- ³⁸ F Dietz & J van der Stratten, 'Rethinking environmental economics: missing links between economic theory and environmental policy', *Journal of Economic Issues*, 26, 1992, p 29.
- ³⁹ *Ibid*, p 42.
- ⁴⁰ H Hotelling, 'The economics of exhaustible resources', *Journal of Political Economy*, 39, 1931, pp 137–175; E Barbier, 'The contribution of environmental and resource economics to an economics of sustainable development', *Development and Change*, 20, 1989, p 430.
- ⁴¹ E Barbier, 'The contribution of environmental and resource economics', p 431.
- ⁴² W Nordhaus & J Tobin, 'Growth and natural resources', in R Dorfman & N Dorfman (eds), *Economics of the Environment*, New York: W W Norton, 1977, p 402.
- ⁴³ From the Club of Rome's 'limits to growth' approach (M Mesarovic & E Pestel, *Mankind at the Turning Point: The Second Report to the Club of Rome*, New York: Dutton and Co, 1974) to the Brundtland Commission's concept of sustainable development (World Commission on Environment and Development, *Our Common Future*, New York: Oxford University Press, 1987), various theoretical frameworks have recently been popularised as alternatives to the treatment of natural resources and the environment by neoclassical development theory. In general, these alternative frameworks emphasise the ecologically bounded possibilities of using natural resources as a normative starting-point for the formulation of a more environmentally sensitive strategy of development.
- ⁴⁴ W Ascher & R Healy, *Natural Resource Policymaking in Developing Countries: Environment, Economic Growth and Income Distribution*, Durham, NC: Duke University Press, 1990; L Taylor, 'The World Bank and the environment: the World Development Report', *World Development*, 21, 1993, pp 869–881.
- ⁴⁵ There is some question, however, whether such recognition has led to fundamental changes not only in the rhetoric of these international organisations, but also in their actual practices.
- ⁴⁶ World Bank, *World Development Report*, New York: Oxford University Press, 1992, pp 13–14.
- ⁴⁷ Deitz & van der Stratten, 'Rethinking environmental economics', p 31–32.
- ⁴⁸ *Ibid*, p 31.
- ⁴⁹ G K Helleiner, 'Conventional foolishness and overall ignorance: current approaches to global transformation and development', *Canadian Journal of Development Studies*, 10, 1989, pp 107–120; M Munasinghe, 'Environmental issues and economic decisions', pp 1729–1748.
- ⁵⁰ For example, a study by the World Resources Institute lowered the historical growth rate of Indonesia from 7% to 4% to take into consideration the underlying depletion of its forests, soil fertility and oil reserves (R Repetto, W Magrath, M Wells, C Beer & F Rossini, *Wasting Assets: Natural Resources in the National Income Accounts*, Washington, DC: World Resources Institute, 1989).
- ⁵¹ In J Winpenny, 'Environmental values and their implications for development', *Development Policy Review*, 9, 1991, p 383.
- ⁵² For example, Munasinghe describes recent exploratory studies in Mexico and Papua New Guinea by the World Bank and the United Nations Statistical Office to try to develop a new System of National Accounts which will yield an Environmentally-Adjusted Net Domestic Product (EDP) and an Environmentally-Adjusted Net Income (EDI). M Munasinghe, 'Environmental issues and economic decisions', p 1733.
- ⁵³ S Amin, 'Can environmental problems be subject to economic calculations?', *Monthly Review*, 45 (7), 1993, pp 16–32; G K Helleiner, 'Conventional foolishness and overall ignorance'; B Ingham, 'The meaning of development', pp 1803–1821.
- ⁵⁴ G K Helleiner, 'Conventional foolishness and overall ignorance', p 118.
- ⁵⁵ World Commission on Environment and Development, *Our Common Future*, p 8.
- ⁵⁶ Dietz & van der Stratten, 'Rethinking environmental economics', p 37.
- ⁵⁷ R Broad & J Cavanaugh, 'Marco's ghost', *The Amicus Journal*, 11, 1989, pp 18–29.
- ⁵⁸ B Ingham, 'The meaning of development', p 1816.
- ⁵⁹ L Taylor, 'The World Bank and the environment', pp 869–881.
- ⁶⁰ P Adams, 'The World Bank and the IMF in sub-Saharan Africa: undermining development and environmental sustainability', *Journal of International Affairs*, 46, 1992, pp 125–144.
- ⁶¹ S Amin, 'Can environmental problems', pp 16–32; Dietz & van der Stratten, 'Rethinking environmental economics', pp 27–51; Winpenny, 'Environmental values', pp 381–390.
- ⁶² G Francis, 'Great Lakes governance and the ecosystem approach: where next?', *Alternatives*, 3, 1986, p 66.
- ⁶³ See Barbier, 'The contribution of environmental and resource economics', pp 429–459.
- ⁶⁴ S Batie, 'Sustainable development: challenges to the agricultural economics profession', *American Journal of Agricultural Economics*, 71, 1989, pp 1083–1101.