

## **A Critique of Dominant Development Tendency in the Context of Neoliberal Policies**

Fatih Buğra ERDEM\*

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### **Abstract**

This study is to explain why the dominant concept of development should be rejected by examining their feasibility and applicability at national and international scale. Development was regarded as a pure economic concept and its social dimensions were ignored. Hence, insufficient evaluations were made by International Organizations, such as the World Bank and the IMF through economic criteria. Formerly, economic growth and development have been used as concepts equivalent to each other even if there is no positive correlation between them. Failure of development attempts were seen as a failure of government, and neoliberal policies that have been always influential on this issue were not questioned enough. Therefore, an economic system analysis will also be included with general criticism. The problem of poverty and the fact that there are still a lot of people who died in hunger confirms the inadequacy of development concept and the necessity of rejecting this notion. Correspondingly, instead of the narrow view that limits human needs to nutrition, shelter and clothing, the capability approach of Amartya Sen will be examined in the article.

**Keywords:** Refutation of development, Neoliberalism, Efficient Distribution of Resources, Politics of World Trade Organization and International Monetary Fund's, Poverty

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\* Research Assistant, Ankara Social Sciences University, Department of Law, fatihbugraerdem@gmail.com

## Egemen Kalkınma Düşüncelerinin Neoliberalist Politikalar Ekseninde Eleştirisi

### Öz

Bu çalışmada ulusal ve uluslararası boyutuyla ülkelerin kabul ettikleri veya kendilerine dayatılmış olan kalkınma politikalarının uygulanabilirliği ve verimliliği incelenerek, egemen kalkınma kavramının neden reddedilmesi gerektiği açıklanacaktır. Kalkınma salt ekonomik bir kavram olarak görülmüş ve sosyal boyutları göz ardı edilerek Dünya Bankası, IMF gibi uluslararası kuruluşlar tarafından iktisadi kriterler vasıtasıyla yetersiz değerlendirmeler yapılmıştır. Başlangıçta iktisadi büyüme ve kalkınma birbirine eşdeğer kavramlar olarak kullanılmış fakat sonrasında doğru orantılı dahi olmadıkları belirlenmiştir. Bu süreçte Dünya Bankası, IMF gibi kurumların stratejileri doğrultusunda kalkınmak isteyen devletler de uygulanan kalkınma politikalarının ekonomik ve sosyal maliyetlerine katlanmak zorunda kalmışlardır. Tüm başarısız kalkınma girişimlerinde hükümetler hatalı görülmüş ve bu hususta sürekli etkisini arttıran neoliberal politikalar genellikle daha az sorgulanmıştır. Bu sebeple, neoliberal iktisadi düşünceler ekseninde iktisadi bir sistem analizi de genel eleştirilerin beraberinde yer alacaktır. Yapılan kalkınma hamlelerine rağmen yoksulluk probleminin ortadan kaldıramadığı ve hatta her gün on binlerce insanın açlık sebebiyle hayatını kaybettiği gerçeği kalkınma kavramının yetersizliğini ve bu kavramın reddinin gerekliliğini teyit etmektedir. Bu noktada, insan ihtiyaçlarını beslenme, barınma ve giyinme ile sınırlayan dar görüşün yerine, Amartya Sen'in kapasite yaklaşımı da çalışma içerisinde incelenecektir.

**Anahtar Kelimeler:** Kalkınmanın Reddi, Neoliberalizm, Kaynakların Etkin Dağılımı, Dünya Ticaret Örgütü ve Uluslararası Para Fonu Politikaları, Yoksulluk

*“Of all the meaningless words that the bourgeoisie has used to deceive the people it has subjugated, “development” is without doubt one of the most effective and therefore the most pernicious (Pierre-Philippe Rey, 1982:vi).”*

## **Introduction**

This essay targets to criticize the concept of development, which has to be rejected because of its destructive consequences, such as irrecoverable environmental issues. Although it is still defended by a wide range of society, the other part of the society is aware of the negativity of this concept. In particular, development as a glamorous word consists of its vital troubles. This study begins by elucidating the development and it will be investigated some questions that what is development? What should it contain? What should its purpose? Besides, this chapter includes development approaches. In other words, the responsibilities of states, institutions, leaders and market structures on development will be discussed. Then it will be discussed who is responsible for development. In following part, it will be examined the distribution of resources, which is the basis of economic structure. Also, it is one of the most significant reference points for development. The next part of this essay, as a general frame of neoliberalism and the idea of development will be linked and examined critically. Then, some patterns of countries will be analyzed, such as undeveloped Third World Countries and developed countries relatively. Development must be implemented on a planned basis, especially for cost reasons. This cost can be in economic, social, environmental and other forms. Consequently, this issue will be considered under a separate heading before a conclusion. In the final chapter, a summary of the essay will be provided.

### **1. A Brief Outline to Development Concept**

The concept of development has no settled definition because of its complexity. There is a consensus on how deep the concept of development is (Seers, 1979: 707-719). Development has many dimensions, such as economic and social. There are always different approaches to these dimensions. However, the main concern should be human excellence. Such that, human needs can be defined the basis of the development theory. Human needs are not associated with the objects but the people themselves (Max-Neef, Elizalde and Hopenhayn, 1989:17-47). However, today's development policies do not address human needs. On the contrary, the policy is determined in the direction of certain interests of transnational corporations and developed countries.

Both the goal and the tool of development are improving freedoms because enhanced freedoms trigger economic and social development. The state that wants to develop should also be tasked with improving human capacity. Nussbaum (2007:21-24) focused on freedom that is necessary to be properly human with using Aristotle's ethics. What is more, she located freedom which is a basic structure of development is the complex function of capacity. Sen (1989)

also defines capability to function is the sign of well-being.

Due to poverty, people can be prevented from accessing many resources/opportunities as an economic aspect of social disengagement. So, it can be said that poverty limits people's capability. Tartanoglu (2011) mentioned cyclic income inadequacy, which shows the economically inadequate individual will not be able to reach the capacities for finding a job because he has not sufficient access to main facilities, such as health and education. For this reason, social exclusion is closely linked to lack of capacity.

There have been different perspectives of economic approaches throughout history. While the physiocrats linked the main source of income and wealth to agriculture, Mercantilists linked to trade. Adam Smith (2009), on the other hand, draws attention to the importance of the division of labor and accepts the source of wealth is an efficient production. In order to grow rich for a nation, so-called development, it was discussed the importance of agriculture, industry, and trade. Throughout history, one of them has come to the foreground and experiences from history show that directly implementation of any of them as an economic policy will be a wrong mistake. Regarding our era, the countries that apply international trade-oriented policies have not developed in return.

The needs of people to continue their lives are at the same time the rights of those people (United Nations General Assembly, 1975) and development should provide people to these rights. However, the main purpose of development is to solve the problems of hunger in this era where everything is abundant. The use of GNP for the calculation of developmental outlook is a fallacy. Freedoms and expectations should also be included in the calculation. The contribution of the market mechanism to the economic development is significant. However, in this system, the individual who does not take a role with the labor force is directly facing poverty (Sen, 1999).

Situations called market failure before neoliberalism has begun to be seen as a government failure after neoliberalism. So today, governments are shown as responsible for the market failure. Moreover, neoliberalism rejects the existence of a government, in fact, there is a market failure here again. Responsibility at this point is also rising to the international organization, not to the market organization. In other words, at the moment of every crisis, the economic system always can hide behind an institution.

Economic growth and development<sup>1</sup> were seen as equivalent, but then it became clear that economic growth and development could not even be positively correlated (Seers, 1979:707-719). Sen (2009, p.347) made a connection between poverty and economic growth that size of public revenue can be developed with schooling, healthcare and other facilities boost people's capacity. Before Second World War, economic growth policies have not removed poverty. After that, the idea of development occurred. The importance

of income and non-income indicators has been recognized, such as education, health and access to clean water. The main aim of development should be to free people, using all these signs. However, development as an economic and social control tool was created to strengthen global sovereignty after Second World War (Harvey, 2013).

In order to improve economic development, the problem encountered with has to be discussed in a democratic medium. According to Sen (1999), it is hard to come across scarcity in democracies because the democratic state should regulate the market for increasing human capacity for employment. For the 1943 Bengal famine, Sen (2009, p.339) stated that government policies were intensified the famine instead of offering solution. Then, he came up with an eristic thesis is that:

*“No major famine has occurred in a functioning democracy with regular elections, opposition parties, basic freedom of speech and a relatively free media (even when the country is very poor and in a seriously adverse food situation.)”* (Sen, 2009, p.342)

It is a controversial issue whether democracy can prevent the famine or not. According to Oliver-Smith (2001), democratic regimes are more beneficial than other regimes in terms of investing human capital. However, politic freedoms are complemented with economic freedoms (Srinivasan, 1977). Here, for the democratic environment Sen mentioned, economic development is necessary at first. Hence, this thesis contains the shortcomings of feasibility. Consequently, it is not coincidence that major famines are not observed in the countries where democracy is well practiced.

In order to prevent famines that could not be fully succeeded by Millennium Development Goals (MDG), UN General Assembly identified Sustainable Development Goals (SDG). For this aim, the “Human Development Index (HDI)” containing standards of life expectancy, literacy, real income per head and so on was published by UNDP with contributions by Sen (Atkinson, 1998). Together with human flourishing approach, every year since 1990, the human development index has been published. Therefore, economy is accepted “as a servant of human flourishing” (Alkire, 2010, pp.40-41). Even if the HDI was used when the concept of poverty was investigated in a multidimensional way with the help of capacity approach, the main target of preventing extreme poverty and hunger could not be averted. Currently, “Multidimensional Poverty Index (MPI)” is used instead of HDI. However, the danger here, unreachable targets reduce the confidence of democracy. Pogge (2016) claimed that if the problem of inequalities among societies cannot be solved, democracies would be in danger. Sen (1977) believes that joint decisions made in a democratic way are advantageous and also he (1999) believes in the necessity of democracy for

development with emphasizing the correlation between democracy and economic development. Hence, failure about social and economic targets damages the democracy at the same time.

Regarding economic growth and market, if countries intensify their individual benefits in terms of employment and growth, this also increases world trade (Mkandawire, 2001:1-12). Marx (2001) also argues that the market is directly connected to the economic class. Besides, he alleged that market destroyed everything within society and divided class, and then the market will destroy itself as time goes by. He also claimed that the reason for changing social structure is applying Polanyi's fictitious commodities into a market. Fictitious commodities that are labor, land, and money are the main concepts of the market. So, development is directly associated with labor, land, and money. According to Polanyi (2014), the market should benefit society. Land, labor, and money in this system, which is the imaginary commodities that are not produced for sale, should be beneficial. When the market is let to care of itself, it becomes a monster that ignores the interests of the society. In this point, it would be right to accept what would contribute to the capacity of people as public goods and leave the market mechanism out of the domain of influence (Wolff, 2013).

According to Rawls (1996), distribution of the rights of freedom that is stated in the concept of the veil of ignorance should be fair and the people who justify the distribution also must be fair and eluded from their own identity. As a criticism against Rawls, Nozick in his theory of justice, there is no institution or person who decides to distribute resources. Distribution is done with voluntary exchanges reciprocally (Wolff, 2013).

John Rawls (1996) also emphasizes that some of the rights of freedoms have priority rather than the others. It is also worth considering his advice that it should be aimed at distributing the economic goods and services more to benefit the majority. At the outset, the level of well-being of poor individuals should be increased. Otherwise, those who are in a state of inequality go to poorer. That is, to be equal in this case, should be made among those who have equal rights in fact. It is not appropriate to treat them in the same way without equaling these rights.

As stated by Keynes in his famous book of "The General Theory of Employment, Interest and Money" in the chapter of "The Principle of Effective Demand", it is necessary for the state to intervene in order to reduce the number of consumers who consume without producing and to promote the potential production. This laborious surplus is usually observed in the agricultural sector and it must be transferred into the industrial sector that is more efficient. In this point, the task of the state is to build factories and employ workers by them in the opinion of Keynes (Toye, 2005). So, the large investment must be made in the low-cost industry, which will create demand for the production of another. It

can be easily observed that all developed countries followed this route. In consideration of above mentioned, it is clear that the approaches of IMF and WB are doomed to failure because their strategies are different than it should be.<sup>ii</sup>

## **2. Neoliberalism and The Idea of Development**

Stagflation and oil crises played a role in changing the functions of IMF and WB during the 70's and the idea of a neoliberal economy revealed. States have been actively involved with the emphasis on education, health, and the workforce has been emphasized (Mkandawire, 2001:1-12).

Actually, the main goal is to create the necessary conditions for free trade by increasing the influence of globalization with the support of the WTO (Mkandawire 2001:1-12). In parallel, the ultimate objective of the neoliberal process is depoliticization (Şenses, 2004:347-382) because politicians are prevented from allocating resources and thus populism is also prevented.

With the liberalization of foreign trade and capital movements, transnational corporations are empowering to dominate the markets, and hence the states, and therefore the people. World Trade Organization is one of the institutions that make these regulations (Levitt, 2005:165-180). To put it in a different way, along with globalization, transnational institutions have taken over the states in recent years. These institutions, such as World Bank and International Monetary Fund have narrowed the decision area of the states and affected their decisions. At the heart of development strategies imposed on the state is the undermining of state authority and the strengthening of the market economy (Şenses, 2004:347-382). These actions are an important reason for questioning the main objectives of development projects. As a result of these, neoliberal policies are not seen responsible for the development, whereas leaders are shown as faulty.

When the neoliberal view spread, it was thought that there was no alternative in this regard. Industrialization lost its importance along with it. However, developing countries have supported the development of technology, employment, and industrialization. Society always takes measures to protect itself from the threats in the market. Globalization and the self-regulating market as a part of the disembedded economy are concepts that society is not accustomed to. Self-regulating market's desires and society's desires always conflict with each other. However, the measures are taken damage market and the damage to the market will also put society at risk. In this circumstance, society should bow down the needs of a self-regulating market. So, the discourse of *laissez-faire laissez-passer* was suggested for solving this dilemma and maintaining the system. Leaving the state back in the context of globalization brings a sharp separation. In this point, it is necessary to make a choice between the profit-oriented economic view and social one that cares about human needs

(Levitt, 2005:165-180). Polanyi (2014) also mentioned about people who are prone to react to the applied system. For instance, Brexit may be interpreted as a British reaction to the capitalism. Inasmuch as, labor and money are moveable in a free format within European Unions. That is what the capitalism aims at. Initially, the United Kingdom has been taken advantage of this application. However, British citizens are reacting to the decrease in employment over time, even though it is a large job market. The profit of one person will harm the interests of other people on the market. In other words, the increase in the number of actors in the labor market will reduce the profitability of those benefiting from this market. It is also seen that the labour force is globalized through the European Union which including the free circulation of capital, people, and services.

In fact, free circulation of capital means free trade. The idea of free trade emerged with Adam Smith's invisible hand theory and was developed by David Ricardo's comparative theory. Ricardo says that states must export the goods they are superior to and import other products. It was the first step of globalization and neoliberalism. In fact, the adoption of this idea is a consequence of poor governance of the states.

Free trade must be fair and fair trade is a concept not determined by the economy but by social needs. However, it is directly planned economic goals. Free trade did not add anything to humanity, on the contrary, unemployment rates, environmental damage increased. In addition, the harsh competition conditions in each area are at the disadvantage of people. The greatest desire of the free traders is to disable the states with no tax and no national barriers. The GATT, which was emerged with Uruguay Round, also aims to increase free deregulated trade. There is actually no free choice offered by free trade. According to Lang and Hines (1995), in real life, people have limited choices and they choose from the choices imposed on them.

While the US supports the WTO's free trade agreements universally, it has often rejected this policy on its behalf (Harvey, 2013). According to Chang (2003), until the Second World War, anti-free trade regimes in the US ended with the maintenance of the industrial superpower. Now, America is one of the most willing countries to do free trade. Also, the formation of the European Union is an important phase for the free market.

Privatization is another goal of the free market. The development of the private sector is the most important activity of the World Bank with 30% (Waeyenberge, 2006:21-45). This is an indication of the importance of privatization for the idea of neoliberalism. Although privatization is ineffective due to market failure from time to time, its value is increasing day by day. However, this system will not be efficient unless the uncertainty of political decisions comes to an end (Bayliss, 2005). So, this strategy includes many risks.

Also, while budget deficits can also be eliminated through fiscal reform, privatization should be avoided (Chang, 2003). On the other hand, De Soto (2001:160-218) argues that capital accumulation for development can be achieved when all public spheres are privatized. Thus, privatization for development is still a controversial issue.

### 3. Undeveloped Countries

Far eastern countries have achieved a strong economic growth and have gone through a rapid industrialization process, such as South Korea. Latin American countries have made an industrial breakthrough in 60's. Then, they are in process of slow economic growth because of the great economic crisis in the 80's.

Despite these positive developments, most of the African countries have been made no progress in this period. In spite of all development programs and encouragements, starvation and malnutrition have been increased in a large part of Africa for almost half a century. Today, failure in development policies continues. In the lights of these facts, it is clearly said that development is a discourse that was created by Western Countries in order to repress Third World (Tucker, 1992).

According to Singer Prebisch Thesis (Harvey et al., 2010:367-377), the increase in the price of primitive goods is much lower than the increase in industrial goods. For this reason, countries should attach importance to industrialization sooner or later.

Industrialization movements are absolutely necessary for economic development. However, as a prerequisite, it is to make the agriculture sector modern and effective in order to create a market for domestic industry and to transfer the accumulating capital to the industrial sector (Rostow, 1960:4-16). Until the increase in oil prices by OPEC, inward industrial policies were applied despite the EEC, which was established for the economic integration of the member countries. These industrialized countries, which have completed the industrialization process with state intervention and protectionist policies, are now blocking the development of other countries with neoliberal policies. In particular, the Bretton Woods institutions have criticized state support, but they have been turned out to be in the wrong by the development performances of Asian countries.

Also, these countries used some systems for controlling the security of market. For instance, Polanyi argues that the gold standardization was created in accordance with the economic interests of the creditor countries. Creditor States have used the League of Nations to inspect borrowers (Levitt, 2005:165-180).

It is difficult to develop with imposed neoliberal policies. Developing countries face foreign deficits when they strive for economic development. Because of the machinery and equipment investments that must be made for

development, these countries have to import. Then, it is a paradox that as the export volume grows, the income level also increases and this leads to an increase in imports. Consequently, the foreign deficit will rise in any case (IMF, 1996:13-15).

Without strengthening the area of manufacture, an economy based on direct exports cannot develop. After Uruguay Round, in 90's Bolivia, Ghana, and Nigeria were exporting food, raw materials, and fuels 98% or more, while U.S.A. 24% and Japan 2% were exporting (Lang and Hines, 1995). Despite passing through the years, Bolivia, Ghana, and Nigeria are still listed in undeveloped countries. America and Japan have been focused exportation after expanding their production capacities. Currently, they are seen as two chief leaders of the economy.

Production should never be held on the second plan. However, it has different causes. It has been created large-scale cities and a considerable number of rural populations have been moved to the city. For this reason, self-sufficient village orders became dependent on the cities (Marx and Engels, 1967). This, in turn, increases the country's external dependency. Unless the level of dependence is reduced, the phases of development also slow down.

According to Marx, the sphere of action of the societies is determined by the society is self-assessing its own surplus and it is directly related to the class structure in society. Marx also mentioned Asiatic Mode of Production that has no concept of private property and more importantly surplus is distributed relatively equal because there is no sharp class distinction except for king and bourgeoisie. At least, self-sufficient villages were observed in the Asiatic model (Patnaik, 2005:62-73).

#### **4. The Cases of Japan and Chile**

Two different countries in the two different continents, Japan and Chile, are examples of successful development. They both acted with deliberation against IMF and WB suggestions. Consequently, they completed their development process swimmingly when compared to other countries that desire to develop and follow IMF and WB proposals.

Especially after the Second World War, the countries have made radical changes in their economic systems, and among them, a preferable system is self-contained state model when the Japanese model is taken as an example (Ozdemir, 2005).

Japan has succeeded in building up its economic system with focusing on manufacturing and saving, albeit devastating defeat in the Second World War. The Japanese have a different economic regime, with individualism being hampered. The Japanese have applied the concept of sincerity called 'Makoto'

to the market and completed the development process by turning individual expectations into social expectations. Instead of leaving their operations in an invisible hand, they have created a market network called 'Keiratsu' that preserves traditional and ethical values (Ozdemir, 2005). Moreover, it is undeniable that nationalism was a vital sign for Japan in order to develop. In the opinion of Rostow (1960:4-16), nationalism as an increasing trend is an ideal ideology for development because national honor and national resources are held in the foreground instead of being exploited.

Chang (2003) examined how wealthy countries are enriched. The states that developed with protectionist policies are prone to impose neoliberal policies on the countries that want to develop.

Development can take place in multiple ways. Depending on the characteristics of each country and the embedded market preferences, a different route can be followed. Chile, which is one of the countries with the highest number of Free Trade Agreements, used different policy than Japan for developing.

Chile is exemplified as a successful and growing country with the help of Washington Consensus. Despite the IMF pressures, Chile has been selective about all proposals and has not fully liberated the market. The advantage of globalization was that Chile could observe the differences and consequences of the policies imposed on them (Stiglitz, 2005:15-32).

## **5. The Cost of Development**

Like every target, development has a cost. In this point, it is important to look at who bear the social and other costs of the so-called idea of development, which directly affected the environment, social structure, and human health.

Export is considered a key strategy for development. The growth school declared that the world nations should export raw materials. When viewed from this point of view, the raw materials will always be the ones that will turn into higher value added goods. Although the sales of raw materials provide capital accumulation temporarily, when the limited resources will be exhausted in the long run, the non-productive countries will not have any other powers for development (United Nations General Assembly, 1975). In addition to this, export-based countries produce in line with the demands of importer countries rather than their own necessities (Marx, 2001). As stated by Chang (2003), instead of neoliberal policies, an export strategy should be defined which is protected by baby industry in terms of industrial policy. In parallel, the dependency school explains the dependence of undeveloped countries to developed countries. According to Frank (1966), undeveloped countries that are constantly damaged due to added value should cut off or limit their connections

with the capitalist world market. There can be no monolithic development for every society. Therefore, the undeveloped countries cannot develop in the capitalist order with the current development strategies.

The old needs that are met with domestic production have been replaced by substitute goods in other countries. Closed economy and self-sufficiency are also altered by the interdependence of nations (Marx and Engels, 1967). However, if the economies of the countries are not equal, the stronger will benefit from this trade. This is another paradox of development.

From the viewpoint of knowledge is power, people's access to information is limited by the concept of specialization. In this age of intense competition, people who have to specialize in one area have become products of a project. Indeed, man-made tools make people's lives easier, but at the same time, they distract people from their life itself. As a result of that, humans are detaching themselves from nature as well as making nature detach from themselves. As industrialization go on and overgrowth is targeted, human continue to destroy the environment that is the only place discovered for a human living (Illich, 1973).

In the liberalization of world trade, GATT and after WTO have significant influences. With the policies of these institutions, tariffs have been reducing and the network of transportation and communication has been expanded. These are some steps taken to improve free trade with ignoring carbon footprint and the other environmental issues. Furthermore, the heaviest cost of development is the restriction of freedom by providing limited opportunities because of the liberalization trend. The freedom of choice, which is seen as a piece of freedom, will be restricted if the concept of the self-regulating market is rejected (Selwyn, 2014).

### **Conclusion**

Development can also be defined by scarcities. Undeveloped countries are deprived more than capitalist countries. It is called relative scarcity. Scarcities will always change, and rhetoric of development will be defined as having these deficiencies each time.

Globalization is not one-sided. While the Western economic style is spreading to the eastern countries, anti-capitalist movement in the east is spreading to the west (De Soto, 2001:160-218). That is why Nussbaum (2007:21-24) defined development as a Western myth and it should not be a true thought that development derives from nation to nation.

On the basis of what has been covered hitherto, ideas such as stable state, increasingly accepted idea of degrowth is advocated by Ivan Illich, Jean Baudrillard, Ezra Mishan and many other significant academics. Although the promises of development have been excellent, it has been observed that it had

not succeeded many times. Under these circumstances, it has become a concept that has to be rejected.

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<sup>i</sup> Development is a multidimensional concept. There are social and cultural dimensions as well as economic dimension. Development and economic growth are concepts that are entwined together because most of development approaches based economic growth, especially before 1970s. This delusion, pure economic approach to development, is inadequate. Instead of that, what is needed to emphasis on increasingly important terms such as human development and sustainable development.

<sup>ii</sup> Keynes made the theoretical basis of demand-side economics with his "General Theory" which he put forth in 1936. In this work, he frequently mentioned about the factors that determine the level of national income and employment. The concept of development also takes a close interest in these factors. Keynes advocates the necessity of state intervention in economic difficulties. In this regard, it can be said that underdeveloped countries should develop and implement development policies in the context of Keynesianism.