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*Social Change* 2010 40: 95

DOI: 10.1177/004908571004000201

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# Development and Civilisation\*

Social Change

40(2) 95–116

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SAGE Publications

Los Angeles, London,

New Delhi, Singapore,

Washington DC

DOI: 10.1177/004908571004000201

<http://socialchange.sagepub.com>



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### Abstract

This article discusses different phases of development discourse at the global level which was dominated by Eurocentrism for a long time. While offering a critique of Eurocentric discourse, this article argues that successive crises in world capitalism, especially the east Asian crisis in 1997 and the world economic crisis in 2008, mark the breakdown of the Washington consensus which had spurred the trend of globalisation. This led many developing countries to a debt trap, consequently squeezing public resources for people's welfare. The recent years have witnessed the emergence of the Beijing consensus taking into account the rise of new economic forces. At this juncture, the third world is raising long neglected civilisational issues which could shape the development discourse in the coming years.

### Introduction

The end of the Cold War at the end of the 1980s left the new decade with new realities: Eastern Europe and the Soviet Union had been facing enormous difficulties, the economies were in crisis, the political regimes were being dismantled and the ideological system was in disarray. Civil wars, political instability, mass unemployment and poverty presented a gloomy reality to the former Soviet countries.

Meanwhile, Eurocentrism is now facing a definite crisis. Anglo-American capitalism as the ideal model for global socio-economic development and for modern democracy is gradually losing ground along with the decline of the US economic and political supremacy. The emergence of Newly Industrialising Countries (NICs) of Asia and Latin America challenged the US absolute hegemony, while the revival of Islamic fundamentalism, the Latin American integration and the subsequent *Mercosul*<sup>1</sup> and the South American Community directly defied the US domination. These facts draw a new world, more complex and more difficult to be administered. The US supremacy

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\* An earlier draft of the article was presented at the International Seminar on the centenary of *Hind Swaraj*, February 12–14, 2009, New Delhi.

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will certainly continue for a period of time, but its hegemony now has to be shared with the European Union, Japan and Russia, as well as the BRICs (Brazil, Russia, India and China), etc.

The Cold War ended and with it the justification for extended military aggressiveness. As the pretended unquestionable winner of the Cold War, the United States also found it impossible to maintain its hegemony, faced with budget pressure and power limits. Thus, the decade of the 90s witnessed the end of the absolute US hegemony and the beginning of a new world system: shared global leaderships. In the first decade of the 21<sup>st</sup> century we assisted the intent of the Bush administration to re-install the undisputed unilateral hegemony of United States over the World. This phase is now ending with the world financial crisis, which started in 2007 and which transformed in 2008–2009 into a general economic crisis.

Meanwhile, humanity entered into a new historical phase: the age of accelerated globalisation, which could ultimately lead to a planetary civilisation based on the synthesis of various civilisations that form the contemporary world. The human beings must follow the path of peace and understanding, correcting the great inequalities of the world and concentrating on more global policies and goals.

The United Nations' Conference on Environment and Development (held in Rio de Janeiro, 1992) was an expression of the increasing consciousness of the necessity to unite the complex humanity—plural and lacerated by her economic and social contradictions—to address global issues such as environment preservation and the struggle against poverty, which are crucial for the improvement of the present situation and for a better world for future generations.

In this new world system, humanity shall go through a process of profound reflection, adjustments and cooperation in order to adjust its great contradiction of interests between the few ultra developed nations and the huge masses of unemployed, underemployed, excluded and marginalised people who seem to be the inevitable byproduct of a technological modernisation—based in the scientific and technological revolution—in the limits of the capitalist mode of production. It will need also to confront the malaise that is, undoubtedly, its social, cultural and spiritual correspondence.

Thus, humanity is facing the need to elevate the management or governance system of the world economy. Global solutions—produced from global negotiations—will need to substitute the so-called 'invisible hand' of the market, the idea of an automatic and mechanical adjustment of the various disputing interests and the illusion of a law of comparative advantages presiding over world commerce. The risks continue to exist: the deteriorating global environment, the threat of war and nuclear explosion, the menace of extermination of the non-renewable energy sources and the destruction of environment and biodiversity in general. But, the principles of conscious and democratic planning will prevail. The complexity of the new world system has set the need for a global political and economic coordination aiming at a world where peace and sustainable development should win over all the nations.

## World Economy and World System—Some Studies

The study of the world economy in the context of world systems is relatively recent. Since its beginning, it was limited mainly to the study on international commerce, which was dominated by the classical and neoclassic economics theories. It was the same with the work of Marx. His unfinished book *The Capital* had undertaken a limited systematic study of the matter in the first volume of the critique of political economy that he had originally conceived as a general scientific programme of theoretical research. His project was finished with a fifth book on the world economy and the international cycles showing his idea that world economy and not national economy was the concrete scenario of economic process. By the end of the 19<sup>th</sup> century and the beginning of the 20<sup>th</sup> century, some sporadic attention was given to the study of the global development of the capitalism. During the 1920s, the League of Nations published an empirical study about world economy. Later on, Keynes produced expressive ideas about the economic conditions for world peace, which he linked to various other efforts to understand the causes and the consequences of the war.

It was not until the beginning of the 20<sup>th</sup> century that the study of world economy gained global force, as this was when the concept of imperialism had been developed on the basis of a Marxist and Leninist analysis of economic concentration and the formation of international monopolies. The success of the Russian Revolution and the economic crisis of 1929 induced an ideological revolution on the interpretation of the world economy. The ideological struggle assumed extremely radical forms in the post-war years, until the end of the Cold War.

The revolution was initiated when the analysis of the international conjuncture was introduced in 1921 in the Congress of the Communist International, so as to give tactical and strategic proposals for communist struggles. In the 1930s in the USSR the Institute of International Relations and World Economy (IMEMO) was created and directed by Eugenio Varga. The studies about imperialism and the world economy increased considerably in the twenties and thirties, based more and more on the institutionalist approach.

Removed from Marxism, but very influenced by him, it developed an institutionalist perspective that had in Hobson, at the end of the 19<sup>th</sup> century and beginning of the 20<sup>th</sup> century, one of its most interesting expressions. Werner Sombart was another impressive researcher of the formation of modern capitalism.

In the 40s, the work of Karl Polanyi (1971) about the great transformation was the most ambitious intent to understand contemporary capitalism as a historical phenomenon unifying economic, social, political and cultural approaches. His contribution led us to Anthropological Economy or an Economic Anthropology and showed us how limited an intent to separate the economic sphere from the other spheres of social and human life was. This holistic point of view influenced strongly the development of social thought, mainly after the seventies.

During the seventies, the concept of world economy found its best expression in the work of Immanuel Wallerstein (1974 & 1980), Giovanni Arrighi and others, about the

world system. Fernand Braudel's (1992) researches have contributed to establish a theoretical framework for the study of these concepts. Prebisch (1950 & 1959) and Furtado (1964) advocated a view of the world system as comprising of a centre and periphery, within a dependency theory of capitalism. They studied in a radical framework the mechanisms of the relations of dominance and dependence. Both tried to understand development and underdevelopment as two faces of a unique historical phenomenon, thus significantly contributing to the theory of the world system. Karl Polanyi was one of the basic references to this new step in the direction of a more complete theory of the contemporary world. During the 80s and early 90s, the concept of globalisation was developed in order to analyse the new trend of the world system and its accompanying phenomena. A neoliberal approach transformed a large part of the literature about the subject in an ideological apology of the supposed triumph of the free market.

Starting from the 70s, much literature has been produced about the world economy and politics. The international institutions started a methodical analysis of the world economy, especially its creation, with the annual publication since 1978 of the World Bank's *World Development Report*. In the seventies, various econometric models of the world economy were created by international organisations like UN and OECD, the World Bank, IMF, etc. In 1973, *The State of the World* was produced by the US president's office, that started the 'national' emphasis in the world conjuncture. The Bureau of Economic Planning of Japan also published White Papers on the World Economy that gave a theoretical basis for the so called Japanese model.

The Centre of the United Nations for the Transnational Corporations was created at the beginning of the 1970s and published four general reports with substantial empirical information about the multinationals corporations and the world development. In 1991, the annual publication of the *World Investment Report* was started. Both were later transferred to the sphere of UNCTAD.

The discussion about the new economic order proceeded with the proposal of president Luis Echeverría of Mexico on 'Declaration of the Economic Rights and Duties of the Nations' which was voted in the United Nations in 1973. Afterwards, in 1975, Boumediène created the term 'new world order' in the Meeting of the Non-Alliance Movement in Argel. Because of the crisis of oil, the nations of the Third World advanced considerably at the international level, which gave consistence to the 'Development Decade' created by the Assembly of the United Nations in 1969. In this period, the UNCTAD was created; the Non-Allied Movement and the North-South dialogue had been fortified. A wide range of literature was produced about the 'New World Economic Order', mainly a set of international reports, that started a new treatment for the world conjuncture and a new conscience about the running process of globalisation.

World reports were elaborated by various research institutes, such as the Club of Rome, the Institute of Bariloche, the Dag Hammarskjöld report of the United Nations, as well as by the ad hoc commissions like the RIO Report (the Leontief Report of the United Nations), the Willy Brandt Commission, the Willy Brandt and Michael Manley Report, the Olof Palme Commission, the Interfutures of OECD, the South

Commission, etc. Some were elaborated by national governments, such as the Global 2000 Report of the president of the United States and the World Economic and Social Crisis of the President Fidel Castro.

During the 1970s and 80s the new global reality gave origin to several permanent publications on the world economy and global issues in general.

During these years, the studies about peace expanded a lot. They contributed greatly to a holistic vision to the process of globalisation. The International Peace Research Association (IPRA) was the 'locus' of these studies and influenced the creation of the University for Peace in Venezuela. In the 70s, however, a great step was made when the University of the United Nations was set up, with headquarters in Japan. The UNU created the World Institute on Developing Economic Research (WIDER) to study the issues of development and thus joined this wave of global studies. The University has elaborated a programme of studies about the global transformations that was developed through new theoretical and conceptual landmarks.

The most significant conceptual change related to the world economy during this period is due to the formation of a new theoretical framework in the end of the 1970s, and mainly in the 80s, that links the concept of world system to the long waves of Kondratiev, to the technological-scientific revolution and to the study on transnational corporations. Based on these changes, concepts of world system and globalisation were developed.

From the 70s, the debate about development and the world economy reached new levels because of the introduction of the environment issue. Starting with the Stockholm Conference on the Environment and Development in 1972, this relation had been subsequently elaborated. The critique made by the ecologists, as well as the concept of 'green peace' was extended to the political field and the concept of development began to be questioned. Under the influence of neo-Malthusians ideologies, some authors proposed a limit for the economic growth.

The oil crisis in 1973 showed that the limits of growth were more serious than developmental optimism would accept. This discussion continued until the 1980s, in the Bruntland report, about *Our Common Destiny*, that introduced the concept of sustainable development and called the attention to the global dimension of the ecological threat. The conference in Rio de Janeiro (Eco-Rio) in 1992 represented a definitive step in this direction when it introduced 21 points and some global basic agreements about the climate, the ocean and biodiversity.

When these conceptual and political advances were taking place, successful economic growth in Southeast Asia was taking place too. At the same time, Latin American Newly Industrialised Nations, Eastern Europe and the Indian subcontinent showed limited growth because of the payment of high interests for their huge external debts. The African continent, which was newly freed from colonialism, had a great amount of debt, while the prices of the basic products that they export were falling.

During this period, the model of structural adjustment proposed by the World Bank and the FMI was the basic mechanism to make possible the payment of the international interests. Higher exports, lower imports and depreciated currencies formed a set of draconian measures to create export surplus in order to pay for the debt

services, made possible by sacrificing the public expenditure and the governability of these countries. As a result, these adjustment measures produced higher income concentration, as well as dramatic amplification of the economic misery and social exclusion.

In spite of these harsh realities, the structural adjustments still continued from the 1980s up to the 90s, with even stronger faith. In many countries, the adjustments failed to achieve equilibrium between macroeconomic policies and social policies, which shows the limits of economic theory in relation to the economic, political and social realities.

## **The Dependence Theory of Latin America**

Latin American views on world economy were developed only after the Second World War. In 1948, the continental sessions of the Social Council of the United Nations started the annual analysis of its regional economies and established the Economic Commission for the Latin America (ECLA). Raul Prebisch, then executive secretary of ECLA, proposed a theoretical and analytical framework to analyse the world economy in terms of center–periphery relation. He initiated the Latin American tradition of underdevelopment analysis and the development theories that became fundamental in the Latin American contemporary social and economic sciences.

The main characteristic of this tradition was its vision of underdevelopment as the absence of development. The ‘delay’ of the underdeveloped countries was explained by the obstacles put in front of them, which retarded their modernisation. In the beginning of the 1960s, however, these theories lost their relevance. Latin American countries, which had achieved political independence in the beginning of the 19th century, were restricted by the depth of their economic and political dependence on the international economic system maintained after World War II. Their economies seemed destined to accumulate misery, illiteracy and unequal income distribution.

The dependence theory, that appeared in Latin America in the 60s, tried to explain the new characteristics of this dependent development, that had been oriented in the direction of an industrialisation based on international capital, whose centre were the multinationals companies created in the 1950s and in the 60s. This new point of view rejected the idea that underdevelopment meant the lack of development, but understood it as the historical result of the development of the capitalism as a world system that produced development and underdevelopment.

In the 1970s, there had been extensive international debates about the matter that appeared in articles, books and in various conferences and seminars. Besides, the theory of dependence also exerted its influence in many important political processes, like the Peruvian Revolution, the Chilean Popular Unit, the Manley Government in Jamaica, the Socialist Government in Tanzania, etc. From the mid-1970s, the critiques of the dependence theory became stronger and were widespread by the 1980s. These critiques were both from the Latin American countries as well as other parts of the



world. They accused the authors of this theory for overrating the external factors and for abandoning the internal analysis, especially of the social classes. Others criticised it on the basis that this theory diluted the struggle of local classes and denied the significance of the concepts of 'imperialism' and 'dependence'.

The recent critique that takes a very generalised diffusion and repercussion came from Francis Fukuyama (1992) in his book *The End of History and the Last Man*. In his view, dependence theory is the last bastion of resistance to the 'end of history', and it had been belied by the successful Asia experiences.

Thus, in Latin America, this extensive and animated debate led to discussion on development under the context of the world system. This theoretical advance corresponds to the new Latin American social, economic and political realities.

## A Latin American Perspective of Globalisation

The Latin American nations after World War II had undergone a rapid process of capitalist internationalisation, which got accelerated and amplified, known as globalisation in the 90s. The internationalisation of capital in Latin America (especially Brazil) forced the Latin American social thinkers to study the new reality. Starting from Raul Prebisch with his famous 1950 Manifesto (*The Economic Development of Latin America and its Principal Problems*), they proclaimed a powerful role for government in avoiding the deflationary policies of the interwar years, a greater commitment to government microeconomic intervention, more controls, subsidies and protection, a greater emphasis on 'planning' and a greater distrust of market features of post-war development.

The post-war years witnessed Latin American's dependent integration with the world economy. These countries (and Brazil in particular) were incarcerated in a vicious cycle since the debt crises of the 80s provoked the derangement of the local financial markets, deteriorating the public finances and the monetary politics, placing these countries in three-digit hyperinflation. The consequent economic adjustment to ensure the payment of the debt services inflicted unbearable social costs on these nations. Domestic and foreign investment had shrunked, interest rates were high, wages and salaries were drastically reduced. The economic development was adversely affected, which gravely impoverished these economies.

During the 1980s, Latin American countries saw the creation of a new type of urban marginality and consequent deterioration of social order caused by the increase of criminality and the increase of illegal activities, like drug trafficking, smuggling, prostitution, kidnapping, etc.

In the 1990s, the international interest rates dropped and there was relief from the pressure for the payment of international debts. However, because of the pressure of the United States' necessity to equilibrate its payment balance, these dependent countries that were previously supply-oriented, implanted a policy of commercial deficit. This conservative policy was based on the *pegging* of local currencies (the famous foreign exchange anchorage), on the indiscriminate increase of the interest rates of



public debts, as well as the sale of public enterprises known as 'privatisation' of the economy. Consequently, the exports diminished and imports increased, producing the commercial 'deficits' that are compensated by the entrance of short term capital searching for high interests and by stock market speculation.

Thus, Latin American social scientists have drawn experiences from imbalanced industrialisation in the 1950s–70s; the military authoritarianism from the 1960s–80s; the debt crises of the 80s; the structural adjustment and subsequent domination of neoliberalism in the 1980s–90s; etc. It is necessary to emphasise the fact that Latin America in general, and Brazil in particular, has developed an original thought about the world economy and politics that needs to be studied further. With their own experiences, Latin American social scientists have been able to establish dependence theory, as a plausible theoretical formation consolidated over many years and contributed to by many scholars of the Latin American region who have been following the model of Raul Prebisch.

As reality tends to bypass national boundaries and to create units of production and circulation, more and more local and sub-regional economies are being developed, thus giving rise to the concept of regionalisation as the base of globalisation. These new economies have drastically changed the picture of regional development. Therefore, the knowledge of the world economic system is more and more a pre-condition for comprehension of specific social-economic formations. This fact must be considered in the theoretical research and teaching, in strategic formulation and governmental policy-making.

## Globalisation and Development

The process of globalisation of world economy and politics is based in the scientific–technological revolution that began in the 1940s and changed radically the relation between science, technology and the productive process. This revolution changed the scale of the production tremendously through the process of automation using robotics and informatics. It produced a structural change by extending the role of the services as well as the activities related to the knowledge, planning and design of the products. It created new sectors, industries and economic activities and changed the relations between the economic sectors, thereby causing a third industrial revolution. It has integrated the planet in the instantaneous process of communication and reduced distances between the various regions of the globe. Finally, it has broken the traditional ecological balance at global level and threatened humanity's survival because of the environmental deterioration and the threat of nuclear explosion.

In this context of rapid changes, the regions of the world that don't participate in the development of new forms of industrial and post-industrial production and circulation are more and more distant from the centres of world power. This process of globalisation enlarged the technological gaps between the developed and the underdeveloped countries.

The technologically backward regions were penalised by a perverse double movement. On the one hand, the advance of new technologies and productive systems has wiped out subsistence sectors and the non-monetised sectors, such as the peasants, tribal production, handicrafts, the barter trade, etc. Further, it induces an 'exodus' of the rural population to the urban regions. On the other hand, there is a striking absence of a global development scheme to allow for a balanced industrialisation, an extensive education system and a well coordinated service sector to sustain the advancement of new technologies and new productive systems. The result was an explosive urbanisation without a good socio-economic structure, the deterioration of environment and increased marginalisation and social exclusion. All these tendencies are recognised by the ILO, UNDP and other international organisations which are dedicated to the study of the matter.

The unregulated and unplanned world economy is leading humanity to increased poverty, to serious problems of social disintegration, social exclusion and to increased unemployment. This situation poses a serious question to the humanity: are social justice and economic progress incompatible alternatives? Or, to put it in a better way, can humanity tame the seemingly uncontrollable competitive capitalist economic relations?

The UN Social Summit Conference that was held in Copenhagen in March 1995 was a new attempt to take control on the savage forms of capitalist competition and social and international relations. It continued a set of international initiatives that had already been proposed in other UN conferences, the most important being the Earth Summit of 1992, in Rio de Janeiro, Brazil. The Copenhagen Social Summit demonstrated the universal will to control economic forces by means of regulation and state intervention, by popular participation in the control of enterprises and by civilised forms of social and international relations.

The Social Summit discussed three basic issues: fight against poverty; social integration; and the creation of employment.

To address these issues, first of all, the international community needs to recognise the structural nature of poverty, social disintegration, inequality, unemployment and under-employment. Pure liberal mainstream economic theories can never lead our humanity to social justice. Global negotiation and social intervention are urgently needed. A 'world social contract' as is being proposed by UNDP, should replace the liberal economic calculations. The Chart of Economic Rights of Peoples and Nations, voted in 1974 by the UN Assembly, has to be respected.

If humanity is to develop a more just and manageable world, the social thoughts of the underdeveloped countries should be respected and the developed countries should not simply impose their 'conventional wisdom' and eurocentric paradigms on the South.

To listen to the South means also to accept the social forces that represent old civilisations and strong cultural particularities in Asia, in America, in Oceanic and in Africa. And it means also to accept the strength of regional plural dynamism. If you can not eliminate some parts of the human race, as had been done with the Jewish people during the Nazi regime and the Second World War, you must accept to live in

a world where Asian, African and Latin American people are in a majority. Moreover, Asia is showing that this majority can be educated and well developed in one or two generations. In the 1950s, Myrdall (1972) wrote the *Asian Drama*, and in the 80s, we are talking about Asian hegemony; in the 1980s, Latin America was living the 'lost decade', now a part of it is being perceived as important 'emerging' economies.

Second, we need to reformulate the institutional framework of international relations. The present world institutions do not sufficiently allow the participation of the non-Western countries. The G7 prefers Canada, England or Italy to China, India or even Brazil, and they hardly accept Russia as the eighth participant. The Security Council of UN does not include either Brazil or India or Mexico, let alone Japan and Germany. The General Assembly of the UN is not being respected anymore. And what about Islamic countries? Where can they express their voice in the world institutional framework?

Third, we need to restructure the present international aid programmes. The majority of international technical aid is used to pay for Northern 'experts' to help economies, societies and ecological realities unknown to them. Why not use technicians and scientists from developing countries to give technical assistance to the South, who have much better scientific expertise on tropical ecological environments? But it is still thought that they need expensive technocrats from the World Bank, the IMF, and other international institutions to teach them their disastrous policies of development!

International aid should be based on local development priorities formulated democratically by the local communities. The local human resources and technicians from the South should be used. Local experiences of social development should be studied; for example, the Indian expertise on humid tropical development and the bio-mass technology in Brazil (the sugar cane-alcohol combustible programme) must be the basis of international technical and social aid. This policy will reinforce local scientific and technological development and will fix the professionals in their countries, who would otherwise be part of the 'brain drain' that may impoverish these countries.

Fourth, we need to develop common strategies of development at world level, unifying common interests. For example, trade unions of developed countries supported, in the 1970s and 80s, democratic movements in the South, to eliminate dictatorships that protected low salaries and opened their countries to multinational investment.

Now, many developing countries in the South have established democratic governments, but they are still based on a controlled media system that maintains low salaries and economic dependency. Here lies a common interest between trade unions and popular movements of the South and the North: to maintain in the North and to improve in the South, social legislation; defend the labour market; pick up children from the streets and put them in schools; to defend labour safety, to develop workers' training and education; protect our labour force from over-exploitation, and so on. These common areas of cooperation between the North and South should be implemented by the labour organisations.

Fifth, we have another common problem: the increase of world financial speculation, that is based on more and more modern means of communication. But this international financial system is also based on very high rates of interest paid by the governments, which are forced to expand their public debt each time and compelled to pay more and more interest to support a terrible exploitative financial structure. These high rates of interest lower the state resources of North and South countries, which in turn diminishes the capacity of the state to attend to the basic needs of the population and to give possible foreign aid.

The people are paying more and more taxes only to pay the interest on public debt. For example, the public debt of the German administration used to be 18.6 per cent of the GNP in 1973. It is now 65.9 per cent after years of neo-liberal policy. How can a liberal policy lead to such high debts? The German government used to pay 2.7 per cent of annual interest in 1980. Now it is paying 6.1 per cent. Big banks used to be against fiscal debt. Now they live on it. The US and European fiscal debts are the basis of the international financial market.

Globalisation in the financial sector is driving a terrible amount of resources from the South to the North. This leads to growing concentration of income and inequality at the world scale. So we can not think in terms of social justice, equal opportunities or even economic equilibrium at the international level without reforming our present financial system.

In sum, an agenda for Social Justice should be based on a new scientific framework really built at world level. It should be based in the following points:

1. A new World Social Contract to countervail market tendencies to concentration and inequality, to reduce labour time and assure more employment in education, research, communication, leisure, culture and so on. We need a more equal international order and greater participation of the South in the formulation and execution of international economic cooperation.
2. Democracy and citizenship are the basis of a world order with an agenda of social justice. An alliance among social forces punished by present economic development must be built to create a new world order. Society must control media power and assure free speech and free information to a well informed social movement and citizenship.
3. Public debt must be reduced not by cutting social welfare and forcing aid, but by cutting high rates of interest supported by tax payers of the entire world. The financial system must be disinflated and reduced to its necessary dimension.

## Methodological Remarks

Summing up, there is an enormous amount of research work to be done in future. Together with the North, the South should also analyse the process of globalisation of the world economy and the role of the process of regionalisation in the formation of an

integrated world system. The South should recognise the danger of globalisation in the destruction of the regional, national and local markets, and confront the disintegration of social sectors and institutions that have extremely negative effects in short and long term. It should also utilise the regional blocs, such as NAFTA, Mercosul, APEC, etc., as a mechanism of negotiation and balance of power. All in all, the South should also adopt some lines of socio-economic and political strategies and scientific–technological and industrial policies to effectively deal with the process of regional integration and globalisation.

Though many researchers worked on globalisation and the issues of global development and the new world system, I believe the future research efforts of the South should pay special attention to the following:

#### I. Major Facts and Hypotheses

- (a) The scientific–technological revolution makes possible the global scale of production, links the production to pure science and frontier research, diversifies the markets in terms of quality and quantity, local condition of demand and supply, joins intimately with the accumulation of capital, the economic, social and political development. To put it simply, technological factors play a central role in the world system;
- (b) The action of the long waves (Kondratiev's cycles) is located at this moment in the end of the negative curve of the world economy, that began in 1967, reached its lowest point in 1993 and began since 1994 a new long term of economic growth. In this new period of positive increase, the national economies will be able to assimilate a great number of scientific and technological advances prepared during the long years of recession such as robotisation and flexible production, modern communications, biotechnologies, etc. It will create a new period of globalisation and integration of the world economy;
- (c) This new period of increase, as related in the theory of the long waves, would be relatively stable for a long time. Nevertheless, it begins with a big problem of structural unemployment, as a consequence of the huge advance of the robotisation of the productive process and the automation of a great part of the service activities. The issues of this period will be: diminution of labour time; change in the management system of micro- and macroeconomic policies; restructuring of the corporations and public administration; the reduction of social exclusion and criminal violence; consumption of drugs; the preservation of environment and so on, which are the legacies of unequal, imbalanced and exhaustive economic growth.
- (d) The tendencies of monopolisation and oligopolisation of the local, national, regional and global markets, with the formation of the regional blocks, the increase of the intra-firm trade, the crescent cooperation among multinational corporations and the formation of networks and mechanisms of management through advanced tele-communications.

- (e) The question of governability arising from these realities at the global, regional and national levels will lead to the global institutional reconstruction that affects particularly the United Nations and other international organisations, and a rebuilding of industrial and economic policies at these levels.
  - (f) The definition of a global project of sustainable development, capable of guaranteeing the preservation and the betterment of the environment and the elimination of the poverty and misery.
- II. The Perspectives of the South
- The developing countries in Africa, Asia and Latin America should strengthen the capacity of their own international research systems and academic institutions to:
- (a) Establish a conceptual basis that would permit them to describe this process of globalisation in three dimensions:
    - i. New Technologies vs. Capitalist Productive System/Relations.
    - ii. Domestic Political Relations vs. Geopolitical Strategies.
    - iii. Cultural Traditions, Identity, pluralism and globalisation.
  - (b) Analyse their situation and diagnose the problems and determine their respective national objectives;
  - (c) Determine and draw politics of regional integration and of sustainable development capable of overcoming these serious structural limits and to put themselves at a level of civilisation compatible with the scientific and technological revolution.

Last, but not the least, the social scientists of the South should join the social forces and the political movements to produce an effective response to the global changes; they should unite the local, regional and global efforts in order to fight for sustainable development and global socio-economic justice.

## Theoretical Issues

The originality of the Russian Revolution left its mark throughout the 20<sup>th</sup> Century. It was characterised by the fact that a communist party took power at the head of a large revolutionary movement directed by factory workers in arms, but above all by peasants mobilised by a colossal war which neither the autocratic regime nor the liberals were able to conduct until the end. From there, a new question arose for world revolutionary thinkers: was it possible to build socialism—originally thought by the two Socialist Internationals as a post-capitalist society—in a region of the world where capitalism had barely been developed, in a context of a basically feudal, agricultural economy and an autocratic political society?

There is no doubt that this question and the final solution which was implanted in the Union of the Soviet Socialist Republics had enormous resonance in the periphery of the global imperialist system, in a moment at which the centre of this system was

weakened by the internal struggles derived from the First World War, the 1929 crisis and the Second World War. One must mention Latin America, where the Peruvian Marxist thinker José Carlos Mariátegui occupies a central position. But here our interest lies in other regions of the world. Among the zones where this issue was deeply ingrained was the old Chinese empire, undergoing colossal internal struggles in order to be able to evolve itself as a modern society which was the growing trend throughout the world.

One may speak of an Asian Marxism, which uses the theoretical and methodological tools of historical dialectics to guide an anti-colonial practice and which incorporated an enormous rural population and a significant urban population into modern society. The emergence of this colossal human mass, formed in a millenary culture and in a civilisation of great planetary significance, was a crucial phenomenon for the definition of the 20<sup>th</sup> century, and above all of the 21<sup>st</sup> century.

To reduce this debate to the theoretical instruments of a single Western current of thought was and is a very dangerous act of sectarianism. The limits of this pretention are clear, even when it comes to an open and dialectic current of thought as the one derived from the theoretical efforts of Marx and Engels. The limits of European socialist parties' experience were evident, as they vacillated when confronting the colonial phenomenon. Evident too were the enormous problems created by the exercise of power in a gigantic area where socialist experience was marked by the issues of socialist primitive accumulation, in which issues derived from the overthrow of a feudal economy and society prevailed.

Asian Marxism also had to confront its cultural past, which was and is an active present. Ecological, cultural and human solutions which designed entire civilisations could not be thrown off the face of the Earth by hegemonic pretensions of European thinkers with their local and even parochial limitations.

That is why Asian Marxism, in all its many forms, as the Indian, the Japanese and especially the Chinese one, is a new dimension of the interpretation of the new socialist society's characteristics. Western attempts to use these countries' experiences, especially China's, to derive from them ideal models to be imitated in the West were and are still dangerous experiments. This is even more dramatic in the current circumstances, in which China presents a process of economic growth and development of the productive forces which puts it in the centre of the reconstruction of the contemporary world. The current Chinese experience is a challenge to the renewal of Marxism, both in its internal (Chinese) form and its various international shapes. It is a matter of determining up to which point a theory and a scientific method may be useful to analyse situations which supplant the themes that originated them. For this, it is necessary to ensure theoretical rigour and to exercise one's powers of abstraction without allowing oneself to be guided by prejudice, local interests or disordered events.

Nowadays, one can no longer avoid the question of the concrete forms of socialist transition. If we see socialist transition as a historic phenomenon, we have to deal with historical situations as diverse as Soviet socialism, in its many forms ('war communism', 'NEP', 'socialist primitive accumulation', 'socialism in a single country',



‘socialism in a single region’, ‘mature socialism’, ‘socialism of the scientific-technical revolution’, ‘post-socialist transition’ or ‘transition to liberalism’), and as the market socialism proposed by Oskar Lange in the 1940s, or the Yugoslav self-governing socialism, the mixed regimes, the African or Arab socialism, the wealth and originality of the Cuban socialism and the socialist experiences in Asia—especially in China, where it unfolded into forms as diverse as ‘the new democracy’, ‘the great leap forward’, the ‘cultural revolution’ and finally the current ‘market socialism’. And wouldn’t these transition phenomena include the Welfare State experiences in the central zones of capitalism?

Wouldn’t all these historical forms indicate that Marx and Engels were right in refusing to propose specific operational formulae for such a long transition period (conventionally called socialist), in which the conditions for a superior post-capitalist society conventionally called communist would be created, according to doctrinal communist tradition? Wouldn’t socialism be characterised by the political conduction of society so that the economic and cultural changes which would create the conditions for this superior society can be made?

Wouldn’t the struggles for effective democracy, social justice and international solidarity, based on the respect for national sovereignty, be the general marks of this socialist phase, in which different forms of State capitalism, social States, social economies, cooperatives and self-governing formulae would be developed and conducted by socialist political forces seeking a self-aware management of social change towards a post-capitalist society guided by communitarian values? And wouldn’t this be a planetary process based on an active cooperation between peoples—including increasing rates of commerce between them—overcoming the imperialist impositions and the hegemonies on which the global capitalist system is based and which still prevail during these partial changes? And wouldn’t a dialectic moment arrive in which the conjugation of these new economic, social, political, cultural and State changes would generate a new global system hegemonised by them? In conclusion: the Chinese experience makes us rethink Marxism deeply, but in the original direction towards which Marx and Engels had formulated it, not as a closed doctrine, but as a scientific, cultural and political adventure, always open.

## Reflections on China

China’s impressive economic growth, associated with the great Asian growth, poses new questions on the future of the global economy and particularly on the economic systems that shall guide this future.

First, there is a question about the theme itself. The Chinese Communist Party claims, against the opinion of all the large Western press, to be the architect and manager of this great change occurring in the country and which is now reaching the whole planet. China has become the second world power with a drive that challenges all existing powers. And the authorities of this country consider that these results are a consequence of the management of this process by the Chinese State, under the

direction of the Communist Party. Few can question the success of this administration, but the capitalists who invest in China must certainly believe that the role of the State and political management must at least be made public through the media.

It is interesting to see how, in this new context, the question of the competition between economic systems is rethought. In order to think of this period as a competition between alternative socio-economic systems, one must ponder upon the socialist orientation of the Chinese reforms—challenged by thinkers of the Left and the Right—as well as upon the question of which factors that would allow for the immediate success of these reforms.

According to important Chinese Communist Party authorities, this is the main difference between the Chinese model and the Soviet one: while Chinese leaders knew exactly where they wanted to go and established the pace and the dimensions of the introduction of private property in the country, Soviets let themselves be guided by the Western ideological propositions for the transition to liberal capitalism and by the method of economic policy shocks, thereby losing control over changes.

If we accept this premise, then a great international dispute over the direction of the global economy is unfolding, opposing the principles of State and Party planning, which use the market as an instrument for economic development, and liberal principles, which hand the leadership of the process over to the market. Up until now, the principle of conscious management of the development process has revealed itself to be more efficient, under conditions of pacific dispute between the principles of the free market and those of a managed or directed market.

It is interesting to consider that, despite the environment of intellectual terror created by the hegemony of neoliberal single-mindedness, the best economists from many regions, among which the Japanese stand out, insist upon the superiority of the directed economy, in permanent struggle against the neoliberal principles. One must also highlight a recent publication by the North American professor Rifkin, showing the foibles of the so-called Anglo-Saxon capitalist model in relation to the European social model. New criticism of liberal fundamentalism has surfaced during the present crisis of financial capitalism. All these debates are part of the crisis of the liberal single-mindedness, but in the case of China, the principle of the superiority of the conscious management [of the market] is based on the weight of an economic process which has been extremely successful as a means to economic growth and at the same time, presented as a moment in a historical process of socialist orientation.

The neoliberal theses are in full retreat in their theoretical, political and social dimensions, a fact which was most evident in the financial crisis of 2008, when the ideologically neoliberal governments had to openly admit State intervention as a 'saviour' of the world economy, dominated by economic anarchy implemented by the unchallenged hegemony of private capital. In the book *Do Terror à Esperança – Auge e Declínio do Neoliberalismo* [From Terror to Hope – Rise and Fall of Neoliberalism] (Dos Santos, 2004), which is being translated into Mandarin, we show how these doctrinal liberal principles do not apply in the current practice of capitalism, dominated by international monopolies, supported by violent State interventions favouring

financial capital and strong geo-political interests focused on the desperate struggle to conserve a North American hegemony which is in decadence.

In the international relations dimension, it is interesting to note how a concept of pacific competition between different economic regimes is surfacing in China, while many authors talk about a Chinese pacific growth or expansion as a new path for the development of humankind. At the same time, the path of implementing reforms with Chinese characteristics is mentioned in the debate as an internal decision of this country, and not as an example to be followed.

As one can imagine, this offensive and increasingly optimistic view encounters strong objections in very skeptical academic and technocratic environments, especially in Latin America, a region where the neoliberals dominated the functioning of the central banks and other highly specialised State organs blindly, resisting successive electoral failures and large mass movements against their macroeconomic policies.

But is still interesting to participate in this increasingly current theoretical and political debate. It is important to take into account the large number of young people who attend academic meetings about these issues, making one believe that this debate shall go on until its full development. In these last years, resisting academic vogues and the ideological terror imposed by neoliberal single-mindedness has not been an easy job, but I see with satisfaction the interest that Chinese authorities have been showing in the results of this intellectual attitude of resistance and theoretical openness.

## The Asian Crisis and Chinese Expansion

The crisis that in 1997 hit Korea and the weakened economies of Thailand (the first to acknowledge the crisis), Indonesia and the other Asian 'tigers', had serious structural reasons. The accusation that these countries' banks had less than rigorous lending policies, very much in vogue in that moment, was absolutely irrelevant. Borrowing had been easy since the 1980s in a region plagued by excess liquidity. And this did not cause any financial sector crisis during the so-called 'Asian miracle'. The crisis occurred when these countries' economic expansion was refrained because of a retraction of its main market, the United States, and when their Chinese competitors swallowed a great part of this market.

The Asian crisis started to dissipate when Japan's internal demand increased again, with a readjustment of the Yen in relation to the American Dollar. By doing this, Japan partly substituted for the North American market and had its commercial surpluses diminished by the correctly increased value of the Yen. On the other hand, China saw itself in a moment of increased internal consumption, thus reinforcing the intra-regional economy. South East Asia will get even stronger with the unification of the two Koreas and the approximation with Asian Russia, where one may witness a significant industrialisation process linked to the Korean capital, especially in Siberia.

This regional integration was less than excellent news for the United States, whose intention to attract Japanese capital in order to revert its deficit commerce with

South East Asia is increasingly limited. In the middle term, these countries will maintain high economic growth rates and present more and more commercial competitiveness (as they may unrestrictedly adopt higher and higher technologies and at the same time have at their disposal abundant, cheap and above all, highly qualified labour). They will also present a certain abundance of capital with high rates of internal savings and a rather controlled employment of these savings towards production and not speculation.

There is enormous pressure from the International Monetary Fund and the United States for the Asian financial market to overcome its 'backwardness'. By backwardness, read low rates of volatility, of creation of financial derivatives and of mechanisms of speculation. But the IMF and the North Americans should be very careful when stimulating financial speculation in the region. With Hong Kong in the hands of China and Singapore increasingly concerned about controlling its enormous liquidity surpluses, this could backfire: a speculative Asian financial capital could put the United States and Europe in an extremely difficult situation in terms of the international correlation of forces.

And, in the context of a more monetarily and financially competitive Asia, if the international opening of commercial and financial markets goes on, the New York, London, Frankfurt, Geneva and Zurich markets will be increasingly impotent before Hong Kong, Tokyo, Shanghai, Singapore and the new potential Asian financial markets, located not just in the more vulnerable so-called 'Asian cats', but also in India, Russia and in the oil-producing Arab world. These are zones which are going through important economic growth (even Russia has been recovering for almost a decade), with economic growth rates more than twice as high as the North American and European ones, with growing commercial excess supplies and important liquidity, expressed, among other ways, as enormous international reserves, economies without inflationary pressures because of their high levels of savings, without the need to resort to high interest rates.

It was very difficult to predict, during the Asian crisis, all the tendencies and results of a new wave of global economic growth from the beginning of the 1990s until the 2000 crisis and in the strong recovery period of 2003 to 2007. The Asian crisis was not an obstacle for Asia itself. On the contrary, the Asian region as whole placed itself in the avant-garde of economic growth in that period. It was partly a matter of a readjustment between the financial capital and the productive capital and between the many centres of accumulation in the global economic system. It led to a greater integration of the South East Asian region around Japan and China and to an expansion of financial and monetary relations between this region and the global economy.

One of the most positive resources which the Western market might count on to contain the Asian ascension could be the elevation of the world's civilisatory standards. That is, to make Asia project itself towards more advanced labour relations by reducing daily work hours and adopting Western high remuneration standards. Even if this situation could partly weaken Asian competitiveness, it will be difficult to implement such a programme without a great progress of the more advanced and democratic ideological and political forces.

To pressure Asia to raise its salaries, improve its respect for social rights and union liberties would be a path that Clinton called social clauses, receiving strong support from a renewed union movement in the United States. But he intended to combine the demands of this clause with political and economical international pressures which would threaten to bring the world back to regional wars, as happened subsequently in Iraq, with the resurfacing of a false and expensive leadership of the United States as the guardian of the world. It was the Bush administration that ended up attempting to follow this path, without pressuring for social development. Facts show that the US does not have either the power or reputation to impose itself as a unilateral hegemonic power. It is a role it cannot play any longer.

Undoubtedly, there is a sector of the international capital which champions this path of great scale social reform, announcing a virtuous and progressive period which perhaps will begin during the new Democrat government of Barack Obama.

But confronting the advance of new technological paradigms which threaten to annihilate whole sectors of the economy, most capitalists—above all, those who lean on technologies which are being substituted—oppose this path and call for opposite policies. They seek to make labour even more precarious, to lower the social costs of the labour force and to adjust salaries according to the free play of the market. These forces reached their peak during the Reagan and Thatcher hegemony. After that, they retreated with the victories of Clinton in the United States and the Labour Party in the United Kingdom. The victory of social democracy in Germany could have defeated one of the last garrisons of these capitalists, because of the high level of social policies in this country. But the Social-Democrats divided, and one of its leftist factions ended up uniting with the Socialist Democratic Party with an electoral success which was surprising for those who do not understand the radical defeat of the neoliberal period and the failure of right-wing proposals in the current scenario.

In this context, an analysis worthy of this historical moment shall need to reflect upon great macro-historical processes. Everything that is small, sectarian and reactionary will disintegrate under the fire of the new colossal dimensions of the global economy.

## **The Beijing Consensus**

Many meetings have been held lately in China and Western nations about the Beijing Consensus. This designation came from a newspaper article by former New York Times columnist Joshua Longo, which was subsequently turned into a very interesting publication by the European Center for Chinese Research, created by Tony Blair. This topic occupies a central position in the contemporary debate about China. It is a definition of the end of the Washington Consensus, which Joseph Stiglitz forecasted so well. According to him and many other authors, the post-Washington Consensus shall be a Beijing Consensus.

This is evident when one considers the success of the Chinese experience, which perplexes most economists. This perplexity results from the dominant economic

current of thought under neo-liberalism. According to this current of thought, it is impossible to maintain a sustainable growth rate for a long period of time without producing inflationary pressure—something that would lead to the failure of Chinese policy.

China, however, has been growing at more than 9 per cent per year for more than 20 years. And, instead of producing inflationary pressure, it drastically lowered the price of industrial goods and many services. And despite having pressured the price of commodities, this phenomenon could not produce a global inflationary pressure because demand for these commodities was also raised. On the contrary, since the 1990s the world is experiencing a strong deflation.

The explanation for this phenomenon comes from the technological foundation of the new economic boom which started in 1994, clearly a new phase of a long wave like one of those found by Russian economist Kondratiev in his 1920's research projects. As I have been saying since 1969, the world had just entered in 1967–1973 a new recessive phase, the end of which was predicted for 1994–2001. According to my world economy studies, there was a lag between the beginning of recovery in the central world economic system countries (1994) and the periphery ones (2001).

This new growth wave is based upon the great technological innovations which began in the lowest phase of the depressive period (the 1980s, with the inauguration of massive robotisation of industrial production, beginning with Japan) and peaked when the capitalist profit rates recovered, as happened in the United States from 1994 onwards. This new wave of investments began to pull the world economy towards accelerated economic growth, interrupted only in 2000 to 2002, partly because of internal cyclic factors and partly because of the disastrous monetary policy of the Federal Reserve Board, which drastically increased the interest rates in 2000, from 3.5 per cent to 6.5 per cent, producing a dangerous recession which could only be surmounted by a drastic lowering of the interest rate to 1 per cent in 2001.

In this period, the American economy was already under the 'conservative', or rather, adventurous, dominion of George W. Bush, who raised the exchange and fiscal deficits to fantastic levels and produced a high rate of growth concentrated especially in military expenditure. The Chinese economy, which had been growing in this context of expansion of North American demand, made a new leap, converting itself into an impressive demand driver, especially within the Asian market, which had already gone through a revolution in the beginning of the 1990s with the increased valuation of the Yen. As we saw, this valuation turned Japan into the largest alternative market to the decrease in American demand, because of the devaluation of the Dollar in 1990. However, during the Asian crisis of 1997, the non-devaluation of the Chinese Yuan, while all other Asian currencies dramatically devalued, gave rise to this virtuous situation in which China kept expanding its sales and its excess supply to the United States while widening its internal market, becoming a great importer nation.

These circumstances made China the most important economy of the expansive wave which began in 1994. The reasons for this are many, and at this moment there is a desperate search for explanations for the Chinese phenomenon. But one thing is clear today: the Chinese success and that of the South East Asian countries which



dramatically recovered from the 1997 crisis is deeply linked to the fact that they did not participate in the economic spheres of the Washington Consensus, which led Latin America and Africa to the long term recession until 2002.

In China and in all these countries which presented a virtuoso performance, as we previously saw, we find strong State intervention to promote economic growth, an industrial policy declaredly favorable to technological innovation, as well a powerful educational and human resources policy. The foundations of these policies are, by the way, the post-World War II agrarian reforms, the fall of Japanese imperialism, the 'threat' of communist victory and the opening of the North American market to neutralise this 'danger'.

The Chinese success places its economy and its society on a new level. Because of its dimension and its demographic and historical importance, China is not a small 'threat' within the global economy. Is its economic experience a new model? Perhaps one of the characteristics of the new Washington Consensus is exactly the opposite: the definite end of the idea of development models.

Each country has its own institutional, cultural and socio-economic specificities from which it should move to propose its development. But there is no doubt that greater social equality, greater democracy and greater use of the State as a unifier of growth policies and human resources development can be defined as the foundations of this new consensus. A macro-economy of growth with low interest rates, a relatively devalued currency to profit from the expansion of the new world market, strengthening of regional integrations, public policies which are austere in its administrative but generous in its social expenditures and in their affirmation as independent powers, must serve as a reference for this new consensus. A micro and macro political economy based on an institutional and social view of the economy shall be another key element in this consensus.

China has been moving towards an offensive, and it must also consider the superiority of socialist solutions as one of the bases of its success. There are new debates in the horizon of humanity which shall perhaps offer us important alternatives to the global tragedy with which militaristic and fundamentalist unilateralism threaten us.

## Note

1. Regional trade agreement among Argentina, Brazil, Paraguay and Uruguay.

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