Social Context for Market Emergence and Economic Development

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Abstract

Exchange within a society based on reciprocity or redistribution does not require the additional institutional arrangements for a market based on barter or buying and selling. However, trade with external parties who do not share the same cultural assumptions toward exchange requires separate market institutions to make transactions possible. As reliance on external trade increases, the market emerges from its origins in the network of social relations to become a distinct and independent institution. A systems model of society is developed and measurable dimensions are theorized to explain how networks of economic relations are embedded in the larger social context. Examples from West African development are used to illustrate the theoretical dimensions of social context, including entrepreneurial activity, institutional stability, social overhead capital, dynamics of geographic and demographic patterns, and temporal depth.

Introduction

Beyond the dusty mental closets of neoclassical economics, researchers and theorists in such varied disciplines as behavioral/institutional economics, sociology, anthropology, complexity, and management have for decades recognized the need to study economic behavior as embedded within a diverse social context. However, the theoretical context of market emergence has remained narrowly construed, bounded by "the superficial aspects of economic growth – technology or human or physical capital – rather than the structure of incentives and disincentives that make up the institutional framework of an economy and polity" and "the various belief systems that determine the institutional framework" (North, 1997, p. 224).

This paper explores the view that there is a necessary prerequisite context for market emergence and economic development. One naturally and quite reasonably should expect markets to emerge in the lesser developed regions of the globe, therefore, the theoretical background section of the paper is interspersed with relevant general examples from African least developed countries (LDCs). The methodology of the applied portion of the paper utilizes West African socio-economic indicator data to test Polanyi's (1944) theory of market-induced social disruption within Parson's (1971) model of society as a system of action. Before proceeding to the model, it is first necessary to discuss the context and dimensions of embedded economic behavior, and to contrast the historical and theoretical paths to development. "The market cannot be superseded as a general frame of reference unless the social sciences succeed in developing a wider frame of reference to which the market is itself referable" (Polanyi, 1957, p. 49).

Economic Development

According to Hirschman (1988), investment for economic development requires two elements: savings and productive opportunities. Savings and investment decisions are largely independent in developed economies, but are interdependent in underdeveloped economies. A significant hindrance to development in the third world is in facilitating this interdependent linkage. That is to say, savings and the expertise to identify potentially profitable entrepreneurial ventures are widely dispersed in underdeveloped countries, thereby imposing difficulties in bringing the two together. Foreign capital can fulfill just such a function, and in so doing plays two sequential roles in this networking process of economic development. First, prior to domestic aggregation and mobilization of savings, foreign capital can provide the knowledge and skills needed to begin the investment process. Hence, the initial investment is less important as capital per se than as an impetus for growth, essentially in the form of a signal to potential emerging market participants. Conventional wisdom has it that foreign direct investment (FDI) follows on the heels of reforms in governmental transparency and sound management of the banking and financial sectors, yet Hirschman (1988) notes that some measure of foreign investment is necessary for these and other social institutions to coalesce, form, or reform.

In the second role, foreign capital returns to its more common function as mere fodder for investment and profit-making opportunities. Such a role becomes necessary only after the supply of domestic savings has been surpassed by the capacity of entrepreneurial abilities and opportunities. Under this paradigm, a critical factor or limit to economic growth is domestic savings. If this level is not sufficient to condense a critical mass of domestic capital for nascent investment opportunities, then external investors may not perceive sufficiently strong signals to attract them to the emerging economy.

A Brief Historical Overview of African Development

The general model of development in advanced economies utilizes a biological cycle with continuous stages from birth to death. However, a more appropriate model for developing regions is that of an airplane takeoff. In the early stages, economic development must accumulate sufficient momentum for liftoff and must expend significant resources just to maintain forward progress. Prior to takeoff, even relatively minor barriers and hindrances to forward momentum can be cause to abort takeoff (Hirschman, 1988). This metaphor is perhaps sadly too appropriate in describing the historical and social context of sub-Saharan Africa's path toward modernity. Leys (1996, pp. 45-46) attributes third world underdevelopment to "the same world-historical process in which the first world (developed market economies) became developed; the development of the latter involved a closely associated course of development for the former, a process of subordinate development or underdevelopment."

The first chapter of the grand narrative of African economic development was authored by the seven European colonial powers that emerged victorious from the Berlin Conference of 1884-1885. Prior to Otto von Bismark's call to divide the African continent, only the coastal areas had been claimed for development, thus leaving the vast interior to local control (Rosenberg, 2002). By 1638, France had established a trading enclave in Senegal that eventually became Dakar. This was followed by a gradual conquest to link the coastal territories with the Niger River basin, which helped to connect trans-Saharan trade routes with French ports on the Senegalese coast. A policy of cultural assimilation and relative isolation from the wars of Europe further helped to establish a strong French presence in West Africa and to solidify their claim to the territory during the Berlin Conference (McNamara, 1989). Colonization followed Adam Smith's conventional wisdom on capitalism in the assumption that the wealth of a nation was inextricably bound to its land and natural resources. Once these natural limits to national economic growth were recognized, the 19th century European powers looked to Africa to expand their resource base. Newly conquered territories also could provide much needed markets for manufactured goods. The colonial imperative is evident in the policy of Jules Ferry, the prime minister of France during the 1880s who championed the vast expansion of the republic's African colonial territories (Ferry, 1897).

Recent studies have found that the choice of colonial policy was dependent upon whether or not Europeans could survive in the territory. For instance, the extractive policies which were particularly prevalent in West Africa can be attributed to the high rates of settler mortality (Acemoglu, Johnson, and Robinson, 2000). In effect, the difficulties of trust and risk inherent in the principal-agent relationship were made particularly more acute by the relatively few choices of suitable agents. Regardless, the settlers' quality of life and the resource needs of their home country came at the expense of diminished well-being of the local population. Coquery-Vidrovitch (1988) suggested that colonial demand for male laborers drastically altered traditional divisions of labor in that women were forced by necessity into subsistence farming roles. Food scarcity, especially in the transitional periods between annual harvests, became a serious concern to women unaccustomed to the hard labor of tilling and sowing crops. Thus, the roots of hunger and famine in present-day Africa can reasonably be attributed to the colonial era. Extractive policies required conscripted labor to build railroads, to man the defense forces, and to produce cash crops for export to Europe, regardless of the deleterious effects on local food self-sufficiency.

These policies continued until the independence movement which swept across the continent in the early 1960s. Total decolonization, although a prerequisite for self-determined development, proved to be an idealistic incommensurability for the newly independent nations whose citizens were unwilling to forgo consumption of imported goods that had no local substitutes. Military leaders were also unwilling to sever the political ties that provided defense support and the middle and upper classes chose to maintain an elitist cultural dependence to their former colonizers (Drake, 1980). As a consequence, Leys (1996) reported that the economies of many sub-Saharan countries were crippled in the first two decades of independence by exorbitant military spending on both internal and external conflicts.

The most striking example is that of Mauritania, which spent approximately 60% of its national budget on a fruitless war with Morocco. Efforts at pan-African unity for economic, political, and geographical solidarity produced the Organization of African Unity (OAU) in 1963. In 1980, the OAU compiled the 20-year *Lagos Plan of Action for the Development of Africa*. Unfortunately, the ability to speak with one voice has eluded the organization, dependency and neocolonialism still thrive, and a trading block to rival the west has yet to materialize (Andereggen, 1994). The current wave of globalization has been driven by the developed world in hopes of extending its market opportunities to the undeveloped world. In essence, this amounts to a new type of colonization that Africa, once again, cannot resist. The New Partnership for Africa's Development (NEPAD) was proposed in 2002 and was championed as a more effective means to promote development on the continent.

NEPAD offers motive for a fresh look at the underlying assumptions of a market economy and development theory. Although unabashedly structural in approach, the plan claims one new innovation. The austere structural adjustment programs of the past have left the provision of social services to set-aside funds. In recognition of the general failure of this method to adequately supply essential services, the originators of NEPAD propose to relegate this governmental responsibility to a market-driven approach. Development strategists have been quick to point out the faults of such an approach, namely that it will continue the cycle of dependence. An historically enlightened alternative perspective recognizes that essential services to address basic human needs are prerequisites to development of a society (Tandon, 2002). By extension, one could easily claim that the full potential of a populace cannot assist the creation of a market economy until basic needs for food security, water, energy, health, education, and housing are met.

On the surface, the debate seems to pit two irreconcilable perspectives against each other. The dominant and rather deterministic ultramodern view of development espouses support for the structural mechanisms of a free market economy. The opposing sociological perspective expresses humanist concerns for the needs of the individuals whose transactions give life to the market. Upon closer examination, it becomes apparent that each perspective simply represents a different aspect of the same economic sector of society: market mechanisms and participants. Amartya Sen (1981, p. 309) succinctly describes the conundrum of development policy:

> "Ultimately, poverty removal must come to grips with the issue of entitlement guarantees. The two strategies differ in the *means* of achieving this guarantee. While one relies on the successfully fostered growth and the dynamism of the encountered labour market, the other gives the government a more *direct* role as the provider of provisions."

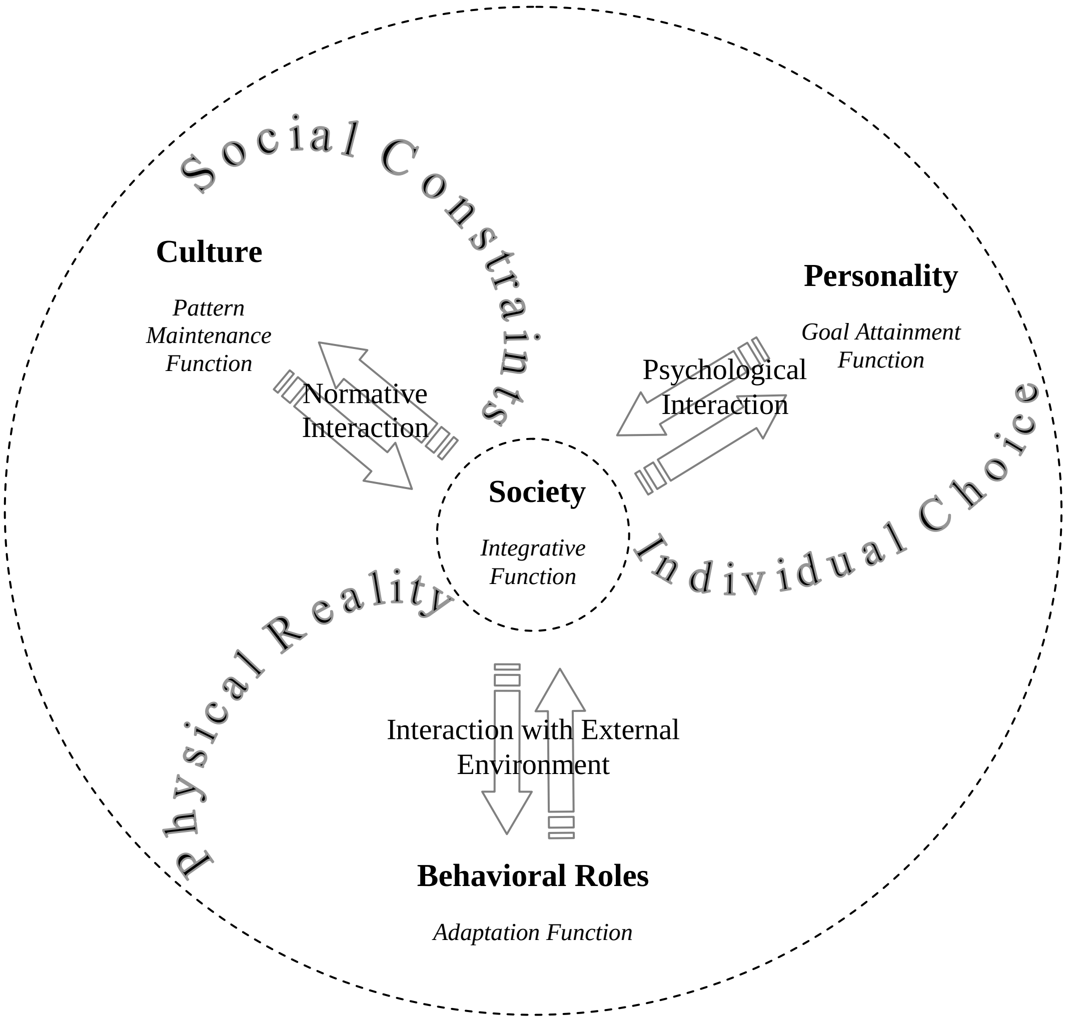
Following the basic needs line of reasoning to conclusion, we see that NEPAD entrusts the provision of essential services to a free market economy that does not yet exist and paradoxically cannot exist until these basic human needs are met. A likely scenario is that donors' funds will be spent by African governments to buy these services, rather than on building local capacity to provide them on a long-term basis. When donors' funds run out, the multinational corporations that can afford to provide services at below-market cost over the short-term will eventually recognize the potential for long-term losses. Thus, donors will likely be asked to continue their subsidies for social overhead capital. Additionally, the "global" market of the developed world will continue to view Africa as a resource provider and as an outlet for goods and services without extending the opportunity for reciprocity.

The Social Embeddedness of an Economy

Parsons (1937) described society as a "system of action" with four distinct, yet functionally interdependent subsystems. The cultural, personality, and behavioral role subsystems form the primary contextual environment of the central social subsystem, which serves to integrate the interdependent contextual elements into a dynamic equilibrium of relative stability. The personality or individual subsystem performs the goal attainment function for the system and analysis for this sector entails agency at the psychological level and the socialization of individuals into collectivities. The cultural subsystem consists of symbols and language to impart the underlying social values to the other components of the system. Finally, the behavioral roles subsystem performs the adaptation function for the system. In adaptation, a broad array of social roles are fulfilled, enacting the values of the cultural subsystem and striving toward the goals of the personality subsystem while mediating influence from the external environment. The figure on the following page is a visual adaptation of Parsons' (1971) text. Note that the subsystem boundaries are fluid and that functions are transacted as interactions between subsystems, not in isolation.

Economic behavior in a society occurs within the context created by the four elements of the system of action. The internal economy is itself a smaller subsystem of society, subject to the same norms, values, goals, and roles that affect all other functions of the system (Beckert, 2002, p. 152). An economy as an embedded subsystem of society is linked to an external market through the adaptive function of the social system.

Society as a System of Action



The Context of a Market Economy

A market is defined simply as the "meeting together of people for the purpose of trade" (Woolf, 1977, p. 704). It is helpful to our discussion to look beyond the idea of a market as the physical space of exchange in order to view a market as part of the extended network of social institutions and cultural practices that facilitates economic activity. Cernea (1985, p. 9) notes the importance of the social interdependence of economic relations to development thought:

> "People's economic activities are embedded in a structure of social relations; therefore, for the theory and practice of *induced* development, defining accurately the levels of such embeddedness in different… societies becomes operationally relevant….Furthermore, the very know-how for investing financial resources in institutional structures is much less refined than the know-how for investing in technical and physical assets. Thus, when public investment in technical infrastructures proceeds alongside disinvestment in the social, cultural, and institutional structures within which the former are embedded, the sustainability of the technical advancement itself is undermined."

Exploring the need, or lack thereof, for markets, Polanyi (1944) explains that exchange within a society based on reciprocity or redistribution does not require the additional institutional arrangement for a market, which is based on exchange (e.g. barter or buying and selling). However, trade with external parties – people who do not share the same cultural assumptions toward exchange – requires separate market institutions to make transactions possible. For instance, property rights, a common currency, enforceable contractual agreements, and some means of capital accumulation all contribute to commerce. Patterns of trade among local and regional semi-autonomous communities in pre-colonial West Africa were well established, yet the profusion of everyday transactions "was neither economically significant nor, perhaps, truly essential for subsistence" (Coquery-Vidrovitch, 1988, p. 52).

Polanyi (1944) states that as reliance on external trade increases, the market emerges from its origins in the network of social relations to become a separate and independent institution. As it further develops, the market gains the power to reorganize society around external commercial activity. Thus, as the ultramodern global market extends its influence, lesser developed countries should find an accompanying disruption and reordering of traditional society. Despite the assimilative power of the market, "a society cannot be reduced to its economic sector and the economic sector cannot be reduced to impersonal market forces" (Hettne, 1995, p. 4). There is a much broader context that bounds the possibilities for social change and it should be noted that economic development is just one among many interdependent types of social change.

Market relations may be socially constructed from human experience (Whipp, 1996), but the power to create social reality is unequally distributed among market participants (Hardy, 1985). The pattern of capital accumulation in the first world via resource extraction in the third world was maintained by "the external orientation of the subordinate economies (export of primary commodities, import of all manufactures)" (Leys, 1996, p. 46). Polanyi's (1944) contention that an externally focused market economy reorders the social structure and context to support its existence has been borne out by history. In much of post-colonial West Africa, this external reorganization has resulted in social strata with a wealthy ruling class and a thin upwardly mobile middle class bent on maintaining the class structure. Thus, it was not some inherent or natural deficiency that led to underdevelopment and dependency, but rather the expansion of the international economy.

The global economy is based on exchange as an integrative social norm and

> requires the support system of price-making markets….linked up in a system which tends to spread the effect of prices to markets other than those directly affected. [Also], exchange at fluctuating prices aims at a gain that can be attained only by an attitude involving a distinctive antagonistic relationship between the partners (Polanyi, 1957, p.39).

Traditional societies sensibly prohibited gainful transactions for foodstuffs in order to reduce the likelihood of conflict over the necessities of life (Polanyi, 1957). However, a general problem resulting from a politically induced push to a market economy has been the undermining of food security. In an effort to provide cheap food to the urban masses, African rulers have often set commodity prices far below a fair market value, thereby greatly reducing incentives for farmers. Government subsidies to a select few of the major food producers also constrain the productivity of small family farms, thereby promoting urban migration at the expense of food security (Leys, 1996). Polanyi (1957) identifies three kinds of trade to acquire goods from beyond the immediate community or society. Gift trade is generally of a diplomatic or political nature and is symbolic of a reciprocal relationship between foreign rulers. Administered trade or fixed exchange is generally regulated by formal treaty and conducted by governments or their agents in ports of trade, rather than markets.

In the first two types of trade, diplomatic reciprocity and administrative redistribution were the mechanisms of integration that related one party to another. Market trade, which relies only on the principle of bargained exchange to relate trading partners, differs substantially from the first two types in that all aspects of the process are predicated on the complexities of the competitive supply-demand-exchange rate mechanism. In trade between a developed country with manufacturing capabilities and an underdeveloped county with only the ability to produce commodities, profit is derived from the principle of unequal exchange (Kay, 1975). Efforts to perpetuate this system from the colonial era and beyond have "destroyed the pre-existing social frameworks… to maintain forms of precapitalist modes of production and social relations of production, in order to maximize the production of commodities for metropolitan markets and maintain conditions for regular and reliable trading" (Leys, 1996, p. 62). This simple theory has far-reaching implications, as the underlying integrative norm driving the expansion of the global market into the third world is not merely exchange, but *unequal exchange.*

Modeling a Social Context

One of the difficulties in testing Parson's conception of a social system or any such system of action is in operationalizing the model with dimensional constructs and measurable proxy variables. To further complicate matters, the stated interdependence among the four subsystems implies that even the most parsimonious model would still entail a modicum of complex interactions. The methodology commences with an expansion of the four subsystems into theoretical dimensions, which are then unfolded into a number of variables for which socio-economic data is available. Finally, an exploratory factor analysis procedure is used to sort data sets from two different time periods into constructs. Assuming that the two data sets are sufficiently spaced in time to capture a measurable societal change, the transformation from the development process should be evidenced by the formation of two distinctly different factor groupings of the socio-economic variables. Further, if Polanyi's contention that an external market reintegrates society around the norm of competitive exchange is correct, then the change in factor groupings from one period to the next should also exhibit a shift toward an external market orientation. Descriptions of the proposed dimensions follow.

Social Overhead Capital

Rural subsistence agricultural communities, focused on survival, lack the time and inclination to devote any effort to all but the most basic forms of economic exchange. For example, Coquery-Vidrovitch (1988) cites Sekou Touré's socialism as ahead of its time in the pre-modern economy of Guinea. Social overhead capital, the precursors for advanced development, refers to the basic physical infrastructure needs of a society. Examples include drinking water, housing, health care, energy, transportation, and education.

Stability of Social Institutions

Economic development is generally not a smooth continuous process for the whole society, as it is difficult to spread the impact of the process evenly over an entire country, throughout the various clusters and strata of the social system. Efforts must necessarily be focused on points of perceived opportunity, thereby unavoidably restricting the socio-economic absorptive capacity to a relatively small segment of the population. For instance, a Tanzanian program funded by the International Development Research Centre (IDRC), a Canadian charity, found that it could not carry out plans to spend an additional $2 per person on health care in two selected cities. Prior to the program, the national annual average health spending was estimated at $8 per person. Due to inadequate infrastructure in the health care system and the potential for corruption, the IDRC found that only an additional 80 cents could be responsibly spent (Economist, 2002, August 17).

Such concerns for financial accountability and inadequate absorptive capacity are common in development schemes. "Internationally assisted rural development programs have often languished not because of lack of finance, but because of either the inability of the given rural society to use external finance effectively or the planners' inability to formulate an *efficient social construction strategy* for absorbing those new financial resources" (Cernea, 1985, p. 10).

Acemoglu et al. (2000) found an insidious effect of extractive colonial policies in that the social institutions set up to facilitate the removal of resources under colonial rule have remained intact throughout the post-colonial era in much of Africa. Ineffective or biased judicial systems have largely not facilitated social change and land tenure and property rights are tenuous at best, with the national government often retaining control over land and resource use. Social institutions of such a destructive nature do not encourage citizens to be industrious contributors to a more prosperous nation. Not surprisingly, Acemoglu et al. claim that up to 75 percent of the per capita income disparity across former colonies can be attributed to the present dysfunctional social institutions that were shaped by colonial policy, relics of the past that further entrench poverty. Thus, rebuilding and reforming social institutions into forces for national stability is imperative to economic development.

NEPAD documents stress the importance of institution building for "longer-term political changes that would attempt to entrench the rule of law, good government, and business codes among participating countries" (Economist, 2002, June 22). Unfortunately, the plan offers an ill-defined peer review process to enforce the new voluntary standards of conduct and it is difficult to take the democratic, human rights, and political stability rhetoric seriously from the keynote speaker – Mr. Daniel arap Moi – at NEPAD's introductory conference in Dakar (Economist, 2002, April 20). Contributors to institutional instability include decreased food security, rampant urbanization, and ethnic conflict.

Geography & Demographics

Just as investment theory for advanced economies is not ideally suited for modeling the development process in the third world, demographic modeling also cannot be directly transposed from first to third world (Cordell, Gregory, & Piché, 1987). Comparative studies of developed versus undeveloped countries often allude to geography as a determinant of prosperity. Markusen (2000) found that the local dynamics of geographic and demographic patterns within a country could be good indicators of economic potential. Regional growth among secondary cities, which later merge into industrial districts, appears to be an emerging global trend of viable development. In contrast, rapid growth of primary cities tends not to be accompanied by sufficient industrialization to provide sufficient employment opportunities for the population influx. The resulting conversion of agricultural laborers into the urban unemployed decreases both political stability and food self-sufficiency for the nation (Hettne, 1995).

Cordell, Gregory, & Piché, (1987) have argued that a chronically underemployed reserve labor force is one of the necessities created in the transition from a domestic to a capitalist mode of production. Further, from their analysis of African demography, they found that population levels adjusted via reproduction, migration, and forced labor in response to labor demands for all modes of production. They concluded that, to a large extent, the efficiency of the production system dictated population levels. In a related study, Mahdi & Inikori (1987) found that development of large-scale agriculture in precolonial northern Nigeria was initially limited by the lack of external markets for the surplus production. However, a highly consistent resettlement strategy from the 14th to the 19th centuries by the leaders of Kano drastically increased the population of agricultural laborers and consumers. Thus, production decisions exerted control over both supply and demand for labor.

Temporal Depth

Bluedorn (2002, p. 114) defines temporal depth as “the temporal distances into the past and future that individuals and collectivities typically consider when contemplating events that have happened, may have happened, or may happen.” This concept is highly relevant to the development context. Bluedorn found that past temporal depth was positively correlated with future temporal depth. From this observation, one may generally conclude that cultural erosion and loss of traditional social knowledge not only limits our collective view of the past, but also restricts our ability to plan for a desired future. Development policy, like most forms of strategic planning, looks to the past for an indication of future possibilities. This is not to say that the future we envision is modeled on a linear extrapolation of the past, but merely that our social sense-making processes are guided in some fashion by our past experiences. Some authors, such as Weick (1979), take the more forceful stance that we *cannot* understand the present and future without knowledge of the past. Neither position bodes well for development policy that proscribes a future that bears no resemblance to the society’s cultural heritage.

African capitalism has evolved within traditional social networks that draw an inordinate amount of meaning and symbolism subconsciously from their cultural subsystems. The market orientation openly competes to supplant both the existing values and the familial/collective means by which knowledge of the world is processed. By contrast, in the developed world,

> truth is ‘found’ rather than made or socially constructed. It is found through factist rationalism and is universalistic and uniform rather than pluralistic and multiform. Truth is a product of dominant rationalism and its concomitant adherence to a realist correspondence of the universe and Man’s objective knowledge of it (Lowe & Watkins-Mathys, 2003, p. 3).

Natural rhythms or life cycles are preserved through cultural practices. Disruption of these stabilizing social institutions, rather than gradual adaptation, should be expected as knowledge of the past is made irrelevant, lost to an uncertain and unfamiliar future.

Entrepreneurship

Schumpeter defined entrepreneurship as “the process of creating new combinations of factors to produce economic growth” (Spring & McDade, 1988, p. 1). Under colonial rule, capitalism consisted of resource extraction without investment or benefit to the local population. After independence, most African governments chose to retain control of large industrial development in hopes of greater shared benefits for their citizens. Thus, entrepreneurial activity has been limited to the creation of very small businesses and social institutions to accumulate and mobilize capital for business development have yet to emerge (Spring and McDade, 1998).

The entrepreneurial context of West African LDCs has some elements in common with those of developed economies. For instance, growth in GDP per capita, increased per capita agricultural production, and a trend toward greater saving and investment all generally accompany or precede the emergence of a viable entrepreneurial economic sector. Entrepreneurial abilities are dispersed throughout the entire world and new small businesses emerge wherever and whenever conditions become favorable (Hirschman, 1988). However, as one might well imagine, the general context of West African entrepreneurship exhibits a number of significant differences from that found in developed economies. Specifically, the context lacks a skilled reserve workforce, capital and resources are acquired almost exclusively through social and familial networks, and diversification of risk is accomplished by pursuing several ventures simultaneously. Additionally, active government hindrance can be expected due to the perception that entrepreneurial activity is largely transacted in the informal economic sector. An expected consequence of this view is the perpetual de-legitimization of small business ventures. Finally, even though the role of women in development is essential to a healthy functioning society, they are often marginalized by economic planners, thereby officially restricting the participation of female entrepreneurs to the informal sector. (Spring & McDade, 1988).

Social Capital

The heart of society hosts an integrative norm that defines the nature of relations among all subsystems. Portes & Sensenbrenner (1993, p. 114) define social capital as “those expectations for action within a collectivity that affect the economic goals and goal-seeking behavior of its members, even if these expectations are not oriented toward the economic sphere.” They list value introjection, reciprocity exchanges, bounded solidarity, and enforceable trust in their macro taxonomy of social capital. On a micro level, Williamson (1985) described the economic behavior of trading partners – the carriers of social capital – as constrained by localized norms of opportunism, trust, and bounded rationality.

Results of the Quantitative Analysis

The sample for this study is a cluster of ten contiguous West African countries that are among the 49 nations classified as “least developed countries” (LDCs) by the United Nations Conference on Trade and Development (UNCTAD) in their 2002 LDC report. The countries in this cluster are reasonably assumed to share an economic context of underdevelopment that severely limits the emergence of their participation in the global market. The selected countries are also assumed to share similar historical and social contexts, as the geographical region was once connected by a thriving network of West African markets to the trans-Saharan trade routes. Implicit in the geographical focus on the Niger River is the assumption that the past trade relations along the river constituted shared and interdependent social institutions, rather than market mechanisms that were wholly separate from the respective cultures of the market participants. Rather than traversing five separate countries, de Gramont (1976, p. 36) imagines that “the Niger is itself a country, with a population of forty million riverine citizens who derive their livelihood from its waters.” Drawing on the concept of temporal depth, one could speculate that the earlier established social context of economic activity along the Niger trade network should have some influence in shaping the present and future socio-economic interdependencies of the region.

After factor analysis and rotation, the 1980 data set of 18 variables loaded onto the following four socio-economic contextual factors:

1980 Factors	**Subsystem Function(s)**	**Dimension(s)**	**Example Variables**
Subsistence economy	Adaptation Goal attainment	Social overhead capital	Agricultural % of labor force Primary school enrollment Secondary school enrollment
Time horizon	Pattern maintenance	Temporal depth	Infant mortality Life expectancy
Development context	Adaptation Goal attainment	Stability of social institutions	Agricultural production growth Manufacturing % of GDP
Urban/rural tension	Pattern maintenance Integration	Geography and demographics	Agriculture % of GDP Urban safe water Electrical system capacity

After factor analysis and rotation, the 1999 data set of 37 variables loaded onto the following five socio-economic contextual factors:

1999 Factors	Subsystem Function(s)	Dimension(s)	Example Variables
Transition economy	Adaptation Pattern maintenance	Social overhead capital Temporal depth	Adult literacy Primary school enrollment % Arable land under crops Child DPT immunization Life expectancy (female)
Communication network	Integration Pattern maintenance	Social capital	Secondary school (female) Malaria prevalence Population density Road density Telephones
Entrepreneurial context	Adaptation Goal attainment	Entrepreneurship	Activity rate (female) Investment % of GDP GDP growth per capita Agricultural production growth
Traditional constraints	Pattern maintenance	Stability of social institutions	Debt/GDP Agriculture % of GDP Tuberculosis prevalence
Mode of production	Pattern maintenance	Geography and demographics	Manufacturing growth Activity rate (male) Population growth

Although the two factor sets retain some similarities, there are noticeable distinctions in the compositions of variable groupings that appear to support Polanyi's contention. To confirm that the LDC economies under study had indeed become more externally focused, a data set of external orientation variables was garnered from the1999 UNCTAD report, *Foreign Direct Investment in Africa: Performance and Potential* and from World Trade Organization export statistics. Indicators including FDI inflows, annual change in exports, and investment and taxation trade treaties indicated support for an increasingly external market orientation.

Conclusion

Creating the "right" context for economic development and market emergence in LDCs and other underdeveloped areas should theoretically lead to increased self-reliance and local ownership of the process of development. The preceding contextual discussion was intended to illuminate the one-dimensional nature of the neo-classical paradigm, particularly in reference to the African development debate. In the short-run, the producers and consumers of the developed world will benefit from the inefficient action due to the shallow level of analysis that permeates development policy formulation. However, Polanyi's warning of drastic social transformation is implicit in the paradox of surplus production for competitive exchange. Ironically, long-term investment for capital accumulation by the producer is dependent upon encouraging exactly the opposite behavior in the consumer. New markets must therefore be continuously colonized or transformed to perpetuate the investment cycle. The cycle may be ultimately unsustainable, but in the meantime, the insatiable craving for development in Africa keeps the dream well out of reach.

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Appendix

1999 LDC Socio-Economic Factor Loadings	1	2	3	4	5
Agriculture % of labor force 1999	-.570				
% Arable land & under crops 1999	.865				
Infant mortality 1995-2000	-.549				
Avg life expectancy 1995-2000 female	.606				
Child DPT immunization 1997-1999	.679				
Daily Calories 1999	.544				
Adult literacy male 2000	.867				
Adult literacy female 2000	.865				
Primary school male 1997	.949				
Primary school female 1997	.944				
Secondary school male 1997	.875				
% Roads paved	.657				
Rail density	.851				
1997 % Private expenditure on health as % of total expenditure on health		-.652			
Pop density 1999		.829			
Urban sanitation 1999		-.589			
Secondary school female 1997		.749			
Telephones 1999		.789			
Radios 1999		.779			
Road density		.754			
Malaria 1997		.852			
Annual avg growth of GDP per capita 1990-1999			.873		
Agriculture production growth 1990-1999			.908		
Agriculture production per capita 1990-1999			.858		
Investment % of GDP 1999			.677		
Activity rate female 2000			.874		
Avg life expectancy 1995-2000 male			.643		
Agriculture % of GDP 1999				.698	
Urban safe water 1999				-.618	
Newspaper circulation 1999				.521	
Debt/GDP 1990				.978	
Debt/GDP 1999				.969	
Tuberculosis 1998				.785	
Annual pop growth 1990-1999					.673
Annual manufacturing growth 1990-1999					-.894
Urban pop % 1999					-.548
Activity rate male 2000					.827

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 16 iterations.

1980 LDC Socio-Economic Factor Loadings	1	2	3	4
Agriculture % of labor force 1980	-.852			
Primary school male 1980	.868			
Primary school female 1980	.920			
Secondary school male 1980	.903			
Secondary school female 1980	.836			
Radios 1980	.846			
Infant mortality 1985-1990		-.809		
Avg life expectancy 1985-1990 male		.950		
Avg life expectancy 1985-1990 female		.908		
Urban sanitation 1980		.549		
Rural sanitation 1980		-.625		
Annual avg growth of GDP per capita 1980-90			.563	
Agriculture production growth 1980-1990			.724	
Agriculture production per capita 1980-1990			.894	
Manufacturing % of GDP 1980			.859	
Agriculture % of GDP 1980				-.888
Urban safe water 1980				.755
Elec capacity 1980				.838

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 13 iterations.

LDC External Orientation Factor Loadings	1	2	3	4
Bilateral Investment Treaties with Developed Countries (up to 1999)	.904			
Bilateral Investment Treaties with Developing Countries (up to 1999)	.932			
Bilateral Investment Treaties with African Countries (up to 1999)	.869			
Double Taxation Treaties with African Countries (up to 1999)	.860			
Export % change 1996	-.673			
Export % change 1992		.683		
Export % change 1993		-.943		
Export % change 1997		-.829		
Export % change 1999		-.934		
Export % change 1998			-.776	
Export % change 2000			.846	
Export % change 2001			.970	
Export % change 2002			.756	
Double Taxation Treaties with Developed Countries (up to 1999)				.872
Double Taxation Treaties with Developing Countries (up to 1999)				.651
FDI Inflow, % of Gross Fixed Capital Formation 1991-1997				.840
Export % change 1995				-.704

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 9 iterations.