

### Market, state and morality: tensions in development intervention

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## **WORKING PAPER N° 303**

### **Market, State and Morality: Tensions in Development Intervention**

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# 'MARKET, STATE AND MORALITY: TENSIONS IN DEVELOPMENT INTERVENTION'<sup>1</sup>

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## Introduction

It is obvious that there have always been tensions and incompatibilities between market, state and solidarity (see Schrader 1997b), the three control principles of society that are also at work in development intervention. These tensions may even increase further when we leave the nation state level and turn our attention to the world market, international policy, and a universal ethic, human rights and intercontinental solidarity. We are going to talk about that sphere where economic interest, state policy and Third-Sector aims and strategies from both Western and non-Western countries meet: development intervention.

According to Webster's Dictionary 'intervention'<sup>2</sup> means: (a) to come in or between so as to hinder or alter an action; (b) to interfere, usually through force, in the affairs of another nation (Webster's Dictionary, 10th edition). Development intervention of the first type refers to every development project of any organisation both from within a nation-state or from abroad that aims at changing living conditions. Development intervention of the second type aims at international policy, meaning that a country or group of countries hinders or alters an action of another country or group of countries, even though force, if necessary.

Intervention also means intermediation: of finance, ideas and ideologies, norms and values, cultural issues, economic short-term and long-term benefits, and the like. The agents in this process of intermediation are numerous: International organisations, GO and NGO, as well as private subcontracting firms, from both abroad and within the particular country. They all pursue certain often conflicting goals which range from primary humanitarian to primary political or economic interests. To make matters worse: in contrast to organisation sociologists, development sociologists insist that it is not the organisations that act but their representatives, and their goals may be compatible with, but also conflict with the organisational ones.

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<sup>1</sup> This paper is a contribution to the EIDOS Conference: "The ambiguous relations between power and morality, practices of intervention in development", June 18th-20<sup>th</sup>, at the School of Oriental and African Studies, London.

<sup>2</sup> Latin, 'intervenire', to come between.

Exaggerating what really happens in development intervention we could speak of a 'battlefield' where strategic groups (Evers and Schiel 1987) with power differentials from all world regions openly or secretly want to force through their interest, sometimes with very 'unethical' means. They quarrel for pieces of the development cake, for prospering markets, for ideologies and for personal benefits, and some of them may also have philanthropic goals. What happens here is more explainable with economic game theory than ethics and morality.

These divergent interests and strategies are probably already explanation enough why very often outcomes of development intervention are unsatisfactory (and I could stop talking at this point). However, I want to go beyond a mere description and come up with three different, but by no means exclusive, arguments to contribute to an explanation of failures and disappointments in development practice. (1) First of all, the terms development and development intervention have moral underpinnings. However, in economics and political science different concepts of ethics, which are partly a-moral from the point of view of older philosophical concepts of morality, exist simultaneously. (2) Secondly, the prevalent perception of retarded modernisation in developing countries has been challenged by ecological constraints, a structural crisis in the North, and a discussion of non-Western concepts of modernity. (3) Finally I will argue that the geographical perceptions of development intervention have been scrutinised in the course of globalisation: a bi-polar world economy of North and South no longer exists.

### The Moral Underpinning of Development Intervention

When we talk about moral underpinnings of development intervention, we have to clarify first what constitutes morality and ethics, before we turn to development policy and practice. Morality sets certain limitations to selfish action and hedonism for the sake of social life.<sup>3</sup> It is not just given but an outcome of path-deepening, becoming conscience.<sup>4</sup> Contrary to older moral philosophy which regards conscience as a separate faculty of the mind having moral jurisdiction<sup>5</sup> a contemporary understanding of morality is more diverse. First of all it is generally agreed that morality is subject to social change. Secondly, since morality is not

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<sup>3</sup> To put it more concretely: for the sake of avoidance of psychological conflicts (feeling guilt or shame, loss of self-esteem, etc.) and social sanctions (loss of reputation or social exclusion) (Lay 1991: 91; see Schrader 1997b).

<sup>4</sup> Conscience, in modern usage, denotes the recognition and acceptance of a principle of conduct as binding.

<sup>5</sup> Moral justification was assumed to be either absolute or regarded as a manifestation of God in the human soul.

unchangeable and universal, there are different or particular moralities and boundaries of morality (Weber 1978; Durkheim 1957), which are related to social context and social distance and may conflict with each other. An ethic, on the other hand, examines types of action according to an identified highest goal, be it sacral or profane. A moral action critically applies these ethical principles (Lay 1991:73).

Nowadays, the question of ethics is no longer confined to religion and philosophy, but is an integral part of political science and economics. A distinction is made between corrective, functional and deontological ethics. (1) The most narrow concept is a corrective ethics that permits government intervention when externalities exceed certain critical limits. (2) Based on the theory of transaction costs, the second concept, a functional ethics, instrumentalises social engagement for the sake of achieving higher long-term economic or political benefits.<sup>6</sup> (3) In addition to these two types of ethics, which are principally accepted, heterodox scholars refer to a third type of ethics: a higher, deontological ethics which constrains means-end rational action as far as it is morally conflicting. The moral guidelines which reflect higher goals (such as human rights, social justice, sharing with needy people, and the like) have either been derived from religion or from philosophy. Contrary to conventional morality which is based on belief, submissiveness to authority and fear of punishment in this or another life, a modern, 'post-conventional morality' (Homann 1990: 114) is not just 'given'<sup>7</sup> but the result of a critical process of reflection and communication (see Habermas 1984: 219).<sup>8</sup> It is based on a shared insight into the validity of norms and values. Here again the question of boundaries of morality and ethics comes up. To apply these concepts to development intervention:

(a) With regard to bi- and multilateral development policy, as well as domestic government policy one can apply the concept of corrective ethics to particular types of intervention. They take place when certain threshold values which provide a defined boundary between what is accepted as normal and what constitutes an anomie (see Merton 1957) are exceeded. To be more concrete, a basically unequal and worsening distribution of income on a world scale, differences between developing and developed countries with regard to poverty, misery and starvation are accepted as 'normal'. Only when mortality rates jump suddenly or are at least

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<sup>6</sup> This covers the 'business ethics' - a compatibility between economic and ethical goals in certain fields of economic action.

<sup>7</sup> In this context 'given' means that it has been determined from above or become socially constructed as 'truth'.

<sup>8</sup> Habermas describes the moral principle of discourse ethic as follows: Every valid norm has to fulfil the requirement that in the case that anybody follows this norm, the consequences can freely be accepted by anyone.

expected to do so, are charitable collecting campaigns and deliveries of produce, medicine and money by foreign or national governments as a response to natural disasters such as famines or floods, or to civil wars, brought into life. Needless to say, the measure of what is normal and what constitutes an anomie is subject to policy or media definition. Collection campaigns depend very much on media support. Potential donors have to be provided with certain codes (undernourished and dying people, particularly children, refugees in misery, and the like) to be stimulated to contribute.<sup>9</sup> To be cynical, corrective development intervention depends very much on the definition of anomie: the interest of media, the availability and political willingness to provide funds, and the readiness of potential donors to share.

(b) Examples for development intervention which is based on functional ethics are manifold. To begin with, contrary to colloquial language which considers a gift a one-sided movement of goods or services from one party to another according to free will, the functionalist school of anthropology called the gift a ritual exchange between different communities. The basic feature underlying this process of ritual exchange is reciprocity: a gift caused a debt, and as long as it was not balanced, the donor had claims on the recipient (Mauss 1925). Furthermore, social anthropology teaches us that generosity is a means to achieve high prestige, symbolic or social capital (Bourdieu 1979; Coleman 1987, 1988). Besides, generosity contains an element to shame and humiliate the recipient.<sup>10</sup>

I do not want to overemphasise this point, but this interpretation demonstrates that a donation need not necessarily be unselfish. This is exactly what the concept of functional ethics expresses. To provide two examples: (i) development policy which began during the Cold-War era was an outcome of attempts to spread the ideologies of capitalism or communism over the entire globe. Recipients were under obligation to be political allies. Markets were conquered by a neo-colonial economic policy (Nuscheler 1995, Blaschke 1981). (ii) In Western Europe a market for ethnic and ethical products has emerged which constitutes itself an intervention in development. What are traded are carpets which are child-labour free, clothes without chemical processing, organic tea or coffee from co-operatives of small farmers, and the like. From the point of view of a firm it is functionally moral to make profits in this ethical market.

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<sup>9</sup> For example, Bosnia and Rwanda were media spectacles all around the world while the expected starvation in North Korea was of less interest for the media and therefore also less known to the public, although the UN called this intervention the biggest during the time of their existence.

<sup>10</sup> This was shown with the potlatch, an excessive festival of generosity among the North American Indians.

(c) A deontological ethic seems to be at work when public as well as private expenditure and transfers for the sake of development and decrease of misery are socially accepted as being adequate, just and necessary, be the reasons humanitarian, religious, or simply a feeling of guilt or shame for being privileged or for being collectively responsible. A number of charitable development organisations pay their employees low incomes to underpin their deontological ethic. However, even such organisations and institutions work with a functional ethic in so far as they are legally recognised as charitable institutions. Donors receive tax advantages.

The discussion of the moral underpinning of development intervention shows that from a moral-philosophical and religious, partly also deontological point of view a number of development interventions are a-moral, which from the perspective of functional or corrective ethics are moral. The semantics of 'development aid' expressed the narrow, moral perception that development engagement has to be unselfish, while the shift of the semantics to 'development policy' takes the broader understanding that development engagement may also provide selfish benefits to the intermediary.

This conflict of ethics, however, occurs continuously in the field of development intervention: between donors and charitable institutions which have overhead costs, between charitable development workers with a minimum salary and development experts with top salaries, between project implementations and suspicions of governments or local people towards foreign influence, between donor institutions and applicants for interventions with regard to the intentions of the parties involved, between lecturers and students of development sociology and practitioners or politicians, and the like.

### The Crisis in Modernisation Theory and Newly Emerging Concepts of Non-Western Modernity

Two European concepts are subject to development intervention: Modernity and modernisation. From the point of view of history modernity is a European idea that already emerged during the Enlightenment. With the expansion of European capitalism and particularly colonialism it spread around the world as a universal idea.

Habermas describes modernity as the tension and careful formal separation between legal regulation, moral concern and artistic creation (Habermas 1983:11). This paradox of modernity, which has already been outlined by Max Weber, works even more in countries where Western law was introduced from outside sources, where a colonial state established itself on pre-modern policies and finally handed over these with independence (Stauth 1992).

The process of change from tradition towards modernity is modernisation: a development process of industrialisation, secularisation and democratisation. Talcott Parsons' (1951) theory of modernisation,<sup>11</sup> which characterised social-science thinking during the 1950s and 60s, nowadays constitutes once again conceived wisdom. Older modernisation theories assume the structural supremacy and greater adaptability of modern societies compared to pre-modern ones. Based on this assumption a ranking of nations and classification into distinct worlds was common. The 'First (or industrialised) World' was positively valued as modern, differentiated, vertically mobile, democratic, rich, high-standard, and the like; the 'Third World' was just the opposite: traditional, undifferentiated, ascriptive, undemocratic, low-standard, despotic; while the 'Second', primarily socialist world and some emergent nations were somewhere in the middle. Needless to say that from the perception of the 'First (capitalist) World' the socialist path was a dead end.

A main characteristic of modernisation theory, and also point of attack, are its universalistic claim and unilinear development perceptions. What happened on the way to modernity in European history, is taken as a standard and prognosis for all regions of the world. Analytically four distinct processes of modernisation take place: (1) personal modernisation with individualisation as the core;<sup>12</sup> (2) socio-structural modernisation with differentiation as its characteristic;<sup>13</sup> (3) modernisation of culture with rationalisation as decisive element;<sup>14</sup> and (4) material modernisation with domestication of inner and outer nature<sup>15</sup> (van der Loo/van Reijen 1992; see also Goetze 1997:381ff.). Questions of economic development, secularisation and rationalisation of society and political pluralism are perceived as going hand in hand, the latter two being more or less an automatic consequence of an emerging middle class.

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<sup>11</sup> Talcott Parsons (1951) outlined the universal theory of modernisation as coexistent with a differentiation process of society into subsystems.

<sup>12</sup> Individualisation refers to the dissolution of the individual from ascriptive contexts of the close environment, the enlargement of alternatives of (economic and social) choice and mobility, changing perceptions of morality/solidarity, emancipation, etc.

<sup>13</sup> In addition to functional differentiation of sub-systems and related institutions and professions, social differentiation refers to a dichotomisation of society, and moreover the word, into secure and insecure.

<sup>14</sup> Rationalisation is the ordering and systematisation of all spheres of life according to a rational explanation and calculation. Norms, values and worldviews are decisively influenced by the rationalisation process.

<sup>15</sup> Domestication of inner and outer nature refers to technical innovation, commodification of nature, disciplining of labour, etc. and is closely related to the rationalisation process.



Criticism of classical modernisation theory by neo-Marxist dependencia and world system theories during the 1970s and 1980s was first of all an attack on the evolutionist thinking. The core idea was that there is no sequence from traditional, 'undeveloped' to modern or 'developed'. Because of historical processes on a world scale (colonialism, imperialism and neo-imperialism) the industrialised countries had developed themselves at the expense of the periphery. Due to this capitalist world structure development prognoses were very pessimistic. Some scholars saw the only chance as being that the periphery dissociates itself from the capitalist world economy and starts an auto-centric development (Amin 1979; Senghaas 1979). The rather unsuccessful attempts at regional co-operation all over the periphery are outcomes of this advice.<sup>16</sup> However, the collapse of an alternative Socialist development model, economic growth in East Asia (which cannot be explained in terms of these theories) and the assumption of purely exogenous reasons for underdevelopment have led to these theories being replaced by modernisation theory once again.

As a result of criticism of the traditional concept of modernisation the contemporary modifications have changed their assumptions. Most important among them is the break with static concepts of tradition and modernity.<sup>17</sup> The latter is no longer a condition that will sooner or later be achieved by all societies; it is rather a project - an ongoing process. Modernity cannot be explained by itself; it is the distinction from tradition (Dumont 1986). It is a ritualistic form of collective memory with a formalised idea of truth, which involves a specific, reflected organisation of the past in relation to the present (Giddens 1990). Tradition is not simply the past, it is the product of modernisation, it has been invented (Hobsbawm and Ranger 1983). In this sense modernity is reflexive (Giddens 1990, Beck et al. 1994).

From the point of view of economics both the old and the new theory of modernisation, as well as dependencia and world-system theory, are based upon a Fordist exploitation of resources, environment and labour power, as well as on global markets to increase mass production and achieve material wealth, growth of consumption, industrialisation, technical and organisational progress, etc. The reflexivity of modernity, however, has revealed ecological constraints and a decrease of life quality which has first become visible in the metropolises of developing countries. In the centre social and environment laws have now set certain limits to quantitative growth for the sake of quality; in the periphery it is precisely the neglect and even non-existence of labour and environment standards which constitutes locational advantages and attracts labour- and environment-intensive industrial investments.

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<sup>16</sup> EFTA, ASEAN, or recently APEC or SAARC in Asia are such regional co-operations.

<sup>17</sup> Of course, even theories of postmodernity can be interpreted as belonging to this process.

From the point of view of ecologists a consequence of reflexive modernity might be a farewell to the Fordist model of quantitative growth, which has been celebrated as the best remedy for development for more than 50 years. However, even the slightest attempts from some industrial countries to call for more such standards have been rejected by the developing countries. They argue that this claim has not come up by chance in a period of growing social and economic problems in Western Europe and Northern America. By now insisting on environment or labour standards, as well as alleged general human rights, the North tries to destroy the locational advantages of the South.

At the same time, increasing unemployment figures, social problems and crime and decreasing growth rates and real incomes have challenged the old perception of modernisation as a one-way street, in which the North constitutes a mirror to the future of the South. Reflexive modernity in a globalised world also means reflecting upon alternative, culturally influenced or even determined, projects of modernity, identities, ways of acting, and the like (Lexikon zur Soziologie 1994). Topics which have come up, such as the Asianisation, Orientalisation or Russification of modernity, demonstrate growing self-reliance in a development process which is to some degree different from the West's. The non-Western perceptions of modernity are similar in so far as they pursue economic growth by simultaneously rejecting the Westernisation or more concretely, Americanisation, of their cultures: the European concept of modernity, it is argued, is not at all universalistic; it is based on European culture and history. To put it another way, these alternative concepts aim at a market development which is embedded in a culture's own roots. To be sure, I admit that the upsurge of a political debate on non-Western values as opposed to Western ones is very much a matter of ideologies. Authoritarian regimes reject topics such as basic human rights or democracy as Western and therefore inadequate for their own cultures because these might challenge their leadership claims. However, there are other concepts of non-Western modernity which try to base economic and social development on their own cultural roots. For example, Islamic banking in accordance with the Qur'an or Asian management styles are more serious experiments with non-western modernity in the business world.

### The Misperception of Development Theory in a Globalised World

Finally, I will argue that failures and frustrations in development intervention are also outcomes of changing conditions in a globalised world which turn existing perceptions upside down. Indeed, a number of topics in sociology, economics and development intervention need redefinition, because they are outcomes of industrial society and its problems, and reflect a political world order where nation-states are the important global players, and an economic structure which corresponds to geography. The post-industrial (or post-modern) world,

however, is structured in a very different way. Used to express economic differences, regional perceptions such as North and South, centre and periphery, have become inadequate. This causes an irritation with regard to aims and content, roles and relations in development intervention.

There are a large number of contributions to globalisation. While various economists and general sociologists frenetically celebrate it as a new post-industrial phase of capitalism which opens unexpected chances for capital, development sociologists are more sceptical. They claim that the term is inappropriate in so far as it makes us assume a socially homogeneous process that includes all social realms in a global market or global society. This is, however, simply not true. Globalisation is the contemporaneous inclusion and exclusion, integration and fragmentation of societies or at least parts of them (e.g. Bondar et al. 1993; Schrader 1997a).

From the 1970s onward the world economy has experienced an enormous restructuring. The main characteristic of a globalised world is that due to information technologies space and time have become less important for production and distribution. Therefore several world industrial areas lost importance, while several Third-World cities or regions were rapidly industrialised or emerged as the world's primary centres for particular services. Chip and computer production in particular regions of East Asia or the sub-contracted programming in Bangalore provide two examples.

The world economy has engendered new structures in which nation-state policies increasingly depend upon the real global players. These are banks, transnational enterprises and international organisations. They force nation-states to provide political and legal conditions that are advantages to capital. Otherwise they shift with their production sites or service centres into such countries as offer a more advantageous economic environment.

Nowadays foreign economic policy starts within the domestic economy. According to Neyer (1995) traditional elements of state intervention at borders such as customs policies, quotas or contingents to stimulate domestic economies have been replaced by a supply policy to attract foreign capital and keep domestic capital in the country. Tax reductions or even exemptions are offered to investors, progressive income taxes are diminished, labour and environment standard are reduced to decrease production cost, and financial gaps in public spending are filled by cutting social expenses. However, capital can also refuse to bind capital in long-term investments and instead speculate on higher returns in the financial markets. For such societies in which capital terminates solidarity, Menzel (1994) coined the term 'rentier society'.

These processes mainly take place on the back of the weaker and marginalised people all over the world. Transfer payments and subsidies are cut and income inequality increases further. Flexible downward wages, lower labour security and an increase of prices for basic products worsen the living conditions of the masses.

The nodal points of the world economy are more or less found along an axis leading from North America via West Europe to East and Southeast Asia, while they are largely absent in Africa and Latin America. These global cities<sup>18</sup> are no homogeneous entities but segmented according to professions and occupations: highly paid professionals, engineers and technicians on one hand, and low-skilled, low-paid direct manufacturing and service jobs on the other hand. This dualism is not just an expression of the old class structure. Rather it is the result of a simultaneous process of growth and decline - growth in both formal and informal sectors, at the top and bottom, affecting both skilled and unskilled labourers. The social structure is highly differentiated and polarised. Particular segments correspond to class, gender, race and national origin.

The global world is such that centre and periphery simultaneously occur in both old industrial as well as old developing countries. The restructuring of the welfare state in the old centre goes hand in hand with high returns to the rich and a marginalisation of the socially weak, while parts of the middle class drift into either of these segments as new rich or new poor. The latter are pushed into long-term unemployment as in Germany or forced to combine low-paid formal and informal jobs below the level of reproduction cost as in the UK or USA, just in the way development sociologists described the living conditions of the poor in Third-World cities more than a decade ago (Sethuraman 1981; Evers 1989).

On the contrary, numbers of people in the old periphery could benefit from shifts of production and service jobs into their countries. They experienced income growth and constitute a new middle class which is growing in number and filling the gap between the few rich and many poor. They have an educational background and life-styles which no longer conform to the image of the South. They live in suburbs, highly fenced and defended by a security force against real or imagined thieves who might steal their newly acquired wealth.

To summarise my last point:

(1) The growing social and economic problems in the cities of the old industrial societies provide focal points which themselves require development intervention and absorb a share of the capital which was formerly spent on programmes and projects in developing countries. Capital for development intervention in developing countries is getting more scarce. Members

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<sup>18</sup> see Castells 1991; Sassen 1991; Berner and Korff 1995; Korff 1996.

of political committees for development problems in the donor countries complain that relative public expenditure on technical or financial assistance has decreased during the past decade, while expenditure on priority problems directly at the front door increased. Visible social problems in our inner cities such as poverty, alcoholism, drug problems, unemployment, anomic behaviour etc. make citizens feel insecure and politicians who are afraid of losing their voters start priority programmes to fight social problems (particularly before elections).

(2) The political and public interest in development policy has become a topic of minor interest for a number of reasons: the end of the cold-war era, social and economic problems in the own countries (in Germany particularly problems after the reunification), the emergence of a new politico-economic space and currency in Europe, decreasing interest of the media, declining membership numbers in the Church and social organisations, and the like. In relation to these shifting interests job opportunities for development experts or development sociologists have decreased. Some of them have themselves become unemployed and others have reoriented themselves towards employment opportunities outside development intervention. Here frustrations result from the decreasing general interest in the professional objective as well as increasing insecurity with regard to the individual's own biography.

(3) Nevertheless I think that at least those countries which will provide lucrative, prospering markets or advantageous production conditions (which in addition to low production cost means: skilled labour, stable political conditions, developed infrastructure, reliable judicial institutions, and the like) will benefit from private economic investment and experience some economic growth. The ethical question of income inequality and redistribution will therefore also come to have greater relevance in the domestic arena. If these countries enter the social contract and do not cancel it like the rich in the old centre, they will perhaps experience the growth of a social market economy and become the future donors to both the poor countries and the NPCs: newly peripherising countries.

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