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The Stages of Growth (“modernization”) and Dependency schools of thought set out very different understandings of the economic development process. (i)Discuss the extent to which these differences can be traced back to the contexts from which the two schools of thought emerged. AND (ii) Discuss how their core arguments and policy recommendations reflect their differing understandings of economic development.

The discussion surrounding economic development has long been dominated by contrasting theories that reflect the intellectual and historical contexts from which they originated. Among prominent theories concerning economic development are modernization theory, epitomized by Rostow’s Stages of Economic Growth, and dependency theory, which emerged in response to post-colonial criticisms. Midway through the 20th century modernization theory emerged in the context of post-World War II optimism. It advocated that there was a linear progression from traditional societies to modern industrial states. This was inspired by the successes of Western economies. On the other hand, dependency theory was developed in the sociopolitical landscape of 1960s and 1970s Latin America and critiques the inherent inequalities of global capitalism and modernization, arguing that underdevelopment is not a temporary phase but rather a byproduct of historical exploitation by wealthier countries. This essay will explore how the distinct contexts of these two schools of thought shaped their core arguments and policy recommendations, highlighting their differing understandings of economic development.

Building on this, modernization theory, notably represented by Rostow’s "Stages of Economic Growth," emerged in the mid-20th century. It was shaped by post-World War II optimism, particularly influenced by the success of the Marshall Plan, industrial growth, and efforts to reconstruct war-torn Europe. It seeks to explain how traditional societies evolved internally over time into modern industrial states, aiming to provide an alternative to Marxism. Moreover, it was part of Cold War ideological battles, framed as a Non-Communist Manifesto (Ohlin, 1961). Furthermore, the theory provided a universal pathway to development based on the successful U.S. and Western European industrialization and aimed to support newly decolonized nations. It was heavily influenced by Keynesian economics which responded to the Great Depression at that time. According to modernization theory, the main causes of development barriers are a lack of money, education, and technology. Modernization emphasized the state's role as a central process for intervention and investment in infrastructure, education, and technology to stimulate economic growth and development. This rapid industrialization and economy influenced Rostow’s model. This reflected the belief that less-developed and less-industrialized countries could follow a similar linear path toward modernity by adopting economic policies to promote economic stability and growth, much like the Keynesian approach which advocated for the government as a central intervention to manage economic cycles (Todaro & Smith, 2011). According to Nederveen Pieterse (2009), inefficient governance and corruption are barriers preventing effective economic policies. In the context of modernization theory, corruption was often considered a remnant of pre-modern practices.

Moreover, the theory held that economic development was essentially unstoppable once it began, societies evolved uniformly, and underdevelopment was viewed as a phase through which all nations would eventually pass on their way to modernity. Societies would transition from traditional structures to modern, industrial economies characterized by mass consumption. In this linear process, it asserts that traditional values and social structures can hinder the adoption of modern practices and institutions. Theoretically, every society progresses through five stages on a universal path toward economic growth: traditional society, preconditions for take-off, take-off, drive to maturity, and high mass consumption. The "take-off" stage in the model was a critical point in growth (Cairncross, 1961). A key strategy for achieving "take-off" into sustained growth was the mobilization of local and foreign savings to generate sufficient investment, investment in infrastructure, and promotion of private-sector growth. Moreover, the Harrod-Domar growth model would further explain the economic process, demonstrating how increased investment would lead to higher growth rates. Additionally, in the political context of the Cold War, economic development was seen to contain and prevent the spread of communism (Todaro & Smith, 2011).

Furthermore, in the transition to modern industrial economies, political revolutions during the 17th and 18th centuries, driven by intellectual and economic shifts, diminished the influence of the landed nobility and the church in England, Holland, and France. Much of this power was absorbed by the wealthy. Without these revolutions, Europe would not have been able to undergo its economic modernization (Nafziger, 2006). Within modernization theory, geographical factors were viewed as less significant, as the theory asserted that any country could progress through the stages of development by adopting the right policies, such as industrialization and technical innovation. However, this theory failed to consider the complexity of historical settings, especially the effects of colonial dominance. Furthermore, it failed in nations that had never experienced colonialism (Nederveen Pieterse, 2009). Many non-Western nations lacked the strong native capitalist class, bureaucratic leadership, and governmental authority required for rapid economic development.

In addition to these challenges, political leaders face difficulties in managing the social and political changes that come with economic modernization. Even though modernization generally leads to stability in the long run, the process itself tends to create instability. Although modernization enhances a government's ability to maintain order, resolve conflicts, select leaders, and foster political unity, it also accelerates urbanization, industrialization, and the expansion of education. These changes pull previously marginalized ethnic, religious, regional, or economic groups into the political sphere. Moreover, when mass political participation grows faster than institutions can adapt, it often results in political instability (Nafziger, 2006).

In contrast to modernization theory, dependency theory emerged primarily from Latin America in the 1960s and 1970s, in response to the limitations and frustrations with modernization efforts in the region. Despite following Western-style economic models, Latin America failed to industrialize successfully and continued to struggle with inequality and underdevelopment. dependency theory focused on post-colonial experiences and the specific challenges of Latin America, where uneven power dynamics, political instability, and colonial legacies hindered economic progress despite formal decolonization and national independence. Moreover, dependency theory is rooted in Marxist critiques of global capitalism, viewing the global economic system as inherently unequal and exploitative (Van den Berg, 2013).

Following this perspective, dependency theory arose as a critique of global capitalism, mainstream economics, and the assumption that integration into the global market would lead to development which stemmed from the modernization theory. It argued that underdevelopment is not a phase that naturally evolves into development, but a direct consequence of how the global economy is structured. Dependency theorists claim that development cannot occur without fundamental structural reforms at the global level, including changes in trade relationships and reducing reliance on foreign capital. They posited that the underdevelopment of certain countries results from their historical exploitation by wealthier core nations and that the development of rich countries is often tied to the continued underdevelopment of poorer periphery ones (Nederveen Pieterse, 2009). According to Munck

(1999), the global capitalist system was a primary obstacle to development, and mechanisms of exploitation prevented genuine development. Underdevelopment is seen as a byproduct of development from the more developed countries. Corruption is viewed as a symptom of dependent development, where local elites collaborate with external forces, hindering national development.

Considering this, dependency theorists argue that the global capitalist system traps poorer nations in a cycle of dependency that prevents them from attaining true development (Nederveen Pieterse, 2009). Moreover, wealthy nations continue to benefit at the expense of poorer countries, ensuring the latter's continued poverty and reliance. The theory highlights how external factors such as global trade patterns, foreign investment, and multinational corporations' roles are critical determinants of development (Thorbecke & Research, 2006). However, unlike modernization theory, dependency theory is somewhat pessimistic about the possibility of change in the context of the global economy. It often ignores examples of how developing nations have successfully shifted their positions within the global economy using strategies like industrial policy, regional cooperation, or strategic partnerships.

In comparing the two schools of thought, we see a fundamental divergence in their understanding of economic development. While modernization theory viewed global integration as essential to development, dependency theorists saw it as a source of distorted development that deepened inequalities between wealthy and poorer nations (Todaro & Smith, 2011). According to (Thorbecke & Research, 2006), modernization theory has been criticized for having a narrow understanding of development, focusing primarily on economic growth as measured by GDP and capital investment, while frequently neglecting broader social and political aspects. This theory's principal level of analysis is the nation-state, evaluated based on its ability to replicate the capitalist industrial model. It highlights internal factors such as culture, traditional values, and institutional reforms as the main drivers of development. It asserts that underdevelopment is a temporary stage caused by internal shortcomings (Acemoglu & Robinson, 2012). Modernization advocates believe integrating developing nations into the global economy through foreign direct investment (FDI) and opening to global trade will accelerate their "take-off" phase, with Western nations serving as mentors for this process.

For instance, Brazil is a country where modernization theory was applied. They experienced rapid industrialization through significant FDI and international loans. Although Brazil saw impressive GDP growth, high levels of poverty and inequality persisted, highlighting a key critique of modernization theory, which focuses too narrowly on economic growth and oversimplifies development. In many cases, economic growth is at the expense of addressing broader social and economic inequalities (Smith, 2003). This raises the question of what kind of development Brazil needs moving forward. Could Brazil adopt elements of dependency theory, reducing its reliance on foreign capital and promoting social equity through redistributive policies? However, given the mixed results of dependency theory in the past, multiple factors would need careful consideration.

In contrast to modernization theory, dependency theory critiques Western capitalism and its global structures. It argues that development and underdevelopment are inherently connected within the global capitalist system, which maintains an exploitative relationship between wealthy core nations and poorer periphery nations. Dependency theorists advocated for policies aimed at reducing reliance on foreign powers, promoting self-sufficiency, and building local industries. They supported strategies like import-substitution industrialization (ISI), regional cooperation, and a focus on domestic development rather than foreign investment and export-driven growth models (Todaro & Smith, 2011).

Moreover, dependency theorists argue that wealthy nations prosper at the expense of poorer ones, locking them into a cycle of dependency through exploitative trade relationships, multinational corporations, and unequal terms of trade. Less developed countries are more dependent on richer countries for expensive completed goods. They are frequently forced to export agricultural and raw materials while importing these products. This external exploitation obstructs local industries and economies, leading to underdevelopment, as political structures imposed by external forces hinder development. Furthermore, these structures frequently prioritize foreign interests over local needs (Nafziger, 2006). Unlike modernization theory, which focuses on internal factors such as culture and traditional values, dependency theory highlights external, structural causes of underdevelopment, specifically pointing to historical colonial exploitation and the ongoing unequal exchange between developed and developing nations (Acemoglu & Robinson, 2012).

Unlike modernization theory, which focuses narrowly on economic growth measured by GDP, dependency theory offers a broader, holistic perspective that includes social and political dimensions of development. For instance, Costa Rica illustrates this difference. By prioritizing investments in healthcare, education, and democratic institutions, Costa Rica decreased reliance on foreign capital and improved local conditions. In contrast to Brazil's modernization-driven path, Costa Rica attained higher levels of human development despite having a smaller economy, which is more in line with the dependency theory’s pathway. However, while Costa Rica’s success supports some of the dependency theory's arguments, other Latin American countries, like Mexico, adopted import substitution industrialization (ISI), a key recommendation of the dependency theory. This aimed at reducing reliance on foreign capital by developing local industries. However, ISI led to inefficiencies, lack of competitiveness, and eventual economic stagnation. Many countries pursuing ISI policies faced fiscal deficits and external debt, ultimately shifting to more open-market approaches (Smith, 2003). These varied outcomes suggest that no single framework or economic theory applies perfectly across all countries.

In terms of policy, modernization theorists support global economic integration through free trade and foreign investment, believing it drives economic growth and modernization. On the other hand, dependency theorists argue that to end the cycle of exploitation and dependency, ties with the global economy should be restructured or delinked (Todaro & Smith, 2011).

In conclusion, the contrasting views of modernization theory and dependency theory illustrate the complexity of economic development and the varying factors influencing it. Both models emerged from a historical context of colonialism, post-colonial struggles, and global economic integration. Modernization theory offers a linear path for development based on industrialization and economic growth. It stems from the optimism of Western capitalist societies following World War II. In contrast, within a post-colonial context, dependency theory offers a critique of the global capitalist system, highlighting the historical and structural inequalities that hinder true development. Ultimately, the insights from both theories highlight the need for subtle approaches that consider the unique circumstances of each nation, recognizing that a one-size-fits-all model cannot adequately address the complexities of economic growth and development in the world.

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