CAUSES OF UNDERDEVELOPMENT AND CONCEPTS FOR DEVELOPMENT—AN INTRODUCTION TO DEVELOPMENT THEORIES

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INTRODUCTION

Since the end of World War II, we have been experiencing a worldwide struggle for the improvement of living conditions in the so-called developing countries. At the beginning, there was little query as to the causes of underdevelopment; the newly independent countries as well as United Nations bodies and industrialized countries tried to promote development by applying measures like the introduction of know-how through the assignment of experts, the expansion of education, the development of infrastructure, etc., i.e., they followed the example of the industrialized countries. In the course of time it became obvious that this was more or less a treatment of symptoms instead of causes, and the gap gradually widened between the developed and less developed countries of this world.

During the early period of development efforts there was little discussion on the historical causes and the real nature of underdevelopment. Theoretical considerations at this time of "cold war" explained the situation of underdevelopment and the path for development from the viewpoint of western or socialist metropoles. Only in more recent times has the viewpoint of developing countries gained momentum in development theory. This has great practical implications: development theory offers the justification for policies. The answer to the question "What is development?" determines which strategies, policies, projects, what type of industry, or what organization of agriculture should be considered to be in line with development goals or detrimental to these. Different positions in development policy are based on differences in underlying development theories.

There are a great number of explanations for underdevelopment and concepts of development. This paper tries to introduce the reader to

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the most important theoretical explanations of underdevelopment and
development without aiming at completeness. As regards its presenta-
tion, there are several possibilities of organizing the paper. Some au-
thors organize the theories along the scientific disciplines which are
basic for the analysis and differentiate between economic theories,
sociological theories, demographic theories, climate theories, etc.*
(BOHNET 3). Others differentiate between socialistic and market-econ-
omy oriented theories because these two groups have a different way of
analysing and diagnosing the causes of underdevelopment, and they are
distinct as to their opinion on the possibilities of reform or revolution
with a view to influencing the development process (KEBSCHULL 11).
In this paper, the theories are organized according to their basic concep-
tion of the causes of underdevelopment.

1. **MODERNIZATION THEORIES (BACKWARDNESS
THEORIES)**

   According to modernization theories, internal factors in the coun-
tries, such as illiteracy, traditional agrarian structure, the traditional
attitude of the population, the low division of labour, the lack of commu-
nication and infrastructure, etc., are responsible for underdevelopment.
Differences in structure and historical origin are considered of little
importance; international dependencies are not taken into account.

   Consequently, a change of these endogenous factors is the strategy
for development. The industrialized countries are the model for economy
and society, and this model will be reached sooner or later. There is a
continuum between the least and the most developed country and each
country has its position on this line. The difference as compared to the
industrialized countries is the degree of backwardness which has to be
made up for. Suitable measures are the modernization of the production
apparatus, capital aid, transfer of know-how, so that the developing
countries can reach the stage of industrialized countries as soon as
possible. Development is seen as an increase of production and efficiency
and measured primarily by comparing the per capita income.

1.1 **DUALISM THEORIES**

   Dualism theories assume a split of economic and social structures
of different sectors so that they differ in organization, level of develop-
ment, and goal structures. Usually, the concept of economic dualism
(BOEKE 1) differentiates between two sectors of economy:

* Demographic and climate theories are not dealt with in this paper because of
  their lesser importance.
— the traditional subsistence sector consists of small-scale agriculture, handicraft and petty trade, has a high degree of labour intensity but low capital intensity and little division of labour;

— the modern sector of capital-intensive industry and plantation agriculture produces for the world market with a capital-intensive mode of production with a high division of labour.

The two sectors have little relation and interdependence and develop each according to its own pattern. The modern sector can be considered an economic enclave of industrial countries, and its multiplier and growth effects will benefit the industrial countries but have little effect on the internal market.

Several authors stress the dualism of specific factors. ECKHAUS (4), for instance, differentiates, in his concept of technological dualism, between labour and capital-intensive sectors. GANNAGE (7) explains regional dualism as a lack of communications and exchange between regions, the capital sometimes being an island which, in geographical terms, belongs to the developing country, in economic terms, however, to the industrialized country.

Economic, technological, and regional dualism are often the consequence of a social dualism, the absence of relationships between people of different race, religion, and language, which, in many cases, is a legacy of colonialism.

Development in dualism concepts is the suppression of the traditional sector by concentrating on and expanding the modern sector. In time, it is assumed that the trickle down effects will reduce and abolish dualism. In this line of thinking, the main problem is capital formation because its degree determines the scope and speed of expansion of the modern sector. In general, agriculture has to provide the resources, labour as well as capital, for expanding the modern sector. In details, the strategies vary. Some authors, like LEWIS (14) and FEI/RANIS (5), assumed that a reduction of the labour force in agriculture, because of the widespread disguised unemployment, would not reduce agricultural production. The productive employment of these labourers in the modern sector would increase the total production of the economy and hence priority of investment in industry is necessary. Concentration on the modern sector led to an increasing regional disparity, rural urban migration, urban unemployment, a decrease in agricultural production, and hindrance in industrial development because of a lack of purchasing power in the rural areas. The anticipated trickle-down effects hardly ever happened. In praxis, development plans following this line of
thinking led to failures like the early Indian development planning. Therefore, other authors, like JORGENSON (10), LELE (12), and MELLOR (17), emphasize the important role of agriculture at the beginning of development, i.e., preceding or parallel to industrial development in order to provide enough internal resources for the development process.

1.2 STRATEGY THEORIES

Underdevelopment from the viewpoint of these theories is the result of vicious circles of factors. One example is based on the fact of low real income in developing countries which is the result of low labour productivity. This low labour productivity, in turn, is a consequence of capital shortage which is a result of the population’s low saving ability. As the saving rate is determined by the low real income, the circle is closed.

Strategy theories intend to break up this cycle at a certain point which they consider critical and which varies according to the different theories. Thus, they want to initiate development and transform traditional subsistence economy into a modern market economy. Their main emphasis is on capital formation and investment (investment theories) and, by and large, they prescribe action for overcoming underdevelopment while they contribute little towards explaining the causes of underdevelopment.

1.2.1 Theory of Balanced Growth (NURSKE 20)

This theory sees the main obstacles to development in the narrow market and, thus, in the limited market opportunities. Under these circumstances, only a bundle of complementary investments realized at the same time has the chance of creating mutual demand. The theory refers to Say’s theorem and requests investments in such sectors which have a high relation between supply, purchasing power, and demand as in consumer goods industry, food production, etc.

The real bottleneck in breaking the narrow market is seen here in the shortage of capital, and, therefore, all potential sources have to be mobilized. If capital is available, investments will be made. However, in order to ensure the balanced growth, there is a need for investment planning by the governments.

Development is seen here as expansion of market and an increase of production including agriculture. The possibility of structural hindrances is not included in the line of thinking, as are market dependencies. The emphasis is on capital investment, not on the ways and means of achieving capital formation. It is assumed that, in a traditional
society, there is ability and willingness for rational investment decisions along the requirements of the theory. As this will most likely be limited to small sectors of the society, it is not unlikely that this approach will lead to super-imposing a modern sector on the traditional economy, i.e., to economic dualism.

1.2.2 Theory of Unbalanced Growth (HIRSCHMAN 9)

Contrary to the theory of balanced growth, in Hirschman's opinion, the real bottleneck is not the shortage of capital, but lack of entrepreneurial abilities. Potential entrepreneurs are hindered in their decision-making by institutional factors: either group considerations play a great role and hinder the potential entrepreneur, or entrepreneurs aim at personal gains at the cost of others and are thus equally detrimental to development. In view of the lack of entrepreneurial abilities there is a need for a mechanism of incentive and pressure which will automatically result in the required decisions. According to Hirschman, not a balanced growth should be aimed at, but rather existing imbalances—whose symptoms are profit and losses—must be maintained. Investments should not be spread evenly but concentrated in such projects in which they cause additional investments because of their backward and forward linkages without being too demanding on entrepreneurial abilities. Manufacturing industries and import substitutions are relevant examples. These first investments initiate further investments which are made by less qualified entrepreneurs. Thus, the strategy overcomes the bottleneck of entrepreneurial ability. The theory gives no hints as to how the attitude of entrepreneurs and their institutional influence will be changed in time.

1.2.3 Theory of Stages of Growth (ROSTOW 27)

This theory tries to explain the long-term processes of economic development from the point of view of economic history by describing five ideal types of stages through which all societies pass:

The 'traditional society' has more than 75 per cent of the population engaged in food production, and political power is in the hands of landowners or of a central authority supported by the army and the civil servants.

The 'transitional stage' creates the preconditions for take-off by bringing about radical changes in the non-industrial sectors. Export of raw material gains momentum; a new class of businessmen emerges; and the idea of economic progress coming from outside spreads through the elite.

The 'take-off stage' brings a sharp increase in the rate of invest-
ment in the per capita output. This stage of industrial revolution is accompanied by radical changes in the production techniques. Expansion takes place in a small group of leading sectors at first and, on the social side, is accompanied by the domination of the modern section of society over the traditional one.

The 'drive to maturity' brings a spread of growth from the leading to the other sectors and a broader application of modern technology followed by necessary changes in the society at large.

The 'stage of high mass consumption' can be reached after attaining a certain level of national income and formulating an economic policy giving priority to increased private consumption.

The critical phase for development is the 'take-off stage' during which net investment rates have to increase from 5 to 10 per cent of the national product and during which the political, social, and institutional framework has to be built in order to reach a situation of self-sustained growth. The financial resources must be accumulated internally by higher saving rates. Income distribution favouring classes and strata which are willing and able to use capital more productively than others has the same effect.

While this theory became widely known, perhaps because of its author's political post and the fact that it is a counter-position to Marxian approaches, this "time-table of development" does little to explain why some societies go ahead on this ladder and others not. As well, its value for forecasting the results of development activities is limited. The rather fixed stages hardly allow for alternative goals and processes of development and incorporate a high degree of ethnocentrism.

1.2.4 'Big-push' Theory (ROSENSTEIN-RODAN 26)

This theory is an investment theory which stresses the conditions of take-off. The argumentation is quite similar to the balanced growth theory but emphasis is put on the need for a big push. The investments should be of a relatively high minimum in order to reap the benefits of external economies. Only investments in big complexes will result in social benefits exceeding social costs. High priority is given to infrastructural development and industry, and this emphasis will lead to governmental development planning and influence.

1.2.5 Theory of Development Poles (REROUX 22)

The promotion of regional development centres will serve as focal point and incentive for further development. Such a regional concentra-
tion helps to reap the benefits of technological external economies and makes the growth centre attractive to entrepreneurs, thus initiating further development. This theory is a sort of 'regional unbalanced growth theory' which uses temporary regional imbalances to initiate development. Little attention is given to the process which is necessary to ensure a spread or linkage from the centres to the hinterland without which the poles may transform the economy of the region into a dual economy.

1.2.6 Theory of Circular Causation (MYRDAL 19)

Myrdal opposes the strategy of development poles because social systems and economic processes do not develop towards an equilibrium but, on the contrary, factors tend to cumulate to positive or negative cycles. Under laissez faire' conditions in developing countries, there is a tendency towards a negative cumulation. In principle, Myrdal's theory is a negation of the monocausal explanation of problems of developing countries by economic factors alone. Rather, in a comprehensive way, all social relations have to be incorporated. At national level—different stages of development between regions—as well as international level—trade between industrialized and developing countries—differences tend to increase because of the spread effects in the more developed areas and modern sectors and backwash effects in backward areas and traditional sectors. For instance, industrial import goods are in competition with traditional crafts; terms of trade deteriorate; capital is being transferred, etc. The direction of processes depends on the initial situation and the factors causing the change. Under the conditions in developing countries, increased regional dualism often is a consequence of such processes of circular causation.

1.3 SOCIAL-PSYCHOLOGICAL THEORIES

In the dualism and (economic) strategy theories discussed so far, underdevelopment and development are explained by economic factors alone while individual or group values and motivations are neglected. The social-psychological theories consider these very factors as main determinants of underdevelopment and development. Thus, they add a new component to the discussion. Because they reduce the causes to aspects of one discipline, like economic theories, they are partial explanations as well.

1.3.1 Sociological Explanation of Socioeconomic Change

One of the earliest and widely discussed concept is WEBER's (32) treatise "Protestant Ethics and the Spirit of Capitalism" in which he combines Psychological & Sociological variables with economic develop-
ment. Because of its determination of the value systems of societies, he put primary importance on religion. According to Weber, the Protestant religion was a precondition for capitalistic development for two reasons: Protestant ethics led to an ascetic life style which, instead of advocating affluence, reinvested the proceeds. As well, it is the basis of rationalism and goal achievement behaviour. While a value system which motivates economic development can hardly be limited to Protestantism Weber's stress on values and the resulting motivation influenced later thought.

In more recent times, PARSONS (21) and SMELSER (31) explained economic development as a result of tension and unrest in societies. If a traditional undifferentiated society experiences economic growth and economic differentiation as a result of external inputs, this leads to unrest. Frustration of groups of the population not participating and gaining generates further differentiation and growth, and these small steps happen within relatively short times.

McCLELLAND (16) sees the cause of underdevelopment in the absence of achievement motivation. The desire to do well to attain an inner feeling of personal accomplishment is the pre-requisite for innovative activity.

1.3.2 Theory of Social Change (HAGEN 8)

Following McClelland's concept that a level of development is correlated with achievement motivation, Hagen tried to explain why this achievement motivation varies between societies and their classes and strata. He argues that in traditional societies the status of individuals is fixed. Children learn to act according to established norms, and deviations (initiative !) are punished. If by external influences a new group gains power, the status of the old elite is challenged and weakened. The insecurity and frustration leads to changed behaviour which has consequences on the family structure. Children tend to become dissatisfied with the society and readily accept new values. In time, they become innovative personalities. If these persons become dominant groups in the society, this causes economic development. Similar phenomena may happen as far as the changing situation of marginal groups or minorities is concerned.

2. DEPENDENCE THEORIES

According to dependence theories, the cause of underdevelopment is the dependence on industrialized countries while internal factors of developing countries are considered irrelevant or seen as symptoms and consequences of dependence. The development of industrialized countries and the underdevelopment of developing countries are parts of one
historical process. Developing countries are dependent countries. The economic and political interests of industrialized countries determine their development or underdevelopment. The goals are superimposed. Underdevelopment is not backwardness but intentional downward development.

As to the causes of dependence, the various theories differ, economic factors always dominating. External trade theories concentrate on economic relations between countries. Imperialism theories stress the politicoeconomic interest while dependencia theories concentrate on the deformation of internal structures by dependence which perpetuates the situation.

Dependence theories concentrate on explanations of the genesis of underdevelopment and pay little attention to strategies for overcoming this situation. Implicit development here means liberation, end of structural dependence, and independence.

2.1 EXTERNAL TRADE THEORIES

The structure of supply and demand in industrialized and developing countries is such that industrialized countries are able to reap the benefits from international trade. This transfer of resources makes development impossible, and these unequal trade relations are seen as the reasons for underdevelopment.

2.1.1 Theories of Circular Deterioration of Terms of Trade (PREBISCH24)

The structure of supply and demand is such that industrialized countries offer industrial products and buy raw products and the developing industries do the reverse. According to Engel’s law, the demand for raw materials tends to be inelastic while the demand for industrialized goods is elastic. The technological progress in the production of industrialized goods not only makes it possible for industrial countries to increase their incomes and thus the standard of living, but, because of the elastic demand on the world market, also to enforce higher prices. The situation in developing countries is the opposite: technological progress in primary production results in lower prices because of the inelastic demand. This mechanism leads to deteriorating exchange relations between industrialized and developing countries (and, as well, between the industrialized and the agricultural sector in developing countries). MYINTs (18) and RAO’s (25) ’theory of partial pauperization’ and PERROUX’s (23) ’theory of dominating economy* argue along very similar lines.
2.1.2 Theory of Immiserizing Growth (BHAGWATI)

This theory follows the argumentation of the theory of circular deterioration of terms of trade and concludes that countries, in order to improve their balance of trade, have to increase their exports to compensate for falling prices. This means a further deterioration of terms of trade. The unchanged structure of supply intensifies the structural dependency and, regardless of growth, there is no development but only 'immiserizing growth.' This situation is especially pertinent for countries with agrarian monoculture. As a consequence, BHAGWATI later asked for a speedy industrialization including heavy industry for larger countries.

2.2 IMPERIALISM THEORY

The imperialism theory explains the domination of underdeveloped areas by industrialized countries as the consequence of different economic and technological levels and unequal power potential resulting from a different economic growth. The consequence of the development of industrial capitalistic societies is a pressure for expansion which may lead to military or political acquisition (colonies) or to maintaining economic dependence (developing countries). Different theories have their own explanation of the reason for the pressure for expansion but it is always seen as the result of the inability to cope internally with the consequences of permanent technological innovation and their effects on the society.

2.2.1 Classical Imperialism Theory (LUXEMBURG (15), LENIN 13)

The desire for profit maximization causes production beyond the needs of the internal market and leads to the establishment of new markets in underdeveloped areas. Here, the autochthon production and markets are being destroyed and, thus, unemployment is exported to underdeveloped areas. Lenin in addition assumed a decrease of investment possibilities and, therefore, of profit rate in industrialized countries. Thus, capital is being exported in order to maximize profits. In the underdeveloped areas, this capital is invested, not according to the needs of these countries, but according to the interests of industrial countries. The profit is transferred to the industrial countries whose development is based on the exploitation of underdevelopment areas.

2.2.2 Modern Imperialism Theory (SANTOS (28), GALUNG 6)

The thesis of classical imperialism theory has been disproved empirically. New imperialism theories therefore, postulate the dependency theorem with a new explanation of exploitative relations. The new phase
of relation between industrialized and developing countries can be called technological-industrial dependence. Industrial countries invest in the production and export of raw materials in developing countries, influence with their potential of power the terms of trade in their favour, and thus perpetuate the international division of labour. While imperialism is seen as a phenomenon of capitalism and these theories are based on Marxian concepts, the fact remains, nevertheless, that communist countries also participate in the exploitation of developing countries by accepting the advantages of the world market.

2.3 DEPENDENCIA THEORIES

The multitude of approaches\textsuperscript{1} combined under the heading 'Dependencia' like imperialism theories are based on the assumption of an external dependency of developing countries which makes exploitation possible. However, while imperialism theories hold the dependence relation to be directly responsible for the exploitation of developing countries, the dependencia theories develop this concept further. They postulate that external dependencies lead to an internal structural deformation which perpetuates the external dependency. The process started with the political and military dependency of colonies which have been exploited through the destruction of the indigenous lifestyle and culture, economic extraction, and forced integration into the international division of labour. This asymmetric integration caused structural changes in the peripheral societies: an economy oriented towards the requirements of the industrial countries and a functional dependency of the traditional sector on this export-oriented sector. The dynamics of reproduction of the modern sector in developing countries are similar to those of industrialized countries, thus leading to an extreme stratification, i.e., externally oriented elites and marginalized masses. Elites accept the norms and values of the industrialized countries and cooperate in maintaining a status quo.

The deformation of the economic and social system leads to structural heterogeneity: rich elites and marginal masses, the destruction of traditional economy oriented towards fulfilling the internal needs. Thus, the centre-periphery relationship reproduces itself within developing countries. Between metropolis and rural hinterland, relations are similar to those existing between industrial and developing countries.

Underdevelopment, from this point of view, is not a phase on the

\textsuperscript{1} See WOHLKE, M., WOGAU, P.V., MARTENS, W., Die neuere entwicklungs-theoretische Bibliographic (Edition der Iberomaerikana Reihe II, Bibliographische Reihe 2), Frankfurt 1977.
way to industrialization but rather a consequence of capitalism. In its concentration on external factors, possible internal conditions are neglected or considered irrelevant. Examples of countries with limited external contacts, like Nepal, Thailand, and Ethiopia, cast doubt on the general applicability of this partial explanation. Dependencia theories do not concentrate on strategies for development beyond the demand for structural changes, independence, and participation.

In recent times, however, the strategy of autocentric development has been aiming to overcome this shortage (SENGHAAS 29). Development should take place on the basis of local resources. In order to make this possible, a temporary dissociation from the world market controlled by capitalists is considered necessary. This dissociation should not be understood as autarkic. It allows for a certain degree of cooperation, a selective relation to industrialized countries. The goal is a reformation of the internal social and economic structure and, afterwards, re-entry in the international relations under conditions of equal rights. The way to reach this goal is via a self-reliance policy, i.e., a development according to the felt needs of the population based on local resources, increase of agricultural production to satisfy basic needs, concentration of decentralization with the participation of the masses. While this line of thinking is obviously based on the Chinese and Tanzanian experiences, it is on a high level of abstraction with pre-conditions which are difficult to fulfil and rather weak for concrete application. It has more the character of a goal vision that of a strategy for implementation.

3 TOWARDS A GENERAL THEORY OF DEVELOPMENT

All the theories discussed in the last chapter are only partial theories. They explain certain aspects but do not fully explain the cause of underdevelopment. The explanation is more adequate for certain historical situations and specific conditions of production while they are less relevant for others. They offer a strategy for overcoming the prevailing situation and initiating development which may be suitable under certain economic and social conditions but are not applicable to others. A general theory of development is still lacking.

Drawing up such a general theory is indeed a difficult task; it would have to include

— an explanation of underdevelopment for different countries;
— an explanation of the development process of industrialized countries; and
— a strategy for overcoming underdevelopment in developing countries.
As well, it would have to include
— all relevant disciplines and their interdependence;
— the different levels at which development takes place, from the local to the international level;
— the processes and relations between the different sectors and strata of society and economy; and
— the international dimensions of the development process.

While the system theory opens up the possibility of organizing such a vast theoretical body, the activities of different researchers hitherto have not yet been successful.

Even in the absence of a concise theory to guide political activities, decision-makers must have some yardsticks to measure whether their strategies and tools will achieve the goals of the society. Here, goals play an important role. While, in detail, the question of goals in the development process is a political question, and difference of opinion and conflict are possible, at a high level of abstraction, universal agreement seems to be possible.

It is widely agreed that preservation of human dignity and fulfilment of basic needs are the foremost duties of every society. While there is wide agreement on this goal, differences of opinion exist on the question of the degree to which these basics should be supplied and, as well, how they should be supplied. These differences allow for different paths of development.

From the common denominator "basic needs," one can deduce five basic goals of development:
— economic growth to secure food and other requirements for the population;
— social justice to reduce inequality;
— employment as means of earning an income but, as well, because of its ethical and social value;
— participation as political involvement and social sharing;
— independence as freedom from external domination.

While individual societies may have different opinions on the priorities of these goals, in the absence of a general theory of development; one can use the criterion of fulfilment of these goals as a yardstick in development. Development is then understood as a simultaneous progress towards these five goals.
LITERATURE
21. Parsons, T. Gesellschaften, Evolutionäre und komparative Perspektiven,


