turned to the IMF during payments crises but now have accumulated large foreign reserves to do the task themselves—has reduced the influence of the IMF. The World Trade Organization has become more marginalized by a growing tide of protectionist sentiment in many first-world countries, which coexists with an increasing skepticism among academics toward the benefits of trade agreements.[13] Development theory may have gone a long way toward consensus. But its ultimate implementation depends on political leadership, including global leadership. And it remains to be seen if the twenty-first century will produce the kind of leadership required to truly bring an end to the kind of poverty and oppression that so filled the twentieth.

Outline of the Book

Chapter 2 charts the rise of statist development theory in the early postwar period, and Chapter 3 charts the theory's failures in practice. Chapter 4 looks at the neoclassical prescription for remedying the third world's underdevelopment, and Chapter 5 considers the uneven results that the neoclassical recipe produced. Chapter 6 examines the contemporary development debate, focusing on the "last stand" of state-led development, which arguably ended with the Asian financial crisis. Chapter 7 considers the feasibility of this statist model in a globalized world, and concludes that its time has more or less passed. Chapter 8 looks at postdevelopment thought, assessing both its feasibility in practice and the insights that it has given to the discipline of development studies. Chapter 9 concludes the book by looking at the elements that current research tells us will have to be brought into development theories, examining in particular the capacity of the global political economy to meet the challenges of environmental degradation.

Notes

1. Leong H. Liew describes China as being engaged in a "loose hug" at best of neoliberalism. Its large market gives the government bargaining power in international negotiations over industry support and market access, while the Chinese Communist Party has effectively co-opted the new middle and entrepreneurial classes that its reforms have created, and which elsewhere have served as the natural constituency for liberalization and democracy. This, he says, accounts for the persistence of a state-led (and successfully so) economy where elsewhere it has fallen from fashion. See Leong H. Liew, "China's

Engagement with Neo-Liberalism: Path Dependency, Geography, and Party Self-Reinvention," *Journal of Development Studies* 40,4 (2004): 167–192.

2. During the Asian financial crisis, the number of conditions imposed on borrowing countries reached unprecedented levels, with many of them having nothing to do with traditional measures of creditworthiness. For example, in order to access aid, the Indonesian government had to stop assisting its emergent automobile and airplane industries. See Morris Goldstein, "IMF Structural Programs," paper presented to the National Bureau of Economic Research conference "Economic and Financial Crises in Emerging Market Economies," Woodstock, Vermont, 19–21 October 2000, http://www.iie.com/publications/papers/goldstein1000.pdf. This particular condition owed less to the fiscal impact of these programs and more to the desire of US firms to penetrate a previously protected market. The US Treasury enjoys such clout because its voting strength at the International Monetary Fund has resulted in the practice that all policies are vetted by a US Treasury representative before they are presented to the board, in order to determine if they will win the all-important US approval. For details, see United States, Department of the Treasury, *Report to Congress in Accordance with Sections 610(a) and 613(a) of the Foreign Operations, Export Financing and Related Programs Appropriations Act, 1999* (Washington, DC, 2000), http://www.treas.gov/press/releases/docs/imfrefor.pdf.

3. For discussion, see Peter Evans, "Development as Institutional Change: The Pitfalls of Monocropping and the Potentials of Deliberation," *Studies in Comparative International Development* 38,4 (2004): 30–52; Stephan Haggard, "Institutions and Growth in East Asia," *Studies in Comparative International Development* 38,4 (2004): 53–81.

4. Kenichi Ohmae, *The Borderless World*, rev. ed. (New York: HarperBusiness, 1999).

5. For a further discussion, see John Rapley, *Globalization and Inequa* (Boulder: Lynne Rienner, 2004). See also the pioneering work of Frances Stewart, who measures inequality not by standard measures like the Gini coefficient, but assesses its distribution across groups—horizontal inequalities—and finds tensions emerging in places where standard measures of distribution might not reveal problems. A summary of work can be found in Frances Stewart, *Horizontal Inequalities: A Neglected Dimension of Development*, WIDER Annual Lecture Series no. 5 (Helsinki: United Nations University World Institute for Development Economics Research, 2001). See also Amy Chua, *World on Fire: How Exporting Free Market Democracy Breeds Ethnic Hatred and Global Instability* (New York: Doubleday, 2002); Chua's argument, while based largely on personal observations and inferences, apparently finds confirmation in Stewart's research.

6. What made the book so sensational was the fact that it came from within the "inner sanctum" of the community that had produced the Washington consensus, Stiglitz having been the chief economist at the World Bank. See Joseph E. Stiglitz, *Globalization and Its Discontents* (New York: Norton, 2002).

7. Ziya Öniş and Fikret Şenses, "Rethinking the Emerging Post-Washington Consensus," *Development and Change* 36,2 (2005): 263–290.

8. Amartya Sen, *Development as Freedom* (New York: Anchor, 2000).

9. After a decade of annual average growth of about 6 percent, India's

growth rate moved up to 8 percent in 2006. See *Financial Times* (London), 10 October 2006.

10. The term "global saving glut" was coined by US Federal Reserve Board governor (now chairman) Ben Bernanke in a speech he gave in March 2005. His argument, subsequently refined, was that during the Asian crisis there was a massive flood of capital from around the world into the safe haven of US financial markets, and particularly Treasury paper. This excess of supply drove down returns on capital in the United States, and created the conditions for a reverse wave of capital movement seeking higher returns in emerging markets. Fairly soon, declining risk premiums and stock-market booms in developing countries suggested that his prediction may well have turned out to be correct.

11. A similar vogue emerged in Europe as well, but it tended to favor the newly liberalized economies of Eastern Europe over those of the third world.

12. In this respect, it is telling that an economist like Jeffrey Sachs, who once trumpeted the virtues of "shock therapy" for economic adjustment, now calls for global campaigns against poverty. See his recent book *The End of Poverty* (New York: Penguin, 2005).

13. There is now considerable agreement among economists that trade is good for development (though that does not mean it is without difficulties, as this book will show). What is less clear is whether the World Trade Organization has itself played an instrumental role in the rise of trade in the past few decades, with some scholars suggesting that other factors—higher rates of productivity in tradeable goods, falling transport costs, regional trade associations, converging tastes, the global shift from primary production toward manufacturing and services, growing international liquidity, and changing factor endowments—might be behind the rise in trade. See Andrew K. Rose, "Do We Really Know That the WTO Increases Trade?" *American Economic Review* 94,1 (2004): 98–114.