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## **SURPASSING NEOLIBERALISM?**

### ***Post-Apartheid Developments in Historical & Comparative Perspective***

**Gillian Hart\***

#### ***Introduction***

Political liberation in South Africa in the early 1990s coincided with the zenith of market triumphalism, the death of post-war “Developmentalism,” the end of the cold war, and confident declarations of the “end of history.” Over the past 10 years, the global picture has shifted quite dramatically. The World Bank and other agencies have retreated from the harsh neoliberal prescriptions of the Washington Consensus in favour of kinder, gentler, discourses of social inclusion and poverty alleviation that are reminiscent in some ways of the decade of “Basic Needs” in the 1970s. With the invasions of Afghanistan and Iraq we are also witnessing the resurgence of a virulent form of American imperialism, framed in terms of liberal civilizing missions, regime-change and nation-building, and projects of reconstruction and “development” spearheaded by Bechtel and Halliburton – along with the wholesale plunder of Iraqi resources.

Significant – if less dramatic – shifts have also taken place over the past decade in South Africa. The move from the neo-Keynesian RDP to GEAR appears in retrospect as a sort of belated replay of the death of Developmentalism that accompanied the neoliberal counterrevolution in the early 1980s. The 2004 election also heralded a series of policy shifts that signify a retreat on certain fronts from the high GEAR phase of the mid to late 1990s. Articulated in Thabo Mbeki’s State of the Nation address and again in his opening of parliament in May 2004, they include an increase in government spending, a slowdown in the privatisation of key parastatals, an expanded public works programme, extending the social security net (although no Basic Income Grant), and new layers of bureaucracy in the form of Community Development Workers who will help identify the unregistered “indigent” and draw them into social security nets and municipal indigent policies. This apparent reversion to an earlier phase of Developmentalism is also cast in

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the remarkably retro terms of “first” and “second” economies – a reinvention of the dualistic categories through which discourses of Development have operated since the 1940s. It is also eerily reminiscent of the “first world-third world” paradigm that the apartheid state deployed as part of its reformist strategy in the 1980s.<sup>1</sup>

In South Africa as well as more generally, these sorts of shifts are the subject of considerable debate. On the one hand are those who welcome what they see as the (somewhat belated) arrival of Third Way-ism in the Third World and, on the other, those who dismiss them as sheep’s clothing draped over a neoliberal capitalist wolf. On a visceral level I tend toward the latter interpretation. Yet I also think it dangerously crude, because it abstracts from the emergence of new forms of governmental power, as well as from the slippages, openings, and contradictions that are crucial to any effort to grapple with possibilities for more far-reaching social change.

This brings me to the near-impossible brief I was assigned in this chapter – namely, “a critique of the major theories of development that have emerged over the past 60 years.” What I am going to try to do, of necessity in extremely broad brush strokes, is identify a series of key turning points since 1944, and suggest their relevance for contending with contemporary questions of Development in the era of neoliberal capitalism – both globally and in South Africa.

Building on an earlier set of arguments (Hart 2001; 2002a; 2004), I also want to suggest a framework for thinking about these moments of crisis and redefinition that distinguishes between “big D” and “little d” development, but understands them as dialectically interconnected. “Big D” Development I define as a post-World War II project of intervention in the “third world” that emerged in the context of decolonisation and the Cold War. “Little d” development refers to the development of capitalism as geographically uneven, profoundly contradictory historical processes of creation and destruction. Although state-led Developmentalism had been thoroughly discredited by the 1980s, official discourses and practices of Development have re-emerged in old and new guises in the era of neoliberal capitalism precisely in order to mediate its destructive fallout. While the intent of these interventions is clearly depoliticising, they also open up new possibilities.

### ***Periodising Post-War D/developments***

The distinction I am suggesting between Development and development shares certain affinities with Cowen and Shenton’s (1996) distinction between development as an intentional practice and an immanent process, but also departs from it in some important ways. Cowen and Shenton contend that development understood as intentional

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<sup>1</sup> For an incisive analysis of the establishment of the Development Bank of Southern Africa in the 1980s, as part of an effort by apartheid state officials to “depoliticise development in the interests of neutrality, professionalism and technical competence,” see Sharp (1988).

intervention – what they aptly call “trusteeship” – was present at the very birth of industrial capitalism to confront the depredations and social disorder wrought by “progress.”<sup>2</sup> Thus, they insist, “the idea of the intentional practice of development was not an invention of the post-1945 international order” (Cowen and Shenton 1996: 60).

Yet Cowen and Shenton are strangely silent on Karl Polanyi’s (1944 [2001]) monumental and related contributions in the form of what he called capitalism’s “double movement.”<sup>3</sup> The unleashing of markets for labour, land/nature, and money, Polanyi maintained, wreaks profound havoc and generates counter-tendencies and demands for intervention and social protection. Far from the counter-movement representing some sort of external intervention in an inexorably unfolding teleology, these opposing tendencies are contained *within* capitalism. By the same token, the conditions for global capital accumulation must be actively created and constantly reworked.

What I am calling “little d” development refers not to an immanent process, but to these simultaneously creative and destructive tendencies. By the same token, I want to insist on the specificity of interventions made in the name of “big D” Development as a distinctive feature of the post-war international order – while at the same time focusing on the instability and constant redefinitions of official discourses and practices of Development.

For proponents of the “post-Development” critique, the birth of what I am calling Development can be timed quite precisely: “We propose to call the age of development that particular historical period which began on 20 January, 1949, when Harry S. Truman for the first time declared, in his inauguration speech, the Southern hemisphere as ‘underdeveloped areas’” (Sachs 1992: 2; see also Escobar 1995: 3). From the perspective of post-Development, Truman’s promise of an enlightened “West” bringing progress to a benighted “Rest” inaugurated Development as a discursive formation through which the “third world” came to be defined as backward, and in need of intervention and guidance along the path to modernity.

While the Cold War and Truman’s Point IV are crucial elements of post-war Development, the post-Development critique deploys a remarkably top-down conception of power. In a far more nuanced analysis, Fred Cooper locates the origins of Development in the imperial crisis of the late 1930s and 1940s, brought on by a series of strikes and boycotts in the West Indies and different regions of Africa. He shows how Development “did not simply spring from the brow of colonial leaders, but was to a significant extent thrust upon them, by the collective action of workers located within hundreds of local contexts as much as in an imperial economy” (Cooper 1997: 85). In the post-World War II period, Development became a means by which Britain and

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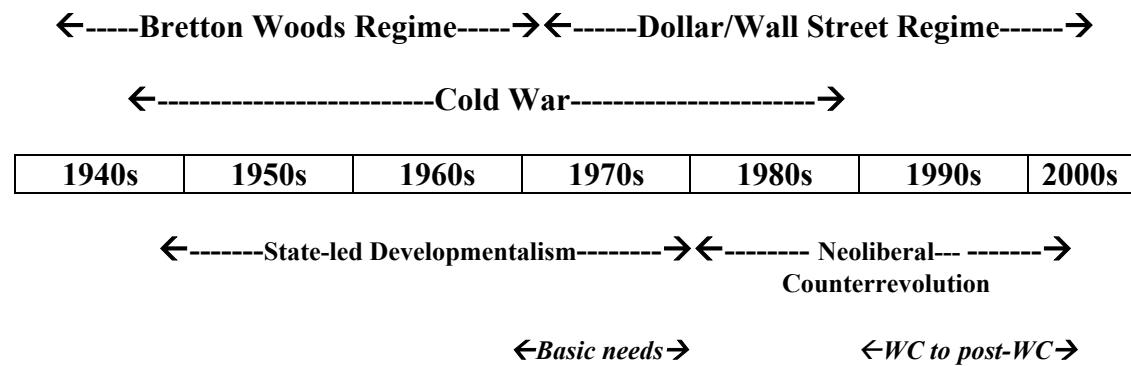
<sup>2</sup> See also Kitching (1982).

<sup>3</sup> One can take Polanyi to task on a number of points, while also recognizing the power and contemporary salience of his analysis - see for example Burawoy (2003), Silver and Arrighi (2003), and De Angelis (2004) for recent engagements with Polanyi within a broadly Marxist lineage.

France sought to hang on to their African colonies. They did so in part through the consolidation and management of an urban African working class – precisely the opposite of the apartheid “solution” to labour uprisings in South Africa after the war.<sup>4</sup> Yet colonial ambitions to create a docile class of urban citizens were thwarted by nationalist leaders, trade unionists and other anti-colonial movements, who deployed precisely these a-cultural discourses of Development in order to stake claims and demands.

Beyond illuminating African decolonisation struggles, Cooper’s intervention underscores how Development can operate as much as a discourse of entitlement as a discourse of control. This alternative understanding also makes clear the limits of critiques by Wolfgang Sachs, Arturo Escobar, and others who define Development in terms of a power/knowledge system originating in the West that seamlessly produces subjects who define themselves as backward and underdeveloped.

More generally, I suggest, Development is most usefully understood in terms of the exercise of power in multiple, interconnected arenas, inseparably linked with the socially and spatially uneven dynamics of capitalist development. Part of what is useful about this sort of framing is its capacity to illuminate key turning points in official discourses and practices of Development over the past 60 years. It provides the basis, in other words, for a conjunctural analysis of shifts in the relationships between “big D” and “little d” development that can very broadly be periodized as follows:



In the discussion that follows, I focus on two key turning points and the connections between them: (a) the shift in the early 1970s from the Bretton Woods system of fixed but adjustable exchange rates to what Peter Gowan (1999) calls the

<sup>4</sup> “British and French officials both thought that the solution to the social problem [of the emergence of a militant urban working class] lay in European knowledge of how to manage a working class. They began to separate out a compact body of men who would benefit from improved urban housing and resources and higher pay, who would acquire an interest in a specific career line, and who would bring their families to the city and become socialized and acculturated to urban life and industrial labor over generations. Officials thought trade unions would not only mold grievances into defined categories to which employers would respond, but that they would provide institutions through which workers would feel socially rooted in the city” (Cooper 1997: 74).

Dollar-Wall Street Regime, along with the rise of finance capital and a new phase of American imperialism; and (b) the shift in the early 1980s from the post-World War II era of state-led Developmentalism to the neoliberal counterrevolution in the context of the debt crisis, along with the vastly increased powers of the World Bank and International Monetary Fund to impose loan conditionalities in much of Latin America, Africa, and parts of Asia.

While my main focus will be on the era of neoliberalism, it is important at least to touch on the multiple instabilities and pressures that emerged over the course of state-led, neo-Keynesian Developmentalism, and forced a redefinition of official discourses and practices in terms of “Basic Needs.” They include the limits of import substitution industrialisation (ISI); the neglect of peasant agriculture through much of the 1960s associated with the disposal of US grain surpluses; and the breakdown of the post-war international food order at the end of that decade.<sup>5</sup> Of great importance as well are the Vietnam war, and rise of anti-systemic movements (Arrighi, Hopkins and Wallerstein 1989) – including what Watts (2001) calls Fanonite post-colonial movements:

By the 1960s the nationalist wardrobe looked worn and threadbare. A broad swath of Latin American and African regimes had descended rapidly into military dictatorship, and the first generation of political elites – whether Sukarno in Indonesia, Nasser in Egypt or Nkrumah in Ghana – were quick to abandon any serious commitment to popular democracy. From this conjuncture emerged a veritable pot pourri of guerilla impulses – there were at least 30 major guerilla wars during the 1950s and 1960s! – student-led democratic movements, worker and union struggles, and nascent ‘culturalisms’ seen in the rise of the Muslim brotherhoods and aggressive ethnic communalism for whom corrupt state apparatuses, and a questionable record of nation-building, provided the fuel for their political aspirations. Whatever their obvious ideological and tactical differences, Maoist militants in Peru, middle-class students in Mexico City, Naxalite organizers in India and Muslim reformists in Cairo all shared a radical disaffection from the postcolonial state and the decrepit political cronyism of peripheral capitalism.” (Watts 2001: 172)

Black Consciousness, the Durban strikes, and the Soweto uprising can – for all their local specificity – be located on this larger canvas.

These pressures are central to grasping the redefinition of Development, exemplified by McNamara’s accession to the presidency of the World Bank in 1968. No doubt Bob’s efforts to expiate his guilt for war crimes in Vietnam played into the new emphasis on poverty, inequality, and unemployment, but it was the conjunctural crisis that created the conditions for the shift. The intellectual ethos of Basic Needs hinged on the neopopulist claim that small-scale forms of production are relatively more efficient, and on the inversion of earlier dualisms. In place of notions that growth of the “advanced” sector would drain the swamp of surplus labour lurking in the “backward”

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<sup>5</sup> For an interesting take on import substitution industrialisation, see Maxfield and Nolt (1990). Friedmann (1982) provides a brilliant analysis of the global structure of foodgrain production and distribution, and its breakdown in the late 1960s and early 1970s.

sector, the “informal” sector came to embody all the virtues lacking in its clunky, inefficient counterpart. The simultaneous discovery of hard-working women and small peasants contributed to the mix, as did the widespread availability of Green Revolution foodgrains technologies that seemed to promise a quick solution to the world food crisis as well as redistributive forms of production.

While discourses and policies of Basic Needs in general fell far short of their stated aim of poverty alleviation, they were accompanied by massive resource flows. Between 1970 and 1980, according to Wood (1986: 83), total flows of financial resources to “less developed countries” burgeoned from around \$17 billion to \$85 billion. Over the same period, loans grew from 79 percent of total resource flows to 91.4 percent. The most dramatic increase was in commercial bank lending and portfolio investment, which rose from \$777million in 1970 to nearly \$18 billion in 1980. According to Wood (1986: 130), medium and long-term public debt shot up from \$75.1 billion in 1970 to \$634.4 billion in 1983. It was the so-called Volcker shock (1979-82) – when the US Federal Reserve base rate rose from average of 8 percent in 1978 to over 19 percent in 1982 – that ushered in the debt crisis, the neoliberal counterrevolution, and vastly changed roles of the World Bank and IMF in Latin America, Africa, and parts of Asia.

### ***From Bretton Woods to the Dollar-Wall Street Regime***

The passage from the collapse of the Bretton Woods system of fixed but adjustable exchange rates in August 1971 to the onset of the debt crisis in the early 1980s is a tale typically told in the following terms: First, the Nixon administration’s ending dollar convertibility and the devaluation of the dollar represented a defeat for a weakened American capitalism, battered on the one hand by competitive pressures associated with the economic ascendance of Germany and Japan and, on the other, by quagmire in Vietnam and the rise of oppositional movements. Second, while the devaluation of the dollar created the conditions for the OPEC oil price rise, the escalation of oil prices in 1973 was carried out by the Gulf states as part of an anti-Israel and anti-US policy connected to the Yom Kippur wars. Third, the flood of petrodollars pouring into commercial banks created the economic incentive for massive loans to third world governments during the 1970s that paved the way for the debt crisis.

This narrative is often linked to a related set of claims about the collapse of the Bretton Woods system presaging the decline if not the disappearance of the nation state, and the slide into a chaotic non-system driven by inexorable technological and market forces. These are precisely the ingredients of what I have elsewhere called the “impact model” of globalisation (Hart 2002b).

In his brilliant book *The Global Gamble* (1999), Peter Gowan offers a revisionist interpretation that carries vitally important implications for grasping contemporary forms of imperialism. First, he contests the widely-held view that the ending of dollar convertibility represented the decline of US hegemonic power. Instead, Gowan maintains that “the Nixon administration was determined to break out of a set of institutionalised arrangements which limited US dominance in international monetary

politics in order to establish a new regime which would give it monocratic power over international monetary affairs (1999:19).” He concedes that US capital was indeed being challenged by its capitalist rivals in product markets at the time in the context of generalised overaccumulation, but argues that “the breakup of the Bretton Woods system was part of a strategy for restoring the dominance of US capitals through turning the international monetary system into a dollar-standard regime” (1999: 19).<sup>6</sup>

Gowan also maintains that the Nixon administration exercised direct influence on the OPEC oil price rise – initially with the intention of whacking Germany and Japan, and subsequently insisting that petrodollars be recycled through commercial banks:

The Nixon administration’s second step was to try to ensure that international financial relations should be taken out of the control of state central banks and should be increasingly centred upon private financial operators. It sought to achieve this goal through exploiting US control over international oil supplies. Yet as we now know, the oil price rises were the result of US influence on the oil states and they were arranged in part as an exercise in economic statecraft directed against America’s ‘allies’ in Western Europe and Japan. And another dimension of the Nixon administration’s policy on oil price rises was to give a new role, through them, to the US private banks in international financial relations (Gowan 1999: 21).<sup>7</sup>

As early as 1972, the Nixon administration planned for US private banks to recycle petrodollars to non-oil producing states; other governments wanted petrodollars recycled through the IMF – but the US rejected this (*ibid.*). At the same time, Gowan points out that US banks were hesitant to lend to third world governments, and had to be provided with incentives. These included the abolition of capital controls in 1974, scrapping the ceiling on bank loans to a single borrower, and repositioning the IMF to structure bailout arrangements that shifted the risk of such loans to the populations of borrowing countries. While ensuring the banks would not lose, these arrangements have also meant that financial crises in the South provoked capital flight of private wealth-holders that ended up strengthening Wall Street.<sup>8</sup>

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<sup>6</sup> He notes, for example, that “The August 1971 decision to ‘close the gold window’ meant that the US was no longer subject to the discipline of having to try to maintain a fixed par value of the dollar against gold or anything else; it could let the dollar move as the US Treasury wished and pointed towards the removal of gold from international monetary affairs. It thus moved the world economy on to a pure dollar standard” (Gowan 1999:19-20). As John Williamson (of Washington Consensus fame) put it, “the central political fact is that the dollar standard places the direction of the world monetary policy in the hands of a single country, which thereby acquires great influence over the economic destiny of others..”

<sup>7</sup> The denomination of oil in terms of dollars is, of course, one of the key reasons why the US is able to run huge deficits with the rest of the world.

<sup>8</sup> For example, during the debt crisis of the early 1980s, the capital outflow from Argentina, Mexico, and Venezuela has been estimated at \$58.8 billion (Gowan 1999: 35).

In other words, the recycling of petrodollars through the private banking system to third world governments was not simply the product of economic incentives.<sup>9</sup> Instead it was a key element of the re-engineering of international monetary and financial arrangements that undergird “the new imperialism.”<sup>10</sup> A related and crucially important point is that what has come to be called neoliberal globalisation emerges from this analysis *not* as a set of inexorable technological and market forces increasingly divorced from state-political controls, but as the product of deliberate power ploys that could have gone in other directions.

Reconfigurations of international financial arrangements in the wake of the collapse of the Bretton Woods regime also signalled a shift from gold to oil as the key global commodity – developments that have, of course, been of vital significance to South Africa. Prior to 1971, the fixed international price of gold minimised the fluctuations of South Africa’s export earnings – a situation that, as Gelb (1991:15) points out, distinguished South Africa from other primary-commodity exporters in the post-war era. The benefits to South Africa from the increase in the gold price after 1971 were far outweighed, he argues, by the destabilising effects of fluctuating prices of gold and other commodities, and “the behaviour of the South African economy has become more like that of other primary exporters” (Gelb 1991: 22).<sup>11</sup>

As South Africa staggered through amplifying economic and political crises in the 1970s and 1980s, other African, Asian, Latin American, and Middle Eastern countries were becoming sharply bifurcated according to “how well the state concerned coped with the volatile and often savage dynamics of the new Dollar-Wall Street Regime” (Gowan 1999: 48). Those countries that had taken the borrowing course became entrapped by debt, and hauled through the stabilisation (IMF) and structural adjustment (World Bank) wringer. In many Latin American countries, the 1980s became known as the “lost decade.” For many in Africa, the 1980s were the start of an ongoing nightmare.

A number of East Asian countries, in contrast, were able to avoid the debt trap. The reasons for these divergent trajectories are, of course, subject to intense debate. In the early phases of the neoliberal counterrevolution, key figures in the World Bank invoked rapid East Asian growth as incontrovertible evidence of the superiority of “the market” over “the state.”<sup>12</sup> This interpretation came under fire from a number of

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<sup>9</sup> While borrowing from Wall Street was both easy and economically rational in the conditions of the 1970s, borrowing governments failed to grasp that the entire macroeconomic framework could be transformed by “*political decisions about the dollar price and interest rates of the US government transmitted through the world economy by the DWSR [Dollar Wall Street Regime]*” (Gowan 1999:48; italics in original).

<sup>10</sup> This is the term used by both Biehl (2000) and Harvey (2003). Indeed Harvey draws directly on Gowan in his analysis of how the shift from the Bretton Woods regime to the Wall Street/US Treasury/IMF regime has served as a “formidable instrument of economic statecraft to drive forward both the globalization process and the associated neoliberal domestic transformations” (Harvey 2003: 129).

<sup>11</sup> For an analysis of shifts in South Africa’s international financial relations from 1970-1990, see Padayachee (1991).

academics who invoked Chalmers Johnson's (1982) notion of the "developmental state" to assert the powerful role of the state in East Asian accumulation.<sup>13</sup>

It was in the context of growing tension between the US and Japan over the deregulation of financial markets that the battle over the interpretation of East Asian "miracles" moved into top gear, culminating in the World Bank's publication of *The East Asian Miracle* in 1993. Funded by Japan, this awkward, heavily-vetted text conceded to state intervention in East Asian economies, but held firmly to a "market-friendly" interpretation. Robert Wade's (1996) fascinating account of the production of this text illuminates how key figures within the Bank sought to fend off the Japanese challenge to neoliberal orthodoxy, and the larger configurations of power within which this challenge unfolded. The story of *The East Asian Miracle*, he argues, shows the determining force of US values and interests in the functioning of the Bank. Yet this influence does not simply reflect direct pressure from US government officials. It operates primarily through the Bank's reliance on world financial markets, and "the self-reinforcing congruence between the values of the owners and managers of financial capital and those of the US" (Wade 1996: 35). This process of rising open capital markets in East and Southeast Asia fed into the Asian financial crisis of the late 1990s – and, as we shall see below, to mounting calls from influential quarters for a "post-Washington consensus."

First, though, let us focus attention on how the "Chicago boys" in Chile formed the advance guard of neoliberal market triumphalism – and how the Chilean experiment helped shape the specific but interconnected forms of neoliberal capitalism in key parts of the "advanced core" as much as in large swathes of the "periphery."

### ***Neoliberal D/developments***

The neo-liberal ideological wave that inundated the United States following the election of Ronald Reagan, and Great Britain under the Thatcher government...began in Chile in 1974 not simply as a set of economic measures, but rather as a broad, revolutionary ideology...In the context of violent change in political power structures, it was used by the new military rulers as the requisite substance for radical transformation of the state (Valdés 1995: 5)

When the CIA-sponsored military coup headed by Augusto Pinochet overthrew socialist president Salvador Allende's government on September 11, 1973, a group of 50-100 Chilean economists trained at the University of Chicago since the late 1950s were

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<sup>12</sup> See for example Balassa (1981) and Kreuger (1981).

<sup>13</sup> They include Amsden (1989), Wade (1990), Castells (1992), and Evans (1995). Yet, as Gore (1996) has argued, the construction of East Asian debates in terms of "states versus markets" fails to recognize how East Asian strategies "are based on an explanatory framework which analyses national patterns and processes within a global context, and a nationalist normative framework which seeks national economic development through rapid industrialization" (Gore, 1996: 78).

waiting in the wings. The so-called Chicago boys moved quickly to dismantle Allende's programme, and launch what was then the most radical free market strategy anywhere in the world. Funded by US government representatives in Chile who sought to combat "socialist ideology," the Chicago boys were the product of close connections between conservative forces in Chile and key figures in the Department of Economics at the University of Chicago (Valdés 1995: 49).

At the height of Keynesian influence in the post-war period, the University of Chicago became a bastion within whose walls neoliberal tenets were forged. In *Capitalism and Freedom* (1982: vi), Milton Friedman recalled how, in the 1950s, "Those of us who were deeply concerned about the danger to freedom and prosperity from the growth of government, from the triumph of the welfare state and Keynesian ideas, were a small beleaguered minority regarded as eccentrics by the great majority of our fellow intellectuals," while his colleague Harry Johnson spoke of "the small band of the initiate" who "kept alive the understanding of the fundamental truth through the dark ages of Keynesian despotism."<sup>14</sup> They included the Austrian economist Friedrich von Hayek, Keynes' right-wing rival since the 1930s who moved to the University of Chicago in 1952.

The discrediting of Keynesianism in the 1970s was of course bound up with broader economic crises, but Chicagoans contributed to the assault and marched into the breach brandishing a version of market fundamentalism far more radical than 19<sup>th</sup> and early 20<sup>th</sup> century economic liberalism. They also provided direct and active support for their Chilean advance guard following the 1973 coup: "Key figures like Milton Friedman, Hayek himself, and Arnold Harberger, a Chicago economist married to a Chilean who was the spiritual godfather of many of the Chicago Boys, appeared in Chile, often to throw their weight behind their proteges at crucial moments" (O'Brien and Roddick 1983: 57).

Thus, at the precisely the moment that global financial arrangements were being reconfigured, Chile provided the testing grounds upon which neoliberal doctrines gained traction – and from which they were picked up and used in other parts of the world. When the debt crisis hit in the early 1980s, IMF and World Bank economists made extensive use of the Chilean "success" – along with the twisted interpretation of East Asian "miracles" mentioned earlier – to set in place the harsh stabilisation and structural adjustment policies of the 1980s in many other parts of Latin America and Africa. The Chilean experiment also played into rise of Thatcherism and Reaganism (Valdés 1995).

The way neoliberalism took hold in the 1980s in Aotearoa-New Zealand – one of the major sites of Keynesian Welfarism in the post-war period – is particularly interesting from a South African perspective precisely because it was *not* imposed by the IMF and World Bank. In his compelling analysis of the connections between Chile and New Zealand, Len Richards observes that

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<sup>14</sup> Cited by Valdés (1995: 60).

Neoliberalism arrived in New Zealand, like Chile, as the result of a ‘calculated bid’ to implant it, but it arrived at its destination via the Trojan Horse of the 1983-90 Labour Government rather than at the point of a gun. The role of the Labour Party was crucial. The implementation of policies that attacked the very mechanisms of class compromise in New Zealand would probably have required...some form of dictatorship if not carried out by what is putatively the working class’s ‘own’ political party.

(Richards 2003: 130).

The key to “success” in the introduction of neoliberal policies in New Zealand, he points out, was the role played by trade union leadership in “the muting and pacification of potential organised working class resistance” (Richards 2003: 129).

Taken together, the Chilean and New Zealand experiments offer two particularly useful insights into broader questions of neoliberalism. First, neoliberal forms of capitalism did not simply arise in the “core” and spread from there to the “periphery”, as many observers suppose. Instead they are more usefully seen as the product of power-laden practices and processes of spatial *interconnection*. In addition, as Richards (2003: 128) aptly notes, “It is important to understand that the Chilean and New Zealand experiences were constituent elements in the *creation* of the Washington Consensus, not just formal applications of some pre-existing plan.” The core-centric model of neoliberal diffusion is closely analogous to the “impact model” of globalisation mentioned earlier, both of which portray neoliberal globalisation in terms of an inexorable set of technological and market forces.

Second, as Gramsci (1971: 160) pointed out some time ago with reference to earlier forms of economic liberalism, “*laissez-faire* too is a form of State ‘regulation’, introduced and maintained by legislative and coercive means.” It is, he went on to insist, a political programme and not the spontaneous, automatic expression of “economic facts.” Experience in Chile and New Zealand makes clear how the installation of neoliberal forms of capitalism articulates with political structure of the state and the balance of political forces in complicated and widely varied ways.<sup>15</sup>

A third set of considerations turns around the concept of governmentality, originally derived from Foucault and now widely deployed in some circles as an analytic with which to come to grips with contemporary questions of neoliberalism. As I have discussed more fully elsewhere (Hart 2004), notions of governmentality are also becoming increasingly prominent in the Development literature, partly in reaction to the rather crude top-down notions of power that inform the post-Development critique.

Governmental power, in this view, operates not through imposition or repression, but rather cultivating the conditions in which non-sovereign subjects conduct themselves. In addition, the concept of governmentality decisively decentres the state as a monolithic source of power, a move that opens up for examination not only diverse government

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<sup>15</sup> In drawing on Gramsci to come to grips with Thatcherism, Stuart Hall (1988) made a very similar point.

agencies but also a multiplicity of other sites. The concept of governmentality calls for precise diagnoses of the rationalities of rule; the forms of knowledge and expertise they construct; and the specific and contingent assemblages of practices, materials, agents and techniques through which these rationalities operate to produce governable subjects.

In opposition to those who see neoliberalism simply or primarily in terms of a retreat of “the state” from “the market” (or the economy), proponents of governmentality place primary emphasis on neoliberalism “as promoting what might be called an *autonomization* of society through the invention and proliferation of new quasi-economic models of action for the independent conduct of its activities” (Burchell, 1993: 274). Rather than *less* government, neoliberalism in this view represents a *new modality* of government predicated on interventions to create the organisational and subjective conditions for entrepreneurship – not only in terms of extending the “enterprise model” to schools, hospitals, housing estates, and so forth, but also in inciting individuals to become entrepreneurs of themselves. In addition, this process of “responsibilisation” often goes hand in hand with new or intensified invocations of “community” as a sector “whose vectors and forces can be mobilized, enrolled, deployed in novel programmes and techniques which encourage and harness active practices of self-management and identity construction, of personal ethics and collective allegiances” (Rose, 1999: 176).

Fierce debates are currently raging over whether Gramsci or Foucault provides greater analytical traction into neoliberalism, and over whether (and, if so, how) it is possible to combine their insights. While the scope of this paper precludes my engaging this debate in any depth other than to signal my Gramscian predilections, I do want to make two related points.

First, attention to technologies and rationalities of rule is undoubtedly useful but also, in my view, quite limited. O’Malley et al. (1997) point to the danger that governmentality studies will degenerate into “ritualized and repetitive accounts of ‘governing’ in increasingly diverse contexts” – a danger, they argue, that derives from the tendency to define politics in terms of “mentalities of rule,” emphasise the programmatic nature of rule, and rely heavily on texts of rule. Deliberate distancing from “messy processes of implementation” means that the constitutive role of contestation drops out of sight, and what remains is an “insular and episodic vision of rule.” In the critical Development literature there is far greater attention to these “messy processes of implementation.” Li (1999) for example distinguishes between Development as governmental *projects* of rule, and their actual and often precarious accomplishment in practice (see also Moore, 2000). In similar vein, Gupta (2001:69) draws on an ethnographic study of a child care scheme in India to illustrate “how governmentality is itself a conjunctural and crisis-ridden enterprise, how it engenders its own mode of resistance and makes, meets, molds, or is contested by new subjects.”

Second, while these arguments are clearly important, the question remains as to whether and how one situates Development projects in relation to the multiply-scaled processes of capital accumulation that I am calling “little d” development. Prominent neo-Foucauldian proponents of governmentality such as Nikolas Rose would strenuously

oppose any such move, smacking as it does of Marxism. Yet these Euro-centric analyses of neoliberal governmentality in “advanced liberal democracies” are incapable of coming to grips with the social dislocation and disruption that have accompanied the unleashing of neoliberal forms of capitalism in different regions of the world, and with the rise of an enormous array of oppositional movements.<sup>16</sup>

These and other instabilities, dislocations, and struggles are crucial to grasping the resurgence – especially since the mid to late 1990s – of official discourses and practices of Development, and their relationship to “the new imperialism.” Elsewhere (Hart 2001) I have traced some key processes through which the market orthodoxy that seemed so firmly entrenched in the early 1990s has given way to far more overtly interventionist moves to contain disruptive tendencies, with multilateral and bilateral aid agencies actively reasserting and extending their mission of trusteeship in the name of Development. These dynamics go a long way towards explaining the paradox to which Henry Bernstein has recently called attention:

Freeing the market to carry out the tasks of economic growth for which it is deemed uniquely suited rapidly escalated into an extraordinarily ambitious, or grandiose, project of social engineering...Comprehensive market reform confronted similarly comprehensive state reform (rather than simply contraction) as a condition of the former; in turn, the pursuit of ‘good governance’ quickly extended to, and embraced, notions of ‘civil society’ and social institutions more generally. In short, the terrain of development discourse and the range of aid-funded interventions have become ever more inclusive to encompass the reshaping, or transformation, of political and social (and, by implication, cultural) as well as economic institutions and practices. (Bernstein forthcoming: 11-12)

Such considerations are also directly relevant to grappling with changes over the first ten years of the post-apartheid order.

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<sup>16</sup> At the risk of oversimplifying, one can point to the so-called IMF bread riots in many parts of Africa and Latin America in the 1980s that were subjected to harsh stabilization and structural adjustment measures; the myriad environmental movements fighting against the destruction of nature; struggles unleashed by the privatisation of water and other basic services; the rise of militant land movements such as the *Movimento Sem Terra* in Brazil; and of course the anti-capitalist/anti-globalization movements that burst onto the international stage in Seattle in 1999. In addition, as Paul Lubeck (2000), Michael Watts (2003), and others have suggested, the rise of Political Islam understood as an “anti-systemic movement” is intimately linked with the crisis of the secular nationalist Development project. Elements of this crisis include what Watts calls the “decrepit rentier capitalism” associated with the oil boom; the petro-bust of the mid-1980s that brought IMF/World Bank-led austerity and neoliberal reforms crashing down on a number of Middle Eastern and West Asian states; and the complex geopolitics of the region: “The historical confluence of these powerful forces – all saturated with an American presence in the form of oil companies, global regulatory institutions, foreign investment, and military commitments – crippled, one might say destroyed, a secular nationalist project that was, in any case, of shallow provenance” (Watts 2003: 65).

## ***Unfolding Post-Apartheid D/developments***

“Now, this is, as it were, the modern part of South Africa, with your aeroplanes and your computers and the people sitting around this room, who read and write and so on. We, all of us, we are this modern sector...So, you then have this large part of South Africa, which is relatively uneducated. It is unskilled. It is not required in terms of modern society. I am saying ‘required’ in the sense of employability. So, we have recognised this from the beginning, that large numbers of our people are poor and are in this condition. You can make the interventions we make about modernisation of the economy and so on, but it wouldn’t necessarily have an impact on them, because of that degree of marginalisation. Therefore, you needed to make different sorts of intervention.”<sup>17</sup>

This media briefing by President Thabo Mbeki following the Cabinet Lekgotla on 29 July 2003 is enormously significant, inaugurating – as far as I can tell – official discourses of a First and Second Economy. This dichotomy figured prominently in the ANC’s “Ten Year Review” later in 2003, its manifesto for the 2004 election, Mbeki’s State of the Nation address in February 2004, his opening address to parliament in May 2004, and a slew of statements by lesser luminaries.<sup>18</sup> From the perspective of what I am calling “big D” Development, one of the clearest and strongest articulations can be found in “Transform the Second Economy” on the ANC Today website:

Contrary to arguments about minimal state intervention in the economy, we must proceed on the basis of the critical need for the state to be involved in the transformation of the Second Economy. This state intervention must entail detailed planning and implementation of comprehensive development programmes, fully accepting the concept of a developmental state.<sup>19</sup>

Retreat from the GEAR-style neoliberal orthodoxy of the mid-1990s began several years earlier. In the 2001 budget, Padayachee and Valodia (2001) discerned signs of “changing GEAR” – including an economic growth strategy that suggested a retreat from the Washington Consensus, and a more interventionist stance in infrastructural development, industrial policy, and labour market interventions. Over the next two years these trends continued. Even so, the First/Second Economy discourse, with its insistence on active state intervention to improve the Second Economy, seems to herald a qualitatively new phase in the post-apartheid order – at the same time as it reverts to a much older Development lexicon of a dual economy, as well as the imperatives for “detailed planning and implementation of comprehensive development programmes.”

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<sup>17</sup> <http://www.info.gov.za/speeches/2003/03080511461001.htm>; accessed June 30, 2004.

<sup>18</sup> For documentation, see the references provided by the South African Regional Poverty Network: <http://www.sarpn.org.za/documents/d0000830/index.php>; accessed June 30, 2004.

<sup>19</sup> <http://www.anc.org.za/ancdocs/anctoday/2004/text/at47.txt>; accessed December 19, 2004.

Most press commentary seems to have ranged from cautious optimism to celebration. In one of the few more critical takes, Lukano Mnyanya (2004: 18) called into question official claims that these shifts have been made possible by fiscal prudence, and cast doubt on portrayals of a structural divide between the First and Second Economies:

The SA that used to have an economy characterised by massive inequalities largely mirroring racial and ethnic differences, has been transformed overnight into one with two distinct economies, co-existing side by side. When were they separated, and who gains from this separation? Who belongs to which economy? Is the second economy simply a separate entity that needs to be pulled up by the first as an act of charity or are the linkages more profound? One can't help but be suspicious that the talk of two economies could turn out to be nothing more profound than a politically convenient excuse for the failure so far to deliver on the country's great challenges – to reduce poverty and unemployment.

Building on the earlier discussion of the dialectical interconnections between “big D” and “little d” development, one can suggest several additional considerations and angles of analysis. From a broadly Polanyian perspective, recent shifts can be seen at least in part as an effort to contain the pressures emanating from the rise of oppositional movements protesting the inadequacies of service provision, the snail’s pace of land redistribution, failures to provide anti-retrovirals, and the absence of secure jobs – as well as pressures from within the Alliance. As I have argued more fully elsewhere (Hart 2005), the Bredell land occupation in July 2001 signified a profound moral crisis of the post-apartheid state. Coming as it did barely a month before the World Conference Against Racism, Bredell also fuelled a series of spectacular and highly embarrassing protests. These, in turn, contributed to the formation of transnational connections, such as the Landless People’s Movement’s links with the Brazilian *Movimento Sem Terra*. A year later in August 2002, the World Summit for Sustainable Development (WSSD) provided a venue for extending and intensifying these protests and connections.

In the period following the WSSD, senior government officials launched concerted attacks on the ‘ultra-left’, excoriating the ‘anti-neoliberal coalition’ and accusing it of acting in alliance with ‘real neoliberals’ (i.e. the Democratic Party) and foreign elements hostile to the national democratic revolution.<sup>20</sup> Along with strenuous denials of charges of neoliberalism – and disciplinary threats against those in the Alliance attaching this label to the ANC – Mbeki and others issued a series of statements emphasising that the ANC has never been socialist, and staking out a social democratic

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<sup>20</sup> In September 2002, the Political Education Unit of the ANC issued a document entitled ‘Contribution to the NEC/NWC Response to the “Cronin Interviews” on the Issue of Neoliberalism’; see also Dumisani Makhaye, ‘Left Factionalism and the NDR: The ANC must respond to professionals of the “left”’ (<http://www.anc.org.za/ancdocs/anctoday/docs/atsup021129.htm>).

position along with a renewed emphasis on the ‘National Democratic Revolution’.<sup>21</sup> The ‘Strategy and Tactics’ document prepared for the December 2002 conference of the party describes the ANC as the ‘leader of the national democratic struggle, a disciplined force of the Left, organised to conduct consistent struggle in the interests of the poor.’

The debut of First/Second Economy discourses in the middle of the following year can be seen precisely as an effort to contain these challenges and render them subject to government intervention. The operative question, then, is not whether the First/Second Economy is an accurate portrayal of reality, but rather *how* it is being constructed and deployed to do political – or, perhaps more accurately, depoliticising – work. What is significant about this discourse is the way it defines a segment of society that is superfluous to the ‘modern’ economy, and in need of paternal guidance. As Mbeki makes clear in his press statement cited above, those falling within this category are citizens, but second class. As such they are deserving of a modicum of social security, but on tightly disciplined and conditional terms. To qualify for a range of targetted programmes, they must not only be identified and registered, but also defined as indigent. The role of a newly-defined cadre of Community Development Workers in tracking down “the indigent” and tying them into structures of social security is of great significance here, as is the growing emphasis on public works.

These strategies for identifying and treating a ‘backward’ segment of society go a long way towards explaining the vehemence with which powerful figures in the ANC have dismissed the Basic Income Grant (BIG). Mbeki’s response to a question about the BIG at the July 2003 press conference on the Cabinet Lekgotla is quite revealing: “To introduce a system of social support, which indiscriminately gives to a millionaire R100 and to this poor old lady on a pension R100, it really doesn’t make sense.” Charles Meth (2005: 3) has recently taken the president to task for this and other misrepresentations of the BIG, arguing that universal grants are preferable because “they do not stigmatise recipients in the same way that targeted grants do.” He also makes a compelling argument as to why a BIG is likely to be far more effective in addressing poverty than the much-vaunted Extended Public Works Programme (EPWP). The reason why the ANC government rejects the BIG, I suggest, is precisely *because* it is a universal grant – and therefore lacks points of leverage for instilling in its recipients the “correct” attitudes and aspirations. This consideration goes a long way towards explaining former Minister of Trade and Industry Alec Erwin’s remark that “the problem with the BIG is not the money but the idea.”<sup>22</sup>

Yet it is one thing to identify the depoliticising intent of discourses of a “second economy,” and quite another to presume that such intentions are necessarily secured in practice. These discourses, I suggest, represent not so much a shift from race to class

<sup>21</sup> For an insightful discussion of how critiques from the left were sidelined at the national conference, see William Mervin Gumede, ‘Who would dare lean to the left here?’ *Sowetan*, December 23, 2002: 13; and for a clear statement of the disciplining of the left, see Dumisani Makhaye, ‘Left, right in combat’ *Sowetan*, December 19, 2002: 19.

<sup>22</sup> Mentioned by Francie Lund, in a debate on the BIG at University of Natal Durban, October 31, 2002.

apartheid as a *rearticulation* of race and class that is shot through with tensions as well as possibilities for contestation. For example, Black Economic Empowerment (BEE) sits uneasily astride the discursive divide between the first and second economy, serving to underscore the deeply conservative character of post-apartheid race-class articulations. In addition, precisely because the notion of a “second economy” carries with it the implications of second class citizenship, it becomes vulnerable in terms of the ANC’s own invocation of its position as the standard-bearer of the National Democratic Revolution.

In these and other ways, what James Ferguson (1990) termed the “anti-politics machine” of Development could become part of a revitalised politics to press for greater economic justice to realise the promises of democracy. Whether and to what extent these possibilities are realised in practice will hinge crucially on the capacity of popular movements and critical forces within the Alliance to forge connections with one another.

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