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Twenty-First Century Globalization: A New Development Era[†]

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The article argues that twenty-first century globalization is markedly different from twentieth century globalization and reviews the major changes. The discussion focuses on the portée of these changes for development policies and notes three trends: new industrializing countries in the global South have become drivers of the world economy; the agency of development shifts from metropolitan institutions to developing countries; and the pendulum swings from unfettered market forces to growing state coordination. The upshot of these changes is an era of growing development pluralism, with ramifications for international development cooperation. North–South relations, between industrialized and developing countries have long been of pivotal importance, but in the twenty-first century, the importance of North–South development cooperation is receding. At issue are two ruptures in the development field: the twenty-first century brings part of the developing world outside the grasp of Western institutions and the 2008 crisis brings slowdown and changing political economies in the West. The conclusion reflects on how twenty-first century trends hold up after the 2008 crisis, notes that the rise of emerging societies outlasts the crisis and argues that development pluralism is here to stay.

Keywords: globalization; emerging societies; development pluralism

According to a recent headline, ‘China says West’s lack of market oversight led to subprime crisis’. A senior Chinese banking regulator points out, ‘Western governments must strengthen their oversight of financial markets and improve cross-border regulatory cooperation if they are to avoid future global financial crises’ (Anderlini, 2008). The tables are turning. The North used to lecture and discipline the South. In the twenty-first century not only has much of the South escaped this discipline – and repaid its debts to the IMF early – but some have started acting and talking back. Thus, according to Mahbubani (2011) in Singapore, ‘corruption has become legal in America’, ‘the rich got too greedy’, destroying the social contract, and he cautions, ‘To become rich is great but to pay taxes is glorious’. What are the issues at hand are not minor glitches. In China’s case, it involves over $2trillion, which is approximately the size of its dollar holdings.

[†]This paper draws on and revises Nederveen Pieterse 2010, Chapter 12.

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The first section of this discussion argues that twenty-first century globalization is markedly different from twentieth century globalization and reviews the major changes. The second section turns to the portée of these changes for development policies and notes three trends: new industrializing countries in the global South have become drivers of the world economy; the agency of development shifts from metropolitan institutions to developing countries; and the pendulum swings from *unfettered* market forces to growing state coordination. The upshot is an era of growing development pluralism. The next section addresses the ramifications of these trends for international development cooperation. North–South relations, between industrialized and developing countries have long been of pivotal importance but in the twenty-first century, the importance of North–South development cooperation is receding. At issue are two ruptures in the development field: the twenty-first century brings part of the developing world outside the grasp of Western institutions and the 2008 crisis brings slowdown and changing political economies in the West. The coda reflects on how twenty-first century trends hold up after the 2008 crisis, notes that the rise of emerging societies outlasts the crisis and argues that development pluralism is here to stay.

Twenty-first century globalization

The 1990s were marked by the dominance of neoliberal approaches. The problems were clear all along, certainly from social and development points of view, but as long as Anglo-American capitalism was thriving, much of the criticism fell on deaf ears. Capital flowed to what seemed to be the most dynamic, innovative and profitable forms and centers of capitalism. Wall Street and London City led the way and Tokyo and Frankfurt, Hong Kong, Shanghai and Singapore followed. Global finance capital was crisis prone, but the crises occurred in the peripheries of world capitalism and served as tools to discipline emerging societies and to align their economies with dominant trends in the world economy.

The tide has turned in the twenty-first century. At the turn of the millennium, the landscape of capitalism, and the landscape of development, began to change. The USA experienced a series of crises: the dotcom collapse, the September 11 attacks, the Enron and Anderson series of corporate scandals, Hurricane Katrina, the subprime mortgage crisis and the financial crisis of 2008 and its ongoing ripple effects. The Federal Reserve's easy credit regime of low interest rates papered over economic problems by facilitating excessive borrowing by consumers, banks and government institutions. Subprime mortgages were the latest layer of the pyramid scheme of Anglo-American finance. In Soros's (2008) words, 'The so-called Washington consensus imposed strict market discipline on other countries, but the US was exempt from it'. In August 2007, the credit levees broke and the American and UK property bubble popping triggered a financial and economic crisis more serious than any since the great Depression. American capitalism has gone from crisis to crisis, with the management of each crisis precipitating

the next. The crises demonstrate the flipside of deregulation and neoliberalism. The market is not self-healing. Hence the massive government interventions of bailouts and stimulus spending, followed in turn by political gridlock and deficit hawks prevailing in the USA and austerity in the UK. Meanwhile, outside the Anglo-American sphere, the new chorus is, 'Goodbye capitalism American-style' (Buiter, 2008).

While the crises used to take place in the emerging economies of the South, the crisis of 2007–2008 hit American and European banks while the emerging markets were unscathed, at least initially. When the financial crisis brought about slowdown not only in the USA but also in Europe, its effects spread to emerging economies as well, reducing demand for their exports. For decades, Wall Street powerhouses were the victors of globalization and the beneficiaries of financial turbulence; now sovereign wealth funds from the global South kept Wall Street banks afloat. The funds came from two sources, Asian countries' accumulated wealth from exports, with Singapore and China in the lead; and oil exporters, with the Gulf emirates and Norway in the lead (see Larsen and Hughes, 2008; Nederveen Pieterse, 2009; Teslik, 2009). Who could miss the irony – the powerhouses of free enterprise rescued, for awhile at least, by courtesy of state capitalist institutions?

New trends in the twenty-first century are the rise of the global South, the growth of South–South relations in trade, energy and politics (UNCTAD speaks of 'a new geography of trade'), and the growing role of emerging societies and sovereign wealth funds. The tide in South–North relations had begun to turn earlier. The Asian crisis of 1997–1998 was a major turning point. The way the IMF handled the crisis was deeply problematic, aggravating the crisis by imposing cuts in government spending even though private spending caused the deficits, and vetoing Japan's bid to establish an Asian monetary fund while mismanaging the crisis. American banks and hedge funds used the crisis to buy distressed assets. Indeed, North–South competition unfolds not just in agriculture and manufacturing but also in finance – as in the Third World debt crisis of the 1980s. This time, developing countries revised their attitude toward the international financial institutions. To safeguard their financial autonomy, developing countries accumulated hard currency reserves as buffers against financial turbulence, at times sacrificing social investments for the sake of financial security (as in South Africa), or taking on domestic fiscal debt to pay off external debt (as in Brazil).

The WTO ministerial meeting in Cancún in November 2003 was another turning point. Under the motto 'no deal is better than a bad deal', the global South walked out with Brazil, South Africa, India and China leading the way, along with the G22 and, in turn, the G77. This time, the Western divide and rule did not work nor did it work during the repeated attempts to revive the Doha round and the exhortations of Western negotiators. This signaled the new weight and cohesion of the global South. Countries that were not part of the global power structure, not part of the G8 or of the UN Security Council (except China) made their global influence felt. The crisis of 2008, discussed below, is the third major turning point. Table 1 gives a schematic

Pattern 1980–2000	Pattern 2000s
	Trade
North–South trade dominates	Growing South–South trade
US-led trade pacts dominate	World Trade Organization, Free Trade Association of the Americas, Asia Pacific Economic Community, are in impasse or passé
Trend to regional/global trade pacts	Shift to bilateral Free Trade Agreements (in North–South trade)
	Finance
Finance capital leads, crisis prone	Emerging economies hold dollar surpluses
IMF, World Bank discipline developing economies	Warnings (IMF, China) that US policies threaten economic stability
US dollar world reserve currency	Toward a multi-currency world
US top destination of Foreign Direct Investment (FDI)	China top destination of FDI
Western financial markets dominate	New financial circuits emerge outside the West
IMF blocks Asian monetary fund	Thai Asian Bond Fund; Bank of the South
US banks, hedge funds lead	Sovereign wealth funds lead
	Institutions
'Wall Street-Treasury-IMF complex'	Weak Treasury, Wall Street in crisis
Washington consensus	'We are all Keynesians now'
Convergence IMF-World Bank-WTO	IMF lending down (2003 $70bn, 2006 $20bn)
Social liberalism, poverty reduction	World Bank lost standing
	Hegemony
US hegemony solvent and dynamic	USA in deficit and cornered in new wars
'Clash of civilizations'	Muslim backlash; and Arab spring
US-led security	New security axes (such as Shanghai Cooperation Organization)
	Inequality
Growth and increasing inequality (except East Asia)	Inequality between North and New Industrializing Economies (NIEs) decreases; inequality in NIEs increases
Deepening rural and urban poverty	Social policies in emerging societies
	International migration as flashpoint of global inequality

Table 1: Trends in twenty-first century globalization.

overview of differences between twentieth and twenty-first century globalization and the emerging international division of labor (adapted from Nederveen Pieterse, 2008).

A new development era

We can identify the following main eras of development. (1) The preludes to development policy from the early 1800s, from classical political economy to Ricardo and Marx. (2) The latecomers to industrialization and their catch-up policies, broadly

from 1870 to 1920, followed by the colonial development policies. (3) The postwar period of the Keynesian consensus, broadly 1950–1975. (4) The neoliberal era of the Washington consensus, 1980–2000. Thus, in postwar development policy, there have been two major phases, the Keynesian consensus and the Washington consensus. The twenty-first century ushers in another development era – That it represents a new phase is clear, though less clear is what its contours are or what its heading should be. A tentative characterization may be the era of emerging societies.

During 1980–2000, the main rift in the development field was the tension between the Keynesian approach and the Washington consensus; in brief, the state-centered and the market-led approaches, rippling through the development field analytically, ideologically and politically. Institutionally, the main tension in development policy was the rift between the Washington institutions (the IMF and World Bank, aligned with the WTO) and the human development approach (represented, with oscillations and vacillations, by the UNDP and other UN agencies, economic development ministries in developing countries and some agencies of international development cooperation). Thérien (1999) refers to the 'Bretton Woods paradigm' and the 'United Nations paradigm'. This rift defines 25 years of debate and contestation in development studies.[1] In recent years, this has been receding as fast as the Washington model.

Major strands of the twenty-first century development field include the following. (1) New industrializing countries in the global South have become increasingly important drivers of the world economy. (2) A change in the agency of development from metropolitan institutions to developing countries, along with a shift in perspective from 'we develop it' to 'we develop'. (3) A pendulum swing from market forces back to developmental states, or at any rate toward stronger regulation in the global South. I devote vignettes to each of these trends.

Newly industrializing countries as important drivers of the world economy

During 1980–2000, the USA was the driver of the world economy with American consumers and financial services leading the way. Private consumption makes up 70 percent of American gross domestic product. Via 'retail therapy', this path led to overconsumption and mounting, unsustainable consumer debt. Financialization of the economy made Wall Street financial engineering – unregulated and increasingly arcane – the arbiter of the economy. When this reached its apotheosis in 2008, the world economy had already begun to 'decouple' from American consumers.

In the twenty-first century, the driver of world economic growth has gradually shifted to emerging markets, both newly industrializing countries and agro-mineral exporters. This has proved to be a sustainable industrialization, well beyond the 'associated dependent development' diagnosed by F. H. Cardoso, and beyond the idea of Asian industries as mere overseas sweatshops of American capital. The BRICs alone (Brazil Russia India China) represent 18 percent of global domestic product and have accounted for 30 percent of global economic growth since 2001 (Dvorkovich,

2012). The Asian tiger economies and China have been undertaking technological upgrading. China has overtaken the USA as the world's leading exporter of technological products and nears Japan in research and development spending (though its share in patents remains minuscule). Industrialization in the South is sustainable too, in that it outlasts the shrinking American consumer demand, anticipated and inevitable in view of American indebtedness. Alternative markets for Asian industries are gradually taking shape in growing domestic demand, regional markets of ASEAN plus Three (Japan, South Korea, China), South–South trade, and trade with Europe. Whether the new industrialization is sustainable in an ecological sense is a different matter; 'greener growth' is high on the agenda (Roach, 2009).

The new industrialization reshapes the horizon of the world economy. Structurally the early twenty-first century resembles the twentieth-century postwar boom, the 'golden years' of capitalism – driven by industrializing countries, except this time, industrialization occurs in Asia, Latin America and Eastern Europe. As before, industrialization as the driver (rather than consumption and FIRE [finance, insurance, real estate]) boosts demand for commodities, and rising commodities prices tend to have a relatively equalizing effect between industrial and peripheral economies. A general rule is that when commodity prices are high, the IMF is weak (Petras, 2007, p. 41). High commodity prices enable countries to repay IMF debts early and reduce the need for new loans. Accordingly, the influence of the Washington consensus (whether or not augmented or adjusted) has been shrinking as rapidly as financial dependence on Washington institutions has been receding.

For some time, growth rates in the global South have been much higher than in the developed economies. Even in African countries, the classic basket case of twentieth century development, growth rates in recent years have been in the order of 6 percent. Second, these growth rates are being achieved *without* incurring external debt – unlike in the USA where sluggish growth of 1–2 percent, or recession, is being sustained by gargantuan external borrowing ($2 billion per trading day, $700 billion per year) that absorbs 70 percent of the world savings. Third, this growth is not a blip but has been sustained through cycles and shifts in patterns. Fourth, accumulation patterns have changed and have become clear during the 2008 financial crisis and sovereign wealth funds from the global South stepping into the breach. Fifth, as Anglo-American capitalism, the success model of 1980–2000, unravels due to successive crises, accumulation strategies and philosophies have been changing.

In the coming years, growth in leading emerging markets, even as it is curtailed in the wake of the 2008 crisis, will still be in the order of 6 percent (lower in Latin America and Africa) while growth in the USA, Europe and Japan will likely be in the order of 1–2 percent at best. Thus, developing countries, the erstwhile stepchildren of the world economy, have become its locomotive. This shift is noticeable at many levels, in the headlines such as 'BRICs could point the way out of the economic mire' and reports of sovereign wealth funds in the South scanning Western economies for good deals in a distressed economy (O'Neill, 2008). During the 1990s, globalization was welcomed

in the West and suspected in the global South; in the twenty-first century it is almost the other way round. According to a 2007 poll, 57 percent of people in G7 countries think that economic globalization is too rapid whereas the majority in developing countries think the pace is just right (Giles, 2007). It is also reflected in positions on trade. During 1980–2000, the advanced countries pushed for freeing up international trade; now in several respects they have retreated to protectionism.

Change in the agency of development: From 'we develop it' to 'we develop'

During the Washington era, neoliberal macroeconomics governed development on the premise that there is no need for development economics as a 'special case' and developing economies will benefit from releasing market forces. The 'counterrevolution in development', as Toye (1987) called it, terminated development economics. What ensued was that the actual development policy was left to international institutions, development agencies, donors and NGOs, consorting with developing country institutions. Indeed, in development studies 'development' often refers to what is being done, and not done, by the international development industry. Thus, implicitly or explicitly, development is thought of as an *external intervention*. The root paradigm is not 'we develop' but 'we develop it'. Cowen and Shenton (1996) argue that a deep, unresolved friction between development as an immanent process (it grows, we grow, we develop) and as a transcendent and intentional process (we grow it, we develop it) is intrinsic to development thinking. Much post-development thinking is, in effect, a repudiation of development as an external intervention and discipline (as well as a rejection of neoliberalism). 'Indigenous development' is an alternative option, but poses different problems (what is indigenous, what is the unit of development?).

The development industry is rife with fads and buzzwords for buzzwords synchronize diverse actors and stakeholders (Dahl, 2008). The turnover of development fads papers over the low success rate of development interventions. The declaration of assorted new development targets, such as the Millennium Development Goals, helps to divert attention from the fact that no previous targets have been even remotely attained. The development industry is, in no small measure, a rhetorical industry, an ideological performance in which the actual achievement is discourse production, paradigm maintenance and tweaking perceptions of receding horizons.

The ideological proclivities of Washington used to occupy the front burners – incentives, market forces, good governance, transparency, 'civil society', 'participation' and 'empowerment' as ways of sharing the Washington utopia. As states retreated from society, NGOs filled the space. Civil society and NGOs accompanied market forces as organizational counterparts to the hegemony of business. Questions of rural livelihoods, urban poverty, ecological changes and democratic struggles, the gritty questions of development, were outflanked by neoliberal utopianism, the rollback of state oversight and IMF and World Bank regimes. Now that the neoliberal era is receding, the development landscape reverts to its 'normal' mode of development

struggles and the nitty-gritty of development is coming back to the front burner. Development is no longer a franchise of the 'magic of the marketplace'. The comeback of development means the background becoming foreground. In developing countries, of course, development was never away; the developmental state, even if emaciated by structural adjustment programs, was never away either. In development debates, much energy went into contesting the hegemony of the market and neoliberalism. Now the long drawn out critiques of Western economic, institutional, ideological and cultural hegemonies are gradually becoming superfluous. The major target of criticism of the previous period has become a background issue, still pertinent, but on the backburner. With American capitalism unraveling, who needs critiquing American ideologies?

By one account, the new emerging paradigm is the 'Beijing consensus' (Ramo, 2004). This has a certain historical elegance: the torch passes from one hegemon to the next, whose ethos henceforth is the new rule. But it is also quite misleading. First, what the Beijing consensus is supposed to represent is so general and vague that it is little more than development common sense (such as financial autonomy and cautious and strategic engagement with global forces). Second, it replicates a fundamental fallacy of Washington thinking – one size fits all, or the very idea of a 'model', which is a fallacy aside from the contents of the model. Third, it glosses over political differences and contestations *in* Beijing and China (Mittelman 2006; Xin, 2003). Fourth, it ignores the imbalances in Chinese development, as in the 'four uns' of the Chinese economy, noted by Premier Wen in 2007: unbalanced, unstable, uncoordinated and unsustainable (Roach, 2009, p. xii). Fifth, the idea of a transition from one hegemon to the next skips the much likelier and more realistic trend of multipolarity, or, alternatively, nonpolarity (Haass, 2008).

The wish for an overarching development paradigm, a master key, is as acute as ever. A colleague in Thailand observes, 'Several "alternative development" concepts are hovering around in Asia including sufficiency economy, human security, engaged Buddhism and gross national happiness. People in the academic world (in our case: Thailand Research Fund) need an overarching framework, a synthesis, to bring things together and/or sort them out in order to make common action and policy advocacy more effective (transformative), less blurred and more inspiring'.[2] Alternatives such as Bhutan's Gross National Happiness approach have been critically examined (Priesner, 1999).

For developing countries 'Looking East' toward the model of East Asia has been the norm for almost two decades. That 'the next phase of globalization will most likely have an Asian face' is a cliché (Stephens, 2006). Yet, there is no 'Asian model' and, of course, East Asian societies are arenas of struggle, so besides a general sense of direction what there is to emulate is not clear. In philosophies of development and the role of government, there are major differences in and between developing countries. The idea that there should be a single forward path and development model lies well behind us. The idea of societies in the South not simply waiting for

the opportunity to mimic advanced societies but shaping their own paths was dominant during the era of decolonization, became faint background music in the eighties and nineties, and is now becoming audible again. Multiple modernities have been a rising theme. Likewise, the notion of different capitalisms has taken on concrete profiles. Referring to the Growth Commission report (nicknamed the Spence Commission after its chairman, the economist Michael Spence), Rodrik (2008) sums up the change in perspective: 'The Spence Commission verdict is that the rulebook for developing countries must be written at home, not in Washington'.

The pendulum swings back toward state capacities

In the wake of the financial crisis, models of regulation that had been dismissed by the smart set in Wall Street and Washington come back looking relatively good. The mixed economies and coordinated markets of Japan, Germany and Nordic Europe look different – less dynamic, less profitable, but more stable and sustainable. As before, in the slipstream of the Enron scandals, the firms and sectors of European economies that have been most vulnerable in 2008–2012 are mostly those that have been closely linked with American branches or financial operations (Ireland is a case in point, O'Toole, 2009).

Most analyses treat the unraveling of American capitalism as a case of permissive capitalism and deregulation gone too far, producing lack of accountability and fraud, rich–poor polarization, and the undercutting aggregate demand. The economic weakness of the USA is structural and, unlike in the nineties, not amenable to financial fixes. The financial overhang is too large and the economic foundations are too weak. The key problem of the American economy is decades' long underinvestment in the private sector, in new technologies and manufacturing. Industrialization in emerging societies is, in part, a counterpart of deindustrialization in the USA. In advanced societies, a new balance is gradually taking shape, a turn away from market fundamentalism. Banks have been so leveraged with risk that re-regulation is inevitable. 'I think, therefore I am increasing regulation' (Autheors, 2008). This ushers in phase two of the crisis, sovereign debt, which is a key problem in the USA as well as the Eurozone.

The rise of emerging societies brings back the era of developmental states. The BRICs are typically societies with large public sectors. That there has been no development success without a developmental state is the lesson of Japan, East Asia, China and India. Although the World Bank claimed that the 'Asian miracle' was the success of liberalization and export-led growth, it would not have materialized without developmental states. Although Thomas Friedman and others cast the rise of China and India as victories of liberalization and unleashing market forces, research shows that the foundations for their economic achievements were laid during the time of Mao and Nehru (Chang, 2003; Gittings, 2005; Guthrie, 2006; Rodrik, 2000).

While the status of regulatory authorities in developed countries is contentious, in emerging societies, energy exporting and developing countries, state capacities hold

trump cards. But for several reasons, this is not a return of state capitalism or a rerun of Keynesianism. First, the Asian tiger states acted in tandem with market forces – conglomerates in East Asia and multinationals from the West; industrialization in East Asia unfolded in tandem with deindustrialization in the USA – which involves a growing trade and economic imbalance that is not sustainable (Nederveen Pieterse, 2011). Second, the comeback of the state takes place in a context of post-Fordism and concerns state capacities that must be responsive and agile in partnering with the private sector and with social forces and able to foster broad-based and creative economies. Third, it follows that the authoritarian character of the East Asian tigers is no longer enviable or replicable. The interest now is in democratic developmental states, whether implemented (with the usual vicissitudes), as in Brazil, Bolivia, Ecuador, Uruguay and Taiwan, or upheld as an aspiration, as in South Africa, Malaysia and elsewhere.

The pendulum swings back to the state pivots, the spotlight on problems old and new. States face problems of capability in designing and implementing policy, local government capacity, accountability and uneven development, with problems such as service delivery and job creation in South Africa; local corruption, ecological hazard and product quality control in China; and infrastructure, rural livelihoods, social inequality and education in India. Many of these concern problems that Gunnar Myrdal, years ago, summed up as the 'soft state'. Behind these loom deeper problems: problems of power and the relationship between growth and development.

A recurrent problem is the capture of the state by strategic groups and entrenched interests. The state is the expression of a social hierarchy and state power is commonly used to maintain that hierarchy. States from Singapore to the Gulf emirates maintain a hierarchy by means of an ethnically stratified division of labor (Nederveen Pieterse and Khondker, 2009). Development thinking often implicitly assumes or calls upon a shared social vision of an inclusive society, but this is by no means a given. It is a profound challenge, all the more, so in an age of growing migration and multiculturalism. In societies that make intensive use of migrant labor, such as the Persian Gulf, imaginaries of social development require a sense of regional responsibility and a broadening culture of citizenship. Without an inclusive 'we' there may be pockets of growth, but there is no development. An imaginary of social inclusion is a prerequisite without which there is no foundation or rationale for broad-based development policies. Thus, India's legacy of caste and communalism and hiatus between state and society fundamentally hampers development thinking and policy. China's social revolution, for all its pitfalls, has inculcated a fundamental sense of social equality into political streams. A further consideration is that 'stateness' is a variable and not a given; what is understood by 'state' and how it functions varies widely between different types of society, say between France and Pakistan, and between different parts of a society, such as coastal and inland Somalia.

Social imaginaries also shape the understanding of the relationship between growth and development or, so to speak, the relationship between peaks and valleys. What has been emerging is not a 'flat world' but a spiked world, in Florida's (2008) words , and

some spikes (in innovation, research and development, and productivity) have been emerging in the global South – such as the rising multinationals and ‘new champions’ in emerging societies (Sirkin et al., 2008). Building peaks (of excellence, competitiveness) is crucial to growth, but *balancing* peaks and valleys is crucial to development (Nederveen Pieterse, 2012). As gradients of accumulation climb in the South, so do gradients of power. Yet, ‘it is essential to remember that the well-being of humankind is the essence of development’, notes Deepak Nayyar. ‘The litmus test for the performance of an economy, hence government, is neither economic growth, nor economic efficiency, indeed not even equity in an abstract sense, but whether or not it meets the basic needs and the growing aspirations of people’ (Nayyar, 2006, p. 827). In India there is also a practical rejoinder: ‘Even if the share of rural India in national income is less than its share in the population, its share of votes is directly proportional. And rural India decides for the republic at election time’ (Nayyar, 2006, p. 828).

Amartya Sen goes as far as defining ‘development as freedom’, as ‘as a process of expanding the real freedoms that people enjoy’, a process that ‘requires the removal of major sources of unfreedom’ and entails freedoms such as ‘the freedom to enter markets’. In Sen’s view, ‘freedoms are not only the primary end of development, they are also among its principal means’ (Sen 2000, pp. 3, 7, 10). This short-circuits a long debate in development studies about the relationship between development and democracy, which generally finds that the enabling relationship is first development, then democracy, not the other way round (Leftwich, 1996; Siaroff, 1999). Sen’s view short-circuits the debate about the relative development prospects of China and India to the advantage of India as a democracy. But this is not a clear cut matter at all (cf. Corbridge, 2002). At issue is not just the character of the political system but the quality of political institutions.

The North–South gap has been narrowing, at least between the North and the upper-income developing countries. With newly industrializing countries as the locomotives of the world economy, the question becomes salient: what about inequality *in* emerging societies? The key question is the nature of accumulation. Is inequality built into the growth path or does it recede with growth; is growth polarizing or is it geared toward inclusive development? Is accumulation based on a narrow track of economic growth or is it geared toward achieving broad-based development? (cf. Nederveen Pieterse and Rehbein, 2009; Rehbein, 2011; Thornton and Thornton, 2006).

In the 1970s, World Bank economists advocated a policy of growth and redistribution, which was sidelined by the 1980s by the neoliberal approach of growth plus trickle down. The fast growth favored by the Washington consensus during 1980–2000 was capital and foreign direct investment-intensive and export-led. Development then becomes the pursuit of unsustainable growth – environmentally unsustainable because of ecological damage, socially because of social polarization, economically because it depends on capital inputs and exports, and politically because it fosters crony capitalism and concentrates power. The UNDP took up growth and redistribution and renamed it human development, arguing that viewing growth and distribution as a

trade-off is spurious, in relation to growth in general and if we view human development not as a means but as the end of development.

The current growth paths of new industrializing countries are reflected in the report of the Commission on Growth and Development (2010). Drivers of growth, according to the report, are private-sector investment, entrepreneurial activity and innovation responding to market incentives. As a consensus document, the report confirms every major ideological disposition – Schumpeterian leanings, the global economy as the enabling factor, the importance of competition, and anti-state as well as developmental state perspectives. Rodrik (2008) notes, 'the report manages to avoid both market fundamentalism and institutional fundamentalism. Rather than offering facile answers such as "just let markets work" or "just get governance right", it rightly emphasizes that each country must devise its own mix of remedies. Foreign economists and aid agencies can supply some of the ingredients, but only the country itself can provide the recipe'. Although it is cast as an augmentation of the Washington consensus, there is little 'Washington' to its leanings. The report attributes a large role to the public sector in mobilizing and steering growth. The task of the public sector is building a coalition around a growth path, pacing and sequencing development so job destruction is balanced by job creation, and ensuring that growth is inclusive and sustainable. Market forces may generate growth but it takes the public sector to see to the quality of growth.

Quality and sustainable growth have been Achilles heels of Anglo-American capitalism. As advanced countries are undergoing a transition to high-end service economies, the societies best placed to do so while sustaining social cohesion and without deepening social inequality, are social market economies with large public sectors and substantial public investments in education, health, social services and technological and green innovation; which is another rationale for adopting a better regulated and more social approach.

Development pluralism

The idea of development as a single forward path – 'progress' – that is generalizable across developing societies lies well behind us (Slater, 2004). In Rodrik's (2007) words, there is one economics but there are many recipes; institutions and policies matter and take many forms. Each type of society, each level of development and each time period faces its own choices.

For the first time in decades, sub-Saharan African countries are recognized as major frontiers of business, also by private equity investors. The 2007 report on African Development Indicators notes, 'For the first time in three decades African economies are growing with the rest of the world'. By some assessments Africa is the 'emerging emerging market': 'With the global credit crunch . . . capital is looking for new places to grow . . . also to "emerging emerging" markets in Africa . . . government debt issues in Nigeria and Ghana in 2007 were seven times oversubscribed'(Mitchell, 2007). According to another report, Africa 'is at the heart of the latest surge of enthusiasm to hit

emerging markets'. Private capital flows have tripled since 2003 (at $45billion in 2006). Factors in this change are the commodities boom, debt relief and improvements in economic policy (Chung, 2007; Russell, 2007). The challenge facing commodity exporting countries is to convert their export gains into human capital, infrastructure and sustainable development paths. Commodities booms do not last. The 2008 slump has brought prices down. A case in point is the roller coaster experience of Zambia's copper belt along with fluctuations of global demand. As copper's fortunes rose during 2002–2007, so did investments in copper mining from India and China, but global recession since 2008 more than halved the price of copper. Declining demand for minerals affects some eleven other African countries and affects sub-Saharan Africa GDP growth (Burgis, 2008).

A major focus of attention is the relations between new industrializing countries and commodities exporting countries and a growing debate concerns the role of China and India in Africa and Latin America (Kaplinsky and Messner, 2008; Shaw et al., 2007). A budding debate in China concerns the question as to how can we can develop in a way that is not at the expense of poorer countries?[3]

Converting gains from exports into human capital is a challenge for BRIC societies too. Observers note, 'The fundamental difference between China and India on the one hand and Russia and Brazil on the other is that the former are competing with the West for "intellectual capital" by seeking to build top-notch universities, investing in high, value-added and technologically intensive industries and utilizing successful diasporas to generate entrepreneurial activity in the mother country. Russia and Brazil are benefitting from high commodity prices but are not attempting to invest their windfall in long-term economic development' (Lloyd and Turkeltaub, 2006). In sum, a challenge for commodities exporting economies is to industrialize while the challenge for new industrializing countries is to upgrade in innovation and services. As new industrializing societies seek to develop the service sector, including research and development, education, design, marketing and finance, it calls on different skills, cultural sensibilities and priorities than the earlier phase of industrialization. Thus, across East Asia knowledge and cultural skills such as English have become crucial.

International development cooperation

North–South relations have long defined international development. What do twenty-first century trends bode for international development cooperation? One option is a growing awareness of the limited status of development cooperation. The development industry is not as important as it thinks; rather, its sense of self-importance is part of the problem in that it implies the tacit assumption that developed societies are the torch-bearers of development. International development cooperation is often coined in normative and ethical terms. According to Britain's minister for international development in the 1997 White Paper, *Eliminating World Poverty: A Challenge for the 21st Century*: 'We have a moral duty to reach out to the poor and needy'. In a follow-up White Paper

in 2000, Tony Blair defined eliminating world poverty as the 'greatest moral challenge facing our generation' (quoted in Slater and Bell, 2002, p. 342).

This moral approach poses several problems. First, as the old adage goes, trade not aid. Agricultural subsidies and protectionism in the USA and Europe far outweigh foreign aid funds. Thus, it helps to know that 'total EU foreign aid in 2005 was €8 billion, but it spent €49 billion on agricultural subsidies, nullifying virtually all the beneficial effects of its foreign aid' (Mahbubani, 2008, p. 130). Second, in the WTO advanced countries insist on trade rules that privilege their producers and on intellectual property policies that shield their corporations. Third, the fundamental problem is policy incoherence. It does not make sense to discuss aid separately from macroeconomics. Viewing macroeconomics in a different window than development cooperation produces policy schizophrenia; on the one hand, follow the Washington institutions and, on the other, promote projects and programs that counteract the effects of structural adjustment. A two steps backward, one forward, kind of policy, or cleaning up after the market. Fourth, 'we should' does not mean 'we will' and moral exhortation may serve to paper over the discrepancies of compartmentalization and policy schizophrenia. Fifth is the problem of 'reverse aid' and all the ways in which foreign aid greases the wheels of elites and contributes to corruption (Petras and Veltmeyer, 2002). Sixth, recorded remittances of migrants to their home countries at $316 billion (2009), to which unrecorded flows should be added, far exceed the disbursements in foreign aid. Thus, recognizing the developmental contributions of migration and implementing policies that ease transnational migration would be a much more substantial contribution to shrinking global inequality than foreign aid.[4] In the wake of crisis, migration to the North has slowed and will not easily recover, which affects remittances. Migration flows are increasingly redirecting to the high-growth emerging economies and energy-exporting countries.

After crisis

After the 2008 crisis, how are twenty-first century trends holding up? According to Giles (2012) what is taking shape is a 'three-speed global economy': 'The emerging and developing worlds are in the fast lane enjoying growth rates of around 6 percent; the USA, Canada and Australia are in the middle lane, expanding at approximately 2 percent; and most of western Europe is in the slow lane, with growth rates of less than 1 percent' (higher in the Nordic countries).

One might assume that in view of the 2008 crisis and the rise of emerging societies (all with significant public sectors), neoliberalism is passé as an ideology, Keynesianism in some form is back, and the financial sector will be brought under control. However, a glance at the American Republican primaries or at the editorial pages of the Wall Street Journal shows otherwise. It takes more than a mere crisis for Alan Greenspan or Karl Rove to change their mind. Institutional interests have not changed, ideologies are weatherproof, politics is byzantine, and in the marketplace uncertainty prevails (cf. Crouch, 2011). Such is the 'bumpy ride to the New

Normal'. The general lesson of crisis is that there is no lesson at all. Economists, policy-makers and pundits mostly come out of crisis with the same views they went in with. Crisis functions as a paradigm affirmation machine, except for those who are directly affected by market losses.

Thus, in development thinking, the usual cacophony prevails. Easterly (2009, p. 77) resumes his usual slant: 'Eighty years ago a depression changed the way we think about poverty. It took decades for the world to recover and to remember that if people are given freedom, they will prosper. Now in the wake of another massive meltdown, the fear that shocked us into depending on government to fix poverty is spreading once again – and threatening to undo many of the gains we've made'.

The rise of emerging societies, the keynote of twenty-first century globalization, holds several major implications. First, it indicates a shift in the overall economic and power balance, noticeable in matters large and small. Thus, office space in Beijing now rents at a higher rate than in New York (Rabinovitch, 2012). Second, domestic relations are changing with a restive middle class and working class, and regional relations are changing as well. Third, the new wave of industrialization boosts growth and prosperity in commodity-exporting developing countries; whether this translates into plutocracy or development depends on domestic politics. Commodity prices, high from 2002 to 2008, have come down. But since growth in leading emerging societies remains strong, demand for commodities has swung back. Fourth, it indicates greater influence in international affairs and institutions (such as larger voting quotas for emerging economies in the IMF) but this is slow and gradual. Fifth, it affects the development field in making trade, investment, credit and aid available at very different terms than the West and as part of radically different historical experiences and development perspectives; generally more pragmatic and unburdened by colonial legacies and hang-ups. Sixth, the role of the public sector looms much larger in these approaches than during the era of neoliberal paradigms and policies.

None of this necessarily changes perspectives in the West. Thus, the Wall Street Journal and Heritage Foundation look at the rise of Asia through the lens of their Index of Economic Freedom. A WSJ Asia editorial page writer asks 'is economic freedom on the cusp of a renaissance in Asia?' and observes that 'growth has been strong but regulation is still pervasive' (Sternberg, 2012). Thus, bemoaned in Asia is the absence of the corporate license and permissiveness that has just brought the American economy to the brink of disaster.

The 2008 crisis holds several further implications. First, this time the epicenter of crisis is the USA and Europe, not developing countries. Second, it reveals the flipside of financialization and the pressing need to regulate the financial sector. Third, the economic setbacks and protest movements in advanced countries have instilled greater awareness of the need for government regulation and redistribution. They show that advanced countries are developing countries too. Thus, when development economists look at the USA they see the need for government intervention (Sachs, 2011). According to Michael Spence, 'in the interest of social cohesion, market

outcomes need to be modified to create a more even distribution of incomes and benefits, both now and in inter-temporal terms' (Spence, 2011). Fourth, this awareness does not alter the spectrum of discourses but does affect the political field and the rapport de forces. Crisis has spurred new debates on capitalism, inequality and fairness. The Occupy Wall Street movement has changed public discourse. Fourth, the crisis confirms that the American lead of the world economy is past. Financial institutions from South Korea to the Middle East have become more careful about acquiring western and US dollar assets. Temasek Holdings, Singapore's main sovereign wealth fund, suffered significant losses on its investments in Merrill Lynch in early 2008. China is cutting back on acquiring US Treasuries as part of what looks to be a fundamental realignment. Fifth, the crisis also signals to emerging societies the risks of plutocracy (read: corruption, fraud and crisis risk) and social inequality (read: lack of demand, underconsumption).

The slump enables the IMF to make a comeback, but with a different script. The IMF's capital base has eroded and to play a role amid financial turmoil its capital stock must include significant participation of emerging economies. This is possible only on the basis of power sharing, which again signals the passing of the Washington era, not immediately but gradually. While looking over its shoulders for funds from emerging markets and pondering past failures ('the master of disaster'), the IMF has become a tad more reticent when it comes to micromanaging developing countries, but its economic orthodoxy is unchanged. In relation to the eurozone problems, its current focus, the IMF pushes not stimulus (as in the USA) but the old medicine of austerity.

In sum, the rise of emerging societies outlasts the crisis. The new era signals a multipolar development epoch with a much greater role of developing countries and greater importance of East–South relations. For development studies, this involves several research agendas, in brief: whether dominant growth patterns in emerging economies are broad-based or narrow and how they affect inequality; relations between emerging societies and developing countries, or East–South relations; and relations between emerging societies and advanced countries, firms and institutions, particularly with a view to whether emerging societies are being coopted into transnational plutocracy, or whether development pluralism is transformative, domestically, regionally and globally.

Notes

1. Extended discussion is in Nederveen Pieterse (2010).
2. Hans van Willenswaard 2008 and personal communication.
3. Personal communication with colleagues at Chinese Academy of Social Sciences, Beijing.
4. Robert Guest (2011) makes this case; a critical discussion of remittances is Kunz 2011.

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