ARTHUR JARVIS UNIVERSITY

AKPABUYO – CROSS RIVER STSTE

DEPARTMENT OF ECONOMICS

ECO 211 HISTORY OF ECONOMIC THOUGHT

COURSE LECTURER: MR VICTOR EBIEFIE

OUTLINE:

1. Comparative Survey and Assessment of Developments in Economics thought from the Orients to the Scholastics.
2. The Mercantilist Doctrine and the Bullionist.
3. Physiocracy and the development of macroeconomics. Classical Economics, Neo-classical School of Thought, Positive and Welfare School of Economic Thought. Smithian Political Economy. Classicism, Richard J.R, Thomas Malthus, J.S Mill, J.B Say; The German historian School of the theory of Distribution.
4. Institutional Economics. Keynesian School of Economic Thought; Evolution of Development of Marxian and Socialist' School of Economic Thoughts. Evolution of Development of Marxian and socialist school of Economic Thoughts. Contemporary stage of development in economics and future prospects.
5. African Economic Ideas, Third World Economic Development Challenges, Future Prospects.

THE CONCEPT AND SCOPE OF HISTORY OF ECONOMIC THOUGHT.

OBJECTIVE:

Student should be able to:

I. **Know the scope of economic Thought.**

II. **Evolution of economic from the ancient to pre-classical era.**

III. **Know who were mercantilist and their economic doctrines.**

IV. **Defined Economic thought/basic economic ingredient or element**

V. **Know who were the physiocrats and their economic ideas.**

INTRODUCTION AND EVOLUTION/SCOPE OF ECONOMIC THOUGHT

Economic like every other discipline, has a beginning and the history of economic thought is the history of economic ideas.

It is principally concerned with the evolution of difference ideologies that later became a collection of the thinking, the methods and the prescriptions of economics.

Originally, what we have today as economic started as **"POLITICAL ECONOMICS".** In some English Speaking Countries until today, economics is still refers to as political economics. It was **ALFRED MARSHAL** that coin the word economic from political economic ideas which started from the contribution of difference kinds of people, philosophers, the clergy, monarch, physicist all kind of human beings contributed to the thinking at the initial stage.

Because of the divergence contribution of the people, it can be argued that the initial ideas were not so much of economic ideas because these ideas and contributions were not anchored on any sound economic principles or theories. A lot of these ideas from the Priest whose ideas informed were by the moral concerned of the time. Philosophers were equally involved, whose preoccupation was to find out and give meaning and power to the state.

Monarch or leaders were equally concerned in form of thinking or the other with the purpose of creating loyalty from their subject. Under this condition, there were different meaning of basic economics issues; for instance, there were different opinion about the issue of price just as there were difference interpretations of money and wealth as well as exchange, whereas the church at that time was interested in creating a just society out of their moral concerns by insisting on a **"JUST PRICE".**

Money lenders were interested in propagating **"USURY"** (to lend at high interest rate). Within this background, the ancient time was dominated by philosophical thinking much more than any economics reasoning. It is for this reason that Philosophers like **PLATO, SOCRATES,** and **ARISTOTLE** contributed to economic thought. Beyond this time, two nations featured so prominently in this philosophical thinking i.e. **ATHEN** and **GREECE.** The whole of Philosophers at that time came from these two nations. Although their ideas were not economic oriented but they provided the basis for which sound economic theorizing started.

The period immediately after the ancient time was followed by massive expansion in commerce (trade). Trade at this time had two underlying guidelines. In the first place, with the expansion of trade, there was a simultaneous expansion or opening development of new states. This new state was recognized on the basis of their supremacy. Supremacy therefore was counted or seen in terms of gold accumulation by such a state

Gold at that time was the sole items of trade. The accumulation of wealth by a state defined the superiority of that state over all other state and it is within this period were there was a shift from pure moral or ethical concerns as propagated by the catholic church the other philosopher to a regime of trade or what looks like an economic activities. The period between the ancient time and the era of mercantilism had contributed from all sphere of life and these contributions had no assumptions, no methodology, and no policy prescription. Such a period therefore do not form part of economic thought?

DEFINITION OF ECONOMIC THOUGHT /BASIC ECONOMIC ELEMENTS

An economic thought is a body of ideas with sound economic background, with the focus and the ability to predict the future.

BASIC ECONOMIIC INGREDIENTS OR ELEMENT OF ECONOMIC THOUGHT.

The basic economic ingredient of economic thought therefore:

1. A philosophical underpinning or a philosophical idea –This means a statement of facts or an idea that can be subjected to test. Any school of thought will first and for most be recognized by the body of that idea.
2. There must be substantive assumptions to support the body of idea.
3. There must be a methodology of analysis.
4. Having carried out your analysis your theory or ideas should be able to solve real life situations. To be able to solve a real life situation, such a theory must have policy implications. Every school of thought must have this four basic element.

MERCANTILISM (1500-1776)

Objectives

- *Meaning and evolutions*
- *Economic thinking and beliefs*

Meaning/Evolution:

Mercantilism refers to a period from the decomposition of feudalism and the emergence of capitalism (1616-1700), that period was characterized by high commerce expansions on trade, wars and conquest of new state the bigger state dominating the smaller ones and more importantly an emergence of trade theory.

The artisans of this time who were the businessmen or commercial capitalist were interested in promoting their businesses. As the first generation capitalist, they had links with those in authority. They use this links to propagate trade regimes that will be beneficial to their business interest, in that case, to support their businesses, they advocated for a form of restrictions were they import less and export more. In that sense, there were the first protagonists of **"PROTECTIONALISM".**

However, although, the mercantilism advocated protection of domestic economic theory, the idea of protection was not anchored on any economic theory. They merely propagated this concept to protect their trade and business; so for that reason, they are not economist rather they are called **PAMPHETEERS** who merely documented their reasoning that later sell as a trade manual.

Basically speaking, the contributions of the mercantilist to economic reasoning can be summarized in the following ways:-

1. They were a group of traders who saw wealth in the commercial sphere on domain of commerce and collated idea to propagate their businesses by insisting that a country is adjudged wealthy by amount of gold accumulation.

To do this, they advocated the elimination of import so that they will pay less or nothing at all and the encouragement of export so that they will accumulate more gold.

The mercantilist as a school was not restricted to a particular area. The mercantilist school was subjected to a form of review and the critiques of that school belief that wealth was not so much from commerce (trade). Wealth to them lies in agriculture or in land.

The principle behind that criticism is refers to as physiocratism. Who are the physiocrats?

BULLIONIST

This is an economic theory that defines wealth by the amount of precious metals owned. Bullionism is an early or primitive form of mercantilism. It was derived in the 16th century, from the observation that the English state possessed large amounts of gold and silver bullion despite the fact that there was no minning of precious metals in English because of its large trade surplus. Example of proponent of bullionist include: Thomas milles (1550 – 1929), Gerard de Malynes (1586 – 1641).

PHYSIOCRATISM

Objectives:

- *Meaning/ Evolution*
- *Economic thinking of the physiocrat*

MEANING/EVOLUTION AND ECONOMIC THINKING OF THE PHYSIOCRAT:

Apart from the mercantilists, in 18th century France, a new but short-lived movement, physiocracy, which had analytical insights into the economy, and significant influence on subsequent economic thought, began there at about 1750.

Physiocratism is a school that was rigorously opposed to the ideas of the mercantilism in their thinking; they argued that wealth is not so much from trade and that the basis for which a nation can be wealthy depends on the use of land.

The physiocrats, like the later English mercantilists, developed their economic theories in order to formulate correct economic Policies. Both groups held the belief that the correct formulation of economic policy presupposed a correct understanding of the economic. Economic theory was therefore a prerequisite of economic policy.

The physiocrat unique idea was their concept of the role of natural law in the formulation of policy. They held that natural laws governed the operation of the economy and that, while these laws were independent of the will of men, man could objectively discover them as they could, the law of the natural science. Thus the de-linking of human aspects of economics from economic science per se started with the work of the physiocrat. Such de-linking was essential because, the primitive capitalists did not need to stress the exploitative aspects of their operations. Everything had to be viewed from the perspective of a non-human process of wealth creation. Wealth existed for every person and it does not matter who controls the "wealth" on behalf of the others. In this way exploitation was made to wear a mask of benevolence and justices.

THE CAPITALIST/CLASSICAL SCHOOL ECONOMIC THOUGHT:

- **Objective:**
- *Meaning and Evolution:*

Evolution:

Capitalism is the direct product of the industrial revolution that started in 1750, before this period, there was high drive towards commercial activities in Europe, and the emergence of new purposeful state whose saw wealth in terms of the acquisition of gold bullion and the power of the state to control other states. This happen within a system where they were small capitalist or (the first generation capitalist). That the era of trade which was supported by the mercantilist is quite distinct from the period immediately after 1750.

In 1750, which we can describe as the years of the industrial revolution in Europe witnessed massive production for both the domestic and international market.

This was made possible through the discovery of specialized machinery that could produce far ahead or the manual labour.

Between the period prior to the advent of industrial revolution there kinds of intellectual current quite difference from the period or mercantilism. These have to do with:

1. The question of wealth and how it is created.
2. It has to do with the question of distribution.
3. The question of process.
4. The question of specialization.

On the question of wealth, there was a wide controversy between wealth as in trade and commerce, and wealth as in production. The controversy led Adam Smith to write the book ***"INQUIRY INTO THE CAUSES AND NATURE OF WEALTH OF A NATION"*** which was published in 1776. The focus of that book was to explain why prominence should be given to a production rather than commerce. The basic for which one nation will be greater and wealthier than other. Although Adam Smith was later known as the father of economic because of that known pioneering work but he was not regard in real sense as the originator or the proponent of the basic ideas of the classical school.

Before him precisely in 1741, people like David Hume was able to originate the quantity theory of money, also William Petty had made pioneering contribution to the principles of political economy. In 1767, J.S.

Mill contributed to the principles of political economy. Richard Cantileon had contributed to economic thought by insisting that the principal source of wealth is land, he equally contributed in the theory of money and made extensive discussion of international trade.

What we refer to as the classical school can be traced to Adam Smith. Others in that school include: Thomas Malthus, David Ricardo, J.S Mill, M.J Stuart, J.B Say, and Karl Marx who incidentally is the last of the classical economist. On the other hand, we have French scholars whose idea was an off-short of the physiocrats thought. Among these we have Francis Quesnay.

In Switzerland, we have people like Sisimonde Desisimonde, in Germany, there were people like Negal, Emmanuel kartz, Robert Owen, Moses Hens. These economist were unanimously in a number of thought, they belief in “Lassiez Faire” that is free enterprise. In that case they give premium to the primitive interplay of demand and supply as a self-equilibrium mechanism for stabilizing any distortion, whenever they arose.

They believe in profit motive in doing what all the individuals in the system will first and foremost attain profit for themselves through business participation and that profit or interest from such business is a self-interest profit attained by the individual, by attainment of that profit, the society will have attained collective profit interest.

In their language, it is argued that every individual should be allowed to bring their industry to the market to compete with other industries and that by their competition the society will benefit.

Thirdly, the scholars believe in free competition as an element. The classical economist believe that if all individuals were allowed to compete freely without intervention that such a competition will lead to development. It was not surprising because the system at the time between 1760 onwards provided for a capitalist system. Some later scholars argue that because of the simultaneous occurrence of the emergence of the classical school and the advent of individual revolution that the classical economist laid the foundation for capitalism.

Although the assumptions of the classical economist were unanimous as already mention, the methodology of assessment of the major distinguishing feature, for instance the labour theory of value was the cornerstone of all classical analysis. But that analysis was expressed convincingly among these classical economists. The labour theory of value holds that the value of a commodity as in terms of labour expended in the production of that commodity.

These was because they were unresolved question of what value is these controversy which raged from Ricardo, J.S Mill, and all order economist at that time, but was later resolved by Karl Marx.

This resolution from Marx was possible because he was first and foremost the last from classical economist. so he benefited from the writings of all other economist before him. He was equally not just a state yocket economist, dialectician who believe in constancy of time change. He equally looked at things not from a micro perspective but from a macro perspective.

In general, the economist of the classical school is basically a micro economic framework, that takes a look at issue as it is, not as it ought to be, for that reason, they look at price as price. They look at demand as individual demand and supply as individual supply. Since for individual reason, you can predict behaviour. They believe that interplay of demand and supply in the market can produce as equilibrium and once equilibrium is established, any adjustment or short fall can be corrected by the system itself.

If the system is left alone, they do not believe in the intervention of government because of their inability to fully explain the labour theory of value, Marx explained the labour theory of value by giving labour an attribute of a commodity. Meaning that Marx recognized labour as a commodity with the following ingredients

(1) Because it has value, used value of it has exchange value.

The value of labour is the labour itself according to Marx, but that nobody is interested in labour as just being labour. Labour becomes an interest if it has use value that is it can produce something out of itself; that is the used value. Beside that it is not just what is produced, but that what is produced should have exchange value i.e. exchange for money, for this three things Marx believes that the essence of labour in a capitalist system is to be able to produce something for the owner of labour.

The goal of economic activity, according to most mercantilist was production, a view contrasting with the classical economics emphasis on consumption. For the mercantilists the wealth of the nation was not defined in terms of the sum of individual wealth. They advocated increasing the nation's wealth by simultaneously encouraging production, increasing exports and holding down domestic consumption. This means that the wealth of the nation was based on the poverty of many. The mercantilist advocates low wages in order to give the domestic economy competitive advantage in international trade. The believe also that wages above the subsistence level could result in reduced labour effort.

It is important to observe the links between primitive capitalist accumulation and the writings of mercantilist merchants. The notions of increasing the wealth of nations was a cover-up for increasing the wealth of feudal lords who were being transformed to commercial capitalists. Economic thinking at any time describes the thinking of the stronger group. Changes in economic systems are facilitated by changes in the conditions of those whose ideas are able to dominate others.

SMITHIAN POLITICAL ECONOMY THOUGHT:

Adam Smith is the first of a group of writers termed the classical school of economist. The relativist interpretation of economic theory as an intellectual reaction to problem of the times may be applied to the development of classical political economy. Classical economics in fundamentally the economics of producer capitalism, which began in England and Western Europe and spread to other areas of the world. The industrial revolution brought important changes in economic and social structures, as large units of production and animals and men replaced small- scale shops by machines. The cities grew, and the average size of the farm was enlarged. The increased productivity of agriculture simultaneously provided labour for the factories and food for the non-agricultural workers. The religions views of the Roman Catholic Church were largely replaced by the protestant ethic, while land, labour and capital began to be traded in the market as custom and tradition gave way to the market economy.

The fundamental economic problem of the classicists, as if had been for the mercantilists and the physiocrats were to find the best way to increase the wealth of a nation. The idea of wealth for the nation conceals the fact that quite a few rich and strong persons controlled nations, so wealth for the nation many mean more wealth for the small groups in power.

Smith is typical of early writers on economics in that he was not exclusively an economist. He was an academic thought, and that perhaps gave him a level of detachment and objectivity lacking in mercantilist writer-merchants.

As a professor at Glasgow, giving a set of courses, which encompassed what we now term the social science and humanities, his basic interest, was moral philosophy, which colours a good part of his writing. Thus Smith was not a seminal thinker offering new ideas, but a careful scholar who set down the best things on economic issues of his time. No previous writer had been able to integrate into a single volume an overall vision of the forces determining the wealth of nations and the appropriate policies to be used to foster economic growth and development.

Smith's conception of the scope of economics followed that of the English mercantilists. He was interested in explaining the nature and causes of the wealth of nations. Modern economist would describe Smith as a macro theorist interested in the forces determining economic growth.

The systems of Adam Smith and the mercantilists have some basic elements in common. Influenced by developments in the physical sciences, the mercantilists and Smith both believed that it was possible to discover the laws of the economy by hard analysis. “Matter-of- fact” and “cause – and – effect” relationships can be revealed by scientific economic analysis, and supernatural explanations of economic phenomena are sown played or rejected. Smith also made the same assumptions about human nature as the mercantilist. Man is rational and calculating and largely driven by economic self- interest. Smith did not however attempt to prove thee presumptions, which the mercantilist writers projected to suit the exploitative character of their endeavour.

The fundamental contribution of Adam Smith to economic theory was not a detailed theoretical analysis, but a broad overview of the way a market economy allocates scarce resources among alternative uses.

According to Smith, the determinants of wealth are:

i. Productively of labour.

ii. Amount of specialization and division of labour- limited by the extents of the market and capital accumulation.

iii. Proportion between productive and unproductive labour.

Adam Smith’s wealth of nations, published in 1776, dominated English economic discussion and thought until Ricardo’s principle of political Economy and Taxation appear in 1817, and during those forty years most English writers accepted Smith’s analysis. Ricardo’s work was the first major treaties to cover the field of economics systematically since the publication of the wealth of nations. Malthus wrote the book principles of political economy (1820) concerning the ability of the economy automatically to operate at full employment.

ROBERT MALTHUS POPULATION DOCTRINE

The principle thesis of Malthus, that population tend to increase faster than the food supply, was not original with him, it can be found in the writings of others, including Adam Smith and Benjamin Franklin. It was his presentation, however, of the population problem that had an important impact on existing and subsequent economic thinking. Three circumstances appear to account for the formation of Robert Malthus' theory. The first of these was the pressure of population on England's food supply. A second factor was the increasing poverty of the lower- income classes. The third and immediate causes of the first essay on population, written in 1798, was an argument that developed between Malthus and his expressed by the English and French utopian writers William Godwin and Marqius de Condorcet

The basic view of Godwin and Condorcet, which Daniel Malthus accepted, was that the character of man is not inherited, but is shaped by the environment in which he lives. Godwin, in particular, was disturbed by the hardship, misery, unhappiness, and vices, he perceived in the world around him. He concluded that the reason Godwin is sometimes called the father of philosophical anarchism. Thomas Malthus wanted to show that these ideas which his father had accepted were incorrect.

BASIC PRINCIPLE OF THOMAS MALTHUS

Malthus's basic principle, established in the first edition of his essay, was founded on the assumptions

1. Food in necessary for existence of man
2. Passion between the sexes is necessary and will remain unchanged.

He concludes from this that population tends to grow at a faster rate than food supply. Malthus contends that man, in the absence of check on population, will tend to increase his numbers geometrically, but that food supply can only increase arithmetically thus he says, is the cause of poverty and misery. Malthus failure to discuss the possibility of technological development solving the populations' problems also vitiated much of his theory.

DAVID RICARDO

David Ricardo (1772 – 1023), the stockbrokers turned economist is a commanding figure in the development of economic theory. While Adam Smith had continued the mercantilist concern with the wealth of nations' Ricardo held that the principal purpose of economic is to determine the laws which regulate the distribution of income, that is the distribution of labour, laid and capital or relative shares of the yearly output. Ricardo was particularly interested in changes in the functional distribution of income overtimes. He considered this problem in the content of a society make up of three classes. Capitalist receiving wages; in order to explain changes in the shares of one capitalist landlord, and labourer, he found it necessary to develop a theory explaining profit, interests, rent and wages.

J. B SAY LAW

Jean Baptiste Say was a French economist (1767 – 1832) and businessman. He had classical liberal views and argued in favour of competition, free trade, and lifting restraints in business. He his best known for say's law, also known as the law of markets which he popularized and often summarized as

i. Aggregate supply creates its own aggregate demand

ii. Supply creates its own demand

iii. Supply constitutes its own demand

iv. If you build it they will come.

v. Inherent in supply in the where withal for its own consumption. Direct transaction from French traite d'economic politique.

POSITIVE AND WELFARE SCHOOL OF ECONOMIC THOUGHT

Positive (opposed to normative economic) is the branch of economics that concerns the description and explanation of economic phenomena. It focuses on facts and cause and effect behavioural relationships and includes the development and testing of economic theories. Positive economic as science concerns analysis of economic behaviour. A standard theoretical statement of positive economic as operationally meaningful theorems is in PAUL SAMUELSON foundations of economic analysis (1947). Positive as such avoids economic value judgments. For example, a positive economic theory might decide how money supply growth affects inflation, but it does not provide any instruction on what policy ought to be follows. It is the analysis on "what is".

WELFARE ECONOMICS: Is a branch of economic that uses micro-economic techniques to evaluate well-being (economy wide) level. The field of welfare economic is associated with two fundamental theorems. The first theorem was propounded by an Italian economic Vilfredo Pareto who state that given certain assumptions, competitive market produce efficient outcomes, it captures the logic of Adam Smith, invisible hand. The second steps that given further restriction, any pareto efficient outcome can be supported as a competitive market equilibrium.

KEYNESIAN AND NEOCLASSICAL SCHOOL OF ECONOMIC THOUGHT

KEYNESIAN:

The theories forming the basis of Keynesian economic were first presented by the British economist **JOHN MAYNARD KEYNES** during the great depression in his 1936 ***"the General theory of Employment, interest and money".*** Keynes contrasted his approach to the aggregate supply focused classical economics that preceded his book. The interpretations of Keynes that followed are contentious and several schools of economic thought claim his legacy.

Keynesian economist generally argued that an appropriate demand is volatile and instable; a market economy will often experience inefficient macroeconomic outcomes.

Neoclassical economist on the other hand is an approach to economic that relates supply and demand to an individual's rationality and his ability to maximize utility or profit. Neoclassical economist also uses mathematical equations to study various aspects of the economy. The term neoclassical economics was officially coined in 1900.

Neoclassical economists believes that a consumer's number-one concern is to maximize personal satisfaction, and that everyone makes decisions based on fully informed evaluation of utility. Major proponent, Alfred Marshall, J. S. Mill, Karl Max etc.

MAJOR DIFFERENCE BETWEEN KEYNESIAN AND CLASSICAL ECONOMICS:

1. Monetary Theory- The classical emphasized only the transaction and precautionary motives for holding money, Keynes and his followers added the asset or speculative motive.

2. According to the classical economist, the rate of interest was a reward for saving or waiting and is depended on the interplay of the forces of demand for and supplies (investment and savings) in the loanable funds market. Keynes on the other hand argued that the rate of interest is determined by the demand for and supply of money in the money market, it is not a reward for saving or waiting.

3. Keynes introduces the consumption function and the propensity to consume and pointed out that saving was a function of income (disposable) rather than the rate of interest. Thus in the classical system, $s=f(Y); f'>0$.

4. Money wages and product prices were assumed to be flexible upward and downward in the classical system, Keynes considered them inflexible downward.

5. In classical economic theory, equilibrium income was synonymous with full employment since there was no involuntary unemployment, especially in the long run. Keynes recognized the existence of involuntary unemployment.

EVOLUTION AND DEVELOPMENT OF MARXIAN AND SOCIALIST SCHOOL OF ECONOMIC THOUGHT:

Socialism is a system that allowed the resource ownership of means of production, distribution as decision making pattern by the central body.

A study of the literature on economic theory of socialism makes two things clearer. First, there in a close relationship between the economic theory of socialism and welfare economics. The economic theory of socialism is an explanation of the conditions necessary for welfare to be maximum under the socialist institutional structure. Second, the economic theory of socialism is a highly abstract explanation of any existing economy.

Marxism economics is an attempt to explain capitalism in the writing of Marx and Engel. There is no explanation of the mechanism that would be used to allocate resources under socialism. The most interesting early discussions of the economics of socialism began seriously in Germany. Sweden, and Italy although there had almost no direct influence on the subsequent literature they laid down the essential framework for the great debate on the economics of socialism which began in the 1920's.

The post-world war II period witnessed a great desire on the part of the under developed countries for economic development and saw as well the tremendous economic growth of the Soviet Union and Japan. Many poor countries were hoping to obtain support from the soviet bloc for growth and development. But in the latter part of the 1980's the world witnessed the collapse of the Soviet Union, and the collapse of its socialist apparatus is almost all its affiliate countries. Aside from China, North Korea and Cuba these appears to be in existence no other soviet type socialist countries. These countries and Russia are currently under great pressure to adopt capitalist oriented reform programmes. Socialism is collapsing and the influence of the western type economic appears to be growing as an unstoppable pace. These developments raise a number of economic issues. What economic system allocates resource most efficiently? This question may never be sufficiently answered. Nevertheless, the literature on comparative economic system in making economists more aware of the strength and weakness of the various forms of economic organization. Related to this interest in comparative system has been the attempt to evaluate recent trends in the capitalist and socialist economics. Some writers now see the collapse of the soviet bloc and the increased use of planning by United State type economics as manifesting a convergence of economic systems. Others find no ground for concluding that such convergence is occurring.

CONTEMPORARY STATE OF DEVELOPMENT IN ECONOMICS AND FUTURE PROSPECTS.

An important part of the strategy of the successfully adjusting developing countries has been opening of their economics to the world through trade liberalization and the removal of exchange restrictions. The same applies to the country's transition that are eagerly integrating their economics into the global market after suffering cost of decades of operating in a largely separate restriction system. One indication of the increasing openness of developing and transition economies is the fact that in the past two years, the number of countries accepting the obligations of current amount convertibility of their currencies under the IMF's Articles of Agreement has risen from less than 80 to more than 100. Another has been growing trend towards the capital account liberalization of capital account restrictions in most industrial countries during the 1970's and the 1980's on their background, IMF staff are projecting global growth at slightly faster rates this year in 1996. What is the basic of this improved performance and relatively bright prospect? The four elements responsible for improved performance:

(i) Success in reducing inflation in the industrial countries.
(ii) Policy implements that amount to a "silent revolution" in the developing countries.
(iii) The recovery that has just begun in the economics in tradition that have made progress with economic stabilization and reform and:
(iv) A strengthening that is going on In international trade and investment.

POLICY IMPLICATIONS FOR DEVELOPING ECONOMIES:

1. Developing countries should be provided with the appropriate room for makeover to undertake counter cyclical macroeconomic policies.
2. However, policies of self-insurance that have increasingly used in recent decades, though useful from the point of view of individual countries, can generate adverse global effects and should be replaced by a better functioning global financial safety net, including fairly automatic balance of payments financial facilities during crisis.

3. Under current circumstances, export-led growth by large industrial or developing countries is a major threat to the world economy.
4. Rather than focusing on the trade as such, major economies should pursue a strategy of growth as an engine of trade, in which the focus should be on how to encourage dynamic domestics markets, rather than following the trade as an engine of growth-strategy that was in vogue in previous decades.
5. Major reforms of the international macro-economic and financial architecture are called for, notably reforms of the global monetary system, effective mechanisms of macro-economic policy coordination and improved regulations of finance, including of cross-border capital flow.

TEN MAJOR THIRD WORLD ECONOMIC PROBLEMS.

i. Hunger
ii. Social and Cultural Exclusion
iii. Pollution
iv. War and Terrorism
v. Poor Health Care
vi. HIV/AIDS and other diseases
vii. Dependent on Agriculture.
Viii. No electricity supply
ix. Poor drinking water
x. Poverty.

PROSPECTS

Growth in sub-Saharan Africa is forecast to pick up to 2.6 percent in 2017 and to 3.2 percent in 2018, predicated on moderately rising community prices and reforms to tackle macro-economic imbalances. However, per capital output is projected to shrink by 0.1% in 2017 and to increase to a modest 0.7% growth pace over 2018-2019. At those rates, growth will be in sufficient to achieve poverty reduction vigorous growth-persist. Growth in the South Africa is projected to rise to 0.6% in 2017 and accelerate to 1.1% in 2018. Growth in non-resource-intensive countries is anticipated to remain solid, supported by infrastructure investment, resilient service sectors, and the recovery or agricultural production. Ethiopic is forecasts to expand by 8.3% in 2017, Tanzania by 7.2%, cote ‘D’ Ivoire by 6.8% and Senegal by 6.7%.

Curl from Global Economic Prospects. A fragile Recovery June 2017. (the World Bank).

CONCLUSION:

As a conclusion Eskor Toyo (2004) in his book on globalization and Africa opine that “to summarize the verdict of history and empirical data, no country which cannot manufacture modern arms herself sufficient to deter an imperialist aggressor is really independent. Given capitalism which is the latest predatory society in history and given modernity which rest on the partnership of science and industrialization, a country which is not industrialized cannot globalize. It can only be globalized by a highly industrial capitalist country in latter’s own favour.

A person or institution with neoclassical spectacles is a very poor-sighted observer, often seeing the opposite of the truth. Globalization is a return to Adam Smith in a way to do service for monopoly capitalist imperialism against socialist, keynesians, welfarist and national liberation patriot. It is a calculated attack on socialist, keynesians, welfarist and national liberation state activity. It is calculated against UNCTAD positions, against NIEO, and against OPEC.

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