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***REGULATING THE GLOBAL POLITICO-ECONOMIC ORDER:
THE FUNCTIONING OF THE DEVELOPMENT ASSISTANCE PROVISION REGIME¹***

A Thesis Presented for
the Master of Arts
Degree
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¹ Disclaimer: The similarities between Benjamin Cohen's (1982) terminology, "development assistance regime," and my own turn of phrase, "development assistance provision regime," are merely coincidental. (Wood, 1986: 107) I developed my own phraseology independently of any specific knowledge of his and, therefore, have no reason to believe that his is comparable to mine in substance.

ABSTRACT

This thesis is about the provisioning of development assistance, as a major component of foreign aid. Conventional approaches to the subject have tended to focus on the determinate interactions of discrete agents as the principle units of analysis. This necessarily obscures the functional role development assistance fulfills in relation to the global politico-economic order, however.

This study, by contrast, properly situates individual programs of development assistance as belonging to a much larger historical pattern, or system of coordinated politico-economic behavior. The objective, therefore, is to apprehend the systematic and functional interrelations existing *(i)* among the various agents engaged in the transfer of assistance, on the one hand, and *(ii)* between these institutions and organizations as an aggregate and the global order itself, on the other. ‘Regime analysis’ is utilized as the preferred method of analysis.

The basis of the argument is that the regime for the provision of development assistance functions as a regulative-control mechanism, ancillary to the prevailing economic arrangements and relations within the global political economy. Altogether, I argue that regime apparatuses have been configured so as to *(i)* forestall cataclysmic instabilities in the global politico-economic order, and *(ii)* to induce compliance among developing nations to the order’s organizing principles and-or logic. This is revealed in phases in the liberalization and-or illiberalization of access to external financing over different global-historical epochs and during periods and in contexts of either instability or stability.

I find that during periods and in contexts of instability, development assistance has been initiated or expanded in geo-strategic ways so as to regenerate markets and, thereby, obviate, or thwart the anticipated metastasization of adversarial politico-economic organizational frameworks. During periods and in contexts of relative stability, conversely, I find that the provision of development assistance becomes contracted, or made less expansive, as well as increasingly driven by conditionalities. Consequently, the functioning of the regime structurally conditions the developmental orientations and prospects of peripheral nations and regions and, thereby, also contributes to the overall evolution of the global politico-economic order.

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
AfDB	African Development Bank
DAC	Development Assistance Committee
ECA	Economic Cooperation Administration
EEC	European Economic Community
ERP	European Recovery Program
Exim	Export-Import Bank of the United States
FDI	Foreign Direct Investment
IDA	International Development Association
IDB	Inter-American Development Bank
IMF	International Monetary Fund
LDCs	Least Developed Countries
MDBs	Multilateral Development Banks
MSA	Mutual Security Agency
NICs	Newly Industrializing Countries
NIEO	The New International Economic Order
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OEEC	Organization for European Economic Cooperation
SAL	Structural Adjustment Loan
SUNFED	Special United Nations Fund for Economic Development
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
USAID	United States Agency for International Development

CHAPTER I:
A THEORETICAL FOUNDATION

INTRODUCTION:

The intent of this chapter is to lay a theoretical foundation for the analysis of development assistance provision as a pervasive feature of the global politico-economic order, or system. I will argue that the provision of development assistance constitutes a regime, which has been strategically and systematically employed as a regulative-control mechanism. It contributes, in other words, to the construction and maintenance of the global order itself, as well as to the structural conditioning of the developmental orientations and prospects of both nations and regions. And while all economies and polities have been subjected to its influence, I will focus primarily on how it has impacted the periphery. My supreme concern, however, will be for the nature and origins of development as it has been promoted, as opposed to other epiphenomenal factors.

In the first part of this chapter, I examine the various conceptual paradigms for apprehending power and control as presented by Lukes (2005). The second part is dedicated to theoretical elaborations and concretizations. Initially, opposing methodological approaches are examined. ‘Regime analysis’ is then put forward as the preferred mode of analysis for development assistance. The ideas contained within O’Connor’s (1973) and Piven and Cloward’s (1993) works are subsequently given consideration. Their insights are instrumental to the investigation at hand. In the last part of this chapter, I set forth my own premises for the hypothesized structure and systematic functioning of the development assistance provision regime. These premises are based upon the overarching contention that *the regime functions as a regulative mechanism for the global politico-economic order, or system.*

PART I: LUKES’S ‘RADICAL’ RE-CONCEPTUALIZATION OF POWER:

Steven Lukes (2005), in *Power: A Radical View*, sought to elucidate the conceptual evolution of the notion of ‘power’ as well as set forth his own paradigm for grasping its nature and functioning. The publications of, and subsequent debate over *The Power Elite* (Mills, 1956) and the *Community Power Structure: A Study of Decision Makers* (Hunter, 1953) led to the eventual emergence of three distinctive conceptual approaches for apprehending power and its application.

There are five fundamental concerns, for Lukes, in identifying these various conceptualizations: i.e., their (i) degree of reliance on ‘behaviorism’ and (ii) ‘decision making;’ and, consequently, how broadly (iii) relevant ‘issues,’ (iv) ‘conflicts’ over policy prescriptions and (v) ‘interests’ are conceived. (Lukes, 2005: 29) The relative adherence to each of these concerns by any given paradigm has necessary implications for determining the locus and application of power.

1: POWER AS A ‘ONE-DIMENSIONAL’ CONCEPTION:

The ‘power,’ or ‘ruling elite’ model advanced by both Mills and Hunter precipitated critical responses of both a conceptual and methodological nature. (Lukes, 2005: 4-5) In *Who Governs?*, Dahl advanced a methodological critique, insisting that, “[t]he hypothesis of the existence of a ruling elite can be strictly tested only if:” (i) there exists a “well-defined group,” (ii) with identifiably contested policy “preferences,” which (iii) “regularly prevail.” (Lukes, 2005: 4)

Methodologically, then, Dahl envisioned an essentially “behaviorist”-oriented study of power. He emphasized “concrete, observable *behavior*” and the “decision-making” process itself. (Lukes, 2005: 5 & 17) “Conflict,” defined as “involv[ing] actual disagreement in preferences among two or more groups,” is viewed to be “crucial in providing an experimental test of power attributions.” (Lukes, 2005: 18 & 19) These ‘preferences’ are thought to be “consciously made” and “exhibited in actions.” (Lukes, 2005: 19) Conceptually, this led to a “pluralist” orientation. That is, “since different actors and different interest groups prevail in different issue areas, there is no overall ‘ruling elite’ and power is distributed pluralistically.” (Lukes, 2005: 5)

Lukes concludes that, this “view of power involves a focus on *behavior* in the making of *decisions* on *issues* over which there is an observable *conflict* of (subjective) *interests*, seen as express policy preferences, revealed by political participation.” (Lukes, 2005: 19) More concretely, he writes that:

Power was here conceived of as intentional and active: indeed, it was ‘measured’ by studying its exercise – by ascertaining the frequency of who wins and who loses in respect of such issues, that is, who prevails in decision-making situations. Those situations are situations of conflict between interests, where interests are conceived as overt preferences, revealed in the political arena by political actors taking policy stands or by lobbying groups, and the exercise of power consists in overcoming opposition, that is, defeating contrary preferences. (Lukes, 2005: 5)

There are a number of implications and limitations, which arise from this perspective. In the first place, the conception of power is subordinated to the concern for its empirical identification. The “exercise of power,” as opposed to its latent “possession” or “potential,” was of foremost importance. (Lukes, 2005: 16-17) The implication is that the authors’ method of observation² illuminates only a narrow realm of power relations as well as “reproduc[es] the bias of the system” under investigation. (Lukes, 2005: 38-39)

Thus, whereas Dahl (et al.) produces evidence attesting to the “penetrability and heterogeneity” (or plurality) of a given social system, their critics are inclined to point out that “failed attempts” at “penetration” as well as the potential “bias” of the “system” toward certain forms of interest articulation are altogether neglected. (Lukes, 2005: 39) Such “diversity and openness,” Lukes contends, “may be highly misleading if power is being exercised within the system to limit decision-making to acceptable issues”: (Lukes, 2005: 39)

Individuals and elites may act separately in making acceptable decisions, but they may act in concert – or even fail to act at all – in such a way as to keep unacceptable issues out of politics, thereby preventing the system from becoming anymore diverse than it is. (Lukes, 2005: 39)

Moreover, a ‘one-dimensional view of power’ is expressly “opposed to any suggestion that interests might be unarticulated or unobservable, and above all, to the idea that people might actually be mistaken about, or unaware of, their own interests.” (Lukes, 2005: 19)

2: POWER AS A ‘TWO-DIMENSIONAL’ CONCEPTION:

Critiques such as Dahl’s gave way to counter-critiques. Bachrach and Baratz (1970) viewed one-dimensional conceptions of power as necessarily “restrictive.” (Lukes, 2005: 20) They contended, alternatively, that, “power ... has two faces.” (Lukes, 2005: 20) The first is a reflection of the ‘one-dimensional’ paradigm. (Lukes, 2005: 20) Power, however, they maintained, “[has] a ‘second face’ unperceived by the pluralists and undetectable by their methods of inquiry”: (Lukes, 2005: 6)

Power was not solely reflected in concrete decisions; the researcher must also consider the chance that some person or association could limit decision-making

² i.e., the examination of the “decision-making” process itself.

to relatively non-controversial matters, by influencing community values and political procedures and rituals ... (Lukes, 2005: 6)

In support of this contention, Bachrach and Baratz invoke Schattschneider's (1960) notion of the "mobilization of bias." (Lukes, 2005: 20) They depict the concept as:

a set of predominant values, beliefs, rituals, and institutional procedures ('rules of the game') that operate systematically and consistently to the benefit of certain persons and groups at the expense of others. Those who benefit are placed in a preferred position to defend and promote their vested interests. More often than not, the 'status quo defenders' are a minority or elite group within the population in question ... (Lukes, 2005: 21)

The result is a more comprehensive conception of power: "to the extent that a person or group – consciously or unconsciously – creates or reinforces barriers to the public airing of policy conflicts, that person or group has power ..." (Lukes, 2005: 6 & 20)

This view of power is to some degree, "anti-behavioral." (Lukes, 2005: 22) In effect, the conceptual emphasis is shifted away from concrete, observable phenomena occurring within the political-public sphere to less apparent phenomena, such as the active construction of the sphere itself. Stated differently, the proponents of the 'two-dimensional' perspective "...claim that [the 'one-dimensional' view of power] ... takes 'no account of the fact that power may be, and often is, exercised by confining the scope of decision-making to relatively 'safe' issues.'" (Lukes, 2005: 22)

The 'two-dimensional' conception of power, then, "involves [an examination of] both *decision-making* and *nondecision-making*;" where the former represents "a choice among alternative modes of action," and the latter, "a decision that results in suppression or thwarting of a latent or manifest challenge to the values or interests of the decision-maker." (Lukes, 2005: 22) Hence, "nondecision-making is 'a means by which demands for change in the existing allocation of benefits and privileges in the community can be suffocated before they are even voiced; or kept covert; or killed before they gain access to the relevant decision-making arena; or, failing all these things, maimed or destroyed in the decision-implementing stage of the policy process.'" (Lukes, 2005: 22-23)

The essential thrust of this perspective is to “[redefine] the boundaries of what is to count as a political issue.” (Lukes, 2005: 23) That is, its proponents seek “to identify *potential issues* which nondecision-making prevents from being actual.” (Lukes, 2005: 23) Relevant ‘issues,’ in turn, may be defined as “[those that involve] a genuine challenge to the resources of power or authority of those who currently dominate the process by which policy outputs in the system are determined’ ...” (Lukes, 2005: 23)

The substance of Bachrach and Baratz’s thesis, however, would never be given full form for fear it would not endure when “subjected” to an empiricist “counter-attack.” (Lukes, 2005: 7 & 15) The authors, in other words, “retreated somewhat, stating that there must always be observable conflict if their second face of power is to be revealed.” (Lukes, 2005: 7) Hence, the absence of conflict is, at once, the absence of evidence for the identification of ‘nondecision-making’ itself.

The notion of conflict coincides as well with that of ‘*interests*.’ Interests are supposed to be subjectively, as opposed to objectively determined. That is, while they may be either overt or covert,³ interests are nonetheless viewed to be “consciously articulated and observable.” (Lukes, 2005: 24) Nevertheless, as Lukes points out, this constitutes a “wider concept of ‘interests’ than” previously articulated:

Whereas [their counterparts consider] as interests the policy preferences exhibited by the behavior of all citizens who are assumed to be within the political system, Bachrach and Baratz also consider the preferences exhibited by the behavior of those who are partly or wholly excluded from the political system, in the form of overt or covert grievances. (Lukes, 2005: 24)

3: POWER AS A THREE-DIMENSIONAL, OR *RADICAL* CONCEPTION:

The basic inspiration behind Lukes’s “three-dimensional view” of power is put forth in the consideration of a question: “why should one exclude the possibility that power may be at work in such a way as to secure consent and thus prevent conflict from arising?” (Lukes, 2005: 7 & 25) The ideas of both Schattschneider and Gramsci are instrumental to the answering of this question.

³ Defined as either “hav[ing] already been expressed and hav[ing] generated an issue within the political system,” or alternatively, as remaining “*outside* the system,” respectively. (Lukes, 2005: 24)

The significance of Schattschneider's 'mobilization of bias' thesis rests on the idea that the "bias" of a particular social "system," or order may result in the "[suppression of] latent conflicts." (Lukes, 2005: 7) He is quoted by Lukes, for instance, as having written that:

All forms of political organization have a bias in favor of the exploitation of some kinds of conflict and the suppression of others because organization is the mobilization of bias. Some issues are organized into politics while others are organized out. (Lukes, 2005: 6-7)

The concern for Gramsci's notion of 'hegemony,' stems primarily from his interest in "how...consent to capitalist exploitation [is] secured under contemporary conditions." (Lukes, 2005: 7) Hegemony, as depicted by Fontana (1993), is "intellectual and moral leadership" via processes of "consent and persuasion." (Fontana, 1993: 140) It is through the construction of a "particular structure of knowledge" and "system of values," in other words, that hegemony emerges. (Fontana, 1993: 140) Thus, hegemony refers to the condition where a "social group or class" is "capable" of imposing a specified "system" of "knowledge and value[s],"⁴ peculiar to its own interest, upon the structure of society. (Fontana, 1993: 140)

Intellectuals, as the "organizers and educators of society," are viewed as critical to this process. (Fontana, 1993: 140) They, in effect, serve as "intermediaries" who "resolve the contradiction" between the opposing "cultures" of the elite and subordinate classes; thus insuring the "stability" and efficient "functioning" of social structures. (Fontana, 1993: 140) "In other words," writes Fontana:

... the function of intellectuals is not only to create a particular way of life and a particular conception of the world, but also to translate the interests and values of a specific social group into general, "common" values and interests.

Hegemony is thus conceived as the vehicle whereby the dominant social groups establish a system of 'permanent consent' that legitimates a prevailing social order by encompassing a complex network of mutually reinforcing and interwoven ideas affirmed and articulated by intellectuals. (Fontana, 1993: 140-141)

In a "sociopolitical order," an "equilibrium" must be struck between differing means of "supremacy" – i.e., that of "force" and "consent." (Fontana, 1993: 141) This coordination of methods within the "order" is viewed as essential: the "Gramscian state cannot rest on pure force;

⁴ Or "cultural and ideological belief systems."

violence and coercion must always be mediated by the legitimating moments of consent and persuasion.” (Fontana, 1993: 144)

Lukes, for his part, delineates two interpretations of Gramscian hegemony; one “‘cultural,’” the other “‘non-cultural.’” The former, ‘cultural’ interpretation views “‘ideology’” as the means by which “‘class rule [is] secured [through] consent.’” (Lukes, 2005: 7) It is, in other words, the “‘monopolization’” of the “‘ideological apparatuses’” which enables the production of compliance. (Lukes, 2005: 7) “Psychologically,” it refers to some degree of “‘acceptance ... of the socio-political order or of certain vital aspects of that order.’” (Lukes, 2005: 8)

The latter, “non-cultural interpretation,” submits Lukes, “has a material basis and consists in the co-ordination of the real, or material, interests of dominant and subordinate groups.” (Lukes, 2005: 8) While the consciousnesses of a minority of the population may be deceived, “‘delusions cannot be perpetuated on a mass scale.’” (Lukes, 2005: 8) Control mechanisms, whose principal source of power lay in the command over material resources, must be employed:

So the ‘consent’ of wage-earners to the capitalist organization of society consists in a continuing, constantly renewed class compromise where ‘neither the aggregate of interests of individual [capitalists] nor the interests of organized wage-earners can be violated beyond specific limits’. (Lukes, 2005: 8)

Lukes, then, is concerned primarily with the means by which elites, possessing antithetical interests, “secure the compliance of those they dominate.” (Lukes, 2005: 12) It is, quite naturally, a concern for “power as domination.” (Lukes, 2005: 12) Lukes argues that an “adequate” view of power must “account” for modes that render “subordinates” “unaware of their true interests” and of the fact that their interests are being violated. (Lukes, 2005: 11) It must, in other words, examine acquiescence; or the condition where the powerless “accept their role in the existing order of things,” because their “perceptions, cognitions and preferences” have been conditioned to believe in its legitimacy. (Lukes, 2005: 11) Intriguingly, Lukes points to the “extraordinary diffusion across the globe of neo-liberal ideas and assumptions” as an instance where an “appropriate” paradigm for analyzing power relations would seem necessary. (Lukes, 2005: 11)

Though “represent[ing] a major advance,” the ‘two-dimensional view of power’ is, nonetheless, in Lukes’s assessment, insufficient in that it is yet overly reliant on behavioral criteria.⁵ (Lukes, 2005: 25) First, this orientation necessarily constricts the scope of analysis for the decision-making process. Reducing so-called exclusionary ‘nondecisions’ to what are in effect viewed themselves to be decisions, represents an obliteration of the very notion of ‘system-bias’:

Decisions are choices consciously and intentionally made by individuals between alternatives, whereas the bias of the system can be mobilized, recreated and reinforced in ways that are neither consciously chosen nor the intended result of particular individuals’ choices. (Lukes, 2005: 25)

Such an orientation is, according to Lukes, tantamount to “adopting too methodologically individualist a view of power”:

... the bias of the system is not sustained simply by a series of individually chosen acts, but also, most importantly, by the socially structured and culturally patterned behavior of groups, and practices of institutions, which may indeed be manifested by individuals’ inaction. (Lukes, 2005: 26)

Secondly, a reliance on behaviorism leads to the “association of power with [an] actual, observable conflict” of “subjective interests.” (Lukes, 2005: 25-26) Yet, this view would be inconsistent with such typologies of power as “manipulation and authority.” (Lukes, 2005: 27) Moreover, structurally ordered processes of indoctrination⁶ would be altogether neglected. It is the employment of power toward the “prevention” of the emergence of “conflict,” then, which is of most concern for Lukes and his ‘three-dimensional’ conception of power:

To put the matter sharply, A may exercise power over B by getting him to do what he does not want to do, but he also exercises power over him by influencing, shaping or determining his very wants. Indeed, is it not the supreme exercise of power to get another or others to have the desires you want them to have – that is, to secure their compliance by controlling their thoughts and desires? (Lukes, 2005: 27)

Thirdly, the ‘two-dimensional’ approach perceives only a narrow realm of what might count as relevant ‘issues.’ That is, it maintains that “instance[s] of nondecision-making power only exist

⁵ i.e., the examination of “overt, ‘actual behavior,’” or of “‘concrete decisions’” which manifest themselves “in situations of conflict.” (Lukes, 2005: 25)

⁶ Such as the “control of information” as well as various forms of “socialization.” (Lukes, 2005: 27)

where there are grievances which are denied entry into the political process...” (Lukes, 2005: 28) Stated differently, its proponents, whether by force of logic or convention, would view the absence of consciously articulated “grievances” as confirmation of unassailed interests. (Lukes, 2005: 28) Such thinking precludes the consideration of conditions where consciousness might have been “falsely” constructed or “manipulated” and, hence, groups or classes “accept their role in the existing order of things.” (Lukes, 2005: 28)

Lukes’s ‘three-dimensional view of power,’ then, may be defined as the condition where “*A* exercises power over *B* when *A* affects *B* in a manner contrary to *B*’s interests.” (Lukes, 2005: 30 & 37) The notion and subsequent identification of *interests* is of foremost concern. The emphasis is shifted toward analyses where *interests* are objectively discerned. This is because the ‘three-dimensional’ view of power, as opposed to its ‘non-radical’ counterparts, perceives *interests* themselves as having been socially constructed, or conditioned. (Lukes, 2005: 37-38) It is thus the identification of a latent, yet objectively identified conflict of *interests*⁷ and associated counterfactual⁸ that allows for, in the words of Lukes, the “explanation of how political systems prevent demands from becoming political issues or even from being made.” (Lukes, 2005: 28 & 40)

Though “difficulties” abound,⁹ Lukes is insistent that “empirical support” can in fact be “adduced.” (Lukes, 2005: 48-49 & 52) With respect to identifying a counterfactual event, Lukes suggests that two methods of observation may be employed; both emphasizing “[reactions] to opportunities – or...perceived opportunities – when these occur, to escape from subordinate positions in hierarchical systems.” (Lukes, 2005: 50) First, times of disorder may prove “highly instructive,” if for no other reason than the supposed ‘absence’ or ‘diminishment’ of the “apparatus of power” and hence its “subordination” function also. (Lukes, 2005: 50) Furthermore, Lukes insists that “evidence” may well be available in periods of ‘normalcy,’ or when ‘power apparatuses’ are sufficiently functioning. (Lukes, 2005: 50)

⁷ i.e., a “contradiction between the interests of those exercising power and the *real interests* of those they exclude.” (Lukes, 2005: 28 & 40)

⁸ i.e., “asserting that if *A* had not acted (or failed to act) in a certain way...then *B* would have thought and acted differently from the way he does actually think and act.” (Lukes, 2005: 44)

⁹ In both (1) “justifying the relevant counterfactual” and (2) “identifying the mechanism or process of an alleged exercise of power.” (Lukes, 2005: 48-49 & 52)

To conclude, a three-dimensional view of power implies that an exercise of power may be characterized by ‘inaction’ and ‘unconsciously’ pursued. (Lukes, 2005: 52 & 54) In either case, however, the significance of “locating power” is to establish a “relation between power and responsibility.” (Lukes, 2005: 57-58) That is, it is possible to associate those in positions of influence, who might have responded “differently,” with the “consequences held to follow from” either some specified “action, or inaction.” (Lukes, 2005: 57-58) The degree of responsibility, in turn, is proportional to the actor’s ability to have “ascertained” or foreseen the probable emergence and nature of these specified “consequences.” (Lukes, 2005: 53-54)

The impact of Lukes’s three-dimensional analysis of power will not be immediately and readily apparent in what follows. Hence, it might here be beneficial to highlight some of the points where his thinking and my own either converge, or diverge from one another. On balance, I subscribe to his anti-behaviorist approach. Specifically, the notions of the ‘mobilization of bias’ and ‘hegemony’ will be instrumental.

However, I view the social order itself to be somewhat more determinative than does Lukes. In other words, both agents who possess power and those who are powerless, with respect to one another, are subject to the influence of the global order. All actors operate within a politico-economic system, which structurally conditions the necessary and legitimate behaviors of its constituent elements.

In principle, though less consistently,¹⁰ core nation states have been subjected to the same forces as those occupying other positions in the global political economy. The genuine powerbrokers of the modern epoch have been the firms and enterprises of the transnational sector. But their self-determinism has, to some degree, also been constrained by the global order. Heightened competition has propelled them toward evermore expansive and intensive phases of exploitation – i.e., as related to cycles of production and extraction. The supposed legitimacy of the global order has been the product of the functioning of regulative, institutional regimes, whose orientations are themselves derived from the nexus of material interests embedded within the global order.

Nevertheless, I do not view the global order itself as existing independently of historical and material circumstances. It has, in fact, arisen out of them. Agents in structural positions of

¹⁰ i.e., due to their historical lack of vulnerability.

influence, then, may exercise some degree of power. The scope of an agent's influence is nonetheless circumscribed by the extent to which its interests coincide with what are perceived to be legitimate modes of operation within the structure of the system.

My implicit focus, therefore, is on the structural components of the global political economy itself, and how they have coalesced at various junctures in history to produce regulatory regimes and differing modalities of development. This sort of emphasis has much in common with the delineations of Wood (1986), McMichael (2000), and Robinson (2003). For this reason, they will be featured quite prominently in the forthcoming chapters.

These abstractions, I believe, adhere closely to the notion of the 'mobilization of bias.' Moreover, they do not violate Lukes's pronouncement that agents whom occupy structural positions of influence should be held responsible for their use of power and the consequences that are held to follow from its exercise.

PART II: THEORETICAL ELABORATIONS & CONCRETIZATIONS:

It is significant to note, at the outset, that there exists a confounding disconnect between the observed practice of development assistance provision and any sufficient apprehension of its systematic functioning within the realm of social scientific theory. Indeed, we have been incapable as yet of deriving a comprehensive model for perceiving development assistance as it operates in actuality. Such a lack of insight is necessarily disruptive.

Palmer, Wohlander, and Morgan (2002) concede as much in stating, for instance, that the "lack of a general theoretical framework" has beset previous efforts at discerning any coherent pattern of assistance lending. (Palmer, Wohlander, & Morgan, 2002: 8) The recognition of such an impediment is not altogether unprecedented, however. As early as 1963, Morgenthau had arrived at the same conclusion: "Of the seeming and real innovations which the modern age has introduced into the practice of foreign policy, none has proved more baffling to both understanding and action than foreign aid. Nothing even approaching a coherent philosophy of foreign aid has been developed." (Palmer, Wohlander, & Morgan, 2002: 5) To be sure, nevertheless, social scientists are in a more favorable position presently to formulate such a framework.

Lay publications¹¹ often treat development assistance as though it were the outcome of the benevolent motivations or inclinations of state actors. The results of such representations are twofold. They effectively belie or distort the true nature of the interplay among, on the one hand, (i) the various political economies and institutional agents which comprise the world system, and between, on the other, (ii) these constituent elements and the global politico-economic order itself. In short, public opinion is deluded. Within academic publications, alternatively, the problematic is a matter of methodological emphasis or focus, which gives rise to comparable obfuscations in the realm of theory. Here, distortions are more likely to be introduced, or canonized into the ethos of the global-institutional superstructure.

Palmer, Wohlander, and Morgan (2002) have, for instance, suggested that the relevant literature has been bifurcated between those which (i) “[examine] the effects of foreign aid on the behavior of recipient states,”¹² and those that (ii) investigate the “importance of donor interests in the allocation of foreign aid.”¹³ (Palmer, Wohlander, & Morgan, 2002: 7-8) Hence, for those in the latter instance of academia, the prevailing trend has been to focus analyses on inelaborate cause-and-effect interactions between discrete agents.¹⁴ Neither in the former, nor in the latter category has development assistance been framed in such a manner as to apprehend the systematic function it renders to the global politico-economic order. Some fundamental methodological concerns that lay a foundation for the remainder of this thesis must here, then, be taken up as a point of departure.

ORTHODOX – OR *ATOMISTIC-CENTRIC* – MODES OF ANALYSIS:

Orthodox, or *atomistic-centric*¹⁵ modes of inquiry privilege states and institutions (i.e., discrete agents) and their corresponding, determinate interactions as the principal units of analysis. Consequently, they are inclined to emphasize the divergent characteristics that persist between these ostensibly disparate agents and interactions, as opposed to revealing the existence of complementarities. Once more, the implications are twofold. The functional coherence or

¹¹ Particularly those which have their origins in the popular news media.

¹² They cite, for example, as support, the following studies: Wittkopf, 1973; Stein, Ishimatsu & Stoll, 1985; Zahariadis, Travis & Diehl, 1990; Kegley & Hook, 1991; Travis & Zahariadis, 1992; Regan, 1995; Wang, 1999.

¹³ Again, they cite, in support, the following studies: McKinlay & Little, 1977 & 1979; Cingranelli & Pasquarello, 1985; Lebovic, 1988; Conteh-Morgan, 1990; Poe, 1992; Poe & Sirirangsi, 1993; Blanton, 1994; Arase, 1995; Hook, 1995; Poe & Meernik, 1995; Meernik, Krueger & Poe, 1998; Schraeder, Hook & Taylor, 1998.

¹⁴ Whether represented by states or institutions.

¹⁵ A juxtapositional term I have devised and which is more descriptive than other alternatives. Compare to the notion of *system-centric* modes of analyses (Below).

coordination that exists (*i*) among these agents, on the one hand, and (*ii*) between them as an aggregate and the global order or system, on the other, is obscured.

Concisely then, any delineation of what unifies or integrates the system as a whole and the constituent elements within it is suppressed, or set aside. Instead, the illusion of what is in effect a disintegrated collection of individual relationships, which have little to no correspondence to the whole, is given admission. Such a focus necessarily confounds our understanding of the systematic functioning of development assistance in relation to the global order.

More concretely, most all of the literature on development assistance is either atomized and-or insufficient in terms of conceptual scope. Even when treating the subject critically, researchers fail to recognize that individual programs of development assistance provision belong to a much larger historical pattern, or system of coordinated politico-economic behavior. They fall short, in other words, of either apprehending, and-or culminating in a theoretical realization of the larger organizational framework within which development assistance is situated.

And whereas other studies have addressed development assistance in a systematic and reflective manner, they have nonetheless frequently overlooked fundamental insights. Palmer, Wohlander and Morgan (2002), for example, have similarly advanced a framework for grasping the functional interrelation exhibited between development assistance and the world system. The authors have proffered a “two goods” model, where states “pursue” (*i*) “change, defined as the ability to alter the status quo in desirable ways;” or (*ii*) “maintenance, the ability to prevent changes in favored aspects of the status quo.” (Palmer, Wohlander & Morgan, 2002: 5)

Underlying their argument, are the assumptions that (*i*) “more powerful states are able to pursue greater amounts of change and maintenance than weaker states,” and that (*ii*) “the production of change becomes relatively more efficient as state power increases.” (Palmer, Wohlander & Morgan, 2002: 10-11) More explicitly, they suggest that “development assistance” is predisposed more so toward “change,” or “encouraging recipient states to behave in ways favorable to [donor]” interests – i.e., the “adoption” of particular “political institutions” as well as “economic systems.” (Palmer, Wohlander & Morgan, 2002: 12 & 23)

In effect, these authors are referencing states' capacities to exercise control over the 'status quo.'¹⁶ These 'capacities' would appear to be based on the differential access of some states to either material and-or ideological-institutional¹⁷ resources. This view is interesting in light of Lukes's later pronouncement that there "is, indeed, a single, comprehensive, extremely general or generic concept of power common to all cases ..." (Lukes, 2005: 69) This supposedly unified conception of the 'possession' of power may be expressed as an agent's "[ability] to make or receive any change, or to resist it." (Lukes, 2005: 69) In Lukes's own words: "It identifies a capacity: power is a potentiality, not an actuality – indeed a potentiality that may never be actualized." (Lukes, 2005: 69)

This view, I believe, is insufficient, or even illusory in various ways. First, it privileges the state as the dominant agent in the formation of the would-be status quo. It is therefore neglectful of the ways in which the status quo¹⁸ itself and the manifold structural interests it represents are determinative, or able to exert power/ control. Secondly, such an orientation is implicitly predisposed to viewing interests as being consciously articulated and perceptible, as opposed to latent and thus merely objectively discernable. I furthermore object to the notion that power is in all instances a 'capacity;' for this implies that power/ control resides with the discretion of a reflexively conscious agent that may elect to withhold or refrain from action and that this non-action will somehow, in turn, not result in, or produce some consequence (even if unintended). If, in the final analysis, it can be legitimately argued that the prevailing global politico-economic order exerts power/ control¹⁹ to some degree, then associating power/ control exclusively with its conscious and intentional actuation would be a logical contradiction.²⁰

On balance, what follows is not directly at odds with, or a contravention of Palmer's (et al.) contentions. What is intended, however, is to elucidate the regulative function development assistance performs as a component of the global order. The objective, then, is to advance further the explanatory scope of Palmer's (et al.) rather narrow framework of propositions. In brief, I

¹⁶ Or, what is herein referred to as the ascendant politico-economic 'order.'

¹⁷ i.e., those that lay the intellectual foundation for, facilitate the articulation of, or legitimize the prevailing orientation of the global political economy.

¹⁸ i.e., the internal logic of the global politico-economic order.

¹⁹ As where agents may be viewed as having been inculcated with perceptions of what are held to be legitimate courses/ patterns of behavior.

²⁰ I argue, instead, that power is always being exerted; whether through actions, or inactions; consciously, or unconsciously undertaken; and so forth. Asymmetries between the resource capacity of agents and actors make this condition possible.

argue that there is a better approach to analyzing development assistance and that this method, in turn, profoundly alters how it is conceived of in relation to the global political economy.

HETERODOX – OR *SYSTEM-CENTRIC* – MODES OF ANALYSIS:

A *system-centric* mode of analysis²¹ is disinclined to engage in the same atomization of social structures and processes that is indicative of orthodox approaches. Instead, the analytical focus is shifted toward apprehending the interrelation between the prevailing social order as a whole and its constituent elements. The emphasis, here, is thus fixed upon the functional coherence and coordination that exists (i) among agents that engage in development assistance provision, on the one hand, and (ii) between these institutions as an aggregate and the global order itself, on the other. This approach, therefore, differentiates between various interpenetrating levels of agents:

- (a) An outer ambit of power/ control (i.e., the global politico-economic order, itself).
- (b) Institutional-normative ‘regimes,’ which sustain the global order (i.e., the mechanisms, or vehicles through which the order exerts power/ control).
- (c) The various agents (e.g., states, institutions, organizations, etc.), which comprise any given regime.
- (d) And the various embedded actors, whose material interests influence the orientation of both the order and the regimes within it (e.g., the firms and enterprises of the multinational and-or transnational, monopoly sector – states may also occupy this position in certain instances).

The foremost concern of this thesis is to elucidate the functioning of the *development assistance provision ‘regime’* in relation to the prevailing *global politico-economic order*. That is to suggest, I want to discern the systematic and functional employment of development assistance within the context of the global political economy.

One of the more essential features of this proposed mode of inquiry is thus the appropriation of ‘regime analysis.’²² This perspective permits the examination of whether there exists “a logic of aid provision that binds” together the “activities” of ostensibly disparate “donors.” (Wood, 1986: 7) Regime analysis, in other words, attempts to discern “sets of implicit or explicit principles,

²¹ There appear to be some parallels between my own, *system-centric*, mode of analysis and that of Robinson’s (2003), “macro-historical-structural perspective.” (Robinson, 2003: 2-5)

²² As explicated and utilized by Wood (1986).

norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations." (Wood, 1986: 95-96)

On balance, regime analysis should not be viewed as an oppositional framework to world systems theory. Rather, they are complementary to one another. The world systems perspective, according to Wood (1986), properly situates development assistance as a functional component of the global economic system, "within which national decision making takes place." (Wood, 1986: 5-6) "Aid," in other words, "helps set the parameters of development choices and processes." (Wood, 1986: 6) However, in view of world systems theory's difficulties of "dealing with levels of analysis between the state and the international system as a whole," Wood proposes the use of regime analysis as a means of deconstructing its holism "into analytically more manageable categories of regimes." (Wood, 1986: 6 & 8)

There are, upon Wood's insistence, various advantages to the regime analysis approach. In the first place, it allows us to "disaggregate and dislodge the state as the sole actor in international relations." (Wood, 1986: 6-7) Secondly, we may, by virtue of its abstractive nature, "identify ways in which international relations may be regulated in the absence of an overarching authority." (Wood, 1986: 6-7) Taken jointly, these two features would seem essential to any endeavor at unearthing the 'mobilization of bias'²³ of a given social structure.

A third characteristic of significance is the aversion regime analysis exhibits toward the "mechanistic search for statistical correlations." "To specify an aid regime," writes Wood, "is not to identify a set of independent variables that statistically predict certain outcomes, but is rather to describe a set of 'injunctions' that affect the calculations and decisions of both donors and recipients." (Wood, 1986: 7) Development assistance provision, as a component of the global order, must not be viewed as a disintegrated collection of agents with determinate linkages for which we can construct simple cause-and-effect formulas.

Additionally, Wood contends that this "approach provides a basis for analyzing the changing role of aid." (Wood, 1986: 7) "Viewing the aid regime as a historically evolving set of international principles, norms, rules, and procedures," he writes, "helps us examine changes in the aid regime's structure and impact at different times." (Wood, 1986: 7-8) More significantly, I would

²³ As expressed by Schattschneider.

argue that it enables us to give due consideration to the protean nature of the relationship between the global order and the regime across different historical epochs. In other words, the evolution of the development assistance provision regime should be symptomatic of a larger shift in the global politico-economic context, or power structure. Establishing a pattern of covariation would be revealing in two ways: it would, on the one hand, (i) affirm that the regime is in fact a regulative mechanism under the aegis of the global order and, on the other, (ii) indirectly expose what is quintessential to, and hence immutable about the structure and functioning of the global system, itself.

All of this is to suggest, finally, that regime analysis permits the delineation of a more differentiated and, at once, theoretically comprehensive view of the “relationship” between the complex of agents and actors²⁴ whose influence contribute most significantly to the development process, and the development process²⁵ itself. (Wood, 1986: 7) As Wood suggests, it helps explain how the regime “regulates” differential “access to different types of aid,”²⁶ as well as, illuminates the “intersection of domestic, national, and global forces”: (Wood, 1986: 7)

The structuring of access to different types of aid via regime norms affects the context of development choices ... A regime approach thereby helps identify the mechanisms by which development options are structured within the world system and development choices at the national level are affected. (Wood, 1986: 7)

This latter contention reflects a concern for one of the most fundamental insights of *dependency* and *world systems* schools of thought. It represents, as well, the essential motivation of this thesis: i.e., to explain how the global order conditions or structures²⁷ the developmental orientations and capacities of less-powerful nations and regions.

PROTOTYPICAL SYSTEM-CENTRIC STUDIES:

In view of the foregoing, it should be evident that both Lukes’s ‘radical’ treatment of power (/ control) and Wood’s ‘regime analysis’ perspective have contributed a great deal to the theoretical formulations of this thesis. Their ideas, however, are not unparalleled in their influence.

²⁴ e.g., the various (i) states, institutions, organizations, etc.; and the various (ii) firms and enterprises, respectively, that have, in this instance, some connection to the provision of development assistance.

²⁵ i.e., the conditioning or structuring of development options, opportunities and prospects.

²⁶ “[D]efined,” by Wood, “in terms of source, concessionality, conditionality, and function.”

²⁷ In this thesis, through the functioning of regulative-institutional mechanisms.

O'Connor's (1973) "The Fiscal Crisis of the State" and Piven and Cloward's (1993) "Regulating the Poor: The Functions of Public Welfare"²⁸ are both exemplary studies. Indeed, many of their ideas are, upon being adapted, indispensable to the investigation into the regime for the provision of development assistance and the functional role it performs.

1. O'CONNOR'S 'THEORY OF FISCAL CRISIS':

O'Connor (1973), in *The Fiscal Crisis of the State*, pronounced the "need" for "a theory of government budget and a method for discovering the meaning for the political economy and society as a whole." (O'Connor, 1973: 3) Foremost among his concerns were "elucidat[ing]" (i) the "relationship between the private and state sectors and between private and state spending" and (ii) the inclination inherent in advanced capitalistic states toward "fiscal crisis, or [a] 'structural gap,' between state expenditures and state revenues." (O'Connor, 1973: 5-6 & 9)

His "first premise" was that the "capitalistic state" is required, at once, to facilitate "accumulation" and engage in "legitimization." (O'Connor, 1973: 6) In other words, the state is compelled to "maintain or create" "conditions" wherein "profitable capital accumulation," as well as "social harmony" are insured. (O'Connor, 1973: 6)

A capitalist state that openly uses its coercive forces to help one class accumulate capital at the expense of other classes loses its legitimacy and hence undermines the basis of its loyalty and support. But a state that ignores the necessity of assisting the process of capital accumulation risks drying up the source of its own power, the economy's surplus production capacity and the taxes drawn from this surplus (and other forms of capital). (O'Connor, 1973: 6)

O'Connor furthermore proposed that "state expenditures have a twofold character" which "correspond" to these "two basic functions." (O'Connor, 1973: 6) First, "social capital," or public/state expenditures that "indirectly" subsidize "profitable private accumulation," must be fostered. (O'Connor, 1973: 6) Such efforts are directed at either "increas[ing] the productivity of a given amount of laborpower," and-or reducing the "reproduction costs of labor;" thereby intensifying the subsequent "rate[s] of profit" expropriation. (O'Connor, 1973: 6-7) Secondly, "social expenses," or public/state outlays designed to forestall the deterioration of the social order (i.e., the "legitimization" function), must be systematically and strategically employed.

²⁸ To which this thesis's title, *Regulating The Global Politico-Economic Order: The Functioning of the Development Assistance Provision Regime*, is an obvious allusion.

(O'Connor, 1973: 7) The welfare system is offered as an example. After all, he observes, it "is designed chiefly to keep social peace among unemployed workers." (O'Connor, 1973: 7)

O'Connor moreover contends that "nearly every state agency," and hence "expenditure," possess this duality of function. (O'Connor, 1973: 7) In his most striking explanation of this principle, it is suggested that, "the main purpose of some transfer payments (e.g., social insurance) is to reproduce the workforce, whereas the purpose of others (e.g., income subsidies to the poor) is to pacify and control the surplus population." (O'Connor, 1973: 7)

More significant still, were O'Connor's supportive 'theses.' In the first, he contemplated the mutual dependency exhibited between the "state sector" and that of the "monopoly sector." (O'Connor, 1973: 8) In effect, O'Connor argued that "the growth of the state is both a cause and effect of the expansion of monopoly capital." (O'Connor, 1973: 8) Monopoly capital was thought increasingly to require an infusion of *social capital* to maintain the continued maximization of capital accumulation. Such infusions, however, contribute to the intensification and expansion of the "monopoly sector," which is in turn "accompanied by unemployment, poverty, economic stagnation, and so on." (O'Connor, 1973: 8) The responsibility for these "costs" is then hoisted upon the state, which continually endeavors through the provision of *social expenses* to "insure mass loyalty and maintain its legitimacy." (O'Connor, 1973: 8)

Stated more pithily, "the growth of the state sector is indispensable to the expansion of private industry, particularly monopoly industries." (O'Connor, 1973: 9) O'Connor's theory amounted to a contravention of "modern conservative thought." (O'Connor, 1973: 9) He insisted on the existence of a positive (as opposed to a negative) correlation between the respective sectors: i.e., "*the greater the growth of social capital, the greater the growth of the monopoly sector;*" and conversely, "*the greater the growth of the monopoly sector, the greater the state's expenditures upon either social capital and-or social expenses.*" (O'Connor, 1973: 9)

O'Connor's "second basic thesis" rested upon the notion that, "the accumulation of social capital and social expenses is a contradictory process which creates tendencies toward economic, social, and political crises." (O'Connor, 1973: 9) And whereas the broader thrust of his argument is of less significance here, two of O'Connor's supporting contentions are insightful. First, he observed that while "the state has socialized more and more capital costs, the social surplus (including

profits) continues to be appropriated privately.” (O’Connor, 1973: 9) Second, he insisted that this trend is amplified “by the private appropriation of state power for particularistic ends.” (O’Connor, 1973: 9) “[S]pecial interests,” in other words, “make claims on the budget for various kinds of social investment” while at once resisting remunerative duties, or taxes. O’Connor’s objective was to underscore the ““structural gap,”” (or “fiscal crisis”) that emerges as a result of the “struggles” and “conflicts” that arise “between classes and groups.” (O’Connor, 1973: 2 & 9) For my purposes, however, it is sufficient merely to acknowledge that ‘special interests’ (especially those within the private/monopoly sector) stimulate the expansion of ‘official’ expenditures.

2. PIVEN & CLOWARD:

Piven and Cloward, (1993) in *Regulating the Poor: The Functions of Public Welfare*, sought to “explain why relief arrangements exist, and why – from time to time – the relief rolls precipitously expand or contract.” (Piven & Cloward, 1993: xv) They explicitly rejected orthodox assumptions of the benevolence of government, proposing instead that “relief giving” performs a regulative function in the maintenance of the politico-economic order. (Piven & Cloward, 1993: xv) It was thus contended that relief systems are “ancillary to economic arrangements” and provide a labor-regulative function:

First, when mass unemployment leads to outbreaks of turmoil, relief programs are ordinarily initiated or expanded to absorb and control enough of the unemployed to restore order; then, as turbulence [subsides], the relief system contracts, expelling those who are needed to populate the labor market... (Piven & Cloward, 1993: 3-4)

Stated more concisely, “expansive relief policies are designed to mute civil disorder, and restrictive ones to reinforce work norms;” hence, the institution’s observed “cyclical” (i.e. “liberal or restrictive”) nature. (Piven & Cloward, 1993: xv)

The “strains toward instability inherent in” capitalistic market economies were central to the authors’ argument. (Piven & Cloward, 1993: 4) While all societies develop mechanisms for inducing “productive contributions” from its members, capitalism is unique in that it “relies primarily upon” the market. (Piven & Cloward, 1993: 4) The economy, however, is “kept in constant flux,” requiring continual adaptations on the part of workers (as well as of society as a whole). (Piven & Cloward, 1993: 5)

When transitions assume “catastrophic proportions,”²⁹ severe social costs are incurred. (Piven & Cloward, 1993: 5) In such instances, “market incentives” either “collapse” altogether or are “simply insufficient” in inducing the requisite social transitions. (Piven & Cloward, 1993: 6) And if the “dislocation is widespread,” then the “legitimacy” of the “social and economic arrangements” may become imperilled. (Piven & Cloward, 1993: 7) “It is then,” according to Piven and Cloward, “that relief programs are initiated or expanded.” (Piven & Cloward, 1993: 7)

Political incumbents try to use the power and resources of government to intervene in the institutional arrangements that breed dissension or to develop public programs intended to recapture the allegiance of disaffected blocs. If they fail, they may lose their office to contenders that promise to deal with the sources of unrest more effectively...It is this objective – the political “reintegration” of disaffected groups – that impels electoral leaders to expand relief programs at times of political crisis engendered by economic distress. (Piven & Cloward, 1993: 40-41)

The authors insist, nonetheless, that the implementation of relief alone in times of instability has been shown an insufficient means of control. Therefore, “to restore order,” society is compelled to attach conditionalities to the provision of relief. Specifically, labor norms and expectations are to be emphasized and reinforced. (Piven & Cloward, 1993: 7-8)

Relief arrangements deal with disorder, not simply by giving aid to the displaced poor, but by granting it on condition that they behave in certain ways and most important, on condition that they work. Any institution that distributes the resources men and women depend upon for survival can exert control over them: the occasion of giving vitally needed assistance can easily become the occasion of inculcating the work ethic, for example, and of enforcing work itself, ... (Piven & Cloward, 1993: 22)

Aid conditionality has a regulative function even in social systems where stability has already been achieved. “‘Reform’ campaigns” have typically been instituted following “periods of relief expansion.” (Piven & Cloward, 1993: 34) Here again, the principal insight is the insufficiency of “market incentives.” (Piven & Cloward, 1993: 32) “Incentives,” they write, “may be too meager and erratic, or people may not be sufficiently socialized to respond to them properly.” (Piven & Cloward, 1993: 32) In such contexts, relief systems are not designed as apparatuses of

²⁹ Exemplified most often by cycles of “depression and rapid modernization.”

remediation, but are configured so as to compel conformity to the conditions of labor as “dictated by employers.” (Piven & Cloward, 1993: 37)

PART III: THE DEVELOPMENT ASSISTANCE PROVISION REGIME:

The overarching contention of this thesis is that *development assistance provision functions as a regulative mechanism for the global politico-economic order, or system*. This fundamental proposition entails additional, more nuanced, supportive premises:

(1) The preponderance of individual institutions and organizations which engage in development assistance provision comprise a ‘regime.’

The substance of this first premise is taken from Wood (1986).³⁰ On balance, I argue that this regime represents a convergence of donor expectations around the normative logic of the prevailing global politico-economic order. This *order* may be defined broadly as capitalistic in orientation. The institutions and organizations of the regime are, therefore, viewed to be inherently inclined toward facilitating the continued functioning – as well as expansion and intensification – of global capitalism. They centripetally coalesce, in other words, around market fundamentalism (i.e., the *internal*, or *normative logic*). More precisely, this means that global capitalism structurally conditions what are perceived to be the proper and legitimate modes of behavior for agents and actors within its sphere of influence; a sphere which clearly encompasses instances of development assistance provision.

This line of argumentation is entirely consistent with Schattschneider’s notion of the ‘mobilization of bias.’ It leads, furthermore, to the second of my premises:

(2) The development assistance provision regime is ‘ancillary’ to, and hence supportive of global politico-economic ‘arrangements’ – or the prevailing order.

This fact, I believe, is most strikingly illustrated by the ways in which publicly financed, and-or ‘official’ development assistance has been mobilized. In the first instance, it has been utilized as a complement to the expansion of the private – or what has become the transnational, monopoly –

³⁰ Who produced a superlative work of analysis, *From Marshall Plan to Debt Crisis: Foreign Aid and Development Choices in the World Economy*, which will be examined more fully in Chapter IV.

sector.³¹ This argument is analogous to O'Connor's depiction of the "accumulation" function. In the second instance, development assistance has been systematically employed so as to insure the continued stability and legitimacy of global politico-economic relations. This relates to the hypothesized covariation between the regime and the global political economy.³² These two functions are expressed more fully in premises four and five. First, however, it must be understood that:

(3) The development assistance provision regime represents a mechanism for the exertion, or conveyance of power/control.

The regime, in other words, is a conduit or vehicle for producing compliance³³ on the part of recipients³⁴ to the prevailing order's 'internal, or normative logic' via material means. More concretely, the regime is, at any given point in time, predisposed to mobilize resources toward one of three modes of operation: i.e., either the (i) maintenance, or (ii) alteration of the existing global politico-economic system, or the (iii) resistance of emergent circumstances. The course of action taken³⁵ as well as the ways in which it further entrenches and, hence, reconstitutes particular modes and patterns of development are thought to be reflective of the dominant ideology and objective interests of the prevailing order and its core constituent elements. Both the regime and the prevailing order, from which it derives its functional orientation, therefore, are always operative, or exerting force upon the developmental trajectories of less-powerful agents. Asymmetries between the resource capacity of agents and actors make this condition possible – i.e., deprivation creates the structural conditions for domination.³⁶

My last two premises are closely interrelated and thus should be grasped jointly. They, moreover, hinge greatly upon the foregoing contentions: i.e., that the regime is a power/ control mechanism at the disposal of the global order's internal, or normative logic and the objective interests it represents.

³¹ This corresponds, once more, with the arguments of Wood (1986), McMichael (2000), and Robinson (2003), which will be given consideration throughout the latter part of this thesis.

³² For which Piven & Cloward's ideas (i.e., regarding the cyclical functioning of relief giving) have proven especially illuminating.

³³ Whether achieved through inculcation, or simply by means of coercion and-or manipulation.

³⁴ As well as that of non-recipients, it may legitimately be argued.

³⁵ Whether represented by either its particular actions (i.e., the instances of lending aid), or non-actions (i.e., the instances of withholding the provision of aid).

³⁶ This course of argumentation will be taken up again at the close of Chapter II.

(4) *The development assistance provision regime possesses both “accumulation” and “legitimization” functions.*

And furthermore:

(5) *These functions correlate with, and are expressed in the regime’s linear as well as cyclical trajectorial orientations.*

This duality of structure and functioning,³⁷ I believe, is critical to understanding the regime’s systematic employment and evolution over different global-historical and contextual epochs. In the first instance, the regime is inherently predisposed towards facilitating the ability of the private sector³⁸ to engage in capital accumulation. The intensification and expansion of globalized capital accumulation, thereby, is thought to be dependant upon the strategic employment of ‘official’ development assistance transfers. In this way, the regime is inclined to evolve in a qualitatively linear fashion.

In the second instance, the regime must insure the continued stability of the global order’s politico-economic arrangements – lest the ‘capital accumulation’ function itself be rendered inoperative. Generally, I argue that this is achieved through more liberalized³⁹ patterns of assistance provision to various regions, and in periods where instability is perceived as being an impending source of peril for the system as a whole. Quantitative and qualitative oscillations in the regime’s evolution, therefore, may be viewed as integral components to its broader and systematic regulative functioning. This function, then, is not as much one of ‘legitimization’ as it is of stabilization.

Yet the regime does possess some degree of capacity for inculcating a sense of legitimacy. The prevention of the emergence of alternative organizational frameworks, for instance, at once lends credibility to the notion that the prevailing order is somehow the only viable option. Moreover, any marginal degree of successful development experienced by a peripheral nation (or region) that has subscribed to the dictates of the existing global order, reinforces the conventional

³⁷ The theoretical basis of which is an outgrowth of both O’Connor’s and Piven & Cloward’s theses.

³⁸ Which, here, as in the case of both O’Connor’s and Robinson’s studies, is closely associated with the ‘transnational,’ or ‘monopoly’ sector.

³⁹ ‘Liberalized,’ here, is intended to denote the (i) expansion of aggregate levels of ‘official’ and more ‘concessional’ assistance, as well as, more significantly, (ii) a diminished emphasis on its ‘conditional’ transfer.

wisdom that it is, in the very least, the most suitable or serviceable of systems. In brief, the regime may be conceived of as a de facto means of naturalizing, or presenting as congenital and universal, the existing conditions and relationships as well as modes of development that predominate within in the global political economy.

These various premises provide a foundation for the hypothesized functioning of the development assistance regime. Altogether, I expect to find that development assistance provision apparatuses have been configured so as to (i) forestall cataclysmic instabilities in the global politico-economic order, and (ii) to induce compliance among peripheral nations to the order's organizing principles and-or logic. The extent to which this is valid ought to be revealed by the relative liberalization (or illiberalization) of access to external financing during periods and in contexts of either stability or instability.

Consequently, I expect that during periods (and in contexts) of instability,⁴⁰ the provision of development assistance has been initiated or expanded in geo-strategic ways so as to regenerate markets and, thereby, obviate, or thwart the anticipated metastasization of adversarial politico-economic organizational frameworks. Such periods of expansion, however, bring forth qualitative transformations as well: i.e., development assistance should have become less conditionally driven and, hence, entailed a broader umbrella of autonomy for recipient nations. Thus, institutional regimes are thought to have been mobilized toward either maintaining the global system as it existed, or altering it in desirable ways – i.e., as informed, in either case, by the prevailing philosophy and objective interests of the global order.

During periods (and in contexts) of relative stability,⁴¹ conversely, I expect to find that development assistance provision has been contracted, or made less expansive as well as increasingly driven by conditionalities. In other words, external lending should have either plateaued or decreased, while the conditions upon which such transfers were made became more stringent. Thus, when unchallenged, the regime is better able to impose upon peripheral nations and regions a mode of development and politico-economic philosophy peculiar to its own internal

⁴⁰ Or, when the dominant, organizing-logic and-or power structure of the global order becomes challenged and markets have become enfeebled.

⁴¹ Or, when the dominance of a specific organizing-logic and-or power structure is effectively secure and markets are sufficiently functioning.

logic and objective interests. A recipient's developmental self-determination is thereby effectively circumscribed to a much narrower realm of possibilities.

DURING PERIODS AND IN CONTEXTS OF INSTABILITY:

Hypothesis I: *The installation of a 'regime' for the provision of development assistance occurred during a period and in a context of politico-economic instability.*

Hypothesis II: *Regime (or 'official') transfers become expanded during periods and in contexts of politico-economic instability.*

Hypothesis III: *The conditionality structure of the regime becomes less stringent during periods and in contexts of politico-economic instability.*

DURING PERIODS AND IN CONTEXTS OF STABILITY:

Hypothesis IV: *Regime (or 'official') transfers become contracted, or less expansive during periods and in contexts of politico-economic stability.*

Hypothesis V: *The conditionality structure of the regime becomes increasingly stringent during periods and in contexts of politico-economic stability.*

THE STRUCTURE OF THE THESIS:

This chapter has laid a theoretical foundation for the examination of the development assistance provision regime as a regulative-control mechanism for the global politico-economic order. Chapter II will largely be an elaboration on this theme. I will, however, put forth the additional argument that conditions of deprivation are integral to the regime's functioning.

In Chapter III, I examine the epoch encompassing the Great Depression, the Second World War, and the Cold War. It was fraught with instabilities. These circumstances, therefore, gave rise to the installation of official development assistance as a pervasive feature of the international political economy. A regime for the provision of assistance was subsequently formed. I will furthermore contend that official financing was employed as a means of both (i) stabilizing the international politico-economic system and (ii) subduing the influence of state capitalism and

socialism as alternative politico-economic frameworks. This was achieved through the liberalization of assistance flows.

Wood's (1986) insights into the nature and functioning of the regime itself will be introduced in Chapter IV. His superlative work will provide yet another foundation from which to build. I will argue that Wood furnishes support for my contention that the regime is ancillary to, and thus supportive of the prevailing relations within, and conditions of the global political economy. There are, however, significant differences between his and my own conceptions of the regime.

In Chapter V, I investigate the evolution of the conditionality structure of the regime in relation to the transformation of the global politico-economic order within the modern epoch. The contention that the regime and the global order are functionally interrelated will be probed. I will conclude that the regime is in fact a regulative-control mechanism, which structurally conditions the developmental orientations and capacities of peripheral nations. Official assistance flows became more restrictive and the conditionality structure, increasingly stringent. As market forces intensified and penetrated all aspects of development, peripheral nations were subjected to a more rigid mode of discipline. Lastly, a recapitulation and analysis of the regime as a 'three-dimensional' power apparatus will be presented in the *Dénouement*.

The explicit purpose of this thesis is to apprehend the functional interrelation between the global order and the regime for the provision of development assistance. Yet the accumulation of knowledge is not a passive enterprise. The idea behind good sociological analysis is not simply to explain history as it has unfolded, but to inform and thereby empower would-be agents of change. A better understanding of how the regime functions as a regulative-control mechanism, therefore, reveals opportunities for progressive advances. These considerations will also be examined in the concluding chapter.

CHAPTER II:
***ELABORATIONS ON THE THEME OF DEVELOPMENT ASSISTANCE PROVISION AS A REGULATIVE-
CONTROL MECHANISM***

INTRODUCTION:

In the previous chapter, I set forth several propositions about the hypothesized functioning of the development assistance provision regime. Fundamental to these was the idea that assistance provision represents a regulative-control mechanism. The objective of this chapter is to further elaborate on this theme.

The chapter is divided into two sections. In the first, I use the modes and typologies of control formulated by Gibbs (1994) to illustrate how the institutions and agents involved in assistance provision may, in the immediate sense, employ it as a means of control. The focus, therefore, will center primarily on the facilitation of determinate control interactions by discrete agents. I will argue that this view is limiting.

In the second, I advance the notion that conditions of deprivation⁴² are integral to the functioning of development assistance provision as a regulative-control mechanism. I subsequently offer the ‘debt crisis’ as a concrete historical instance in which development assistance was utilized as a means of control. This analysis serves as a basis for both (i) supporting my premise that conditions of deprivation facilitate the construction of control dynamics and (ii) revealing how assistance may, at once, regulate the global politico-economic order. Later chapters will focus more intensely on the interrelations between the regime, the global order, and the conditioning of the developmental orientations of the periphery.

**TOWARD A CONCEPTION OF DEVELOPMENT ASSISTANCE PROVISION AS A CONTROL
MECHANISM: MODES AND TYPOLOGIES OF CONTROL:**

The notion that development assistance provision constitutes a control mechanism is a contentious one. A brief examination, therefore, of the fundamental dynamics that make such a proposition possible will be constructive. Gibbs’s (1994) ideas regarding control will be a useful

⁴² i.e., the existence of disparities in access to the means by which power and powerlessness are mediated.

point of departure. However, I am less concerned with his theoretical propositions as a whole,⁴³ than with his delineations of the various (*i*) modes or processes whereby control is secured and his (*ii*) sub-typologies of “control over human behavior.” (Gibbs, 1994: 37-57)

MODES OF CONTROL:

Gibbs has enumerated four categories of control interactions. The first two, *cumulative* and *repetitional*, refer to instances where a “series” of either “different” or “similar” actions/ inactions contribute to the realization of some form of compliance. (Gibbs, 1994: 37) Because, in Gibbs’s assessment, control is “often realized only through serial acts,” the amalgam of *cumulative-repetitional* control becomes “especially” analytically “relevant.” (Gibbs, 1994: 37)

Contributory and *representational* control, are sub-classifications of “multilateral” control: i.e., where control is wielded cooperatively. (Gibbs, 1994: 38) The implication in each instance is that a coalition of agents is more effective for the realization of some form of control than is an individual agent, acting unilaterally. With *representational* control, however, a precedent for further interaction is established.

When brought together, Gibbs’s insights are significant for the analysis of regimes; the fundamental idea being that a series of control interactions, when wielded by a consortium of agents coalescing around some unitary objective,⁴⁴ contribute to the patternization of the perceptions, expectations, and subsequent behavior of other agents. In brief, the sum of these actions/ inactions facilitates the construction of an expansive sphere of legitimized influence.

SOCIAL CONTROL:

Regarding “control over human behavior,” Gibbs introduces various typologies; some of which are of more interest than others. His most significant is *social control*. Gibbs broadly defines it as an intervention on the part of one agent (the “first party”) via an intermediary or enabling agent (the “third party”), which results in an “increase or decrease” in the “probability” of modifying

⁴³ In *A Theory About Control*, Gibbs advances his own “generic” conceptualization of “attempted control.” (Gibbs, 1994: 27 & 51) It is defined as where an agent exhibits “overt behavior” “in the belief that (1) the behavior increases or decreases the probability of some subsequent condition and (2) the increase or decrease is desirable.” (Gibbs, 1994: 27 & 51) Gibbs’s theoretical approach is for the most part inconsistent with Lukes’s ‘third-dimension’ of power. Although he acknowledges that control may be exercised through either the “commission or omission of an act,” Gibbs is nonetheless insistent that it is manifested in “overt behavior.” (Gibbs, 1994: 27) Moreover, he does not allow for the (unqualified) condition where control may be *unintentionally* or *unconsciously* exerted.

⁴⁴ Or set of mutually intersecting objectives.

the “behavior of another [agent] or [agents]” (the “second party”). (Gibbs, 1994: 51) There are five sub-typologies to be considered.

1. REFERENTIAL SOCIAL CONTROL:

Referential social control is where an agent “makes reference to a third party”⁴⁵ with the result of somehow altering another, or other agents behavior and-or constitution. (Gibbs, 1994: 51-52)

Regarding the reference act itself, Gibbs states:

The first party need not make reference to what the third party will do, is doing, or has done to the second party (or anyone else). Instead, the reference may be to what will happen, is happening, or has happened to the third party, or what the third party will think or feel, is thinking or feeling, or has thought or felt. (Gibbs, 1994: 51)

In addition, he stipulates that the condition of the “third party,” or “instrument” through which the control attempt is mediated, “may” in fact “be fabricated.” (Gibbs, 1994: 52)

Regarding the regime under consideration, there are two possible interpretations to be had. The first, and most apparent, is that the enabling agents are multilateral institutions, such as the World Bank and IMF. These institutions, in particular, have been widely received as the standard-bearers for the formulation of development policies and the corresponding strategies for the allocation of assistance. The referencing of the stance of either of these institutions on a given issue, therefore, is tantamount to evoking an implied international consensus. The control dynamic is thus dependent upon the dual suggestion that (i) a particular mode of development is at variance with what is accepted and-or sanctioned and that, moreover, (ii) recalcitrance may in fact yield negative consequences.

The intermediary agent, however, may also be construed as a developing nation – or region, and-or group of nations – that is depicted as having either prospered, or languished as a result of adhering to some specified mode of development. The act of referencing such instances serves as a means of either discrediting, or legitimizing certain developmental orientations; the ultimate aim of which is to compel other nations to alter their policies accordingly. The most conspicuous

⁴⁵ Or, that is, the “instrument of the control attempt.” (Gibbs, 1994: 51-52)

example of this has been the continual adducing of the newly industrializing countries (NICs) of Asia as legitimating exemplars of market-oriented and-or export-led development.

2. ALLEGATIVE SOCIAL CONTROL:

Allegative social control differs primarily with respect to the role of the ‘third party.’ Here, the controlling agent “communicates an allegation”⁴⁶ about another, or other agents to the intermediary agent. (Gibbs, 1994: 53) The “essential presumption” of *allegative* social control, and where it departs from its *referential* counterpart, is that the third party can and “will become involved directly.” (Gibbs, 1994: 53) This is principally due to the “perception” on the part of the first party that the “allegation” somehow pertains to the third’s “normative standards or interests.” (Gibbs, 1994: 53)

The implications of an *allegative control* dynamic are analogous to those of *referential control*. It requires, however, that multilateral institutions assume an interventionist and-or punitive posture. As will be shown later, the IMF and World Bank did in fact intervene following the debt crisis; and, furthermore, the recipients of multilateral loans have continually been subjected to surveillance, which has resulted in shifts in the conditionality structure of the regime.

3. VICARIOUS SOCIAL CONTROL:

Vicarious social control differs from the previous control dynamics in that the controlling agent neither “makes reference to,” nor “presume[s]” that an intermediary will intervene. (Gibbs, 1994: 53) Instead, the first party itself attempts to either “punish,” “reward,” “or somehow rectify” the third’s “behavior” directly. (Gibbs, 1994: 53) The objective, nevertheless, is to indirectly “influence” another, or other agents’ future course, or pattern of “behavior.” (Gibbs, 1994: 53)

It is significant to note that *vicarious control* does not necessarily have to be punitive by nature. Whereas the intended effect is the same, some form of recompense may instead be relied upon: i.e., the controlling agent “may reward” another agent(s) with the intent of inducing others to “emulate” its orientation, or pattern of behavior. (Gibbs, 1994: 54) In a very basic way, this control dynamic closely approximates the nature of development assistance provision.

⁴⁶ Whether true or false.

4. MODULATIVE SOCIAL CONTROL:

Modulative social control represents the exploitation of some form of putative “influence” possessed by the enabling agent(s). (Gibbs, 1994: 54-55) Once more, the objective is to compel other agents to conform to some specified alternative orientation, or pattern of behavior. This type of control occurs most often when the controlling agent lacks either legitimacy, or “expertise.” (Gibbs, 1994: 55) Moreover, such arrangements may be artificially constructed: i.e., when the first party either “subsidizes,” or otherwise alters perceptions about the third’s influence. (Gibbs, 1994: 55)

The connection between the role of the ‘third party’ and multilateral institutions and organizations is relatively straightforward. They are used to promote (or suppress) particular modes of development that coincide with (or deviate from) the interests of core nation-states and/or the transnational sector.

5. PRELUSIVE SOCIAL CONTROL:

Prelusive forms of social control pertain to instances where “limited resources may prompt” the controlling agent to target specific other agents because they are either viewed to be (i) the most in need of control, or (ii) the most “susceptible to particular kinds of control.” (Gibbs, 1994: 56) Moreover, the first party, due to this dearth of resources, may frequently employ the third to facilitate control. (Gibbs, 1994: 56) For similar reasons, the “exclusion” of agents from “organizations,” or particular interactions is a “common form of *prelusive* social control.” (Gibbs, 1994: 56-57) Gibbs elaborates:

...[the controlling agent] attempts to increase the probability that [the intermediary agent] will (1) assess the efficacy of alternative means of control, (2) through surveillance or monitoring identify influential [agents] or those who appear inclined to act contrary to the desires of the first party or those who appear particularly susceptible to control, (3) act so as to exclude certain categories of [agents] from participation in some social unit or restrict their [capacity to act autonomously], and/or (4) take any other action that facilitates [the controlling agent’s] subsequent attempts at control. (Gibbs, 1994: 56)

The provision, or withholding of assistance based on an evaluation of which nations are either most (i) ‘susceptible,’ or (ii) resistant to the imposition of some alternative mode of development is a commonplace occurrence. The IMF and World Bank, in particular, have engaged in the

construction and promulgation of the legitimate parameters for development and have, moreover, regularly surveyed and targeted mal-conformist⁴⁷ nations and-or regions.

McMichael (2000) provides support for this view in his analysis of World Bank lending. The Bank, in the 1980s, began “[linking its] loans to policies that pursued market-oriented economic growth strategies.” (McMichael, 2000: 164) Significantly, he remarks that “the IDA redirected its lending from the poorest countries ... to those ‘making the greatest efforts to restructure their economies.’” (McMichael, 2000: 164)

In my argument, such activities are widespread during periods of relative stability for the global order. In periods of instability, however, the evaluative process may evolve to include other considerations. Some nations and regions, for instance, might come to be viewed as strategically significant for the preservation of the politico-economic order’s sphere of influence. In the context of the Cold War, Southeast Asia was given preference as a bulwark against the spread of socialism.

On balance, Gibbs’s formulations represent a more nuanced and evolved conception of control than what was offered by Palmer, Wohlander & Morgan. In the first place, Gibbs helps us get beyond the notion that states, acting independently of one another, are the primary agents in the international system. Furthermore, when his categories of control interactions⁴⁸ are brought together we can see how a sphere of influence becomes legitimized. On some level, these ideas run parallel to the notions of ‘hegemony’ and ‘system bias,’ which correspond with Wood’s depictions of regimes.

Nonetheless, Gibbs’s delineations are representative of what I have described as *atomistic-centric* modes of inquiry. In other words, he privileges states and institutions (i.e., discrete agents) and their corresponding, determinate interactions as the principal determinants of historical outcomes. In so doing, he neglects the functional coherence or coordination that exists (*i*) among various agents and (*ii*) between them as an aggregate and the global order, or system.

⁴⁷ i.e., those that are insufficiently adjusted to, or aligned with the prevailing developmental norms of the global order.

⁴⁸ i.e., *cumulative-repetitional* and *contributory* and *representational* control.

This necessarily precludes our understanding for how regimes function as regulative mechanisms for the global politico-economic order – i.e., for how they have evolved in correspondence with the exigencies of the global political economy. For this reason, I wrote in the previous chapter that my implicit focus is on the structural components of the global political economy itself, and how they have coalesced at various junctures in history to produce regulatory regimes and differing modalities of development.

The development assistance provision regime, in particular, has utilized different control techniques across different historical epochs and-or politico-economic contexts. Hence, one of the essential tasks of this thesis is to discern the patterns of control have evolved as a result of the regime's functional disposition from those that are merely context-bound.⁴⁹ This set of concerns, I would contend, is what prevents my analysis from falling victim to the fallacy functionalism.⁵⁰

Altogether, I will argue that the regime in question has systematically and continuously mobilized resources in such a way as to structurally condition the developmental orientations of peripheral nations and regions. These phases of restructuring have coincided with the demands of the global order. I will examine these issues further in the forthcoming chapters. Before moving forward, however, it will be necessary to focus on one additional feature of significance: i.e., conditions of deprivation.

DEPRIVATION: AN INTEGRAL FACTOR TO THE CONTROL DYNAMIC:

To suggest that a given agent or regime exerts control over peripheral nations or regions is, at once, to imply the existence of some degree of disparity in access to the means by which power and powerlessness are mediated. In brief, this is reflective of an increasingly polarized system of relations, which in turn produces conditions of dependence. In the case of development assistance provision, it involves the disproportionate consolidation of the material and-or institutional-ideological means of control on the part of agents representing the embedded interests of the global order. Consider for a moment some subtypes of control advanced by both Lukes⁵¹ and Coser:

⁴⁹ i.e., or circumstantial.

⁵⁰ i.e., a paradigm that views *every* set of relationships and-or interactions as rational components of a larger system of relations.

⁵¹ Lukes is here drawing from Bachrach and Baratz's typological schema.

1. *Coercion*, is defined as the condition “where *A* secures *B*’s compliance by the threat of deprivation where there is ‘a conflict over values or course of action between *A* and *B*.’” (Lukes, 2005: 21) It is then the “threat of the use of force” and-or “negative sanctions” that produces some specifiable end. (Coser, 1982: 17-18)
2. *Force*, is where “*A* achieves his objectives in the face of *B*’s noncompliance by stripping him of the choice between compliance and noncompliance.” (Lukes, 2005: 22)
3. *Utilitarian* modes of social control are arrangements in which institutions are reliant upon “remuneration” as the principal means for securing compliance, or “conformity.” (Coser, 1982: 18)

The inclusion of these subtypes is not intended as an augmentation of Gibbs’s insights, but is put forth merely to illustrate a more subtle point: i.e., whereas Gibbs appears to understate disparities between agents’ capacities, the common thread here is the notion of *depravation*. Both *coercion* and *force* imply the imposition of conditions of deprivation as a means to achieving some degree of modification in an agent’s orientation, or pattern of behavior. *Utilitarian* control, however, suggests that some degree of depravation, when preexistent, enhances the control dynamic. Here, compliance is secured through the offering of alleviation.

It should not be difficult to see that indebtedness is an integral component to the regulative functioning of the development assistance provision regime. It, stated differently, provides the basis for a system of coordinated control. This control, in turn, contributes to the construction of a legitimized mode of discipline. The implication is thus not all that removed from what Piven and Cloward suggested when stating that “[a]ny institution that distributes the resources men and women depend upon for survival can exert control over them: the occasion of giving vitally needed assistance can easily become the occasion of inculcating the work ethic, for example, and of enforcing work itself ...” (Piven & Cloward, 1993: 22) These ideas should become more apparent upon examination of the debt crisis.

THE DEBT CRISIS AND THE INSTITUTION OF ‘GLOBAL GOVERNANCE’:

Historically, deprivation and development assistance have reciprocally functioned, conditioning development in the periphery. The debt crisis of the 1980s is perhaps the best example of this

dynamic. It was the principal catalyst in precipitating the systematic restructuring of economies in the developing world.

Peripheral nations had become “mired in a *debt trap*,” which progressively stifled “their economies.” (McMicheal, 2000: 128) The overriding issue of concern, however, became that of “international financial stability,” as these nations teetered precariously on the verge of “default.” (McMichael, 2000: 166) The global order, it was believed, had to be preserved; even if this entailed the obliteration of the developmental autonomy of indebted nations.

This view was a reflection of the fact that a fundamental transformation had occurred in the nature and functioning of the global political economy. McMichael (2000) and Robinson (2003) have both argued, for instance, that the “growing scale and power of the transnational banks and corporations” has brought about the espousal “market rule on a global scale” as the prevailing ideology. (McMichael, 2000: 149 & 186; Robinson, 2003: 12-13 & 19)

Management of the crisis fell primarily to the Bretton Woods institutions. (McMichael, 2000: 128) Official loans were extended to “indebted states” so that “private banks” could be repaid. (McMichael, 2000: 165) This “dramatic” “recomposition” of debt conferred a historically unparalleled amount of “leverage” over peripheral political economies to multilateral institutions. (McMichael, 2000: 165)

It was precisely this consolidation of “power” in the hands of the World Bank and IMF and their subsequent intervention into the reorientation of peripheral development, which constituted, in the words of McMichael, a “practice of global governance.” (McMichael, 2000: 165) The essential point to be grasped is the significance of deprivation in facilitating the control dynamic:

The most immediate form of governance is the leverage gained through debt. ... Debt became a powerful form of political leverage under the debt regime when the multilateral financial agencies strengthened their control over national policy making by assuming the lending role. (McMichael, 2000: 165)

The global banking system was effectively rescued from collapse.⁵² The “debt crisis,” writes McMichael, “was handled primarily as a banking crisis.” (McMichael, 2000: 136) However, instead of viewing it as a problem with the “organization of the global financial system,” the onus was placed upon the recipients of loans. (McMichael, 2000: 129) Multilateral institutions “protected” the banks “from complete debt loss” by “managing” the “recovery” of funds through the institution of structural adjustment and stabilization measures. (McMichael, 2000: 135)

Such concessions are, of course, reflective of the ways in which official capital has often been employed as a means of stabilizing an otherwise faltering private sector. In periods of instability, this prevents the disintegration of the global politico-economic order. In periods of stability, alternatively, such guarantees stimulate the continued expansion and intensification of the transnational sector.

This newly established control dynamic was at first wielded bluntly, without regard for extenuating or individuating circumstances. Initially, “financial stabilization measures” were imposed. (McMichael, 2000: 128 & 140) These targeted the “fiscal management of states.” (McMichael, 2000: 140) The IMF attached “conditions” to the provision of loans, which were intended to “adjust the short-term balance of payments.” (McMichael, 2000: 140) The objectives of this first phase were threefold: i.e., to (i) “reestablish” the “creditworthiness” of distressed economies, (ii) prevent impending defaults and, hence, (iii) preclude a systemic collapse of the global political economy. (McMichael, 2000: 134)

A second, more comprehensive, phase was imposed soon thereafter. Structural adjustment measures, whose aim was the wholesale restructuring of peripheral economies, were instituted. The emphasis, here, was placed upon inhibiting “programs” of state interventionism, as well as the reprioritization of systems of “production.” (McMichael, 2000: 128) In McMichael’s recounting, such measures hinged greatly upon conditions of deprivation and the subsequent employment of conditional development assistance:

In combination with the World Bank and its structural adjustment loans (SALs), the IMF put restructuring conditions on borrowers to allow them to reschedule

⁵² Although this is not how the debt crisis is often framed. Social scientists and economists, that is, typically refer to these loans as having rescued indebted countries from default; an inference which shifts responsibility from the banking system (or a systemic causality) to the recipient nations of the periphery themselves.

their loans and pay off their debt. By the mid-1980s, loan conditions demanded a restructuring of economic policy, the idea being that debtors should follow multilateral prescriptions for political and economic reforms to ensure economic growth and regular debt service. (McMichael, 2000: 128)

Financing, moreover, was often “released in tranches” – or “staggered portions” – so as to maintain the “continued compliance” of recipients with the agreed upon “conditions.” (McMichael, 2000: 155)

This surge toward liberalization also entailed the “privatization of public enterprise[s].” (McMichael, 2000: 130-131 & 186) According to McMichael, “privatization accomplished two radical changes: (1) it reduced the public capacity in development planning and implementation, thereby privileging private initiative; and (2) it extended the reach of foreign ownership of assets in the former Third World – precisely the condition that governments had tried to overcome in the 1970s.” (McMichael, 2000: 136)

The consequences of the debt crisis were extensive. On the whole, a new regulatory-institutional framework and mode of discipline, to which peripheral nations were subjected, was erected. (McMichael, 2000: 145-146) The “stability” of the global political economy took precedence over “other considerations, including the viability of government management of national economies.” (McMichael, 2000: 166-167 & 136) These factors “directly challenged the development state.” (McMichael, 2000: 136)

In effect, what emerged was the subordination of development itself “to the laws of the market.” (McMichael, 2000: 149 & 187) Peripheral states were “compelled” to “adopt policies privileging global,” as opposed to domestic, “economic relationships.” (McMichael, 2000: 133) “Thus,” writes McMichael, “in the place of national priorities, global priorities such as debt service, expanded trade, and renewal of foreign investment opportunities” were pursued. (McMichael, 2000: 159)

A few inferences may be made. First, deprivation, in the form of the debt crisis, contributed to the institution of a system of control that resulted in the subordination of the interests of developing

economies to considerations of global politico-economic stability.⁵³ The policies subsequently imposed were more so reflective of the interests of the newly congealed structural basis of the global order: i.e., the transnational sector. The implications of this reordering of priorities were profound. Peripheral economies were synchronized with the global political economy as never before. These themes will be revisited later, in Chapter V.

CONCLUSION:

In the first part of this chapter, I focused on Gibbs's modes and typologies of control. His categories of control interactions will be useful in the concluding section of this thesis. Specifically, I will argue that, when systematically and continuously employed, development assistance results in the patternization of the perceptions, expectations and behaviors of various agents and actors. This, in turn, produces a legitimized sphere of interaction and-or relations.

Gibbs's typologies of social control represent some of the more fundamental dynamics through which compliance is secured. To be sure, they are more insightful than some alternative models, but nonetheless exhibit the same myopic tendencies as other *atomistic-centric* modes of analysis. Global-historical phenomena, in other words, are still viewed to be the products of the determinate interactions of discrete agents. Gibbs's approach would thus appear prevent an understanding for how regimes⁵⁴ and the global politico-economic order are functionally interrelated; or for how they have reciprocally evolved. This relationship has profoundly impacted the developmental orientations and capacities of peripheral nations.

In the latter part of the chapter, I added what I believe has been another crucial historical factor in facilitating the development assistance provision regime's functioning as a regulative-control mechanism: i.e., conditions of deprivation. This, in combination with the examination of the debt crisis, lends support to my contention that phenomena such as development assistance provision are most adequately explained through *system-centric* modes of analysis. The transformed structure of the global order, in other words, was a critical factor in determining the nature of the

⁵³ i.e., to have permitted the default of distressed economies or the abrogation of debts, for instance, would have at once dismantled what was essential to the control dynamic itself.

⁵⁴ i.e., as a convergence of a multiplicity of actors and agents around some set of normative assumptions about legitimate modes of behavior and interaction.

reorientations imposed upon peripheral economies via the regime. These arguments⁵⁵ will be explored more fully in Chapter V.

In the next chapter, I will examine the institution of development assistance as a pervasive feature of the international political economy and the consequent establishment of a regime for its provision. My overriding concern will be for investigating the contexts within which these events occurred. I will argue that official development financing was initiated as a means of achieving two objectives: (i) stabilizing an otherwise faltering international economic system and (ii) thwarting the growth in influence of state capitalism and socialism as alternative politico-economic frameworks.

⁵⁵ i.e., the interrelations between transformations in the global politico-economic order, the functioning of development assistance provision as a regime, and the conditioning of development in the periphery.

CHAPTER III:
***THE ORIGINS OF OFFICIAL DEVELOPMENT ASSISTANCE AND THE ESTABLISHMENT OF A
REGIME FOR ITS PROVISION***

INTRODUCTION:

This chapter is primarily comprised of three sections. In the first, I focus on Dollar Diplomacy: the United States' approach to foreign investment and capital flows in the early decades of the twentieth century. The prevailing trend was to allow the private financial sector (or 'market forces') – albeit guided by government incentives and guarantees – to provide the stability required of the international political economy. The Dollar Diplomacy model ultimately collapsed under the weight of its own contradictions, giving way to other policy configurations.

In the second section, I examine the United States' transition to a system of development assistance provision predominantly composed of public capital infusions. I argue that two crises (or catalysts) necessitated this transition: i.e., (i) a languishing international economy, and (ii) the emerging influence of German and Japanese interests. Private investment markets had collapsed in the wake of the economic crisis and adversarial politico-economic systems were beginning to take root. In this context, governments themselves were forced to employ interventionist 'stabilization measures.' Instabilities persisted, however. This festering increasingly compelled the U.S. to make modifications to its 'calculus' for the conditions under which assistance would be made accessible.

In the final section, I explore both the continuities and discontinuities that existed between pre- and post-World War II systems of assistance provision. On the one hand, I argue that postwar programs still bore the 'modified calculus' of the prewar era. This was largely due to the similarity of the circumstances faced by the U.S. government: i.e., in the postwar period (i) the international economy remained in desperate need of revitalization, and (ii) the U.S. continued to view its interests as being under assault by an antithetical politico-economic system – i.e., the Soviet Union. Security considerations retained a significant amount of influence over U.S. policymaking, extending well into the Cold War.

On the other hand, the postwar system represented something qualitatively new: i.e., the establishment of a *regime* for the provision of development assistance. The regime arose as a result of U.S. postwar hegemony. The United States sought to erect an enduring liberal, capitalist global political economy. This objective guided its own assistance outlays and was the motivation behind its efforts at establishing the multilateral institutions of the International Monetary Fund (IMF) and World Bank. Subsequent programs and methods of assistance provision would be subsumed under the logic and functioning of the regime.

This chapter is furthermore a case study of the evolution of U.S. policies regarding the provision of development assistance. There are many reasons for this. Above all else, however, it was the decisive role of the United States in defining the postwar era that has made this necessary. Beyond any other nation, it disproportionately influenced the developmental orientations and trajectories of both individual nations and regions, as well as that of the international politico-economic system itself.

SECTION I: DOLLAR DIPLOMACY AND THE WITHERING OF THE SYSTEM OF PRIVATELY FINANCED CAPITAL INFUSIONS:

There is nothing altogether new about the attempts of governments at directing capital flows toward desirable ends. Adamson is quite explicit on this point: “To be sure, throughout the twentieth century U.S. foreign policy makers have leveraged America’s financial resources to achieve their goals.” (Adamson, 2005: 591) What is important, is to understand (i) the different forms policies have taken in different periods, (ii) what circumstances brought about the transition from one form to another, (iii) and what implications these transitions hold for our apprehension of the systematic functioning of development assistance provision as a pervasive feature of the international political economy.

THE DOLLAR DIPLOMACY MODEL:

In the early decades of the twentieth century, the stability of the international political economy, as well as the related geo-strategic interests of the United States were largely entrusted to the initiative of private capital markets.⁵⁶ Initially, this took the form of a “public-private partnership” known as “dollar diplomacy.” (Adamson, 2005: 593)

⁵⁶ i.e., in the form of privately financed foreign investment and-or lending.

Different analysts have characterized dollar diplomacy differently. Schoultz (1998) insists that it, in every instance, “began with U.S. government intervention, after which government officials brokered a financial arrangement between the intervened [in] Latin American government and the U.S. private sector.”⁵⁷ (Schoultz, 1998: 209) Adamson’s (2005) depiction suggests a broader interpretation. He associates dollar diplomacy with the government’s courting of private financial sector investments, through incentives and guarantees. Later, he implies that direct governmental interventions were the unintended and undesirable result of the policy, as opposed to being integral to its application.

In any case, both writers are in agreement on the intent of dollar diplomacy: i.e., the advancement of U.S. foreign policy objectives, and-or the establishment and maintenance of a sphere of influence for its economic and political security. The private financial sector was indispensable to the model’s efficacy. Private capital, it was believed, could be relied upon to subsidize the furtherance of American prosperity.

Prior to World War I, the formula appeared to have worked relatively well. “Controlled loans”⁵⁸ and “official guarantees of repayment”⁵⁹ spurred private foreign investment. (Adamson, 2005: 593) Some accounts even attribute early “American expansionism” to the aggressiveness of dollar diplomacy. (Adamson, 2005: 593) Yet this public-private collaboration was not without its contradictions.

In the first place, the interests of financial institutions “did not necessarily,” or at all times, coincide with those of the U.S. government. (Adamson, 2005: 595) Bankers, for instance, were predisposed to support “the free flow of capital and goods” above all else. (Adamson, 2005: 595) “[T]heir partnership structures,” moreover, were often “international in scope.” (Adamson, 2005: 595) These internationalist inclinations were, at the time, generally due to two factors: Wall Street was too (i) insufficiently capitalized⁶⁰ and (ii) relatively inexperienced,⁶¹ when compared to their European counterparts, to act independently. (Adamson, 2005: 593-594) Naturally, this frustrated

⁵⁷ Although it is somewhat unclear as to what Schoultz means by “intervention.”

⁵⁸ i.e., those which “refunded debts and restored the financial solvency of borrowers ...” (Adamson, 2005: 593)

⁵⁹ i.e., “in the form of customs receiverships, financial advisers, and military occupations.” (Adamson, 2005: 593)

⁶⁰ i.e., they “did not have a surplus pool of savings to recycle in the form of foreign bonds that their European counterparts enjoyed, as America remained a net importer of capital from Europe until 1914.” (Adamson, 2005: 593)

⁶¹ i.e., Adamson observes that, “owing to their lack of experience, Wall Street banks generally deferred the lead position on foreign issues to the European banks with which they were affiliated.” (Adamson, 2005: 593-594)

Washington's efforts at expelling European influence from regions of strategic significance, through the displacement of their investments. (Adamson, 2005: 595)

The incentive structure was flawed as well. The involvement of private banks was contingent upon profitable outcomes. They would, in other words, continue to require "the guaranteed repayment of 'controlled loans.'" (Adamson, 2005: 595) This placed Washington in a precarious position, as it had "never resolved the issue of how [it] would intervene to ensure [the] repayment of loans, short of military occupation." (Adamson, 2005: 595)

Altogether, dollar diplomacy has been labeled a "paternalistic" system, "involving bankers seeking new business, government officials interested in America dominating a sphere of influence, and financial experts, or 'money doctors,' consulting foreign clients." (Adamson, 2005: 593) Upon reflection, however, it might best be depicted as parasitic. The collaboration would endure only so long as the principal parties involved stood to benefit. Should a cataclysmic event disrupt the incentive structure, then the control dynamic itself would surely be dismantled. The First World War marked the first in a series of such catalysts.

WORLD WAR I AND ITS AFTERMATH:

The arrival of the First World War brought also disruption to the normal functioning of the international economic system. The "liberal international political economy" of the pre-war era was obliterated. (Adamson, 2005: 590) Most regions were rendered too "risky" to attract private investment and remained so even after the war had subsided. (Adamson, 2005: 596) Wall Street was thus hesitant to venture where the U.S. government had not yet agreed to "underwr[ite] the risk of default." (Adamson, 2005: 596) Hence, "during" the war and in "its immediate aftermath," the State Department increasingly "provided support" for investments in "areas other than those targeted by dollar diplomacy."⁶² (Adamson, 2005: 596)

The objective of this revitalized public-private collaboration was the restoration of the "liberal capitalist consensus of the 1880-1914 period."⁶³ (Adamson, 2005: 595) To this end, and imbued with the ideology of the "efficiency of markets," officials "sought to remove barriers to trade and revive private capital flows." (Adamson, 2005: 590) Yet, a waning of political and public support

⁶² This was "particularly" so for South America. (Adamson, 2005: 596)

⁶³ "They," in other words, "cooperated with European bankers and governments to restore the classical gold standard, fiscal orthodoxy, central bank independence, and the free movement of goods and capital." (Adamson, 2005: 595)

began to erode any basis from which to stimulate private sector investment flows. (Adamson, 2005: 595)

Policymakers “wanted,” on the one hand, to maximize the coherence between Wall Street investment patterns and the objectives of U.S. foreign policy. (Adamson, 2005: 596) On the other hand, however, they were obliged to minimize the “institutional liability” that accompanied “direct oversight.” (Adamson, 2005: 596) The prospect of defaults,⁶⁴ that is, required that they combat the “perce[ption] that the U.S. government was approving,” and would thus stand behind loans. (Adamson, 2005: 596) This had also been the fundamental contradiction within dollar diplomacy.

The General Loan Policy⁶⁵ of the State Department was supposed to resolve this conflict. On balance, it brought an end to any further “direct” governmental “support” for private lending. (Adamson, 2005: 596) The government sought, in effect, to divorce itself from ““any responsibility [whatsoever] in connection with loan transactions.””⁶⁶ (Adamson, 2005: 596) Increasingly, then, “during the interwar period,” the U.S. government began to rely predominantly on the proper “response of the financial markets.”⁶⁷ (Adamson, 2005: 595-596) Stability, it was hoped, would arise out of the market’s presumed tendency toward equilibrium.

This tenuous compromise worked quite well initially. The U.S. economy experienced an upsurge “[f]ollowing the end of [a] sharp, but short, postwar recession.” (Adamson, 2005: 596) Such growth enabled firms within the private financial sector⁶⁸ to amass large “pools” of reserve capital. (Adamson, 2005: 596) These reserves provided a basis from which they could engage in lending and, at least to some degree, shore up the international economic system. (Adamson, 2005: 596)

Deep-seated contradictions within Washington’s approach would surface once more, however. The General Loan Policy “confused bankers, investors, and politicians” alike, writes Adamson.

⁶⁴ i.e., whether due to an inability, or unwillingness on the part of a recipient to repay loans.

⁶⁵ Instituted in March of 1922. (Adamson, 2005: 596)

⁶⁶ Nevertheless, the policy left open the option that the State Department “might object to a loan if its purpose violated certain criteria, such as [the] funding [of] an armaments program.” (Adamson, 2005: 596)

⁶⁷ i.e., “market-driven lending.” (Adamson, 2005: 595-596)

⁶⁸ Which, by this time, had become “increasingly competitive and aggressive.” (Adamson, 2005: 596)

(Adamson, 2005: 598) The “issue of how to encourage loans without seeming to endorse them” proved confounding:

Unable to compel banker cooperation in an increasingly frenzied and global market for securities and unwilling to caution against lending that it could not effectively ban, the department ... reduced its oversight, thus doing little to dissuade bankers, brokers, and investors that it stood behind all foreign loans.
(Adamson; p. 599)

The U.S. government had effectively sidestepped the question of how to “regulate foreign lending,” even as the questionable “capacity of borrowers” to “service their mounting debt loads”⁶⁹ loomed.⁷⁰ (Adamson, 2005: 597-598) In this context, “Wall Street continued to float loans until sovereign borrowers began to default.” (Adamson, 2005: 598)

As a matter of substance, the General Loan Policy proved counterproductive. It further relinquished control over capital flows to the unbridled inclinations of private financial institutions and the dictates of investment markets. In so doing, national and regional interests and the “stabilization of the international political economy,” as a whole, were relegated to the status of no more than an afterthought. (Adamson, 2005: 596) Put differently, the policy of the State Department subordinated systemic “equilibrium” to other considerations and contributed ultimately to further regional and international instabilities. (Adamson, 2005: 598)

SECTION II: THE EMERGENCE OF A PUBLICLY FINANCED SYSTEM FOR DEVELOPMENT ASSISTANCE PROVISION:

PHASE I: THE GREAT DEPRESSION – AN INTERNATIONAL ECONOMIC CRISIS:

With the onset of the Great Depression, the stage was set for a profound shift in how the U.S. would come to view foreign assistance. Neither foreign policy objectives, nor international politico-economic stability could be pursued through the same means as had been relied upon previously. The international economic crisis, had thoroughly quashed the “viability of relying on Wall Street” as the preferred source of overseas capital infusions. (Adamson, 2005: 599) “After 1930,” writes Adamson, “foreign lending collapsed. Defaults ensued, with systematic default

⁶⁹ Adamson points specifically to Germany, Eastern Europe, and Latin America. (Adamson, 2005: 597)

⁷⁰ In hindsight, it appears as though efforts at promoting restraint were exceptional: between 1924 and 1927 “officials” attempted to dissuade “bankers” from “lending to Germany [as well as] to countries that did not cooperate with Washington in negotiating the repayment of war debts.” (Adamson, 2005: 597)

concentrated in central Europe and Latin America.” (Adamson, 2005: 599) Markets were “essentially moribund.” (Adamson, 2005: 590) The issues of how assistance flows should be financed and dispersed, as well as how expansive (or restrictive) programs ought to be were all open for debate.

Because it had “had no effective response to the debt crisis,” the State Department was forced to “adopt the role of an interested observer, consistent with its policy of ‘nonintervention.’” (Adamson, 2005: 599) This position became even more pronounced following the “hearings on foreign loans.”⁷¹ (Adamson, 2005: 599) Thereafter, it showed a “reluctance” to “intercede” on the “behalf” of bondholders or even to “appear to support additional Wall Street lending.” (Adamson, 2005: 599)

This is not to suggest that the Department of State somehow refrained from thrusting itself into the unfolding debate. Its belligerence is in fact well documented by Adamson. In the first place, its officials insisted that privately financed stabilization measures be exclusively relied upon. The Department, moreover, resolved that “sovereign borrowers” be held “responsible” for the debts they had incurred. (Adamson, 2005: 600) Specifically, it “refused to sanction” deferments on the servicing of national debts,⁷² much less consent to any “abrogation of foreign loan contracts.” (Adamson, 2005: 600) Generally, this was a result of the Department’s desire for “foreign governments to preserve or regain ... access to [private] capital market[s].” (Adamson, 2005: 600)

The State Department would remain intransigent in its support for the primacy of markets throughout the period. It consistently asserted that the United States’ approach to foreign assistance be “conditioned” upon two criteria: i.e., (i) that “sovereign debtors [make] ‘satisfactory’ progress on resolving defaults” and (ii) that the government, itself, avoid instituting a system of publicly financed, intergovernmental assistance provision.⁷³ (Adamson, 2005: 600) The Department’s position “was thoroughly discredited” by 1933, however.⁷⁴ (Adamson, 2005: 600)

⁷¹ “[H]eld [by] the Senate Finance Committee from December 1931 through February 1932.” (Adamson, 2005: 599)

⁷² i.e., on the “interest and amortization payments.” (Adamson, 2005: 600)

⁷³ Ostensibly, “because it did not want Washington assuming the responsibility of a debt collector should a borrower default,” as had been the case under dollar diplomacy and with “U.S. loans from World War I.” (Adamson, 2005: 600)

⁷⁴ This was due in part to the failure of the FBPC, which the State Department had promoted. For Adamson, its failure was attributable to the fact that the “interests of bondholders and their representatives diverged from the national security interests of U.S. foreign

With the arrival of the Roosevelt administration, “authority over international monetary matters” was “concentrated” within the Treasury Department, “where ‘new’ liberals ... were eager to use public capital to promote overseas financial stabilization and economic development.” (Adamson, 2005: 601) On balance, an intellectual shift had occurred wherein “unrestricted capital flows” were now thought to have “destabilized the post-World War I international political economy.” (Adamson, 2005: 601) Indeed, officials had begun to contend that “public lending was justified because private capital movements warranted ‘some measure of intelligent control [of their] volume and direction.’” (Adamson, 2005: 601) “They,” in addition, eschewed the use of “either the RTAP or debt settlements as first steps in reviving private capital flows.”⁷⁵ (Adamson, 2005: 601)

Also owing to this shift in thinking, the Roosevelt administration “established” the Export-Import Bank (Exim) in 1934 as a means of “overcoming” various “obstacles to trade.”⁷⁶ (Adamson, 2005: 589-590) The mandates given to Exim and the Treasury Department “would,” according to Adamson, “neatly compliment one another.” (Adamson, 2005: 602) Both Treasury and Exim officials “wanted to broaden the scope of the bank’s activities to development lending as a complement to Treasury’s financial stabilization operations.” (Adamson, 2005: 590)

Above all else, Exim afforded an “institutional basis” from which to “promote development” and national interests “abroad with public capital.” (Adamson, 2005: 592) Predictably, the State Department resisted. As Adamson explains: “It did so because it continued to believe that it was better to rely on markets than states to govern trade and investment flows, and therefore hoped that Wall Street would soon be able to support U.S. foreign policy goals as it had” previously. (Adamson, 2005: 593) Despite this, Exim would “ultimately” “emerge” as the “primary vehicle” for administering external assistance transfers. (Adamson, 2005: 589)

It is important to understand what circumstances contributed to this “transition” from relying primarily on “private” to “public” capital – however moderate. (Adamson, 2005: 591) The onset of the Great Depression and coinciding collapse of international markets were the most

policy makers.” He writes, for instance, that the FBPC, “in practice,” “approached debtors in the ‘hard boiled’ belief that they should repay their debts in full and were capable of doing so.” (Adamson, 2005: 600)

⁷⁵ i.e., the Reciprocal Trade Agreements Program (RTAP).

⁷⁶ Specific obstacles included “exchange controls, tariffs, the Federal Reserve Bank’s inability to discount credits for more than three months’ duration, and the unwillingness of commercial bankers to extend medium- to long-term credit.” (Adamson, 2005: 589-590)

demonstrable factors. Yet, even in this context, the State Department continued to oppose efforts at setting into motion a “robust” foreign assistance “program.” (Adamson, 2005: 590)

The State Department believed that RTAP was the answer to “reviv[ing] trade.” (Adamson, 2005: 602) It furthermore objected to the notion that the U.S. should engage in lending directly “to other governments.” (Adamson, 2005: 602) In the first place, it did not want to open the U.S. government up to any sort of liabilities associated with default.⁷⁷ Secondly, the Department did not want to be perceived as “rewarding defaulters;” or, more pointedly, as “hamper[ing] efforts [at] resolv[ing] existing defaults.” (Adamson, 2005: 590) This position was one clearly aimed at protecting the interests of Wall Street. If capital-starved foreign governments were awarded publicly financed loans at “discounted” rates while nonetheless “defaulting on [their] private debts,” for instance, then the whole structure of the private foreign investment market would be disrupted. (Adamson, 2005: 602)

“At issue,” writes Adamson, “was whether Exim could offer exporters credits on a ‘without recourse’ basis.”⁷⁸ (Adamson, 2005: 602) If so, then the interests of Wall Street might be threatened. But if not, then domestic industries stood to suffer. Exporters “pressured” the State Department on the issue: “The department,” in the end, stated that it “might approve ‘purely commercial’ transactions through exporters on a ‘with recourse’ basis, but [that] it would not allow Exim to extend intergovernmental credits.” (Adamson, 2005: 602)

Exim officials responded by stating that they would consider “‘transactions of unusual character which involve[d] terms and risks outside the ordinary routine of export and import business.’” (Adamson, 2005: 602) They furthermore united with “business groups” in pressing “for greater use of without recourse lending.” (Adamson, 2005: 602) The State Department stood firm, however. When possible, the Department resisted the “[approval of] Exim assistance to any foreign government,” “regardless” of its “standing” with respect to “dollar debts.”⁷⁹ (Adamson, 2005: 590 & 603) “Above all,” writes Adamson, it displayed a zeal for “veto[ing] Exim finance to governments that showed insufficient interest in their debts in default” and, in so doing, “found common ground with bankers.” (Adamson, 2005: 603)

⁷⁷ i.e., “lest unforeseen difficulties pressure Washington to intervene directly as had occurred under dollar diplomacy.” (Adamson, 2005: 602)

⁷⁸ i.e., where the donor government would be left with no means of “recovering funds” in the case of defaults. (Adamson, 2005: 602)

⁷⁹ Adamson points, for instance, to the “case of Venezuela, which had no dollar debts.” (Adamson, 2005: 603)

The point to be emphasized is that even within the throes of an international economic crisis, private sector enterprises mediated to some degree the scope and intensity of publicly financed stabilization measures. The private financial sector, with the backing of the State Department, impeded efforts at establishing a more ‘robust’ system. Other private sector industries⁸⁰ pursued less restrictive programs. The emergence of a more liberalized, or expansive system of publicly financed foreign development assistance would, in the end, require a commingling of crises – or catalysts.

PHASE II: CONCERNS OVER NATIONAL SECURITY AND THE UNITED STATES’ SPHERE OF INFLUENCE:

As late as 1937, discord between the Departments of State and Treasury and Exim officials was ongoing. The State Department remained resolute in its position that publicly financed assistance not be extended to “governments in default,” and thwarted various Exim projects on this basis.⁸¹ (Adamson, 2005: 604-605) “National security considerations” would soon oblige the State Department to modify its stance, however. (Adamson, 2005: 589-590 & 604)

Increasingly, German and Japanese political and economic interests encroached upon areas of strategic significance to the United States. Adamson argues, for instance, that they made overt attempts at linking Latin America and China to “autarkic economic systems.”⁸² (Adamson, 2005: 590) These circumstances “required” that United States become more “proactive.” (Adamson, 2005: 590)

Officials within Exim and the Treasury Department insisted that the Department of State dispense with its restrictions on intergovernmental lending. (Adamson, 2005: 604) They furthermore advanced “increasingly robust proposals to aid China and Latin America.” (Adamson, 2005: 604) The State Department was to some degree compelled to modify its attitude. (Adamson, 2005: 606)

⁸⁰ i.e., particularly those dependent upon the regeneration of international trade.

⁸¹ Specifically, Exim proposals for Peru, Ecuador, and Brazil were blocked. (Adamson, 2005: 604-605)

⁸² As Adamson explains later: “[State Department] officials increasingly worried about Germany’s use of incontrovertible ‘aski’ marks that Latin American importers used exclusively to pay for German manufactured goods. At the same time, Germany offered premium prices for Latin American commodities, thereby excluding U.S. suppliers out of important markets ... [O]fficials also feared that Latin American governments in default on their sovereign debts would turn to European firms on deals that tied loan proceeds to purchases of services and supplies.” (Adamson, 2005: 606-607)

Security considerations forced an augmentation in the Department's "calculus." (Adamson, 2005: 607) Its intransigence on the issue of intergovernmental lending, in particular, was set aside due to the necessity of maintaining an appropriate sphere of influence. (Adamson, 2005: 607) In the ensuing years (1938-1941), Exim enjoyed an "increased, albeit moderate, volume of ... activity." (Adamson, 2005: 590) Nevertheless, "'satisfactory' settlements of debt defaults" remained pivotal to the State Department's thinking. (Adamson, 2005: 590-591)

Aside from permitting a moderate degree of intergovernmental lending, the United State's approach to foreign assistance at the outset of its entry into the Second World War remained more so "reflective" of the wishes of the State Department.⁸³ (Adamson, 2005: 615) Moreover, Exim's lending capacity in 1939 was "limited" to \$100 million, despite vigorous efforts at increased funding. (Adamson, 2005: 617-618) By 1940, the figure was expanded to \$200 million, although it bore additional restrictions.⁸⁴ (Adamson, 2005: 620)

This increase in lending capacity was a direct outcome of the exigencies of a fragmented international political economy. The dual crises of (i) the withering of international markets,⁸⁵ and (ii) an expanding sphere of influence for adversarial politico-economic systems, necessitated a more intensive reliance on interventionist stabilization measures. The perception had become, in other words, that previous lending was insufficient. Neither the stability of the international system, nor U.S. national security objectives could be effectively pursued unless more vigorous efforts were made. Yet, even in doubling Exim's budget, policymakers failed to comprehend the immensity of the crisis that lay before them.

The "fall of France" would serve as a flashpoint in this respect. (Adamson, 2005: 621) In the wake of France's defeat, Exim's lending capacity was expanded and the scope of its activities broadened. Adamson observes, for instance, that the response of the Roosevelt administration was to lobby for an additional \$500 million in appropriations for Exim operations. (Adamson, 2005: 621) In addition to this, "restrictions" on lending were lifted and it was "made clear" that "debt defaults" had become "less of an obstacle to the extension of Exim credits." (Adamson, 2005: 621)

⁸³ i.e., "it was consistent with the State Department's position on debt collection." (Adamson, 2005: 615)

⁸⁴ i.e., Congress, on the one hand, limited "loans to any single country to \$20 million" and "subjected them," on the other, "to the 1939 Neutrality Act, which banned funds from being used for military purchases." (Adamson, 2005: 620)

⁸⁵ And with that, an almost complete collapse of the foreign investment market.

This precipitous shift in support for Exim projects “made explicit,” in Adamson’s words, “the link between development aid and national security” considerations. (Adamson, 2005: 621) It seems unlikely, in other words, that such resources would have been expended in the absence of these dual crises.

Nonetheless, the impact Exim’s newly afforded latitude might have had, neither reached its full potential, nor what its proponents had “envisioned.” (Adamson, 2005: 621) On the one hand, while Exim was “freed ... from the standards of a private banking operation,” which made “political loans on behalf of ‘good neighborliness’” possible, its lending patterns remained subject to other constraints. (Adamson, 2005: 621-622) Loans were overwhelmingly confined to “projects that developed strategic materials for the U.S. war effort.” (Adamson, 2005: 621-622) On the other hand, Exim lending never approached the amounts of capital mobilized by the private sector during the 1920s. (Adamson, 2005: 621) Nor was it comparable in scale to the assistance programs that would emerge in the period immediately following the Second World War.⁸⁶ (Adamson, 2005: 621)

SECTION III: THE POST-WORLD WAR II AND COLD WAR SYSTEM OF DEVELOPMENT ASSISTANCE PROVISION – THE ESTABLISHMENT OF A ‘REGIME’:

There is no need to probe too deeply, here, into the minutiae of the European Recovery Program (i.e., the Marshall Plan). Nor should other post-WWII efforts at development assistance provision, extending into the Cold War, be isolated from one another for purposes of scrutiny. What is imperative, however, is that we examine whatever continuities – or disjunctures, alternatively – may have existed (or arisen) between pre- and postwar systems of assistance provision. As Adamson, himself, explains: “many of the issues” that had been the source of contentious debate during the 1930s and leading into the Second World War, were later “revisited in the postwar period.”⁸⁷ (Adamson, 2005: 591) This is due in part to the similarity of the circumstances faced by officials in either period.

So, on one level, there was a large degree of continuity between the two periods. In many ways, postwar programs represented the procedural residua of prewar compromises. Policymakers’

⁸⁶ i.e., “when the Truman administration extended more than \$13 billion under the Marshall Plan alone.” (Adamson, 2005: 621)

⁸⁷ Such as “the circumstances that justified government-to-government aid; whether aid would (or should) displace private lending; and the extent to which Washington should promote ‘the reemergence of global finance,’ ...” (Adamson, 2005: 591)

thinking continued to be guided by the exigencies of a destabilized world politico-economic system. The international economy remained fragile and in desperate need of revitalization. McMichael writes, for instance, that: “International trade had fallen by 65 percent during the Depression of the 1930s as countries withdrew from trade. This withdrawal continued during a devastating second world war (1939-1945).” (McMichael, 2000: 44) What’s more, threats to national security still loomed. Significantly, the U.S. continued to view itself as being in the midst of a struggle over “spheres of influence;” although in the postwar era its principal rival was the Soviet Union. (McMichael, 2000: 52)

These factors compelled officials to augment their ‘calculus,’ once more, for how development assistance would be employed. As suggested by McMichael, postwar “global economic reconstruction” required that two objectives be pursued. (McMichael, 2000: 46) The first was the “containment of communism.” (McMichael, 2000: 46) Subsequently, “reconstruction would be accomplished by a complex multilateral arrangement whereby infusions of American dollars would stimulate the world economy.” (McMichael, 2000: 46-47)

This has not gone unnoticed, of course. Many analysts have depicted postwar efforts similarly. Emphasis has been continually placed on the reconstruction of Western Europe and revitalization of the world economy, as well as the subversion of adversarial politico-economic systems. Yet, while postwar efforts at development assistance were not altogether unprecedented, nor were they simply a follow-through from earlier programs either.

I argue, in fact, that in some significant respects the postwar era of development assistance provision represented something qualitatively different from what had gone before. In the first place, the Marshall Plan, which marks the dawning of this new period, was the most ambitious and massive infusion of public capital into the international economic system that the world has ever experienced.⁸⁸ Furthermore, it was unilaterally imposed. Europe lay devastated. And the United States was the only nation in a position to expend such immense resources.

These circumstances alone afforded Washington the unique position of being able to dictate the terms and conditions under which development assistance would be extended. Significantly, “the

⁸⁸ McMichael has observed that “[b]y 1953, the Marshall Plan had transferred \$41.3 billion to the First World economies and had sent \$3 billion in bilateral aid to the Third World.” (McMichael, 2000: 46)

United States sought to gain nations' allegiance to the Western free enterprise system by promoting their economic growth through financial assistance." (McMichael, 2000: 45) The Marshall Plan, in particular, was "aimed at securing private enterprise" in "regions" of strategic significance so as "to undercut socialist movements and labor militancy." (McMichael, 2000: 46) The infusion of capital, moreover, subsidized the "purchase of American goods," further "integrat[ing] these countries' economies with that of the United States." (McMichael, 2000: 46) In McMichael's estimation, this effectively led to the "consolidation" of the "Western bloc under American leadership." (McMichael, 2000: 46)

It was also at this juncture that the United States orchestrated the establishment of the multilateral institutions of the IMF and World Bank at the Bretton Woods conference. Aside from "lubricat[ing] the world economy,"⁸⁹ as McMichael puts it, these institutions possessed "predictable First World bias[es]." (McMichael, 2000: 49) They were – and still are – governed by, and in the interests of a few core nation-states.⁹⁰ This has been "reflected" in World Bank practices. (McMichael, 2000: 50)

Without going into too much detail,⁹¹ it is significant to reflect upon the ways in which the Bank has influenced development, both intellectually and materially. First, McMichael states that it "catalyzed the central ideas" surrounding development. (McMichael, 2000: 51) The Economic Development Institute was established in 1956 to instruct the representatives of peripheral nations "in the theory and practice of development." (McMichael, 2000: 51) Furthermore, "other multilateral banks and aid agencies" have uniformly subscribed to the World Bank's model. (McMichael, 2000: 51) In this way, an intellectual threshold was reached, which enveloped the world's organizations engaged in stimulating development.

Likewise, World Bank lending policies have "set the parameters of development," precluding the exploration of "alternatives." (McMichael, 2000: 52) Whenever developing nations deviated from the prescribed course, assistance flows were discontinued. (McMichael, 2000: 52) Accordingly,

⁸⁹ i.e., via directing "funds to regions that needed purchasing power." (McMichael, 2000: 49)

⁹⁰ As elaborated by McMichael: "First, control of the Bank was dominated by the five biggest (First World) shareholders ... [and this] asymmetry still exists... Second, the president of the World Bank is customarily an American, just as the managing director of the IMF is customarily a European. Third, the Bank finances only foreign exchange costs of approved projects, encouraging import dependence (in capital-intensive technologies) in development priorities. Finally, the IMF adopted a "conditionality" requirement, requiring applicants to have economic policies that met certain criteria in order for them to obtain loans. ... In this way, Third World development priorities were tailored toward outside – that is, First World – evaluation." (McMichael, 2000: 49-50)

⁹¹ Such as the "priorities" it has placed on "productive" over "social investments," as well as, its inclinations toward "large-scale, capital-intensive projects." (McMichael, 2000: 50)

these institutions have disproportionately influenced the developmental orientations and prospects available to peripheral nations. As with the Marshall Plan, “multilateral” financing was devoted “to extending the realm of free enterprise.” (McMichael, 2000: 52)

These factors, taken jointly, underscore the immense amount of influence the U.S. wielded throughout the postwar era. Its role as an emerging hegemonic power held implications for the lines along which development would follow. This was so for both the reconstruction of the international politico-economic system and its constituent nation states.

In brief, where different states may have approached lending, and even development,⁹² differently prior to the Second World War, this would no longer be the case. Both bilateral and multilateral efforts at the provision of development assistance were tailored toward the promotion of particular ends. These objectives, as well as the means through which they would be realized, were often mutually reinforcing. In effect, the transition to a postwar era was, at once, a transition to U.S. hegemony. And U.S. hegemony may be grasped as having been synonymous with the ascendance of an inflexibly liberal, capitalistic global politico-economic order.

Wood (1986) operates from a similar standpoint. His analysis associates postwar efforts at development assistance, originating with the Marshall Plan, with the installation of what he has termed the ‘*aid regime*.’ The European Recovery Program, in other words, effectively led to the codification of a set of procedural norms for the provision of development assistance, internationally. This brought about the demarcation of a legitimized ambit for politico-economic behavior within which development was to be pursued. Consequently, postwar assistance programs deterred developing nations and those undergoing reconstruction alike from deviating significantly from expectations.

The impetus for the Marshall Plan, according to Wood, arose from “perceptions of the U.S. economy’s structural needs” as well as a proposed “theory” of the “causes” of the Second World War. (Wood, 1986: 34) Regarding the latter, Wood writes that “the State Department developed a frankly economic interpretation of the causes of the war, focusing on the breakdown of the world economy under the dual pressures of the fractious legacy of WWI and the depression and on the

⁹² i.e., the promotion of development, whether internally or externally directed.

ensuing economic warfare, which led to increasing controls on international trade and capital movements.” (Wood, 1986: 34)

U.S. officials, therefore, sought to construct a “multilateral world economy – based on the unobstructed movement of capital and labor...” (Wood, 1986: 34) Obstacles stood in the way, however. A “dollar shortage” in Europe threatened to stifle U.S. post-war export potential, which was viewed as essential to “avoiding a postwar depression” as well as reintegrating national economies. (Wood, 1986: 35-36) This dearth of sovereign funds, combined with the failure of privately financed foreign investment, necessitated the mobilization of public capital entailed in the Marshall Plan. (Wood, 1986: 36 & 40)

And while the impetus for the Marshall Plan was primarily “economic,” political objectives were sought after as well. (Wood, 1986: 36) U.S. policymakers had come to view statism, or “national capitalism” – alongside socialism – as inherently detrimental to the construction of a new “multilateral” world order. (Wood, 1986: 38-40) Indeed, writes Wood, “it was not the *continuity* of European capitalism that was at issue, but its *form*.” (Wood, 1986: 38)

Wood’s observations have been echoed by McMichael. He argues that the United States “wanted an open world economy.” (McMichael, 2000: 46) Clearly, the Soviet Union stood in the way. But Western European inclinations were also problematic. Generally, there existed a “trend toward economic self-reliance” and progressive socio-economic policies,⁹³ which required “closely regulated national economies.” (McMichael, 2000: 46) The “transfer of billions of dollars to European states and Japan” through the Marshall Plan was chiefly aimed at resolving these countertrends. (McMichael, 2000: 46)

U.S. policymakers strove to overcome these impediments through the promotion of a “triangular trade model.” (Wood, 1986: 41) As envisioned, the ‘model’ was a hierarchical system for both production and trade. Peripheral nations⁹⁴ were “expected” to produce revenue through the export of “raw materials,” primarily to the United States. (Wood, 1986: 41) In addition to providing the U.S. economy with cheap production inputs, the periphery would serve as a “market for European goods.” (Wood, 1986: 40-42) The ‘dollar shortage’ in Europe would thus be alleviated, securing a

⁹³ Such as “social peace and full employment.” (McMichael, 2000: 46)

⁹⁴ Or what were, at the time, “overseas territories.” (Wood, 1986: 40-42)

sustainable market for U.S. exports. (Wood, 1986: 40-42) “The raw material exports of the overseas territories,” therefore, “were seen as critical to both the success of the Marshall Plan in Europe and to U.S. prosperity,” concludes Wood. (Wood, 1986: 42) McMichael has characterized the operation of this “system” differently, but is in agreement on its fundamental dynamics. (McMichael, 2000: 46)

As with prewar programs, part of the overall orientation of postwar assistance provision was to defer to the interests of private foreign investment. According to Wood, the U.S. “refused” to displace the role of “private enterprise,” “asserting that it would be American policy ‘not to extend loans of public funds for projects for which private capital is available.’” (Wood, 1986: 46) This was meant to allay “considerable concern in the business community” that “‘little Marshall Plans’” might stamp out private investment opportunities in the developing world. (Wood, 1986: 46) Hence, “those areas capable of attracting private investment were rigorously excluded from substantial foreign aid during this period.” (Wood, 1986: 46) This position, according to Wood, explains why Latin America was forced to rely more so on private, than public financing. (Wood, 1986: 46)

Relatedly, Truman’s addition of “Point Four” to the Marshall Plan pledged “technical assistance to promote development in the” periphery. (Wood, 1986: 46) Yet even this was intended as a means of both “pav[ing] the way for,” and promoting the “crucial function of private capital.” (Wood, 1986: 47) Congress, Wood continues, went so far as to include “‘the improvement of investment climates’ as a second basic objective of the program.” (Wood, 1986: 47)

Aid to European “overseas territories” was “indirectly financed by the Marshall Plan.” (Wood, 1986: 55) Even here, however, the U.S. sought to mediate the influence it had over the colonies’ developmental orientations. In British Malaya, “British counterinsurgency efforts seem to have enjoyed full U.S. support.” (Wood, 1986: 57) The U.S. withheld funding for “projects” in Indochina, but continued financing “France’s war” against Ho Chi Minh’s revolutionary forces. (Wood, 1986: 58) And when it was recognized that nationalists in Indonesia were “anticommunist and programmatically conservative,” U.S. financial support was shifted toward fostering its independence from the Netherlands. (Wood, 1986: 58)

“Gradually,” publicly financed assistance was made available by the ECA to “underdeveloped” regions other than those of the European “overseas territories.” (Wood, 1986: 59) Once again, these transfers were often linked to the suppression of “civil and revolutionary struggles,” most especially in Asia. (Wood, 1986: 60) Wood, for instance, writes: “Sixty-four percent of the total went to Taiwan, Korea, and the Philippines, and a \$248.7 million loan to India ... was credited with ‘preventing the establishment of a new Communist bridgehead in Asia.’” (Wood, 1986: 60) China, which was supposed to be the “original” beneficiary of Marshall Plan assistance in Asia, was excluded after its revolution. (Wood, 1986: 59)

One of Wood’s principle assertions is that the Marshall Plan was never, in practice, brought to a close. Substantial transfers of aid to Europe continued under the aegis of the Mutual Security Agency after 1952. (Wood, 1986: 63) Moreover, he argues that “there is no radical discontinuity between the Marshall Plan and the later aid programs focused more exclusively on the Third World.” (Wood, 1986: 65) He continues: “The Marshall Plan not only shaped the international context within which the aid regime subsequently evolved, but it also created a body of operating principles and procedures that remain an integral part of the aid regime.” (Wood, 1986: 65)

THE COLD WAR:

For my purposes, it is sufficient to underscore the fact that the modified ‘calculus’ for the provision of assistance, which arose out of the dual crises of the late prewar period, remained somewhat intact well into the Cold War. While the global economic system as a whole may have become relatively more stable, the perceived threat from adversarial politico-economic entities still drove the administration of assistance flows. Socialist aligned countries⁹⁵ constituted an existential threat in the eyes of Western leaders in the sense that they might sever essential linkages with the periphery, which represented “a vital source of strategic raw materials and minerals.” (McMichael, 2000: 53) Adamson relates, for example, that “[t]hroughout the Cold War, policymakers justified foreign aid as an emergency security response ...” (Adamson, 2005: 623)

This is borne out in McMichael’s depiction of “patterns” of Western development assistance provision in the “postwar era”:

⁹⁵ Or those espousing “an alternative political-economic vision.” (McMichael, 2000: 53)

All states could not be equal; some were more significant players than others in the maintenance of order in the world market system. Western aid concentrated on undercutting competition from states or political movements that espoused rival (that is, socialist) ideologies of development. Its priority was to use funds and trade deals to stabilize geopolitical regions through regionally powerful states ... These states functioned as military outposts in securing the perimeters of the so-called free world and in preventing a 'domino effect' of defections to the Soviet bloc. (McMichael, 2000: 52)

He later adds that disbursements from the U.S. “between 1945 and 1967 confirm this view of the world”: (McMichael, 2000: 53)

Yugoslavia ... received considerable aid as the regional counterweight to the Soviet Union ... Elsewhere, aid to geopolitically strategic states (including Iran, Turkey, Israel, India, Pakistan, South Vietnam, Taiwan, South Korea, the Philippines, Thailand, and Laos) matched the total aid disbursement to all other Third World countries. (McMichael, 2000: 53)

LATIN AMERICA IN THE COLD WAR:

Schoultz (1998) provides an excellent illustration of this dynamic in his examination of the United States' dealings with Latin America during the Cold War. Following the Depression and the Second World War, Latin America experienced a great deal of political instability. The United States had long supported “friendly dictators.” (Schoultz, 1998: 354) A wave of “reformist populism” had begun gaining traction, however. (Schoultz, 1998: 353) In quick succession, one dictatorial government after another was overthrown.

According to Schoultz, it was not immediately clear in Washington whether these occurrences were linked to interventionist-subversions on the part of the Communist bloc,⁹⁶ or to popular and spontaneously emerging discontentment. The Eisenhower administration therefore initiated a “bifurcated policy,” designed to “address” either scenario. (Schoultz, 1998: 354) As was customary, “anticommunist dictators” who managed to retain power would continue to benefit from U.S. “support.” (Schoultz, 1998: 354) Such “support” often came “in the form of military assistance,” which would then be repressively employed. (Schoultz, 1998: 354)

⁹⁶ Or “adventurism,” as it is often referred to by Schoultz.

As a complement, however, Washington “revers[ed] its opposition to economic development assistance.”⁹⁷ (Schoultz, 1998: 354) The 1959 Cuban revolution further galvanized Washington’s resolve. Policymakers had become convinced that Castro’s ascension to power bore more significance than might have originally been thought. As a presidential candidate, Kennedy stoked these fears, stating: “‘Castro is only the beginning of our difficulties throughout Latin America. The big struggle will be to prevent the influence of Castro spreading to other countries.’” (Schoultz, 1998: 356) Thereafter, the United States vigorously promoted “the economic development of Latin America.” (Schoultz, 1998: 356)

Development, it was thought, might prevent impoverished nations from aligning themselves with the Soviet Union. As Schoultz explains, this doctrine owed its origins to “Huntington Wilson’s crude Dollar Diplomacy hypothesis: ‘prosperity means contentment and contentment means repose.’” (Schoultz, 1998: 357) Stated more pointedly: “a prosperous people will not attempt to destabilize a system that supports their prosperity, and in particular [a] prosperous capitalist people will not turn in desperation to communism.” (Schoultz, 1998: 357)

But this era’s approach differed from that of the “Dollar Diplomats” in two significant respects: (i) public instead of private capital would be utilized and (ii) it would for the most part be given “on concessional terms.” (Schoultz, 1998: 357) McMichael argues that a significant amount of the success experienced by Mexico and Brazil was due to their status as “consequential” regional-states “[w]ithin the context of the Cold War.” (McMichael, 2000: 83) They, like their Asian counterparts, were the beneficiaries of “direct and indirect economic” and “[m]ilitary” assistance, as well as of privileged “access to the U.S. market.” (McMichael, 2000: 83)

It is important to remember, of course, that the transfer of assistance was not the U.S.’s only means of leverage. Chile was effectively disciplined following Allende’s election. Schoultz writes that “Nixon told CIA Director Richard Helms to ‘make the [Chilean] economy scream,’ a decision implemented in part by an economic aid cutoff.” (Schoultz, 1998: 361)

⁹⁷ “[T]he administration declared,” in other words, “that it would no longer oppose the negotiation of commodity stabilization agreements, that it would no longer oppose the creation of the soft-loan International Development Association, that it would support a plan to double the World Bank’s lending authority, that it would increase Eximbank loan authority from \$5 to \$7 billion, and that it would support the creation of a Latin American common market.” (Schoultz, 1998: 354)

It is perhaps revealing that by the close of the Cold War, Latin America's prominence in the minds of U.S. policymakers had faded. Schoultz records that "aid to Central America fell from a peak of \$1.2 billion in 1985 to \$167 million in 1996." (Schoultz, 1998: 366) Military aid was summarily withdrawn as well. (Schoultz, 1998: 366)

ASIA IN THE COLD WAR:

Yet another example of this doctrine can be found in the U.S.'s Cold War relationship with Southeast Asia. According to McMichael, "strong geopolitical forces contribut[ed]" to the region's successful development. (McMichael, 2000: 82-83 & 86) Castells (1992) captures this well: "The critical factor ... is that the U.S. perceived most of Asia as being clearly in danger of a general communist takeover ... Therefore strategic considerations overshadowed all other calculations for U.S. policy in the region, which in fact gave much more freedom to maneuver to the local states in the running of their economies, ..." (Castells, 1992: 52)

Such latitude would, in turn, prove essential to the region's successful development. Castells likens this to the concept of *vassal states* – or the condition where a nation-state is not politically and economically "dependent" per se, but where it is "largely autonomous in the conduct of its politics, once it has abided by the specific contribution it has to make to its 'sovereign state.'" (Castells, 1992: 63) Hence, by virtue of their anti-communist orientation, East Asian states were provided "unconditional, politically and militarily motivated support" which "created a security umbrella, [that] relieved much of the burden of the huge defense budget, and played a role in the critical initial stages in facilitating access to world markets..." (Castells, 1992: 63)

Other authors have formulated similar theses.⁹⁸ Hsiao (1988) explains the "multifaceted support" – i.e. "economic" and "military" – that the Asian NICs received within the context of what can best be described as his outer limit theorem:

The economic necessity of the American market for NICs' manufactured goods and the political imperatives of the U.S. cold war ideology vis-à-vis ... communism in the region have established an 'outer limit' for the activities of the East Asian allies of the U.S. ... As long as the outer limit – that is, to be [anti-communist in national ideology and capitalist in development] – is not breached the allies are free to pursue what could be considered by East Asian nationalists as 'national interests' and 'autonomy' ... (Hsiao, 1988: 15 & 16)

⁹⁸ e.g. Hsiao (1988); McMichael (2000); Bello (2001)

It was thus within the context of the Cold War that, “[t]he economies of Japan, Taiwan, and South Korea – and the militaries of the latter two countries – were deliberately built with U.S. aid and technology transfer[s] as bulwarks against communism.” (Henderson & Appelbaum, 1992: 9) The region was inundated with “direct and indirect economic assistance from the Western powers.” (McMichael, 2000: 83) As Henderson and Appelbaum (1992) explain:

Between 1953 and 1962 ... U.S. aid financed 70% of total South Korean imports and 80% of total fixed capital formation; in Taiwan during the same period, U.S. aid financed 85% of the current account deficit and was responsible for 38% of gross domestic capital formation ... This was in addition to \$6 billion in military aid to South Korea and \$ 5.6 billion to Taiwan through 1979 ... (Henderson & Appelbaum, 1992: 9)

Because of their statuses as “entrepôts,” Hong Kong and Singapore benefited as well from the region’s “strategic geopolitical position.” (McMichael, 2000: 83)

Aid alone was not responsible for the East Asian ‘miracle,’ however. Nor could the region’s prodigious growth be solely attributed to either an “unprecedented expansion in world trade” or the availability of Western markets,⁹⁹ which facilitated their transition from import-substitution to export-oriented industrialization. (Henderson & Appelbaum, 1992: 6 & 10; McMichael, 2000: 84-86) Although these factors provided critical support, it was the latitude given to these nations as a result of the “logic and dynamics ... of the postwar world capitalist system” that was essential to their developmental “exceptionalism.” (Hsiao, 1988: 15 & 16; McMichael, 2000: 86)

It was the centrality of state interventionism, in other words, that lifted East Asian economies out of the periphery.¹⁰⁰ Significantly, their “export orientation” was “accompanied [by] import substitution.” (McMichael, 2000: 85) Stiglitz (2006) remarks, for instance, that, “these countries managed globalization: it was their ability to take advantage of globalization, without being taken advantage of by globalization, that accounts for much of their success.” (Stiglitz, 2006: 31)

⁹⁹ And-or “preferential access to the U.S. market,” as McMichael puts it. (McMichael, 2000: 83-84)

¹⁰⁰ McMichael, among others (e.g., Bello), has noted that “most of the newly industrializing countries had strong states that guided considerable public investment into infrastructure development and industrial ventures with private enterprise,” and so forth. (McMichael, 2000: 84)

Nonetheless, the West's tolerance for such interventionism soon eroded. Nearing the end of the Cold War, Washington sought to curb deviations from neoliberal orthodoxy – or, that is, the “market fundamentalism” of the “Washington Consensus.” (Bello, 2001: 13; Stiglitz, 2006: 35) This was vital, after all, to the overall effort at constructing a liberal, global politico-economic order. In the 1980s, therefore, Washington, with the assistance of the IMF and World Bank, pressured East Asian economies to “[open] up their markets to the free flow of capital.” (Bello, 2001: 13; Stiglitz, 2006: 31) This wrought devastation. Speculative and footloose capital flows destabilized what had been a very secure mode of development.¹⁰¹ (Bello, 2001: 14) The crisis that followed distressed the region for years and facilitated its further liberalization through IMF stabilization measures. (Bello, 2001: 14)

CONCLUSION:

This chapter has focused on an epoch in which dislocations (i.e., instabilities) permeated the international politico-economic order. In the first chapter, I advanced several hypotheses about what should occur during such periods and contexts:

- (i) The provision of public and-or official development assistance should have been initiated or expanded in geo-strategic ways so as to:*
 - (a) regenerate international markets and, thereby,*
 - (b) obviate, or thwart the anticipated metastasization of adversarial politico-economic organizational frameworks.*

The successive crises faced by the U.S. government forced modifications in its ‘calculus’ for the provision of assistance. First, the establishment of Exim and its growth in influence as an intergovernmental development financier was the direct outcome of (i) an enfeebled international economy and (ii) the threats posed by the expanding spheres of influence for German and Japanese politico-economic systems. Subsequently, the Marshall Plan was initiated so as to (i) reconstruct a war-devastated Europe, revitalize international markets and, moreover, (ii) subdue the influence of state capitalism and socialism as alternative politico-economic frameworks. These objectives were achieved through the liberalization of assistance flows.

¹⁰¹ Stallings (2007), among others, has argued that capital “volatility was an important contributor to both the Mexican and Asian financial crises of the 1990s.” (Stallings, 2007: 211)

And furthermore:

(ii) Qualitative changes should have followed:

(a) The conditionality structure should have become less stringent,

(b) which, in turn, should have produced a broader umbrella of autonomy for strategically significant nations

During the Second World War, restrictions on lending were largely suspended.¹⁰² And in the context of the Cold War, nations of geo-strategic significance (i.e., those that would come to be known as NICs) were given the latitude to engage in statist modes of development so long as they remained capitalist and allied to the West.

These observations, in combination with other factors, also provide support for another of my contentions:

(iii) That the provision of development assistance functions as a regulative-control mechanism, ancillary to economic arrangements.

In the period leading into the Second World War, the U.S. shifted from a system that relied almost exclusively on private capital flows, to one in which public capital infusions were dominant. Different agencies¹⁰³ within the government were clearly at odds with one another, ideologically. Nevertheless, the White House's support for either position at a given point in time was overwhelmingly determined by the exigencies of the international context within which the U.S. was situated.

To be sure, however, Exim operations remained ancillary to the functioning of the international economic system. "Significantly," writes Adamson, "those who favored 'markets' over 'states' retained crucial influence over the making of foreign policy."¹⁰⁴ (Adamson, 2005: 622) Exim was to be utilized as a means for "alleviat[ing] the effects of abnormal conditions until a return to

¹⁰² i.e., intergovernmental lending was permitted and nations' statuses as debtors were overlooked.

¹⁰³ As well as the competing interests of different private sector agents (i.e., those representing the financial sector versus those within, or closely linked to the import-export sector).

¹⁰⁴ i.e., "the extension of financial assistance to other governments in particular." (Adamson, 2005: 622)

‘normal’ conditions” could be achieved.¹⁰⁵ (Adamson, 2005: 592) The idea, of course, was to allow Exim to operate as a “moderate public lending program without displacing a future role for private capital.” (Adamson, 2005: 623) In this sense, it became a vehicle through which to “advance national interests in the short-term and as leverage to restore a liberal international political economy in the long run.” (Adamson, 2005: 622)

Postwar programs operated in a similar fashion. Where possible, deference was given to the interests of private foreign investment. This was particularly so for Latin America. Altogether, the intent was to construct a liberal, international politico-economic order; “even if,” as Adamson argues, the free flow of capital and goods was not fully realized “until the 1970s.” (Adamson, 2005: 623)

Lastly, the foregoing analysis also confirms my hypothesis that *the norms of a regime for the provision of assistance should have begun to coalesce during a period, and-or in a global-historical context of instability*. Significantly, the regime was formed under the aegis of U.S. postwar hegemony. Its normative character, therefore, was largely the product of these circumstances: i.e., the material interests of the U.S. as well as its response to the crisis conditions of the early postwar era. Moreover, the multilateral institutions of the IMF and World Bank, which would become critical components of the regime, were also established during this period.

This regime would come to profoundly influence the developmental orientations of peripheral nations and regions, as well as that of the global politico-economic order. And it should be continually reinforced, as Wood states, that it “has been as much about the nature,” and orientation of development “as about the pace of economic growth.” (Wood, 1986: 66)

Wood’s delineations regarding the nature and functioning of the regime itself will be examined in Chapter IV. In Chapter V, the current epoch will be investigated. It will largely be a complement to this chapter. Once more, I will argue that the regime is supportive of the prevailing global politico-economic relations. The emergence of globalization, however, has brought about the evolution of regime conditionality, which holds implications for peripheral development.

¹⁰⁵ i.e., until a “[revival of] flows of goods, services, and capital, allowed the U.S. government to withdraw from international finance.” (Adamson, 2005: 592)

CHAPTER IV:
THE COMPOSITION AND OPERATIONAL FEATURES OF THE DEVELOPMENT ASSISTANCE
PROVISION REGIME

INTRODUCTION:

In this chapter, I focus almost exclusively on the development assistance provision regime as Wood has described it. The opening section has two parts. The first deals with the relevance of the “concept of international regimes.” (Wood, 1986: 95) This is followed by an examination of the composition of the regime under consideration.

The second section is devoted to an overview of the principal features of the regime. There are five in all. Each of these features represents a convergence of expectations for the behavior and interaction of both donors and recipients alike. The last section is an extended conclusion. In it, I return to my own conception of the regime set forth in the first chapter and how it differs from Wood’s.

THE REGIME AND ITS COMPOSITION:

In Chapter III, I argued that the broad contours of a *regime* for the provision of development assistance emerged directly following the Second World War. But what utility is there in asserting that a regime even exists?

Early on, assistance flows were wielded unilaterally, under the aegis of U.S. hegemony. Lending patterns were, therefore, tethered to the objectives sought after by Washington. But this arrangement would not endure. As the decades wore on, the practices of both lending and borrowing became more diversified.

Both the “types” and the sources of available financing have multiplied. (Wood, 1986: 94) As Wood has observed, “the number of bilateral donors has increased substantially, and multilateral institutions have proliferated.” (Wood, 1986: 94) This trend climaxed in the 1970s with the emergence of an invigorated “global banking” sector. (McMichael, 2000: 117-120) One significant outcome of this “differentiated structure” is that most recipient-nations have been

“successful” at “diversifying,” to some degree or another, the “sources” of assistance upon which they rely. (Wood, 1986: 94)

Despite these trends, there has developed no international governing authority on the matter. Nor, in Wood’s words, has any “formal mechanism of systemwide coordination” materialized. (Wood, 1986: 94) “Compared to trade,” he continues, “aid is a strikingly ‘unmanaged’ component of the world economy.” (Wood, 1986: 95)

Consequently, many scholars have found it difficult to discern any coherent, or universally binding pattern of lending. It is in this vein that Wood questions whether there is, in fact, “a logic to the system as a whole.” (Wood, 1986: 94) This is where the “concept of *international regimes*” becomes useful. (Wood, 1986: 95)

According to Wood, different theorists have conceptualized regimes differently. Some, for example, have “emphasized” the “subjective” “aspects” of the concept. (Wood, 1986: 96) Others have focused on its objective, or “behavioral” facets. (Wood, 1986: 96) And still others have “grop[ed]” for some sort of “middle ground,” or intermediate conception. (Wood, 1986: 96) Krasner (1982) has put forth what is probably the most direct and serviceable of possible constructions:

Regimes can be defined as sets of implicit or explicit principles, norms, rules, and decision-making procedures around which actors’ expectations converge in a given area of international relations ... (Wood, 1986: 96)

I find this depiction particularly valuable because it appears to comport closely with the ideas of Lukes and with that of the ‘mobilization of bias’ thesis, presented earlier. Krasner would appear to avoid the fallacies of other theorists. Regimes, in other words, cannot be construed as being strictly associable with either the behavioral or “attitudinal” inclinations of their constituent agents. (Wood, 1986: 96) These inclinations are to some extent the products of the regime, itself. Hence, the regime of a given social order imbues its constituent agents with an imperceptible sense of what is legitimate in terms of their behaviors and interactions.

In brief, Wood argues that “there exist among donors widely shared notions about the conditions that should govern access to concessional external financing and about the general type of

development such access should promote.” (Wood, 1986: 101) These suppositions converge, moreover, in a “set of operating presumptions,” which is in turn “reflected in the basic operating procedures of almost all major aid agencies.” (Wood, 1986: 101)

“The aid regime, therefore,” as conceived by Wood, “consists of a set of operating presumptions, some implicit in the outlook of those who make decisions, others explicitly institutionalized in constitutions and other agreements, that regulate access to concessional forms of external financing.” (Wood, 1986: 101) In this way, “regime analysis” is useful for illuminating the “modes of regulation” by which “access” to assistance is governed in the absence of any sort of “formal interstate management.” (Wood, 1986: 95)

THE REGIME’S COMPOSITION:

Despite the tendency to portray regimes as somewhat ethereal, they must all originate from some tangible basis or another. In the more immediate sense, institutional frameworks contribute to the perception within the regime as to what are, in fact, legitimate modes of behavior and interaction. In the development assistance regime, they also serve as a means of distributing the material rewards (or sanctions) that follow from a nation or region’s compliance (or non-compliance) with the expectations that have been set for them; thereby reinforcing the internal logic of the regime’s functioning. Nevertheless, institutional frameworks do not arise independently of other factors.

Initially, the material interests of the more dominant nations (especially the U.S.) guided the creation and operation of the institutions that assisted in formulating the internal logic of the regime. The phenomenal growth of multinational and transnational firms, however, has translated into their being able to exercise an increasing amount of influence over the functional orientation of both the regime, itself, and of the global political economy as a whole. In both instances, the neoliberal doctrine of market fundamentalism – or the unfettered functioning of international markets – was privileged as a mode politico-economic development.

This historical unfolding is one reason why Wood has identified the regime as having been “imposed.” (Wood, 1986: 100) Young (1982), he notes, has “distinguished between” two forms of “imposed” regimes. (Wood, 1986: 100) The first is the result of “overt hegemony.” (Wood, 1986: 100) The second, however, applies to “situations in which the dominant actors are able to promote institutional arrangements favorable to themselves through various forms of leadership

and the manipulation of incentives.” (Wood, 1986: 100) The earlier phase of the development assistance regime would thus be consistent with the former category, while its current phase corresponds more closely with the latter.

As for the institutional composition of the regime, Wood identifies the World Bank and USAID as its “organizational core.” (Wood, 1986: 106) In support, he offers the following:

‘The World Bank is commonly viewed as the principal teacher of economic development in the world today. The U.S. bilateral agency, AID, directly backed by the power of the United States, produces the second most powerful lesson in global development education. Separately and together they largely determine the ideology and operational model of a host of UN and regional agencies. By subcontracting they mold or control dozens of private groups and consulting firms.’ (Wood, 1986: 106)

Yet a “shared ideology” and mutually held “norms” about how “access” should be governed extend well “beyond,” and penetrate far deeper than “these institutions” alone. (Wood, 1986: 106) Bilateral agencies have, to a large extent, uncritically followed the guidance of the World Bank and USAID. As captured by Wood, the “shared membership” of “advanced capitalist countries in the Development Assistance Committee” (DAC) is telling: i.e., it “represent[s] a recognition of common interests and common norms about aid allocation.” (Wood, 1986: 106)

Multilateral institutions, such as the IMF and multilateral development banks (MDBs), have failed as well at exhibiting any sort of independence. For Wood, the “distinction” of the role of the IMF as being somehow different from other aid agencies “is no longer tenable.” (Wood, 1986: 107-108) Its position within the regime and willingness to support World Bank operations make it a critical component of the totality that is the ‘aid regime.’ (Wood, 1986: 108)

Multilateral development banks¹⁰⁶ have, for their part, “been closely modeled on the World Bank.” (Wood, 1986: 106; McMichael, 2000: 54) This has partly to do with the influence of the Bank itself. (McMichael, 2000: 51-52) Yet, there are also more concrete reasons. According to Wood, MDBs are “[jointly dependent upon] international capital markets and on subscriptions by donor governments.” (Wood, 1986: 106) A failure to win the confidence of either of these

¹⁰⁶ Or “regional banks,” as McMichael refers to them. These include the Inter-American Development Bank (IDB), the African Development Bank (AfDB), and the Asian Development Bank (ADB). (McMichael, 2000: 54)

sources of capital would undermine the capacity, and result in the generalized failure of the bank in question. Such banks are likely to wither in terms of their ability to bring about change through divergent and “innovative” lending practices. (Wood, 1986: 106)

The sustainability of MDBs, then, is integrally linked with the orthodox functioning of the banks themselves. The initial failure and subsequent “restructuring” of the African Development Bank (AfDB) is often cited as an illustrative example of the structural restraints placed upon MDBs. (Wood, 1986: 106-107) In this sense, MDBs are hardly more than mere instruments through which the interests transnational firms are furthered.

THE FEATURES OF THE REGIME:

Wood delineates five features of the regime that establish expectations for, and govern the behavior of donors and recipients alike. Each of the features is defined in terms of the characteristic *principles, norms, rules, and procedures* that guide the functioning of the regime with respect to certain issue areas. I have, however, limited the following explanations to the *principles and expectations* that are borne by each feature.

These features, furthermore, have a profound impact on the development process. They both regulate access to assistance and set guidelines for how it is to be utilized. The foremost objective of the regime is to maintain the primacy of global markets. In a practical sense, then, the regime helps regulate the global political economy through the conditioning of the developmental orientations of its constituent nation-states.

I. THE NEGOTIATIONAL FRAMEWORK:

First, Wood considers the “framework for negotiating” the financing of development assistance “transfers.” (Wood, 1986: 101) He concludes that:

(i) *The “framework” itself is characterized, above all else, by “pervasive bilateralism.”* (Wood, 1986: 102)

This is not to suggest that assistance transfers are, in all instances, negotiated “between single ... donors and single ... recipients.” (Wood, 1986: 108) After all, some exchanges involve coordination among donors. Nevertheless, it does imply that, in either arrangement, *development*

assistance flows are “negotiated” in what is essentially a “‘bilateral’” manner. (Wood, 1986: 99)

In support of his argument, Wood outlines the ways in which donor nations and institutions have maintained their disproportionate control over assistance provision. Their overarching objective has been to “concentrate,” as much as possible and “with relatively few constraints,” “decision making power” in the hands of donor institutions. (Wood, 1986: 109 & 113) Fundamentally, this requires that:

(ii) the provision of assistance remain a “discretionary” attribute of the global system. (Wood, 1986: 109)

There are, in other words, no obligatory circumstances for the provision of assistance. Peripheral nations “have no automatic rights to or claims on concessional financial assistance,” writes Wood. (Wood, 1986: 109)

Efforts at “establishing a principle of automatic access to external financing” have been continually thwarted.¹⁰⁷ (Wood, 1986: 109-110) Donor nations and institutions have “resisted proposed changes ... that would compromise their decision-making authority.” (Wood, 1986: 113) There have generally been three ways in which the periphery has been prevented from gaining a foothold in the ‘negotiation framework’:

(a) First, “recipient-controlled institutions” have been “consistently” foiled.
(Wood, 1986: 113)

The creation of the International Development Association (IDA) serves as a good example. According to Wood, “it was devised” as a means of undercutting “demands for a UN fund that would have been largely under [the] control” of developing nations.¹⁰⁸ (Wood, 1986: 113; Bello, 2001: 5) McMichael and Bello have made similar arguments. (McMichael, 2000: 54-55; Bello, 2001: 5)

¹⁰⁷ The only exception to this has been “compensatory financing for shortfalls in export earnings.” These instances have, nonetheless, either been too limited, as with STABEX, or extended under such stringent terms and conditions as to make them undesirable, such as those offered by the IMF. (Wood, 1986: 110)

¹⁰⁸ i.e., the proposed Special United Nations Fund for Economic Development (SUNFED). (McMichael, 2000: 54)

(b) Second, institutions that do permit – to some degree – the collective input of peripheral nations have, nonetheless, been deprived of any “mechanism” with which to “enforce compliance.” (Wood, 1986: 111)

The United Nations Development Program (UNDP) and the African Development Bank (AfDB), for example, have been prevented from becoming a major “source” for “developmental capital.” (Wood, 1986: 111 & 113) As Wood puts it, they “have been starved of capital funds.”¹⁰⁹ (Wood, 1986: 113) The United Nations’ “various” other “organs,” such as its General Assembly and Conference on Trade and Development (UNCTAD), have likewise remained “relatively powerless.”¹¹⁰ (Wood, 1986: 111)

(c) Finally, within still other “multilateral organizations” – such as the World Bank, IMF, and “regional development banks” – peripheral nations have been provided “no institutional means by which [they] can act in concert as recipients.” (Wood, 1986: 111 & 113)

Core nations have tightly guarded their control over the administration of these institutions. Consequently, they have been the least inclusive. (McMichael, 2000: 49-50) Despite having supplied substantial amounts of capital, for instance, even some donor nations have been prevented from garnering a “proportional” voice. (Wood, 1986: 113)

The only significant “departures from a purely bilateral framework” have “occurred” in the form of “donor aggregations.” (Wood, 1986: 112) In some instances, a “single project” may unite multiple streams of capital through “cofinancing” arrangements. (Wood, 1986: 112) In other instances, linkages are created between a “single” recipient’s “multiple donors.” (Wood, 1986: 112) These “coordination groups,” as Wood calls them, reinforce the common interests of donor institutions and strengthen the leverage they exercise over “recipient policies.” (Wood, 1986: 112-113)

¹⁰⁹ The UNDP’s role has, instead, been “basically limited to research, technical assistance, and preinvestment surveys, often for projects to be picked up by the World Bank.” (Wood, 1986: 111)

¹¹⁰ The only exception being the Lomé Convention. It was nonetheless ineffective, precisely because the EEC retained control over critical decisions, such as “which countries it was willing to negotiate with,” as well as how aid was to be utilized. (Wood, 1986: 111-112)

This “pervasively bilateral framework” has held profound implications for the capacity of peripheral nations to pursue alternative modes of development. In terms of securing financing, there have been two principle effects:

- (i) The regime “isolates” recipients from one another, thus precluding the admission of their collective interests into the “decision-making” process over the provision of development assistance. (Wood, 1986: 108-109)*
- (ii) Furthermore, the regime sequesters “negotiations” over the provision of assistance from “multilateral settings,” or “structures dealing with other international economic issues” of interest to developing nations. (Wood, 1986: 102 & 109)*

Regarding the latter point, this “separation” has been “maintained” “despite obvious interconnections.” (Wood, 1986: 110) Donor nations and institutions, for instance, “have insisted that issues of debt relief be negotiated entirely separately from issues of financing development.” (Wood, 1986: 110)

This system of ‘bilateralism,’ so inherent to the regime’s functioning, has effectively produced asymmetries of power between more and less developed nations and neutralized the collective organizing capacity of peripheral nations.

II. “STRATEGIC WITHHOLDING”:

The second feature identified by Wood concerns the regime’s role in relation to private capital investment. It consists of two essential principles:

- (i) “Public,” or “concessional capital” “should not compete with private capital, either domestic or foreign.” (Wood, 1986: 102 & 115)*
- (ii) “Public capital should supplement and facilitate the utilization of private capital.” (Wood, 1986: 115)*

These principles have been in effect since the “origins” of the regime. (Wood, 1986: 114) They, moreover, have enjoyed broad-based support. Bilateral¹¹¹ and multilateral¹¹² agencies and institutions have been similarly inclined to adopt them as a basis for their lending activities. (Wood, 1986: 114-115) “Thus,” writes Wood, “foreign aid almost never represents a policy alternative to private investment or borrowing, but rather is a recourse when all else fails.” (Wood, 1986: 114) Development assistance, then, is intended as a “complement” to the perpetual expansion and intensification of private capital markets. (Wood, 1986: 115) In this sense, the regime should be grasped as less of a means of regulating publicly financed development assistance flows, than of ensuring the integrity and vitality of the system of privately financed investment.

The essential “technique” for achieving these ends, according to Wood, has been “*strategic nonlending*.” (Wood, 1986: 115) Broadly, he defines it as “the selective withholding of [assistance] to encourage the maximum utilization of private capital.” (Wood, 1986: 115) Hence, although assistance may be withheld from “projects for which private” capital is either available, or not forthcoming, the intent is the same. (Wood, 1986: 115) In the former scenario, would-be recipients are “forced” to “accept the terms of ... private investors or lenders,” lest they be excluded altogether from “external financing.” (Wood, 1986: 115) In the latter case, the refusal of assistance is designed to “influence government policy [so as] to foster a more satisfactory ‘investment climate.’” (Wood, 1986: 115) In either instance, writes Wood, “the function of strategic nonlending” is the same: “to maximize the role of the private sector and to open it to foreign penetration.” (Wood, 1986: 115) It has the coinciding effect, as well, of heightening a peripheral nation’s level of dependence on multinational and transnational corporate involvement.

“Strategic nonlending” has assumed “three major forms.” (Wood, 1986: 116) Initially, it involved “*regional withholding*.” (Wood, 1986: 116) Throughout much of the 1950s, U.S. development assistance was “almost completely” withheld from Latin America on the basis that “private capital” was in sufficient supply. (Wood, 1986: 116) The consensus surrounding ‘regional withholding’ was ultimately upended by the political and economic tumult that swept through

¹¹¹ Such as the United States’ Agency for International Development (USAID) and other Development Assistance Committee (DAC) member-state agencies. (Wood, 1986: 114-115)

¹¹² Such as “the World Bank Group, as well as the African, Asian, Caribbean, and Inter-American Development Banks.” (Wood, 1986: 114-115)

Latin America in the late 1950s and early 1960s,¹¹³ however. In the ensuing years, the United States once more began flooding the wayward region with assistance and promoting its development. Wood's observations, if the reader remembers, have been echoed by Schoultz.

Donor agencies and institutions were forced to devise more selective forms of "withholding." "*Country withholding*" represented one such step in that direction. (Wood, 1986: 116) As previously mentioned, "specific countries" may be excluded from consideration in an effort at pressuring them to adopt more favorable economic policies. However, they may be "graduated" from consideration as well. (Wood, 1986: 116) This occurs when a particular nation has reached a sufficient "degree of creditworthiness" to permit them access to private "financing" equal to their capital demands. (Wood, 1986: 116) The implicit aim is for developing nations to be forced from "more-" to "less-concessional [assistance] flows." (Wood, 1986: 116) As characterized by Wood, "graduation transforms the possibility of tapping private sources of financing into a necessity;" thereby, also extending the reach of market forces. (Wood, 1986: 116)

An even more rigorous and, hence, significant method of nonlending is "*sectoral withholding*." (Wood, 1986: 116) Here, promising "sectors" are "reserved" for exploitation by private firms and thus have assistance "systematically [withheld] ... from them." (Wood, 1986: 116-117) Wood provides the following elaboration:

... aid may be provided for government investment in the riskier and less profitable 'upstream' operations of an industrial sector but withheld from the more profitable 'downstream' subsectors in order to facilitate the entry of private firms. (Wood, 1986: 117)

Again, the primary motivation is to facilitate the "expansion" and penetrative capacity of the private sector, and of the system of "private enterprise." (Wood, 1986: 117)

Two consequences have followed from such practices. First, because assistance is "generally withheld from directly productive enterprises," it has instead been focused on promoting "physical and social infrastructure," which is a boon to private firms. (Wood, 1986: 102 & 117) Second, "sectoral withholding" necessarily precludes the emergence of parastatals; or conditions

¹¹³ A crisis of American influence, which reached its climax in the wake of the Cuban Revolution of 1959.

where the state owns and-or controls, either in part or whole, the “means of production.” (Wood, 1986: 117)

On the second point, Wood concludes that: “... it forces the state to be both politically and financially dependent on processes of private capital accumulation – to occupy a structural position defining it as a ‘capitalist state.’” (Wood, 1986: 117) Hence, “strategic withholding” has been one significant way in which peripheral economies have been further integrated into the global economic system. As McMichael has put it, the “development priorities” and “strategies” of peripheral nations came to possess “global dimensions.” (McMichael, 2000: 50)

III. INSTITUTIONAL COORDINATION:

The third observed feature of the regime is, in many ways, an extension of the previously stated principle that assistance flows “should not compete with private capital.” (Wood, 1986: 102 & 115) Here, however, the overwhelming concern is for preserving the primacy of the market as a means of setting the terms by which assistance is dispensed.

There are numerous sources of capital. Yet, they differ in the “degree to which their aid departs from market terms.” (Wood, 1986: 118) There must exist, therefore, a system for ensuring that the “terms” of the market are not subverted by non-marketized agencies, institutions and other sources of developmental capital. Wood refers to this system as “*institutionalized noncompetition*.” (Wood, 1986: 102 & 120) There are two principles “governing interdonor relations”: (Wood, 1986: 120)

- (i) “*The degree to which [assistance] flows depart from market terms should be proportional to the inability of the market to fulfill a given need.*” (Wood, 1986: 120)

And consequently:

- (ii) “*The degree of “[c]oncessionality depends both on the recipient’s general creditworthiness and on the specific uses to which aid will be put.*” (Wood, 1986: 120-121)

There are also a series of expectations for the behavior of both would-be donors and recipients alike.

(i) *“Potential” donors are expected survey the institutional landscape and “should defer to [any ‘alternative’] donor prepared to provide [financing] at terms” more closely “approximating those of the market.”* (Wood, 1986: 121)

(ii) *Nations pursuing financing are expected to probe for the least-“concessional” sources initially, only relying on “more concessional ones” when those nearest to the terms of the market have been exhausted.* (Wood, 1986: 121)

In effect, then, the form of assistance “offered” is nearly always that which “comes as close to market terms [(or with the “hardest terms deemed justifiable”)] as the profitability of the proposed use of aid and the creditworthiness of the country allow.” (Wood, 1986: 120) This system of coordination works against the “natural desire” of developing nations to “avoid the accumulation of debt.” (Wood, 1986: 118)

Wood’s primary contention is that “[t]he regime norm of institutionalized noncompetition provides interdonor coordination without formal coordinating mechanisms.” (Wood, 1986: 121) Nonetheless, he insists that, “[a] variety of forms of liaison” exist, thus “enabl[ing]” exchanges of “information about aid requests” and the “availability of alternative sources of financing.” (Wood, 1986: 121)

IV. CREDITWORTHINESS:

Yet another feature of significance is that pertaining to “the relationship between aid and debt.” (Wood, 1986: 102) “The entire system of external financing,” argues Wood, “rests on the accumulation and servicing of debt.” (Wood, 1986: 102-103) This fact has a great deal to do with the regime’s basic functioning.

As has been previously stressed, the regime is predisposed towards deferring to private sector interests. Wood observes, for example, that “[t]he normal functioning of the ... regime

encourages debt.” (Wood, 1986: 130) This paradoxical distinction is the result of the expectation that assistance be withheld in the event that “financing is available” from either (i) “private sources,” or (ii) any other source offering “terms” more closely “approximating those of the market.” (Wood, 1986: 121 & 130) “Most” forms of assistance, therefore, actually “create debt.” (Wood, 1986: 130)

This dynamic has been further compounded by the convergence of two interrelated trends. On the one hand, an unprecedented “upsurge” in “private bank lending” occurred. (Wood, 1986: 130) This “resulted,” on the other, in a decrease in the “proportion” of concessional flows available for use in the periphery.¹¹⁴ (Wood, 1986: 130) Significantly, this trend appears to have climaxed in the early 1970s; the same period identified by some theorists as that in which transnational firms became prominent players on the world stage. Predictably, the “corollary to this” was a “massive expansion” of indebtedness in the periphery. (Wood, 1986: 130) The changing “structure” of indebtedness contributed as well to more onerous terms for the servicing of debt.¹¹⁵ (Wood, 1986: 130-131)

Naturally, access to additional assistance transfers becomes more important as the “burden” of servicing existing debts increases. (Wood, 1986: 131) The point to be emphasized, however, is that the regime’s functioning generates a continuous demand for access to external sources of financing and, therefore, necessitates that developing nations maintain an acceptable level of “creditworthiness.” (Wood, 1986: 133) The consequences of not doing so would be the collapse of the entire system of privately financed foreign investment. This is why, according to Wood, “[n]orms dealing with debt occupy” such a “special status” within the framework of the regime. (Wood, 1986: 103 & 130)

There are two principles entailed within this feature of the regime:

- (i) A recipient-nation must satisfy the conditions of its “debt obligations, to both official and private creditors,” lest its “continued access” to assistance be terminated.* (Wood, 1986: 133)

¹¹⁴ Wood demonstrates this trend by comparing the “changing balance between grants and loans” for the years 1965 through 1983. (Wood, 1986: 130)

¹¹⁵ Wood notes, for example, that “between” 1970 and 1983, “the share of public debt to private creditors increased from 30.1 ... to 51.1 percent.” (Wood, 1986: 130-131)

And furthermore,

(ii) In periods of fiscal crisis, “adjustments” may be made for the servicing of debt, but only with the consent of “creditors.” (Wood, 1986: 133)

From these, follow a series of expectations:

(i.) “Debtor” nations are, at all times, expected to “demonstrate” their “continued creditworthiness,” so as to “both maintain access” to assistance flows and “reschedule debt payments.” (Wood, 1986: 133)

(ii.) “Creditors” can be expected to grant “debt relief” only under the circumstances where a “crisis point has been reached.” (Wood, 1986: 133)

(a.) After receiving some form of “relief,” debtors are expected to “exert themselves” in meeting “interest payments,” and “submit to some form of discipline, to be monitored externally.” (Wood, 1986: 133)

(b.) “Creditors” are expected to “negotiate collectively with [individual] recipients.” (Wood, 1986: 133)

(c.) “Debtors” are expected to submit to IMF-prescribed “policy changes and performance measures” as conditions of donor-sanctioned “agreements.” (Wood, 1986: 133)

It is a testament to the “effectiveness of regime norms about debt,” according to Wood, that there have been very few “cases” of either “outright repudiation” or “defaults” by indebted nations. (Wood, 1986: 134) This is due, in part, to the fact that “both creditors and debtors generally have an interest in avoiding the consequences of default.” (Wood, 1986: 134)

There has been one outstanding instance, however. A military coup in Indonesia, in 1965, realigned the nation with the West. (Wood, 1986: 134) Its “new creditors,” motivated by a “desire

to cement” this newfound “relationship,” “postponed” the servicing of preexisting debts. (Wood, 1986: 134) A portion of these debts was effectively nullified in 1970, moreover, when Western aid officials, “meeting in the Paris Club,” reworked the repayment scheme. (Wood, 1986: 134) Significantly, the debts in question “were owed ... primarily to communist countries.” (Wood, 1986: 134) “Such generosity” has, as a rule, been nonexistent, except for example where countries, in the context of the Cold War, shifted “blocs.” (Wood, 1986: 135)

In any case, Wood argues that the International Monetary Fund (IMF) and multilateral development banks (MDBs) “have claimed for themselves a special creditor status: debt service to them is to have top priority, and their debt is not open to renegotiation.” (Wood, 1986: 135) This ‘special status’ has been safeguarded in two ways. First, the “consequences of defaulting” on these debts “are likely to be more severe than” for doing so on “bilateral” obligations. (Wood, 1986: 133) Second, bilateral creditors are, in most cases, expected to defer to their multilateral counterparts. A “rescheduling” agreement may be reached between a recipient and a bilateral donor,¹¹⁶ for example, in order to facilitate the servicing of debts to either “multilateral,” and-or “private creditors.” (Wood, 1986: 135) “[C]reditor governments,” in other words, have effectively “[taken] a dive,” in some instances, “so that private creditors could continue to collect.” (Wood, 1986: 135)

This sort of deferential treatment has been increasingly “undermined by the changing structure” of indebtedness, however. As the proportional balance of indebtedness swung more definitively towards that owed to “private creditors,” other forms of debt became less “manipulable:” i.e., in terms of being able to (i) offset the risk of systemic default, and (ii) ensure private capital’s ability to sustain a steady rate of expropriation.

V. CONDITIONALITY:

The remaining feature of the regime concerns the “relationship between” development assistance and the “broader development policies” to be pursued. (Wood, 1986: 102) Specifically, it relates to the instances where donor institutions and agencies impose upon recipient nations a set of “policy measures” as a condition of the transfer of assistance. (Wood, 1986: 122) Naturally, these exchanges have profound implications for the “nature of the development process;” or, that is, the

¹¹⁶ As occurred “in the debt negotiations of the 1960s and 1970s.” (Wood, 1986: 135)

mode of development made available to peripheral nations. (Wood, 1986: 123) This “phenomenon” is commonly referred to as “*conditionality*.” (Wood, 1986: 102)

Wood cautions, however, that “among donors” there exists some variability as to how they weigh the “circumstances that justify conditioning,” as well as, the “precise content of [the] policies to be advocated.” (Wood, 1986: 102) A given donor’s foreign policy interests, in other words, might compel it to extend conditional assistance on bases that fall outside the realm of the ‘normal functioning’ of the regime. In this sense, the “norms,” or “operating presumptions” that govern the provision of assistance under this feature of the regime possess less specificity than is the case with the other features. (Wood, 1986: 102 & 123) One might argue that they are less firmly established, or are more mutable as well.

Wood is nonetheless insistent that “a set of operating presumptions that [provide] a general basis for linking [assistance] and consideration of the recipient’s development policies” is in fact distinguishable. (Wood, 1986: 102) The core principle of this feature of the regime is the received wisdom that:

(i) “*Donors have a [legitimate] interest in the broad policy” orientation of “recipient countr[ies].” (Wood, 1986: 125)*

This is so for two reasons. First, there is the very real concern over the “fungibility” of assistance transfers. (Wood, 1986: 125) Second, it is the result of the belief that “the development process depends more [so] on national development policies than on marginal increments of capital or technical assistance.” (Wood, 1986: 125)

It is furthermore “generally” “expected” that the level of conditionality will depend on the use for which the assistance is intended. According to Wood, assistance becomes “increasingly” conditional “as one moves from project to sector to program to structural adjustment and balance of payments” disbursements. (Wood, 1986: 126)

Lastly, because policy-linked conditionalities are presumed to be in the interest of development (i.e., “apolitically” motivated), they are “most effectively” wielded “by multilateral institutions;” and “particularly” by the IMF and the World Bank. (Wood, 1986: 126) The obvious corollary to

this is that recipient nations are more apt to perceive these conditionalities as being legitimate, even if not in their immediate interests, when multilaterally, as opposed to unilaterally prescribed.

Wood goes on to differentiate between “three levels of conditionality.” (Wood, 1986: 123) The first ‘level’ relates to the conditionalities that follow from being associated with a particular donor. “Access” is conditioned upon the recipient submitting to some specified set of “obligations.” (Wood, 1986: 123) This is so for both multilateral institutions and bilateral agencies.¹¹⁷

In the second, conditionality arises out of “project-related” assistance efforts. (Wood, 1986: 123) The whole nexus of recipient-government policies that “may have some [sort] of impact on aid-financed project[s]” are subject to revision, through negotiations, if access to assistance flows is to be forthcoming. (Wood, 1986: 123)

The final, and most significant ‘level’ “involves the linkage between [assistance] and national development policies.”¹¹⁸ (Wood, 1986: 124) As recounted by Wood, the regime has utilized assistance flows “to influence broad national economic policies” since the Marshall Plan. (Wood, 1986: 124) The nature and severity of its impact, however, has varied somewhat, depending on the global politico-economic context within which it has been situated. (Wood, 1986: 124)

In the early postwar period, the “focus” on projecting “policy” alterations was somewhat “diluted.” (Wood, 1986: 124) The climate had shifted by the 1960s, however. In response, the U.S. Agency for International Development (USAID) began “reasserting the primary importance” of the “contribution” assistance flows might make towards shaping “general development polic[ies],” as opposed to simply furthering “specific projects.” (Wood, 1986: 124) Agency “officials” justified this shift in strategy based on their contention that the “influence potential” of assistance bore more significance than its actual “resource contribution”: (Wood, 1986: 124)

[P]olicies and procedures ... affect economic development at least as powerfully as the presence or absence of adequate infrastructure or technical skills.

¹¹⁷ As an example of the former, Wood states that the World Bank Group requires that recipients abide by IMF policies. The same is true in the case of the latter: “To receive U.S. aid, a country must generally agree to accept investments under the investment guarantee programs of the U.S. government.” (Wood, 1986: 123)

¹¹⁸ Which often encompass “government credit policies, protectionism, state investment policies, constraints on foreign investment, and so forth.” (Wood, 1986: 124)

Successful efforts to influence macro-economic and sectoral policies are likely to have a greater impact on growth than the added capital and skills financed by aid. (Wood, 1986: 124)

These efforts at repositioning the role of development assistance worked quite well. Even while the influence of AID declined, the approach it had espoused continued to gain traction.

Development Assistance Committee (DAC) member-states and the World Bank have, to a large extent, followed through with the objectives outlined by AID “officials.” (Wood, 1986: 124-125)

For its part, the World Bank increasingly focused on “nonproject lending.” (Wood, 1986: 125) Significantly, the Bank’s initial foray into such practices came in 1971. (Wood, 1986: 125) It culminated later in the 1980s in “structural adjustment” measures, which were aimed at the wholesale reorientation of policies in peripheral nations. (Wood, 1986: 125)

The Treasury Department lent its support in the form of a “report,” which recommended “that U.S. policy seek greater emphasis upon the MDB financial role as a catalyst for private flows ... and their advisory role as sponsors of appropriate policies – as distinct from their significance as sources of official capital transfers.” (Wood, 1986: 125) “Appropriate policies” were viewed as those which promoted “greater LDC reliance on market forces.” (Wood, 1986: 125)

In this same report, the Treasury acknowledged that the “collaborative” orientation of the IMF with various donors (including the World Bank) “is particularly important when it comes to influencing macro-level policy” alterations. (Wood, 1986: 125) Referring to its effect on the operations of the World Bank, the report concludes: “Without the added weight and broader focus achieved through collaboration with other donors, the Bank’s leverage over macro-level policy is limited.” (Wood, 1986: 125)

Overall, Wood concludes that a “shift in the locus of conditionality from bilateral agencies to the multilateral development banks and the International Monetary Fund” has occurred. (Wood, 1986: 126) Specifically, he argues that “policy conditionality” has been “centralized” under the control of the IMF and World Bank. (Wood, 1986: 127) This transition has led to a number of outcomes. The most serious of these is that the IMF has, according to Wood, “moved steadily in the direction of more stringent conditionality.” (Wood, 1986: 126)

CONCLUSION:

Wood depicts the observed features of the regime as being relatively constant. From his perspective, the operational inclinations of the regime appear not to have varied significantly over time, or across different regions. And to be fair to Wood, there is a large degree of continuity in the way the regime has manifested itself. This continuity is the result of what I have referred to as the *internal logic* of the prevailing global politico-economic order, or system.

This internal logic, or ‘system bias,’ as I view it, may be grasped as a series of legitimized injunctions, whose principal charge is to maintain or preserve the primacy of the market system; and, hence, the integrity of the existing politico-economic arrangements and relations as well. The features of a given regime are reflections of these more subtle injunctions. What’s more, the internal logic and corresponding features of a regime are emanations of the material interests embedded within the global system. This is why I have, at times, referred to the existence of a *global order*: i.e., to denote the whole nexus of forces (both material and nonmaterial) which contribute to, and to some extent determine the development and functioning of the global political economy.

And while the ideology of market fundamentalism may accompany the operation of regimes, all market systems are prone to experiencing instabilities. When these occur, some force external to the normal incentive structure of the market must intervene to ensure the continued viability of the global order as a whole. This is why I have argued that regime features evolve in a somewhat cyclical fashion. They are flexible (or transmutable) to the extent that they support the long-term sustainability of the process of globalized capital accumulation.

Hence, as I argued in the opening chapter, the development assistance provision regime is a dynamic structure, covarying with its historical-contextual environment. The regulative features of the regime may, therefore, evolve to become more or less stringent, depending on the stability of a given region, and-or of the global politico-economic system as a whole. In this sense, although external financing may violate the fundamental mandate of the unfettered functioning of markets, it does not compromise the developmental integrity of the global order – i.e., its linear trajectory.

In my analysis, the epoch encompassing the Second World War and the early decades of the Cold War represents the major period of instability experienced by the global order. East Asia was the most conspicuous example of the tendency of the regime to suspend some of its expectations for recipients during this time frame. Subsequent to this, we have witnessed an epochal shift, out of which the global political economy has become more integrated, and multinational and transnational firms have emerged more dominant than ever before. And a shift in intensity of the material bases of the global political economy should, in my view, necessarily lead to a corresponding transition in the way the features of the regime have expressed themselves.

There is one additional difference between Wood's conception of the regime and my own. He seemingly views private capital flows as being separate from the regime; i.e., as though they are an independent variable. But this would be inaccurate – at least conceptually. Official assistance transfers have, in many ways, created or maintained the conditions under which private capital has thrived. Moreover, official flows appear to have been withdrawn – from sectors and regions, or altogether – whenever concerns arose over the likelihood that they might displace private investment. In this sense, there is an interdependent relationship between the two. In brief, private capital flows cannot be viewed as operating independently from the regime.

This set of contentions is what separates this thesis from other analyses. Nevertheless, the notion of covariation would not appear to be altogether original in terms of its theoretical implications. On a causal level, Krasner suggested a similar interdependence between a given regime and the larger context within which it is situated. Consider the following passage from Wood:

Krasner has invoked the metaphor of tectonic plates to suggest a more complex relationship between regimes and other determinants of outcomes. Regimes represent one "plate"; other relevant determinants of outcomes, such as the distribution of power among states, represent other plates. (Wood, 1986: 96)

'Pressures between plates vary over time. When regimes are first created there is little pressure. Over time pressure develops at the interface of the plates as they move at different rates. These pressures may be relieved by imperceptible incremental movements, but often the pressures build. The higher the level of incongruity, the more dramatic the ultimate earthquake that finally realigns the plates.' (Krasner, from Wood, 1986: 96-97)

“Thus,” Wood writes, “a regime’s ability to cause events varies over time and between issue areas.” (Wood, 1986: 97)

Although the concept of variability does not seem to find its way into Wood’s overall analysis, it is reflected in some of his explanations. He argues at one point, for example, that “the advent of Soviet aid raised the level of Western aid, increased the ability of nonaligned countries to press for aid from the West, and forced Western countries to soften the terms of some of their aid.” (Wood, 1986: 71) In the context of the “specter of communist aid,” then, the United States lobbied for the “initiation or expansion” of assistance “programs” from OEEC¹¹⁹ member states.

The implications of incorporating these ideas into the features delineated by Wood seem relatively straightforward. We might, for instance, expect that the normative restrictions placed upon lending become less stringent, or even suspended altogether during times of instability – such as in the first epoch. And conversely, as the global order stabilizes and markets strengthen, then they should become more rigid and exacting.

In the case of ‘strategic nonlending,’ the argument is that assistance is withheld so as to “encourage the maximum utilization of private capital.” (Wood, 1986: 115) On balance, it is an argument bearing striking similarities to O’Connor’s “accumulation” premise. So, while postwar assistance efforts were aimed at facilitating the reentry of private capital through the revitalization of the international economy, it is no coincidence that more nuanced approaches – such as ‘sectoral withholding’ – were not implemented until later, when it was feared that more comprehensive programs might stymie the expansion and intensification of the role of private investment.

A similar dynamic played out during the Cold War. Assistance directed toward nations and regions that might form the basis of a bulwark against the expansion of socialism carried few restrictions. Asian states, in particular, regularly intervened in the functioning of their markets. It wasn’t until later that Washington voiced its disapproval.

The idea behind ‘institutionalized noncompetition’ is that recipients will always be forced into accepting terms nearest to those of the market. Levels of ‘concessionality’ are also subject to

¹¹⁹ Later to be assumed under the Organization for Economic Cooperation and Development (OECD). (Wood, 1986: 71)

variability, however. Intervening factors associated with instability, in other words, may produce periodic and regionally-bounded increases in concessional financing. Again, the alternative is true for periods of stability. I would expect that such fluctuations comport with the long-term interests of the global order.

The same principle should apply to the connection between a country's level of 'creditworthiness' and continued access to development assistance. The statuses of strategically significant debtors are likely to be weighed less heavily during periods of instability and more heavily as the global order approaches stability.

Despite these arguments, the power asymmetry between core and peripheral nations within the "framework for negotiating" assistance flows would appear to have remained relatively stable. (Wood, 1986: 101) McMichael has echoed many of Wood's observations in this respect. The failure, initially, of the Non-Aligned Movement (NAM) and, later, of the Group of 77, the "basic needs" approach, and of the New International Economic Order (NIEO) initiative frustrated the ability of peripheral nations at articulating an alternative and more "equitable" means of stimulating development. (McMichael, 2000: 54-55 & 121-126)

This was further compounded by the fragmentation of the "interstate system." (Shannon, 1996: 25) The emergence of the NICs weakened the collective organizing capacity of the periphery. (Shannon, 1996: 40-41; McMichael, 2000: 55 & 125) This same position is prominently featured in *World System Theory*. As explained by Shannon, for example:

Because they enjoy greater wealth, exercise more international power, and benefit from exploiting and dominating peripheral areas in their region, semi-peripheral states are not likely to ally themselves with the periphery against the core or to see their interests as similar to those of the peripheral states ...
(Shannon, 1996: 40)

Ideally, I would investigate in detail each of Wood's features to determine how they have varied over time. Yet, this is an impossibility within the limitations of this thesis. In the following chapter, therefore, I will focus on the most significant of Wood's features: i.e., the issue of *conditionality*. Specifically, I want to understand how it has evolved in the modern epoch, what factors have contributed to its evolution, and what the implications are for developing countries.

This task is essential to the identification of the regime as a regulative-control mechanism for the global order.

CHAPTER V:
***TRANSFORMATIONS IN THE GLOBAL POLITICO-ECONOMIC ORDER AND THE COINCIDING
EVOLUTION OF REGIME CONDITIONALITY***

INTRODUCTION:

This chapter is focused upon two interrelated historical transformations following the transition from the previous to the current epoch: i.e., those related to (i) the global politico-economic order, itself, and those having to do with (ii) the institutional mechanisms, which contribute to its viability. Whereas the previous epoch was defined by systemic instabilities, the current is the outcome, in many ways, of the subsiding of these instabilities. This transition has facilitated the construction of a truly globalized, world economy. The current epoch, therefore, has been overwhelmingly characterized by an intensive integration of the previously far-flung politico-economic entities within the world system. It has transformed the relations between various agents and sectors as well.

The first part of this chapter is devoted to Robinson's (2003) theoretical treatments of the transition to globalization. This section is followed by an analysis of the transformation of the development assistance provision regime. First, I examine the quantitative changes. Overall, I argue that the composition of lending has become more restrictive. Developing nations have thus been increasingly forced to rely upon private capital flows and investments, or those that diverge very little from the terms of the market.

This shift has also had a great deal to do with qualitative changes in the regime's functioning, which I investigate in the latter part of the second section. The conditionality structure of the regime, in particular, has become more stringent. It has, in other words, been the principle means by which the regime has forced peripheral nations to submit to the discipline of the global order and liberalize their economies. Combined, these quantitative and qualitative changes have both shaped the developmental orientations and trajectories of the periphery, as well as led to an expansion and intensification of the influence of the transnational sector. Consequently, developing economies are now more exposed to the forces of the global market than ever before in history.

GLOBAL POLITICO-ECONOMIC TRANSFORMATIONS:

Interspersed throughout this thesis is the suggestion that the global politico-economic order has undergone a ‘great transformation,’¹²⁰ or “epochal shift.” (Robinson, 2003: 9) This transformation has been widely documented and is, according to Robinson, “best captured by the concept of *globalization*.” (Robinson, 2003: 9) But important implications follow from how we conceptualize globalization.

Crudely explained, orthodox theorists have argued that globalization represents nothing more than a historically contingent phenomenon. It, in other words, was not an inevitability. Although international economic integration has arisen as the result of a confluence of factors, these factors are not presumed to be functionally interrelated.

By force of logic, then, adherents to this perspective are led to conclude that globalization represents nothing qualitatively new in the arc of history. They are predisposed to believe that this phase of integration does not differ significantly from those that have occurred in the past; and, furthermore, that it is as nearly prone to disintegration. Accordingly, they often explain the intensity of the current phase as having sprung primarily from revolutionary developments in communications and transportation technologies.

These tendencies would perhaps be understandable if it were not for one remaining implication: i.e., that methodologically, orthodox theorists remain fixated on the nation-state as the principal unit of analysis. The idea is not that a single state is necessarily autonomous or self-determining, but that states acting in concert, or against one another are the ultimate determinants of the unfolding of history. States, acting in their own immediate interests, contribute to the overall orientation of the global political economy.

The notion that forces external to interstate relations might determine developmental outcomes is, therefore, viewed as illusory. And the contention that the global system’s trajectory is somehow governed, or regulated by some set of independent variables, superseding the individual inclinations of its constituent agents, is regarded as being especially heretical. Gilpin (2001) is one of the more prominent exponents of this paradigm.

¹²⁰ i.e., a la Polanyi’s “The Great Transformation.” (2001)

Other theorists have firmly rejected such perspectives as being fundamentally flawed. Among them is Robinson, who has advanced his own theoretical approach. He contends that globalization “represents ... a qualitatively new stage in the evolution of the system of world capitalism.” (Robinson, 2003: 9) In this sense, it is the culmination of a “historical process” as opposed to a historically contingent “event.” (Robinson, 2003: 9)

Furthermore, and somewhat similar to Polanyi (2001), the bringing about of this ‘transformation’ cannot be attributed to technological innovations alone: “technology,” writes Robinson, “is not causal to social change but a dependent variable.” (Robinson, 2003: 12 & 18-19) Developments in communications, transportation, and so forth have merely facilitated the emergence and intensification of a globally “mobile” private, or “transnational” sector. (Robinson, 2003: 12)

The real catalyst has been the unbridled “competitive” compulsion, congenital to “capitalism itself,” for “profits” to be “maximized” through “[reductions in] labor and other factor costs.” (Robinson, 2003: 18) The impulsion has thus always existed within capitalism to both “extend” its reach and “intensify” its activity. (Robinson, 2003: 11) Globalization is more so reflective of the latter, “intensive” mode of “expansion,” however. (Robinson, 2003: 11) “It is,” in Robinson’s words, “invading and commodifying all those public and private spheres that previously remained outside of its reach.” (Robinson, 2003: 11)

This transformation, or “restructuring” of the global political economy was begun in the latter part of the twentieth-century. (Robinson, 2003: 10-11) In the 1960s, there was a “dramatic rise in direct multinational corporate investment,” a shift in the composition of the “international production” chain, and an “incursion of market relations into” the periphery. (Robinson, 2003: 11) By the 1970s, spurred on by new technologies, the process began to take on a life of its own. Capital flows had become more “fluid” and “mobile.” (Robinson, 2003: 11-12) The imparting of this dynamism is what Robinson has referred to as the “transnationalization” of capital. (Robinson, 2003: 12)

QUANTITATIVE-CUM-QUALITATIVE CHANGE:

These trends have been widely observed. What is most interesting about Robinson’s argument is his insistence that “in all epochal shifts, quantitative change gives way to qualitative change.” (Robinson, 2003: 10) Paralleling McMichael (2000), he posits that a “transition” has occurred

from a “nation-state phase of world capitalism” to a “still emerging transnational phase.” (Robinson, 2003: 10) Bound up within this ‘transition’ has been the transformation of “institutional, organizational, political, and regulatory structures.” (Robinson, 2003: 10)

As I understand Robinson, the “rise of transnational capital” represents the primary “quantitative change.” (Robinson, 2003: 12) “Qualitative changes” came as a result of the newfound “mobility” on the part of transnational capital. (Robinson, 2003: 19) Capital has been afforded an unprecedented amount of leverage over developing nations in the wake of its ‘transnationalization.’ Consider the following passage from Robinson:

[Capital is now able] to search out around the world the most favorable conditions for different phases of globalized production, including the cheapest labor, the most favorable institutional environments (for example, low taxes) and regulatory conditions (for example, lax environmental and labor laws), stable social environments and so on. (Robinson, 2003: 19)

Consequently, “production chains or networks” have become “*global* in character,” and “accumulation ... embedded in *global* markets.” (Robinson, 2003: 17) This is why, according to Robinson, “[t]ransnationally oriented capitalists [have] promote[d]” Export-, or ““outward-oriented,””¹²¹ over ““inward-oriented””¹²² modes of development. (Robinson, 2003: 18)

This surge toward globalized production and accumulation has necessitated the coinciding emergence of a supranational sphere of “political” interaction. (Robinson, 2003: 12) Globalization, in other words, has resulted in the “supersession of the nation-state.” (Robinson, 2003: 12) It has “integrate[d] the various polities, cultures, and institutions of national societies into an emergent transnational or global society.” (Robinson, 2003: 12-13) Whatever degree of self-determinism national or regional structures might have once possessed, has been “increasingly eroded” by this process. (Robinson, 2003: 12) It is now relatively “impossible,” in a “structural” sense, “for individual nations” – or “regions,” once more – “to sustain independent, or even autonomous, economies, polities, and social structures.” (Robinson, 2003: 12)

¹²¹ i.e., “[I]nvolving export-promotion strategies and a deeper integration of national economies into the global economy.” (Robinson, 2003: 18)

¹²² i.e., Import-Substitution Industrialization (ISI). (Robinson, 2003: 18)

Essential to Robinson's analysis, is the contention that national and regional modes and-or "circuits of production and accumulation" have "become fragmented and integrated into" those with global dimensions. (Robinson, 2003: 13) This is why he draws distinctions between the existence of "a *world economy* and a *global economy*" and, similarly, between "internationalization" and "transnationalization."¹²³ (Robinson, 2003: 13-16) Overall, Robinson concludes that:

Globalization ... is unifying the world into a single mode of production and a single global system and bringing about the organic integration of different countries and regions into a global economy. (Robinson, 2003: 13)

This transformation was brought about by the ascent of the transnational sector to a position of "hegemony" within the global order. (Robinson, 2003: 19) It represents, above all else, the "unprecedented concentration and centralization of worldwide economic management, control, and decision-making power" into the hands of "transnational capital and its agents." (Robinson, 2003: 19)

This last point made by Robinson is significant for the purposes at hand. The "agents" of the transnational sector may be construed a number of ways. But, for myself, it is suggestive of an intimate connection between the interests of the transnational sector and the functional orientation of the institutions and agencies, which comprise the structural core of the regime for the provision of development assistance.

Robinson contends that every "epochal" "expansion" of the global economy has been accompanied by "the establishment of sets of institutions that made [such an] expansion possible and organized long-term cycles of capitalist development." (Robinson, 2003: 12) The current era of globalization, as a phase of "intensive expansion," is no different. (Robinson, 2003: 11) The prevailing relationships have already become largely "institutionalized," which, according to Robinson, "makes them 'fixed' and makes their reproduction possible." (Robinson, 2003: 20)

This, in essence, implies that the global institutional framework has an "ideological," or 'legitimation' function to perform as well. (Robinson, 2003: 19) This functioning has partly to do

¹²³ I have, for the same reasons, at times, alternated between referring to either an *international*, or *global* political economy (or politico-economic order, or system).

with providing material support for (or sanctions against) the behavior and-or developmental orientation of individual agents. But it also has partly to do with promoting the stability of the global order. If, for instance, markets should become enfeebled, or adversarial and-or alternative systems should gain a foothold, then the legitimacy of globalization in its current form could be brought into question, or threatened.

THE QUANTITATIVE AND QUALITATIVE TRANSFORMATIONS OF THE DEVELOPMENT ASSISTANCE PROVISION REGIME:

It is significant to note, here, that the periodizations delineated by McMichael and Robinson largely correspond with my own. By the 1970s, a new global-historical epoch had emerged. On the one hand, the international economic upheaval that had defined the period encompassing the Great Depression and Second World War had greatly subsided. Although markets have never been entirely stable, they no longer required the massive infusions of public capital that had marked the early post-war period. On the other hand, the general contours of the respective spheres of influence in the Cold War had, by this point, become relatively well established. There were, of course, ongoing skirmishes and those yet to be fought, but the major struggles had nonetheless been overwhelmingly decided.

These structural factors, combined with those identified by Robinson, created the conditions for a fundamental shift in the bases and character of the global politico-economic order. The emergence of the transnational sector and consequent integration of social, political, economic, and legal structures entailed in globalization, necessitated that transformations also occur within the institutional and ideological apparatuses of the global system.

Some of the more significant changes to have occurred on the institutional and ideological levels had to do with (i) the conduct of the multilateral institutions of the IMF and World Bank and (ii) the coinciding rise of neoliberal, market fundamentalism as a legitimate politico-economic doctrine. In brief, the policies pursued have become more so reflective of the interests of the transnational sector, than of the individual nations and regions that have been thrust into globalization. Economic liberalization, in particular, has been placed high on the agenda.

As will be shown, these changes profoundly influenced the developmental orientations and trajectories of the periphery. The administration of development assistance has played a crucial

role in this process. The developmental character of the periphery has been overwhelmingly tailored to the global economy's needs, which has increasingly become synonymous with the interests of the transnational sector.

In the following sections, therefore, I turn once again to the development assistance provision regime. First, it will be helpful to examine the quantitative trends. Primarily, I am interested in seeing how the composition of external financing has changed. Subsequently, I investigate the qualitative changes that have occurred within the regime. Here, I will focus on the evolution of conditionality as a mechanism for bringing about compliance to the global order.

I. QUANTITATIVE TRANSFORMATIONS:

Overwhelmingly, the current epoch of development assistance provision has been defined by a progressive drift toward privately financed lending. As Wood has documented, “[f]rom 1956 through 1976, official flows were consistently larger than private flows.” (Wood, 1986: 82) This trend reversed itself by the end of the 1970s, however: “private flows surpassed official flows from 1977 through 1979 and were almost equal to the latter in 1980.” (Wood, 1986: 82)

This shift in the composition of lending coincided with the precipitous “expansion of commercial bank lending,” which not only “surpassed flows of direct private investment,” but also “emerged as the largest category of private flows in the” latter part of the 1970s. (Wood, 1986: 78-79 & 82) The significance of these trends cannot be emphasized enough. As I have argued, official assistance flows share a reciprocal relationship with the stability of the global politico-economic order.

If we take private lending as an indicator of stability, then the observed rise in private lending should have been followed by a diminution in the availability of official, and-or more concessional assistance flows. This was, in fact, the case with bilateral disbursements:¹²⁴ according to Wood, “[t]he nadir of the DAC share of total flows occurred when the share of bank lending was the highest.” (Wood, 1986: 82-84) Later, Wood indicates that the most concessional of assistance flows (i.e., grants) decreased as “a result of the upsurge of private bank lending.”

¹²⁴ Although not with “multilateral organizations,” whose “importance” continued to grow. (Wood, 1986: 84-85) This paradoxical trend can be explained by the role of the Bretton Woods institutions in the global order, however: (i) they have historically functioned as the vanguard institutions in the propagation of the ‘legitimate’ modes of politico-economic development and, moreover, (ii) assumed the position of “debt managers” following the debt crisis of the 1980s. (McMichael, 2000: 128) Both circumstances required that they exert influence through the transfer of development capital.

(Wood, 1986: 130) Altogether, Wood argues that the latter half of the 1970s represented a period where “nonconcessional private bank lending” was “expanded” “in lieu of official financing.” (Wood, 1986: 70)

This transition toward a greater reliance on private financing has continued until present day. Before moving forward, however, it will be useful to understand the origins¹²⁵ of this phenomenon, as well as the countertrends that briefly emerged.

THE TRANSNATIONALIZATION OF THE STRUCTURE OF GLOBAL FINANCING:

The existence of an unregulated, “offshore capital market”¹²⁶ helped nourish the formation and growth of the nascent “transnational” (or “global”) banking sector in the 1970s. (McMichael, 2000: 114) Its presence contributed to the demise of the “Bretton Woods system of fixed currency exchanges” as well. (McMichael, 2000: 115) The Bretton Woods system had, according to McMichael, long “limited the movement of capital across national borders, constraining the global activity of the transnational companies.” (McMichael, 2000: 115)

When this arrangement was abandoned, therefore, it amounted to the de facto establishment of a “liberal financial regime in the world economy.” (McMichael, 2000: 116) It was a transformational moment for the global economy in that a critical threshold had been crossed. The transnational sector would no longer be impeded by external interests. The historical convergence of “international financial liberalization”¹²⁷ and a consequent intensification in “global banking,” in other words, “laid the foundations for ... ‘globalization.’” (McMichael, 2000: 113)

With its newfound latitude, capital now posed a threat to the “economic and political sovereignty” of developing nations. (McMichael, 2000: 117) “[T]raders and financiers,” writes McMichael, possess the ability to “influence policy just by moving funds around the world in search of financial profit.” (McMichael, 2000: 117) But mobility often produces volatility as well; and volatility wreaks systemic havoc. (McMichael, 2000: 116)

¹²⁵ Which bear a striking degree of resemblance to Robinson’s theoretical delineations.

¹²⁶ Or “Eurodollar” and-or “Eurocurrency market” as it is alternatively called. (Wood, 1986: 79; McMichael, 2000: 115)

¹²⁷ Or the move “from a regulated to a deregulated international financial system.” (McMichael, 2000: 116)

When oil prices soared in 1973 and the “First World” experienced a “severe financial downturn,” transnational banks were well poised to shift their lucre elsewhere in the global economy. (McMichael, 2000: 117-118) Overwhelmingly, their focus was drawn to the periphery. (McMichael, 2000: 118; Bello, 2001: 6-7; Babb, 2005: 200) Banks began lending without regard for consequences. Developing economies were inundated with vast amounts of capital “throughout the 1970s.” (McMichael, 2000: 114) The banking sector viewed their penetration into periphery as a necessity: i.e., “as the only way to expand business in the face of a slackening domestic credit demand and increased competition among banks.” (Wood, 1986: 80)

It was during this period that “commercial bank lending effectively displaced official loans from bilateral and multilateral sources.” (McMichael, 2000: 118) In 1972, “international bank lending” amounted to only \$2 billion. (McMichael, 2000: 114) By 1981, it had climaxed at \$90 billion. (McMichael, 2000: 114) Consequently, by the close of the 1970s, the global banking sector “[held approximately] 60 percent” of the debt accumulated in the periphery. (McMichael, 2000: 118)

What is most interesting about this time frame is that it allowed developing nations to “exercise” some degree of “autonomy from the official financial community.” (McMichael, 2000: 118) The explosion in private financing “radically altered” the developmental “options” open to the periphery. (Wood, 1986: 81) Many states pursued some variant of “state capitalism,” subsidizing the “expansion” of the “public sector.” (McMichael, 2000: 121)

These arrangements were unsustainable, however. The global banking sector had overextended itself, and the dollar was “oversubscribed.” (McMichael, 2000: 113) In 1980, the U.S. government took the “monetarist” stance of tightening the “money supply.” (McMichael, 2000: 127) This was done in order to protect the value of the dollar. But, because the dollar was the dominant reserve currency, credit became “restricted” and interest rates climbed internationally. (McMichael, 2000: 127; Babb, 2005: 200) In short, developing economies were plunged into a “debt crisis.” (McMichael, 2000: 127-128)

In the end, the dependency of the periphery on the “official financial community” was only heightened, as this crisis gave rise to the ‘debt regime’ and ‘global managerialism.’¹²⁸ (McMichael, 2000: 118, 126-145 & 164-165) Multilateral institutions moved to “strengthen their control over national policy making.” (McMichael, 2000: 165) This was achieved primarily through the extension of assistance: “multilaterals loaned public funds to help indebted states repay the debt they owed private banks.”¹²⁹ (McMichael, 2000: 165)

This transference of debt had two effects. First, it saved the global banking system from total collapse. And, secondly, it re-enthroned the World Bank and IMF as the vanguard regulative institutions of the global order. They now had the “power” to “extract major political concessions from” the periphery. (McMichael, 2000: 165)

It is important, however, not to view this crisis as being a cataclysmic event, or one on the same scale as that which occurred in the previous epoch. These were mere tremors by comparison, associated with the transition to a globalized (or ‘transnationalized’) world economic system. The debt crisis did not retard the momentum, or divert the developmental trajectory of the global order. Nor, of course, was the legitimacy of an increasingly globalized and liberalized international system significantly derailed, or challenged in any way.

If anything, this episode was a representation of the matured functioning of the regime. It exemplifies how the regime has maintained the prevailing course of development through the employment of ‘official’ assistance outlays. It is, moreover, a recurrent theme. Consider, for instance, the successive “bailouts” of Mexico’s economy. (McMichael, 2000: 166) As McMichael has written, they were “necessary to restore confidence in the operation of the global economy.” (McMichael, 2000: 166) To do otherwise would have allowed “instability” to fester; therefore eroding, or compromising entirely the legitimacy of the “functioning of the international financial system.” (McMichael, 2000: 166)

NAFTA, as a model for regional integration, might have been imperiled as well. And had it “unraveled,” then “a protectionist counter-move by governments around the world” would have

¹²⁸ And-or ‘global governance,’ which I addressed in Chapter II.

¹²⁹ McMichael observes, for example, that: “In 1981, 42 percent of net loans came from commercial banks and 37 percent from the multilateral financial agencies; by 1988, the banks supplied only 6 percent and the multilaterals 88 percent of net loans.” (McMichael, 2000: 165)

likely ensued. (McMichael, 2000: 166) Altogether, McMichael concludes that the “Mexican adjustment was the condition for stabilization of the global economy.” (McMichael, 2000: 166)

Irrespective of these occurrences, the point to be conveyed is that, in the context of the current epoch, the financing structure of development assistance has moved progressively toward a greater reliance upon private capital flows. One of the main factors involved in this was the wave of privatizations forced upon peripheral economies in the wake of the debt crisis. According to McMichael these actions “reduced the public capacity in development planning and implementation, thereby privileging private initiative.” (McMichael, 2000: 136) It furthermore “extended the reach of foreign ownership of assets in” developing economies:

Between 1980 and 1992, the stock of international bank lending rose from 4 percent to 44 percent of the GDP of the [OECD countries] ... At the end of the decade, foreign investment in the Third World ... increase[d] from \$29 to \$40 billion ... The restructured zones of the global economy were apparently now quite profitable for private investment: wages were low, governments were not competing in the private capital markets, and an export boom ... was under way. (McMichael, 2000: 136-137)

Stallings (2007) provides additional support. Her data indicate that, on an aggregate level, “capital flows” have waxed and waned with the relative stability of the “[global] political economy.” (Stallings, 2007: 205) At the outset of the 1990s, for instance, there was a “rapid surge of capital flows into developing countries.” (Stallings, 2007: 205) Levels subsequently declined, but then surged once more to a “peak” of \$470 billion as recently as 2005. (Stallings, 2007: 205) She explains this pattern of variability as follows:

All three subperiods reflect trends in the broader international political economy. The early surge came as a response to the end of the debt crisis of the 1980s as well as the perceived greater stability in developing economies. The drop in the second half of the 1990s occurred in large part as a reaction to the Mexican and Asian crises. As these crises were gradually overcome, capital again began to move into the developing world. (Stallings, 2007: 205)

When “disaggregated,” Stallings’ data demonstrate how the balance between “public” and “private capital flows” has evolved in recent years. (Stallings, 2007: 205) She reports that in 1990 the two were nearly equal, at approximately “\$50 billion each.” (Stallings, 2007: 205) Since then, transfers of “public capital” have declined “in nominal terms and net flows are now negative.”

(Stallings, 2007: 205) Conversely, she writes that over the same period “private flows increased sharply until about 1997, falling off but then increasing over the past few years to reach a new high of nearly \$500 billion in 2005.” (Stallings, 2007: 206)

It is evident, then, that “private” flows are driving the observed aggregate increases in recent years. (Stallings, 2007: 206) And “within” this “category,” foreign direct investment (FDI) has become the most “significant” type of flow. (Stallings, 2007: 206) FDI has increased “nearly tenfold”¹³⁰ since 1990, and “now represents approximately half of total capital flows.” (Stallings, 2007: 206) These figures are significant because of the efforts of developing countries in the 1970s at expelling foreign ownership of productive enterprises from their economies. (Stallings, 2007: 206) The policies pursued by the World Bank and IMF have had a great deal to do with this reversal.

Interestingly enough, Stallings also argues that “some public loans are explicitly countercyclical in the sense that they are offered when a borrowing country is in trouble and other lenders have withdrawn.”¹³¹ (Stallings, 2007: 212) She continues: “The IMF is the main example of an institution that is designed to serve this function, but the World Bank and the regional development banks also engage in some countercyclical lending.” (Stallings, 2007: 212) This parallels many of my own arguments.

On the whole, in the current epoch, the provision of development assistance has increasingly been shouldered by private initiative. The structure of assistance provision, therefore, has become more restrictive in the sense that market forces now wield more power than was previously the case. The growth of a robust transnational sector contributed immensely to this imbalance. And although there was a period where ‘official’ capital flows dominated, the policies subsequently enacted by the World Bank and IMF insured that the private sector would once again be reinvigorated. This fact is largely a reflection of the global order’s reconfigured power relations.

¹³⁰ i.e., from \$25 billion in 1990, to \$240 billion in 2005. (Stallings, 2007: 206)

¹³¹ In her estimate, however, “bilateral” lending is less predictable in this respect. (Stallings, 2007: 212) This is perhaps because bilateral agencies are intended as a means of supporting national interests. In the midst of a crisis, therefore, they may reserve capital transfers for only those developing countries deemed to be of strategic significance.

II. QUALITATIVE TRANSFORMATIONS:

These quantitative transitions have, quite naturally, given way to qualitative transformations in the provision of development assistance. The most significant of these has had to do with the conduct of the Bretton Woods institutions in relation to the development process. In the wake of the debt crisis,¹³² the IMF and World Bank sought to reconfigure peripheral political economies.

Their ability to influence patterns of development was enabled by the assumption of peripheral debt obligations. The principal means of doing so was through a “shift” in “emphasis from [*project*] to *policy* loans.” (McMichael, 2000: 164) Thenceforth, assistance was “linked ... to policies that pursued market-oriented economic growth strategies.” (McMichael, 2000: 164)

The opening salvo, as it were, came in the 1980s with the institution of financial stabilization and structural adjustment measures. These measures imposed severe conditionalities upon developing nations. On the whole, they were directed toward “a restructuring” of the “economic polic[ies]” of debtor nations. (McMichael, 2000: 128) The IMF and World Bank jointly pressed for “reduction[s] in social spending,” the liberalization of markets, deregulation, the privatization of parastatal firms and enterprises, a “devaluing” of currencies, and the “cutting or constraining of wages” and destruction of labor “protections.” (McMichael, 2000: 136 & 155; Bello, 2001: 10-11) These precepts would subsequently come to be known as the *Washington consensus*.

“Indebted states” were forced to “conform” to these prescriptions, lest their access to additional capital be discontinued. (McMichael, 2000: 161) Those that did submit were “rewarded” for doing so. (McMichael, 2000: 155) This consolidation of power by the multilateral organizations and their subsequent intervention into the affairs of the periphery constituted a “practice of global governance.” (McMichael, 2000: 165)

Above all else, however, these efforts brought about the penetration of “market principles” into the pursuit of development. (McMichael, 2000: 153) Developing nations were no longer autonomous in the management of their economies. They had, instead, been subjected to a new mode of discipline; and their interests subordinated to other “considerations.” (McMichael, 2000: 133)

¹³² Which, again, had its origins in the ongoing transformations to the global politico-economic order: i.e., the (i) increasingly independent functioning of the “global,” and-or “transnational” financial sector and the (ii) intensification of “international financial liberalization.” (McMichael, 2000: 113-114)

“Global financial” stability became the guiding principle. (McMichael, 2000: 136) This fact was reflected in the policies advocated. According to McMichael, “austerity measures, privatization, and export expansion renewed the global economy rather than individual national economies.” (McMichael, 2000: 137) Moreover, the “privileging” of “global, over national, economic relationships” – entailed in the “liberalization of flows of money and goods” – was precisely the sort of transformation that served the interests of the transnational sector. (McMichael, 2000: 133-134)

As globalization gained momentum alongside the growth in influence of the transnational sector, global institutions began to champion their newfound “faith in the authority of the market.” (McMichael, 2000: 146) In effect, Keynesianism was displaced by the “ideology of economic liberalism” and the unencumbered and boundless functioning of market forces. (McMichael, 2000: 136; Babb, 2005: 200) As the supremacy of the “global economy” solidified, therefore, the notion that the state could legitimately intervene in the functioning of the market was assailed as never before. (McMichael, 2000: 139; Bello, 2001: 12; Babb, 2005: 202) The so-called “development state” withered as a consequence. (McMichael, 2000: 136) The “dominant idea” became “that of market rule on a global scale.” (McMichael, 2000: 149)

Because “economic activity” had become more closely linked with the operation of global circuits, a “redefinition” of the meaning of ‘development’ followed shortly thereafter. (McMichael, 2000: 113, 139 & 150) In 1980, the World Bank sought to reposition the concept as “participation in the world market.” (McMichael, 2000: 113) The centerpiece of this reconceptualization was for developing economies to focus their efforts on “export intensification.” (McMichael, 2000: 130) It was later “extended,” however, “to include a policy of broad liberalization.” (McMichael, 2000: 153) This shift in strategy was subsequently “institutionalized” under the ‘debt regime,’ and “imposed” through conditional assistance transfers. (McMichael, 2000: 130 & 153)

The efforts of the World Bank in this respect have been more so representative of the imposition of an ideology than anything approaching a serviceable model for development. All ideologies are built upon, and upheld by distortions; the prevailing consensus surrounding issues related to development being no exception to the rule.

The redefinition of development laid down by the World Bank had grown out of the developmental successes experienced by the newly industrializing countries (NICs) of Asia. These countries were depicted as having succeeded where others had failed precisely because they were more in step with the global economy. They were “held up as exemplars” of “market virtue,” and of the “new strategy of export-led growth,” writes McMichael. (McMichael, 2000: 126 & 153) The liturgical upshot was that the globalized free market had worked.

The framing of history in this way served as a means of legitimation. On the one hand, lagging peripheral economies were effectively blamed for their plight. They languished, it was argued, because of their “failure” to conform to the supposed mode of development that the NICs had followed. (McMichael, 2000: 126) In the larger sense, it also bolstered the legitimacy of, and deflected criticism away from the “international economic order” and its coinciding “configuration of world power.” (McMichael, 2000: 126 & 154) The negative consequences associated with the transition to a liberalized, global political economy were not attributable to the functioning of the global order itself, contended the “global elites.” (McMichael, 2000: 126) The Asian NICs had proved this after all.

In point of fact, however, the Asian “model” of development had been “idealized” in that it did not “correspond with historical reality.” (McMichael, 2000: 154) By and large, they had been “state-managed economies,” intervening regularly and intensively in the operation of markets. (McMichael, 2000: 126 & 153; Bello, 2001: 12) The NICs had been able to manage the way in which they were integrated into the global economy. In the context of the Cold War, they were afforded an unparalleled umbrella of autonomy, provided with military protection and massive transfers of economic assistance, and granted entrée into Western markets – most all of which was unavailable to their counterparts in the developing world.

Despite these omissions, the redefinition of development – along with the distortions upon which it was erected – had served its purpose. The rise of neoliberal, market fundamentalism, in particular, has its origins in this same project. It set in motion a series of events, which ultimately led to the establishment of the World Trade Organization (WTO), whose basis lay in the promulgation of a “free trade regime.” (McMichael, 2000: 154) The interests of various powerful actors converged, in other words, so as to “institutionalize this free market consensus

globally.” (McMichael, 2000: 154) The new definition of development, and the policies it entails, is in actuality a representation of the interests of the transnational sector.

Irrespective of these shifts in ideology, the administration of assistance flows has continued to provide the material impetus behind transformations in the political economies of peripheral nations. The practices of the World Bank, as the “principal multilateral agency involved in global development financing,” have been critical to this process. (McMichael, 2000: 145) It has continually forced the reorientation of debtor policies “through its lending process.” (McMichael, 2000: 145) The Bank’s positions on issues related to development have been especially significant, moreover, in that they have typically been adopted by other multilateral agencies.

In a 1981 “report,” the World Bank advanced the “goal of ‘shrinking’ the state” as a means of “improv[ing] efficiency.” (McMichael, 2000: 142) In 1989, however, the Bank readjusted its stance and promoted the “idea of ‘political conditionality,’” which involved the “construct[ion] [of] political coalitions within [recipient states] that embrace economic reforms proposed by the multilateral agencies.” (McMichael, 2000: 143) It, in effect, represents “a way of remaking states, through ‘institution building.’” (McMichael, 2000: 143) By 1989, the World Bank had gone as far as to “[assert] that evaluating governance in debtor countries [was now] within its jurisdiction.” (McMichael, 2000: 145) McMichael elaborates on the “implications” of these “practices”:

[The increasing power and influence of multilateral agencies] not only compromises national sovereignty but also subordinates national policy to the demands of the global economy. It illustrates the growth of global regulatory mechanisms that may override national policy making. (McMichael, 2000: 145)

The “principle of ‘good governance,’” according to Hout (2004), has continued to influence the evaluations made by “Western countries and the main international financial institutions.” (Hout, 2004: 592) Although Hout also locates its origins with the ‘Washington consensus’ and its emphasis upon “neoliberal policies and market-oriented reform[s],” he argues that good governance, as a concept, has to some degree evolved with the emergence of “new institutional economics.” (Hout, 2004: 592) Whereas good governance was previously linked with the retreat of the state, its proponents now emphasize “market-friendly government intervention.” (Hout, 2004: 592-593) Babb (2005) has made similar observations. (Babb, 2005: 202-203)

Nevertheless, in Hout's assessment, the policies promoted still adhere to the "broader neoliberal agenda according to which the creation of good and efficient markets is a primary condition for economic progress." (Hout, 2004: 595) Good governance, in other words, remains supportive of the primacy of markets: or, that is, of the condition where markets are the ultimate determinants of the developmental outcomes of nations.

By the late 1990s, yet another shift had occurred. This time it had primarily to do with the perceived "instrumentality" of how assistance flows were being administered. (Hout, 2004: 595) For some time, *conditionality* had been the standard procedure. Recipients were required to comply with certain policy recommendations following the transfer of assistance. Credit was sometimes released in 'tranches' so as to insure that recipients followed through with the agreed upon policy changes.

Nonetheless, "skepticism" arose with two realizations. First, was the "apparent inability of donor governments to 'buy' policy change, because of the fungibility of aid." (Hout, 2004: 595) This was compounded by the "unfeasibility of monitoring the implementation of such conditionalities in a great number of countries and sectors." (Hout, 2004: 595)

These concerns led to a change in emphasis from "conditionality" to "selectivity." (Hout, 2004: 596-597) *Selectivity* may be defined as the "[insistence] upon performance and good governance as a prerequisite" for the transfer of assistance. (Nanda, 2006: 269) Once more, the World Bank was instrumental to this transition. Its report, *Aid, Policies and Growth* (1997), expressed concern for both good governance and good policies; good policies being "defined in terms of the qualities that, earlier, were dominant elements of the market-oriented Washington consensus, such as trade openness and fiscal and monetary discipline." (Hout, 2004: 596-597) In a subsequent report, *Assessing Aid* (1998), the Bank "explicitly laid the foundations for a move toward selectivity in development assistance." (Hout, 2004: 596)

"Several aid donors," according to Hout, have "adopted the principle of selectivity" of good governance since the late 1990s. (Hout, 2004: 606 & 607) In so doing, they have presupposed that "the targeting of development assistance to 'good performers' will stimulate other developing countries to improve their governance," based upon the same criteria. (Hout, 2004: 606) More

significantly, Hout contends that his “analysis of the selectivity principle” – as based upon the “good governance concept” – has revealed that it “is not confined to institutions or principles of governance, but more often than not includes a clear preference for certain policies.” (Hout, 2004: 606-607) The ‘selective’ provision of assistance, as it turns out, “tends to reward market-friendly and trade-oriented policies.” (Hout, 2004: 606-607)

In this sense, selectivity is no less a mechanism for inducing conformity to the dominant politico-economic norms of the global order than was conditionality. Indeed, given the circumstances under which it was devised, selectivity would appear to be an even more extreme means of governing the developmental orientations and trajectories of peripheral nations.

ASIA IN A NEW GLOBAL-HISTORICAL CONTEXT:

The umbrella of autonomy that was afforded the Asian NICs had, by the 1990s, been withdrawn. Their “deviations from the free market ideal” had been tolerated. (Bello, 2001: 13) But, with the “winding down” of the Cold War, the U.S. began to insist upon reforms: i.e., “liberalization, deregulation, and more extensive privatization.” (Bello, 2001: 13) This fact must be understood as part and parcel to the overall functioning of the regime.

As the modern epoch wore on, “global managerialism”¹³³ was no longer circumscribed to dictating policy changes to merely peripheral nations; as McMichael writes, it “now embraces the whole world.” (McMichael, 2000: 134) The NICs, under “pressure” from the U.S., World Bank and IMF, liberalized their “financial sectors,” but “remained highly protected when it came to trade.” (Bello, 2001: 13-14) Soon thereafter, a “financial crisis” struck due to the volatility of capital flows. (Bello, 2001: 14; Stallings, 2007: 211-212) Following this, the IMF “imposed” “stabilization measures,” which required many of the Asian NICs to abandon their “interventionist” ways. (Bello, 2001: 14) The connection, here, between the policies imposed and the interests of the transnational sector is evident. As Bello writes, “[b]y 1998, transnationals and US financial firms were buying up Asian assets ... at fire sale prices.” (Bello, 2001: 15)

This ‘universality’ is the result of a historical process. It has involved control over national economies for the “promot[ion] and managem[ent] [of] global markets in order to sustain” and

¹³³ Again, defined as “the reformulation of economic policy making according to global, rather than national, considerations.” (McMichael, 2000: 133)

further a particular set of global economic arrangements. (McMichael, 2000: 152) This process has required that “alternatives” either be “incorporat[ed], eliminat[ed], or contain[ed].”

(McMichael, 2000: 152) The ideological zeal and structural necessities for the implementation of market fundamentalist modes of development had crescendoed to such a degree by the closing decade of the twentieth century, that the interventions of the Asian NICs came to be viewed as obstacles to further progress.

Altogether, the transformation of the global political economy also brought about the intensification of the operational norms of the development assistance provision regime. This was particularly true for conditionality. Official capital flows were utilized so as to further integrate states into the global economy. As integration proceeded, states were increasingly subjected to the discipline of neoliberal, market fundamentalism. The disbursement of assistance flows, therefore, functioned as a means of facilitating the expansion and intensification of the market mechanism. Both nations and classes within nations have lost ground as a result of these transformations. (Stallings, 2007: 202) The transnational sector has benefited disproportionately, however.

CONCLUSION:

The resolution of the sources of instabilities within the global politico-economic order marked the beginning of the current epoch. The Cold War had calmed, and the respective spheres of influence had become more fixed. The global economy, although still subject to isolated instabilities, had strengthened as well. By the 1970s, its reinvigoration was nearly complete. Transnational firms and banks proliferated. And it was their operational inclinations, alongside the coinciding transition to a deregulated international capital market,¹³⁴ which precipitated the onset of globalization.

My argument, of course, is not that the global economic system is somehow inherently stable. It is, in fact, decidedly unstable. What I am suggesting is that the functioning of regimes, themselves, has generated a sufficient degree of stability to bring about the expansion and intensification of global capital accumulation via the transnational sector. The regime in question has consistently and systematically mobilized capital as a means of reconciling dislocations in the global politico-economic order.

¹³⁴ i.e., with the dissolution of the Bretton Woods “system of fixed currency exchanges.” (McMichael, 2000: 115)

This transformation in the structure of the global economic system necessarily resulted in a transformation in the logic behind development assistance provision. The composition of lending, on the one hand, moved steadily toward an increased reliance on private financing. This was briefly interrupted by the debt crisis and the consolidation of peripheral debt obligations in the hands of multilateral institutions (or ‘debt managers’). Nevertheless, the measures imposed upon debtor nations insured the preservation and subsequent intensification of privately financed lending and investment. Multilateral institutions, in essence, underwrote the accumulation of capital by transnational banks and firms. These represent the quantitative changes to the regime.

On the qualitative level, the relative stability of the global politico-economic order and the illiberalization of capital flows led to the imposition of more stringent conditionalities – i.e., those that forced peripheral nations to become more responsive to the dictates and exigencies of the global economic system. The transition from ‘project’ to ‘policy’ conditionality, which arose out of the World Bank and IMF’s management of the debt crisis, was the principal catalyst. The substance of the ensuing conditionalities was formulated out of a series of distortions regarding the mode of development followed by the newly industrializing countries (NICs) of Asia. Development, as both a concept and process, was consequently transformed.

As the forces behind globalization grew in strength and it was discovered that conditionality was not having as great an impact as was desired, new mechanisms were devised. Selectivity, based on the rubric of good governance, was implemented as a more intensive means of compelling peripheral nations to comply with the demands of the global politico-economic order; or, that is, to prevailing logic of neoliberal, market fundamentalism. Ultimately, the Asian NICs were enveloped as well. The strategies employed by the multilateral institutions, therefore, subjected nations to the discipline of the market as never before.

These dynamics are a reflection of the shift in the balance of power between nation states and market forces. On balance, then, the regime has been shown to facilitate the expansion and intensification of the transnational sector and to subordinate the interests of developing countries to the global economy’s needs. In this way, the assertion that the regime functions as regulative-control mechanism, ancillary to the prevailing politico-economic relations of the global order, is upheld. Perhaps more significant, however, is the profound impact the regime’s functioning has

had with respect to conditioning development in the periphery. It has continually stultified, or thwarted the implementation of alternative (or divergent) modes of development.

DÉNOUEMENT

I. A RECAPITULATION:

In the opening chapter, I argued that the *development assistance provision regime functions as a regulative-control mechanism for the global politico-economic order*. This contention was based upon several premises, which contributed to my hypotheses regarding the functional evolution of the regime over different historical epochs.

Altogether, I argued that the provision of assistance has been configured so as to (i) forestall cataclysmic instabilities in the global politico-economic order, and (ii) to induce compliance among peripheral nations to the order's organizing-logic. This has been achieved through the relative liberalization (or illiberalization) of access to external financing during periods and in contexts of either stability or instability.

PERIODS AND CONTEXTS OF INSTABILITY:

- (i) *The provision of 'official' development assistance has been initiated or expanded in geo-strategic ways so as to regenerate markets and, thereby, obviate, or thwart the anticipated metastasization of adversarial politico-economic organizational frameworks.*
- (ii) *These periods have also brought about qualitative transformations. Specifically, the provision of development assistance will become less conditionally driven. This has, in some instances, resulted in a broader umbrella of autonomy for recipients.*

PERIODS AND CONTEXTS OF RELATIVE STABILITY:

- (i) *'Official' development assistance flows become more restrictive, or less expansive.*
- (ii) *Again, qualitative transformations have followed. The conditionality structure of the regime becomes more stringent, which subsequently erodes the developmental autonomy of peripheral nations and subjects them to the discipline of the market.*

On balance, these arguments have been upheld. In the initial epoch examined, instabilities were widespread and posed a significant threat to the viability of the existing politico-economic order. Markets had become disjointed following the economic upheavals of the 1930s; and this condition was worsened by the onset of the Second World War. In this environment, adversarial systems thrived: first, with the spread of German and Japanese interests; and, later, with an expanding sphere of influence for the Soviet Union.

As anticipated, it was within this epoch that official assistance programs were first instituted. Massive amounts of capital were mobilized so as to resurrect international markets and stem the growth in influence of state capitalism and socialism following the War. Although the aim was to erect a liberal international economic system, strategic compromises were necessarily forged.

In the context of the Cold War, Asian countries were given the leeway to develop along statist lines, so long as they remained allied with Western, capitalist nations. Global elites were more intransigent when it came to Latin America, however. It was only during a period of turbulence that the West's attitude toward the region shifted.

It was also within this epoch that the foundations for the regime were laid under the aegis of U.S. hegemony. A conference was convened in Bretton Woods, which resulted in the establishment of the IMF and World Bank. The norms that would come to be associated with the regime began to coalesce as well. These grew primarily out of the material interests of the U.S. and its rejuvenated Western counterparts.

As the instabilities of the previous epoch began to subside, a new epoch came into being. Above all else, it has been defined by a progressive integration of the political, economic, and ideological dimensions of the global political economy. The emergence of the transnational sector and its rapid growth in influence following the transition to a largely deregulated global economy marked a transformative moment. Globalization subsequently took root, which led to the penetration of market forces into all aspects of development.

These factors contributed to the transformation of global economic relations. Production and accumulation were now embedded in global circuits. Thenceforth, politico-economic autonomy was not to be tolerated. The composition of assistance provision became more restrictive.

Increasingly, developing nations were forced to rely on privately financed lending, or those that diverged very little from the terms of the market. The conditionality structure of lending was transformed as well. Economic stabilization and structural adjustment measures were imposed upon debt-ridden nations. This gave way to a wave of liberalizations, which, in effect, served the interests of the transnational sector.

As globalization grew in intensity, more stringent means of subjecting nations to the discipline of the market were devised. Deviations from the sanctioned mode of development were systematically purged. Significantly, the NICs of Asia were ultimately forced to submit as well. In sum, developing nations have been rendered less autonomous in their ability to select both political and economic policies, which are perceived as diverging from the dominant organizing-logic of the world order.

II. A QUALIFIED THREE-DIMENSIONAL ANALYSIS:

As I have previously stated, the objective of this thesis is to explain how the global order has, through the operation of regimes, structurally conditioned the developmental orientations and capacities of peripheral nations and regions. This process has consistently favored the material interests of the global elites – i.e., defined as core nation states in conjunction with the transnational sector. My focus, therefore, has been on the structural components of the global political economy itself, and how they have coalesced at various junctures in history to produce regulatory regimes and differing modalities of development.

It will be helpful to return to the theoretical arguments presented in Chapters I and II as methods of comprehending the nature and functioning of the regime. Thus far, my analysis has focused primarily on the regime as it relates to Lukes's 'two-dimensional' conception of power. He has defined it as that which "involves ... both *decision-making* and *nondecision-making*." (Lukes, 2005: 22)

In the context of the regime, *decision-making* represents the act of either extending or withholding access to assistance flows. In the former instance, it has been used as a means of either (i) promoting modes of development that correspond with the demands of the global order, or of (ii) preserving its sphere of influence in some way. The withholding of access has also been significant: i.e., in either (i) impeding the origination of alternative modes of development, or in

(ii) disadvantaging, or stymieing their developmental progression, or advance. In both cases, the power/ control dynamic is enhanced by conditions of deprivation.

Nondecision-making is more complex. It is, above all else, a concern for how the structural composition of the regime has systematically “confined” the “scope” of discourse surrounding issues related to development to those that do not pose a significant challenge to the prevailing relations within, and arrangements of the global politico-economic order. (Lukes, 2005: 22)

According to Lukes, for instance:

... nondecision-making is ‘a means by which demands for change in the existing allocation of benefits and privileges in the community can be suffocated before they are even voiced; or kept covert; or killed before they gain access to the relevant decision-making arena; or, failing all these things, maimed or destroyed in the decision-implementing stage of the policy process.’ (Lukes, 2005: 22-23)

It has thus had more so to do with the manifold ways in which peripheral interests and-or grievances have been excluded from consideration, than with anything else.

According to Wood, control over the administration of the major components of the regime has been systematically maintained, resulting in “pervasive bilateralism.” (Wood, 1986: 102) Donor nations and institutions have “resisted proposed changes ... that would compromise their decision-making authority.” (Wood, 1986: 113) There have been numerous instances.

First, would-be “recipient-controlled institutions” have been opposed. (Wood, 1986: 113) The most conspicuous example was the failed effort at establishing a Special United Nations Fund for Economic Development (SUNFED). (Wood, 1986: 113; McMichael, 2000: 54) The West advanced the International Development Association (IDA) and various other “regional banks” in its place. (McMichael, 2000: 54; Bello, 2001: 5) According to Bello, this, among other tactics, “effectively killed the idea of a UN-controlled development fund.” (Bello, 2001: 5)

Second, institutions that do grant a voice to peripheral nations – such as the UN itself – have nonetheless been deprived of any “mechanism” through which their interests could be furthered. (Wood, 1986: 111) The United Nations Development Program (UNDP) and the African Development Bank (AfDB) have both been prevented from becoming major “sources” of development financing. (Wood, 1986: 113) According to Bello, moreover, the West mounted an

effort at “emasculat[ing] the United Nations as a vehicle for the Southern agenda.” (Bello, 2001: 16) The U.S. in particular sought to “silence NIEO rhetoric in all the key UN institutions ...” (Bello, 2001: 16)

Lastly, the multilateral institutions of the Bretton Woods system and other aligned “regional development banks” have prevented the introduction of peripheral demands altogether. (Wood, 1986: 111 & 113) The West has fiercely defended its control over the Bretton Woods system, as well as its position of authority over matters having to do with development.

These, among other factors, resulted in the suppression of peripheral initiatives¹³⁵ for development “along Keynesian lines (public initiatives).” (McMichael, 2000: 123) The discourse surrounding legitimate modes of development, the allocation of resources, and global inequality was effectively stifled. “In short,” writes McMichael, “the First World managed to sidetrack the Third World’s collective political initiative and assert the market solution to its developmental problems.” (McMichael, 2000: 125)

These *decisions* and *nondecisions* have, collectively, contributed to the construction of a liberal, global politico-economic order. This sort of two-dimensional analysis, however, does not fully capture the complexities involved with the regime’s systematic functioning. Lukes has criticized such approaches as being overly concerned with behaviorism. He has argued, instead, that we must investigate the ways in which power renders “subordinates” “unaware of their true interests” and of the fact that their interests are being violated. (Lukes, 2005: 11) Lukes’s concern, therefore, is for the condition where the powerless “accept their role in the existing order of things,” because their “perceptions, cognitions and preferences” have been conditioned to believe in its legitimacy. (Lukes, 2005: 11) In brief, there were more active and systematic processes at work in reforming the periphery.

There are several concerns to be addressed; and as always, the emphasis should be placed upon the nature and orientation of development as it has been promoted, as opposed to other epiphenomenal factors. First, it should not be argued that peripheral nations and their representatives are somehow unaware of the problems specific to the mode of development that

¹³⁵ i.e., entailed in the push for a New International Economic Order (NIEO), which had emerged out of the Non-Aligned Movement. (McMichael, 2000: 124)

has been imposed upon them. Nevertheless, the regime has precluded, in various ways, the possible emergence of alternative modes of development.

In the first place, the regime, as a coherent set of ‘injunctions’ for the provision of assistance, has continually reinforced modes of development that serve the interests of the global order. Within the context of current epoch, the developmental orientations of peripheral nations were reconfigured so as to further integrate them into, and subject them to the discipline of the global economic system. This was achieved through various structurally ordered processes of indoctrination – i.e., the “control over information” as well as over the material means through which discipline is enforced. (Lukes, 2005: 27)

The World Bank and IMF have been crucial to this process.¹³⁶ In brief, their stature within the regime has placed them in the unique position of being able to set or alter the agenda in desirable ways. On the ideological level, the World Bank first sought to redefine development. Although this redefinition was based upon distortions, it nonetheless legitimized the authority of market forces within the official development community.

Yet this alone was not enough to bring about the requisite transformations. In conjunction with the IMF, therefore, the Bank pursued an aggressive strategy of liberalizing peripheral political economies through the strategic provision of assistance. What is important to understand, however, is that the methods utilized¹³⁷ were applied in a systematic and universal way. They were not a group of discrete control interactions, in other words, but a combination of integrated and self-reinforcing control processes, which were continuously employed¹³⁸ – and even intensified. This was compounded by the fact that other multilateral organizations acted in concert with the IMF and World Bank.

Accordingly, the regime has produced distortions on a systemic scale. First, the prevention of the emergence of alternative organizational frameworks for development has, at once, reinforced the notion that the prevailing order is somehow the only viable option. Moreover, successful

¹³⁶ Among other things, they have been the principle suppliers of ‘official’ assistance flows, which have consistently been used as a means of reconciling dislocations in the global economic system. Moreover, their status as intermediaries has facilitated the view that the policies they espouse are to some degree impartial.

¹³⁷ i.e., ‘sectoral withholding,’ the disbursement of funds in ‘tranches,’ and the employment of ‘conditionality’ (including ‘financial stabilization’ and ‘structural adjustment’ measures) and ‘selectivity.’

¹³⁸ There are obvious parallels between this argument and Gibbs’s *cumulative-repetitional* and *multilateral* control (i.e., *contributory* and *representational*) dynamics (presented in Chapter II).

examples of development – however ephemeral or moderate they may have been – lend credibility to the argument that the existing system is, in the very least, the most suitable or serviceable of arrangements. The cyclical employment of ‘official’ assistance flows by the regime has also created the impression of stability. The successive bailouts of the Mexican economy are but one example. In brief, the regime may be conceived of as a de facto means of legitimizing the dominant relations and modes of development within in the global political economy.

Nevertheless, these manipulations have been accompanied by a radical restructuring of the periphery by coercion. After decades of structural adjustment campaigns, the targeted economies of the developing world appear dramatically different than they once did. Bello has written, for instance, that:

By the end of the 12-year-long Reagan-Bush era ..., the South had been transformed: ... state participation in the economy had been drastically curtailed; government enterprises were passing into private hands in the name of efficiency; protectionist barriers to Northern imports were being radically reduced; and through export-first policies, the internal economy was more tightly integrated into the Northern-dominated capitalist world markets. (Bello, 2001: 12)

So, in the final analysis, while it may not be argued that the representatives of the periphery are somehow unaware of the manifold ways in which their interests are being violated, there are other considerations to be weighed. The point to be grasped is that this process has resulted in the radical distortion of peripheral social systems.¹³⁹ Consequently, whatever alternative solutions might develop are likely to be reactionary. That is, they will be formulated in response to the dominant mode of development as articulated by the regime as opposed to being constructed independently of the prevailing global-historical and politico-economic context.¹⁴⁰

The comprehensive functioning of the regime, therefore, has resulted in a patternization of expectations and behavior surrounding development and the relative standardization of political economies across the world. Even the Asian NICs have been brought into the fold. This patternization and standardization has worked against economies that would seek to deviate from the prescribed course of development. Increasingly, they must be viewed as engaging in

¹³⁹ As well as the global system within which they are situated.

¹⁴⁰ This is what makes my argument a ‘qualified’ ‘three-dimensional’ analysis.

illegitimate pursuits. On the whole, the regime exhibits its own form of ‘system bias,’ which may “suppress” alternative modes of politico-economic behavior. (Lukes, 2005: 7)

Lukes has also argued that we must identify ‘latent conflicts of interest,’ or where a “contradiction between the interests of those exercising power and the *real interests* of those they exclude,” or discriminate against exist. (Lukes, 2005: 28 & 40) Regarding the regime in question, it should be recognized that the development policies imposed upon peripheral nations have operated quite consistently against their interests while, at once, favoring those of core nation states and the transnational sector. The debt crisis devastated numerous peripheral economies; resulting in what many have called the “‘lost decade.’” (McMichael, 2000: 133) And while the “adjustment measures” that followed stimulated the growth of businesses within these countries, “poverty rates climbed” nonetheless. (McMichael, 2000: 131)

These effects mirror the overall impact globalization has had across the world. Stallings has noted, for instance, that we have witnessed the emergence of “sharper economic and geographic polarization, heightened levels of inequality within developed and developing nations, and new patterns of regionalization.” (Stallings, 2007: 202) Much of this “international and intranational differentiation” has to do with the “greater mobility of capital.” (Stallings, 2007: 202)

One of the “defining features” of the modern epoch, according to Babb, is “an increased role ... for foreign private investment.” (Babb, 2005: 203) This, combined with pressures from multilateral institutions,¹⁴¹ has contributed to the erosion of the “social welfare” functioning of developing states. (Babb, 2005: 205)

Conditions of deprivation in many developing countries have compounded these factors. The “burden” of “external debt” has been particularly problematic:

Resources spent on servicing debt are obviously resources that are not being spent on such recognized, basic functions of liberal capitalist government as the provision of public health, education, and infrastructure. (Babb, 2005: 205)

¹⁴¹ Which continue to “condition their loans on policy reforms,” and whose prescriptions are “subject to influence by vested economic, political, and organizational interests that influence which kinds of policies get promoted.” (Babb, 2005: 204)

Deprivation also compromises the leverage developing countries have when dealing with the transnational sector. It has been argued, therefore, that this asymmetry in power has led to a ““race to the bottom.””¹⁴² (Babb, 2005: 206) Because transnational firms are locked in competition, and consequently less concerned with social welfare than with profit margins, developing countries are forced to make themselves more attractive through “lower[ing] levels of taxation, regulation,” and so forth. (Babb, 2005: 206-207) This, among other factors, helps explain the increasing “polarization between developed and developing countries.” (Babb, 2005: 207)

Resistance to globalization and the prevailing notion of development is not difficult to locate. The NIEO initiative presented the most broad-based appeal for change. But even it was a counter-hegemonic struggle in the truest sense of the word. Increasingly, the global integration of political economies through market forces has come to be viewed as inevitable, if not legitimate. The problems associated with it have generally been glossed over with rhetoric. Scholars and policymakers alike have argued that free (or freer) markets will ultimately result in developmental equilibrium(s), or that the global economic system can be adjusted somewhat to facilitate better outcomes.

In brief, the discourse surrounding globalization is no longer focused upon developmental autonomy, or how states might legitimately intervene so as to insure that their interests – as well as those of the poorer classes within them, their environments, and so forth – are not trampled upon. Meanwhile, social structures throughout the world are being continually eroded, or violently uprooted.

III. THE WAY FORWARD:

A commingling of crises has marked the opening decade of the twenty-first century. There was, first, the terrorist attacks of September 2001. Following this, assistance flows were redirected towards “countries of geostrategic importance” in the context of the so-called “global war on terror.” (Woods, 2005: 400) However, incorporating these trends within the larger framework of my analysis is problematic. On the whole, although it has been sold as such, the “war on terror”

¹⁴² This is unlike the experiences of developed nations, whose welfare states were erected “in spite of resistance from firms.” There, “organized social groups” were successful in struggling against the profit motive of large industries. (Babb, 2005: 206)

does not represent a response to any sort of existential threat to the prevailing global order, or system of relations.

The ongoing global economic crisis is a more momentous affair. It presents an opportunity for a shift in the balance of power between global elites and developing nations. The operative word, however, is *opportunity*. Crises do not invariably lead to progressive outcomes; these require struggle.

Piven and Cloward have themselves argued that “systemic” shifts¹⁴³ alone cannot account for “cyclical patterns” of “relief” provision. (Piven & Cloward, 1993: 464) Periods of “contraction,” they contend, “can only be explained by the demise of protest from below, and by the mobilizing of elites from above.” (Piven & Cloward, 1993: 463) At issue, then, is whether there exists a “sustained protest,” or more or less continuous effort at challenging the dominant order, or system of relations. (Piven & Cloward, 1993: 460)

In my analysis, the existence of adversarial politico-economic systems worked in much the same way. They presented alternatives for the developmental aspirations of peripheral nations. Consequently, strategically significant regions were able to leverage more concessional terms of assistance provision and engage in more autonomous modes of development than would have been possible in a homogeneous global system.

The demise of these systems, however, also represented the demise of any significant counterweight to the ascendancy of market fundamentalism. Crises in the modern epoch have not been defined by the permissiveness of earlier periods. Instead, they have repeatedly been exploited by global elites as a means of further subjecting peripheral nations to the discipline of the market.

Nonetheless, moments of crisis are not devoid of opportunities for the developing world. Core nation states and the transnational sector alike are dependent upon the revitalization of global markets for the satisfaction of their material interests. This requires the cooperation of developing political economies. Crises are, therefore, precisely the junctures at which major concessions may be won.

¹⁴³ i.e., in “needs and resources.” (Piven & Cloward, 1993: 463)

But the question of *how* and *by what means* advances may be made must be weighed. It should first be recognized that nothing progressive will come about in the absence of collective efforts on the part of the would-be agents of change. Peripheral and semi-peripheral nations must be united in their objectives and tactics for reorienting the global order in favor of their common interests. And more specifically, regions of strategic significance to the stability of the global order must align themselves with the interests of those that are not.

Such “alliances,” however, must be forged alongside the formation of an international network of coalitions. Developing nations, international NGOs, and “social and political forces” opposed to globalization as it currently exists, will all have to coalesce around sets of mutually intersecting objectives for truly progressive changes to occur. (Bello, 2001: 30) Tersely put, solutions to global inequality will not come from above, but will emerge from below.

With respect to specific objectives, the developing world must pursue more democratic institutional-mechanisms. One of the most pervasive problems with the development assistance regime is with the ‘bilateral’ nature of its ‘negotiation structure.’ Global elites have systematically thwarted the efforts of developing nations at utilizing and-or constructing donor institutions over which they would have some degree of control. The use of the United Nations as a platform for peripheral demands, in particular, has been consistently attacked.

The same would appear to be the case with trade agreements. According to Bello, the North has successfully limited the influence of UNCTAD over trade agreements. The establishment of the WTO, which has “[enshrined] the principle of free trade as the organizing principle of the global trading system,” is the culmination of these efforts. (Bello, 2001: 18) The WTO’s “decision making” structure is, as described by Bello, oligarchic in nature. (Bello, 2001: 28) It furthermore precludes the use of “trade policies” in the “[pursuit of] industrialization.”¹⁴⁴ (Bello, 2001: 18) The self-determinism of developing countries has been further eroded under the Agreements on Trade Related Investment Measures (TRIMs) and on Trade Related Intellectual Property Rights (TRIPs). (Bello, 2001: 19)

¹⁴⁴ i.e., the employment of import-substitution, which was exploited by the NICs as a means of development. (Bello, 2001: 18)

The overriding objective, then, should be the pursuit of a more equitable means of regulating assistance provision and the formulation of trade agreements. But of course, *how*? Bello has outlined a multi-pronged “strategy for change,” which broadly includes working within the system as well as from outside of it.

Working within the system means using the existing institutional infrastructure to combat the prevailing conception of development. Bello contends that “containing the gutting of the UN system and preserving its legitimacy” is essential to the task of countering the dominance of less representative institutions, such as the IMF, the World Bank, and the WTO. (Bello, 2001: 29-30) On the ideological level, he argues that the UNCTAD Trade and Development Report¹⁴⁵ “is a good antidote to” the publications of the WTO, which promulgate the “benefits of free trade.” (Bello, 2001: 30)

Periods of crisis would appear to be the most opportune time for actions of this sort. The legitimacy of the current model should be more vulnerable and its proponents in a less advantageous position to defend it. This is especially so for the current crisis, considering that its origins are linked with the functioning of the private financial sector – which is a major component of the transnational sector and has seemingly been the most aggressive in pushing for the liberalization of markets.

For Bello, working from outside of the system means destroying the institutional infrastructure’s capacity to function as regulative-control mechanism. He advises that the aim should be to “overload the system, to make it non-functional by constantly pushing demands that cannot be met by the system.” (Bello, 2001: 30) The assumption, on Bello’s part, is that “a global system where there are either no or ineffective multilateral structures works to the benefit of the South.” (Bello, 2001: 31) “The fewer structures and the less clear the rules, the better for the South,” he concludes. (Bello, 2001: 32) Bello’s basic premise, therefore, is that the absence of formal control mechanisms is, at once, the absence of a coordinated system of control.

Yet my analysis of the development assistance provision regime would suggest otherwise. Institutions are merely the structures that codify the material interests and biases of the agents and actors that comprise the core of the global order. They may formalize and contribute to the

¹⁴⁵ “Whose focus [is] on [the] global structures impeding the ascent of the South.” (Bello, 2001: 30)

legitimization of modes of conduct, but are not themselves the origins of inequalities and asymmetries of power and-or control. Without formal governing mechanisms, developing nations remain subject to the same forces that have historically militated against their developmental interests.

A more meaningful approach, in my view, would first be for developing nations to unite under compacts of non-cooperation with the global institutions that have subordinated their interests to those of the global order. Agreements centering on aid and trade are not permanent fixtures. They are instead highly mutable, subject to fluctuations in the global political economy.

But non-cooperation is a limited enterprise. In the very best of circumstances, it would merely result in less stringent modes of control. To be sure, this would be an improvement. Peripheral nations would once again enjoy some modicum of developmental freedom. Nonetheless, their ability to influence the global order in desirable and enduring ways would remain elusive.

Policies of non-cooperation must, therefore, be accompanied by the construction of organizations under the guidance of the developing world. These would serve as counterweights to the ascendancy of market fundamentalism and facilitate the formulation of alternative modes of development. Periods of crisis are critical to this process, as they provide a means of leverage against the dominance of global elites. Even the global banking sector would presumably be compelled to comply with the demands of a unified developing world.

Without question, all avenues of change must be pursued more or less continuously and with equal determination. In periods of crisis, however, when opportunities abound, there is a greater urgency for decisive action. The current moment of crisis is, in brief, as good an opportunity as any that has existed for the advancement of a progressive reorientation of the global politico-economic order.

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VITA

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Subsequent to this, he entered the graduate program for Sociology at The University of Tennessee, with dual emphases in Sociological Theory and Political Economy & Globalization. Over the course of his graduate studies, he has also developed a strong interest in Political Theory and Comparative Politics. His research interests include, among other things, development studies and theory, globalization, welfare state studies, as well as, more broadly, political, and historical-comparative sociology.

In addition to academics, he has burgeoning interest in poetry, art, and photography. Whenever possible, he also enjoys outdoor activities such as hiking and camping. He has worked at Parkwest Medical Center throughout his graduate studies and continues to reside in Knoxville, Tennessee.