Wallerstein's World System's Theory (The Core-Periphery Model):

"a world-system is a social system, one that has boundaries, structures, member groups, rules of legitimation, and coherence. Its life is made up of the conflicting forces which hold it together by tension and tear it apart as each group seeks eternally to remold it to its advantate. It has the characteristics of an organism, in that is has a lifespan over which its characteristics change in some respects and remain stable in others… Life within it is largely self-contained, and the dynamics of its development are largely internal"

(Wallerstein, p. 347).

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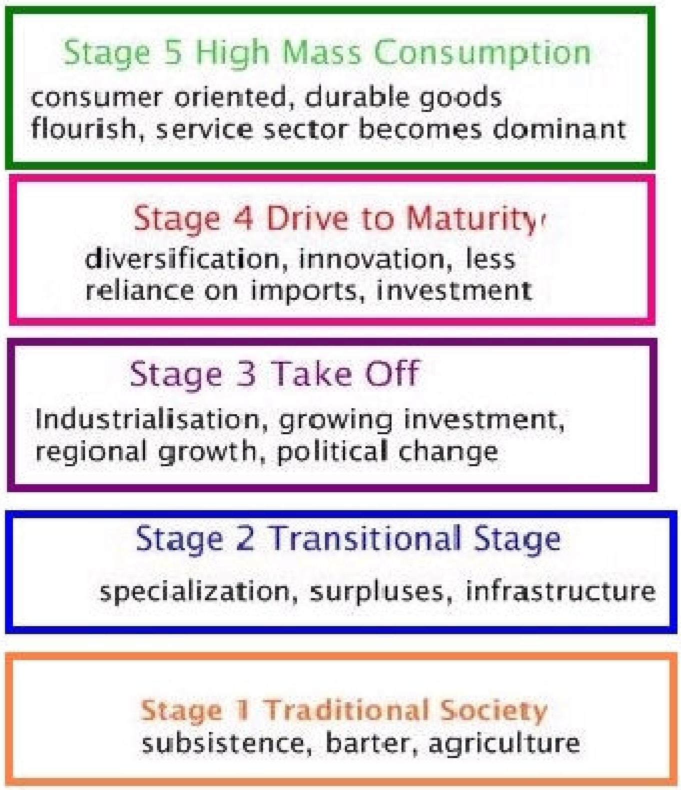
A world-system is what Wallerstein terms a "world economy", integrated through the market rather than a political center, in which two or more regions are interdependent with respect to necessities like food, fuel, and protection, and two or more polities compete for domination without the emergence of one single center forever (Goldfrank, 2000).

1. World-economies then are divided into core-states and peripheral areas
2. There are also semi-peripheral areas which are in between the core and the periphery on a series of dimensions, such as the complexity of economic activities
3. The division of a world-economy involves a hierarchy of occupational tasks, in which tasks requiring higher levels of skill and greater capitalization are reserved for higher-ranking areas(Core Countries).
4. The ongoing process of a world-economy tends to expand the economic and social gaps among its varying areas in the very process of its development.



Walt Rostow's Modernization Model (The Rostow Model):

In 1960, the American Economic Historian, WW Rostow suggested that countries passed through five stages of economic development. **Stage 1 Traditional Society**
The economy is dominated by subsistence activity where output is consumed by producers rather than traded. Any trade is carried out by barter where goods are exchanged directly for other goods. Agriculture is the most important industry and production is labor intensive using only limited quantities of capital. Resource allocation is determined very much by traditional methods of production.
Stage 2 Transitional Stage (the preconditions for takeoff)
Increased specialization generates surpluses for trading. There is an emergence of a transport infrastructure to support trade. As incomes, savings and investment grow entrepreneurs emerge. External trade also occurs concentrating on primary products.
Stage 3 Take Off
Industrialization increases, with workers switching from the agricultural sector to the manufacturing sector. Growth is concentrated in a few regions of the country and in one or two manufacturing industries. The level of investment reaches over 10% of GNP. The economic transitions are accompanied by the evolution of new political and social institutions that support the industrializations. The growth is self-sustaining as investment leads to increasing incomes in turn generating more savings to finance further investment.
Stage 4 Drive to Maturity
The economy is diversifying into new areas. Technological innovation is providing a diverse range of investment opportunities. The economy is producing a wide range of goods and services and there is less reliance on imports.
Stage 5 High Mass Consumption
The economy is geared towards mass consumption. The consumer durable industries flourish. The

service sector becomes increasingly dominant. According to Rostow development requires substantial investment in capital. For the economies of LDCs to grow the right conditions for such investment would have to be created. If aid is given or foreign direct investment occurs at stage 3 the economy needs to have reached stage 2. If the stage 2 has been reached then injections of investment may lead to rapid growth

The Structuralist Theory (Link)

The structuralists focus on the mechanism by which "underdeveloped" economies transform their domestic economies from a traditional subsistence agricultural base into a modern economy. A modern economy is defined as one in which most of the population is urban and the bulk of the country's output is in the form of manufactured products or services. Under this model, the ultimate question becomes how to expand the modern economy while contracting the indigenous traditional economy of the country or region.

1. **Economic Development May Only be Achieved Through an Internal Expansion of the Local Economy.**
2. **Economic Development Meant Improving the Technological Levels of Lagging Sectors of the Economy.**
3. **The Structure of Underdeveloped Economies Could be Explained by the Process Through which Developing Economies have Historically been Incorporated into the International Economy.**
4. **The Structural Transformation of the Economy Could Only be Achieved Through Government Intervention.**

Dependency Theory

Dependency Theory (OR Neo-Marxist Theory):
One of the most controversial schools of development economics in the 1960s and 1970s focused on neo-Marxist theory. Neo-Marxist economists accepted Marxist philosophy in principle but argued that it had to be modified if it was to be applicable to developing countries. They argued that Marx did not have sufficient information to develop a theory dealing with underdevelopment. Armed with observations that Marx could not possibly have made, neo-Marxists made important theoretical departures from orthodox Marxist doctrine. We will cover only two here.

1. Neo-Marxist Development Theory Focused on the Relationships Between Advanced Capitalist Countries and Developing Countries.
First, neo-Marxists broadened the scope of orthodox Marxist doctrine by looking at exploitation among nations. Marx's doctrine of surplus value stated that the worker was being robbed by the capitalist class. The worker received only a fraction of the value of the product which his labor produced. The difference was expropriated by the capitalists - the private owners of the factories and the machines. The neo-Marxists gave this theory an international dimension based on the behavior of nations. Hence they concluded that industrialized countries historically extracted surplus value from developing countries. Specifically, they argued that developed countries paid very low prices for the primary products imported from developing countries, transformed them into finished products and sold them back to developing countries at very high prices. This resulted in chronic poverty and misery in developing countries.

2. The Neo-Marxists Argued that Many Developing Countries Could Not Pass Through an Advanced Capitalist Stage Before Moving to Socialism.
Second, neo-Marxists took issue with the orthodox Marxist theory that a social revolution is possible only after a country has undergone a capitalist transformation. This orthodox position would mean that such a revolution could not occur in developing countries until industrialization flourished. Neo-Marxists argued, however, that passing through the industrialization stage was impossible for many developing countries, given the theorists' observations that developing countries were stuck in a state of underdevelopment and unequal exchange with advanced capitalist nations.