

Theories of Development

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Abstract

The aim of this paper is to provide an understanding of the role of accounting information system (AIS) in developing countries in a global economy. It extends this argument to developing countries. To explore this argument, reviews of four different theories of economic development are discussed. The paper first considers these theories of economic development and shows how significant AIS are in developing countries in the global economy. The purpose of this paper is to review alternative theories of development and assess their relative applicability the study of AIS in developing countries. Finally, this paper will select the theory most suitable for this study and justify why it is most suitable.

Keywords: theories of development, accounting information systems, developing countries, globalisation

1. Introduction

“Development Theory by itself has little value unless it is applied, unless it translates into results, and unless it improves people’s lives” (Lewis T. Preston, Former President, World Bank, Quoted in Todaro 2000, p. 77)

Within the discipline of Economics, there is a subcategory of economic development, which is somewhat new. It seeks to apply identified tools and approaches to the economic, social and institutional aspects of developing countries in order to achieve improvements in the standard of living (Belkaoui 1994, p. 2; Todaro 2000, p. 7). The focal point of this kind of economics is the economic condition of developing countries regarding these matters and the development of policies that improve a nation’s position economically, socially and institutionally. Theories of Development were stimulated by the situation in the mid 20th century when decolonization occurred and the economic disparity between European and underdeveloped nations became obvious. Others believe that it is more accurate to evaluate development economics as a general provider of organized systems (Todaro 2000).

Consequently, social, economic and political aspects are included in theories of economic development, which apply different models related to different key concepts (Martinussen 1997; Roberts and Hite 2000). One effective method through which the differentiation between various theories can be recognized is by their classification, based on the primary concept each theory identifies as the driver of economic development, whether internal or external. Several definitions exist for development and offer different focal concepts. For instance, Modernisation Theory stresses the cultural features of each society, such as political, religion and culture. On the other hand, World Systems Theory and Globalisation seek to evaluate external relationships and to define different points in the development of countries. Consequently, every theory, having identified a driving concept, then proposes specific strategies which should be applied (Olson 1963; Parsons 1964) to achieve economic development. Modernisation development Theory, with a focus on culture, suggests internal cultural reforms or changes in social or political organisations. In a different way, Dependency Theory and World Systems Theory, with an external focus, rely on external reformation policies that deal with relations between dependent and independent countries (Cardoso and Faletto 1979; Szymanski 1982). The following sections deal with four different theories of economic development, highlighting the distinctive main focus and the resultant policies of each. The main features of each are summarised in Table 1.

2. Modernization Theory

Modernisation Theory has been defined as a theory (Reyes, 2001a) that uses a systematic process to move underdeveloped countries to a more sophisticated level of development. It is a US and European-centric normative model of development. The focus of Modernisation Theory is cultural change directed at institutional structures in non-industrialized countries. Modernisation Theory explains inequality within or between states by identifying different values, systems and ideas held by different nation states (Martinussen 1997, pp. 61-66, 167-172).

Modernisation Theory emerged in the late 1950s when it appeared as a North American political scientists' reaction to the incipient failure of many of the prescriptions of development economists (Rapley 2002, p. 15). While Modernisation Theory stresses the importance of political development in the progress and climactic improvement of a nations' economic standing, it also acknowledges social and cultural reforms. It should be added also that Modernisation Theory is completely different from development economics, which is the first or basic model of development theory. Modernisation is appropriate for political development, but also can be used for any liberal theories of modernisation that appeared after 1945 targeting the nation-states of the Third World (Berger 2004, p. 87). Consequently, the focal point of Modernisation Theory is on political development with levels of coverage that consider history, sociology, political sciences in general, and area studies.

It is a commonly held idea (Haque 1999, p. 72) that the reason for the emergence of Modernisation Theory was the freedom of Third World countries from colonization and the strategies employed during the Cold War by Western countries in order to prevent these countries from being controlled by communists. Haque (1999) refers to what Preston explicitly states about this issue, pointing out that the U.S. presents Modernisation as an attack on the former USSR's widespread socialistic belief. Thus, Modernisation Theory is a by-product of a political reaction against the communist ideology.

Theories of Modernisation, according to Chase-Dunn (2000, p. 216), stress the shift of modern technology and develop institutions and labour habits complementary to industrial production. They also consider the impact of modern beliefs on people, families and society as a whole.

Modernisation Theory treats development as a phased process. Reyes (2001, p. 2) referred to Rostow's (1962) five identified stages, which give shape to the Modernisation Theory of development:

- The traditional society;
- Preconditions for take-off;
- Take-off;
- The road to maturity
- The age of mass consumption.

Traditional society was famous for a limited range of production. Such a society suffered from a false understanding of environmental capabilities and from a shortage of technology and advanced tools that produced a limitation in production. It represented a biased social classification pattern with the political point of focus on a specific region (Rostow 1962, p. 311).

The first steps for advancement from traditional society in Europe stemmed from two important happenings that occurred after the Middle Ages: the development of modern science and ideologies and the subsequent land discoveries that led to the increase in trade, and the competitive struggles to avoid becoming European territories (Rostow 1962, p. 312). These are considered to represent the preconditions for take-off.

The take-off stage starts from the rise of new industries with the application of new industrial techniques, for example, the growth of cotton textiles, timber cutting and the railroad industry (Rostow 1962, p. 317). The road to maturity stage involves the widespread application of technology in its full range. This phase is actually the time of expansion in which some new fields developed into rivals of older sectors (Rostow 1962, p. 318).

As a society recognises its need for greater security, welfare and leisure to its labouring forces, it moves into on age of mass consumption. This leads to the provision of extensive private consumption like durable goods, and an extension of power internationally for the nation (Rostow 1962, p. 323).

Guilhot (2005, p. 120) recognized that as a country moved to the age of mass consumption, it sought development aid and foreign support.

Along with this support came expectations of democratization on the part of the developed countries providing aid. This relatively conservative understanding emanated from a hegemonic U.S. belief in the rights of human beings.

Based on the last two stages identified by Rostow (1962), which are the road to maturity and mass consumption, accounting plays a vital role as a modern technology. This is, of course, desirable, but Modernisation Theory ignores the particular concerns of developing countries because the main objectives of the accounting systems based on the developed country model are to satisfy the needs of shareholders. In many developing countries, however, few enterprises have private shareholders, investment decisions are often not made on financial grounds, and the market for information is relatively undeveloped and imperfect. The role of accounting systems in developing countries is therefore seen as inevitably being the adoption of those from developed countries. This failure to take account of the unique characteristics and concerns of developing countries is the main weakness of the theory and limits its applicability to this study (see Table 1). The next section will discuss an alternative theory of development, which is Dependence Theory.

Table 1: Comparison between four main Theories of Development

Dimension	Modernisation	Dependency	World Systems	Globalisation
Definition & background	Development as a systematic process.	Elements of neo-Marxist theory.	Capitalism as the dominant system.	Greater global integration of economic transactions.
Model	US & Europe-centric. A normative model.	Revolution of under-developed nations	World- centric.	US & Europe- centric, a positive model.
Focus	Political; Cultural changes; Imposition of western values and policies.	Totality of society. Social system periphery.	Relations between countries.	Communications and international ties
Main direction	Institutional structure. A phased process.	Differences between countries.	Culture.	Cultural and economic factors; communication; technology.
Problem of underdevelopment identified	Un-industrialized.	First World and Imperialism.	Social changes.	Communication systems need to adopt western-centric forms.
Key points in explaining inequality	Differing value systems and ideas. Immaturity of systems.	Regions and structural conditions.	Culture and the role of the state.	Cultural and economic factors
Scope-unit of analysis	Nation-State.	Nation-State.	International Connections.	Global Connection.
AIS in developing countries.	Adopted from developed countries.	Using developed countries' systems, which are inappropriate.	Accounting is a cultural issue.	Accounting is a global practice and a western model is adopted in developing countries.
Positive Aspects	Takes modern technology into consideration (Chase-Dunn 2000).	Takes into account the differences between developed and developing countries (Reyes 2001a).	Takes culture and social change into account. Unites socialist countries (Wallerstein 1979)	Takes into account the global environment, and does not ignore the culture aspects of the developing nations. It can be adapted more easily to the needs of a developing nation in a global economy(Reyes 2001a).
Negative aspects	Completely ignores the particular concerns of developing countries (Rostow 1962).	Western, capitalist systems are viewed negatively, as inappropriate to publicly owned enterprises(Reyes 2001a)..	It perceives that there is only one world system which is capitalism(Reyes 2001a).	It does not take into account the dramatic growth rate of developing countries (Intriligator 2004).
Relevance to a study of AIS	Would view progress as the adoption of western systems, irrespective of national characteristics	Would emphasise the ideological differences between capitalistic developed countries and reject western influences	Emphasises the dominance of western systems at the expense of developing nations	Acknowledges differences between developed and developing nations and the need for all countries to adapt to global world view in order to participate in the global economy. Enables unique cultural characteristics to be considered.

3. Dependency Theory

Dependency Theory has been presented as a theory of development that improves Modernisation Theory (Reyes, 2001a). It combines elements from a neo-Marxist theory and adopts a “revolution of under developed nations model”. The focus of this theory is the totality of society and social system periphery, which highlights the differences between imperialistic countries in the first world and underdeveloped countries. Dependency Theory explains these differences by focusing on regions and structural conditions in different nation states. Although the radical dependency outlooks of Andre Gunder Frank, Ruy Mauro Marini, Thetonio Dos Santos, and Immanuel Wallerstein, cited in Haque (1999), have the hue and revolutionary aspect of social change, they do not demonstrate the exact result of classical Marxism or Leninism in their evaluation and consideration of historical development and underdevelopment. For example, although Wallerstein applies Marxist terms like production mode, and challenges classes and state, he changes the order of the cause and effect relationship that originally was believed to exist among them from a Marxist viewpoint (Haque 1999, p. 111).

Within Dependency Theory there are several strands of thought about the relationship between dominant and underdeveloped nations. There are several basic differences between classical Marxist theory and radical Dependency Theory. For instance, according to radical Dependency Theory, the lack of equality in the “exchange” relation between the Third World and the capitalist countries is the source of First World surplus. This is in sharp contrast to what classical Marxism believes. In classical Marxist theory, the origin of surplus is considered to be in the capital-labour relation that exists in “production” itself. The two theories also have opposing views about the major basis of evaluation. Marxism considers “class” as the basic core of analytical study while Dependency Theory sees the “capitalist system” of the world as the main focal point of theoretical evaluation. Marxist theory is able to recognise different production means everywhere in the world, but Dependency Theory limits itself to the capitalistic mode of production. While in Marxist theory there is a dynamic system of active production, in Dependency Theory the structure of development and underdevelopment is passive and monotonous. Marxist theory emphasizes the progressive role of capitalist intervention in the Third World countries, while Dependency Theory views it as the main cause of their underdevelopment. Referring to all these contrasting features, Dependency Theory is different from Marxist theory (Haque 1999, p. 112, citing Bernstein 1979).

Muuka (1997, p. 670) remarked that Dependency Theory belongs to a school of thinking that is not isolated from world events but took shape immediately after Latin American disappointment that the commercial benefits guaranteed by neoclassical theory failed to eventuate. Todaro (2000, p. 91) believed that, according to international dependence patterns, Third World countries are basically under the rule of the politics, institutions, and the economy of the developed countries themselves or of other countries of the world that are controlled by dominant wealthy countries.

According to this theory, the system of the capitalistic world causes a labour upheaval that damages the domestic economies of under-developed countries. It diminishes the economic growth rate and ends in the increased inequality of income. It also has a negative effect on the welfare of the majority of people. Further, since there is no basic equality in the goods that are processed and the exchanged raw materials, major and minor countries have been separated from one another more and more by the application of trade dependency. This has also caused a relatively long-term decrease in the price of primary goods compared with the prices of processed goods. In the same way, Shen and Williamson (2001, p. 263) remarked that a focus on the export of specific raw materials will result in a country having an unbalanced reliance on only one sector. They add that, this way, the amount of taxes the government can receive will be diminished and, consequently, this influences in a negative way the government’s ability to fund health and social programs. They referred to what modern trade dependence theorists believe about unification with the global economy, consisting of foreign investment, trade and loans that increase the growth of the economy. Such unification is considered by Dependency Theorists to decrease economic growth.

Reyes (2001, p. 4) saw some common features in Modernisation Theory and Dependency Theory despite their contrasts. Both theories basically focus on Third World development conditions. In both theories, the methodology emphasizes the development process and applies the major unit of nation-state for evaluation. Similarly, they both apply the perspective that follows a bilateral structured theoretical system, which on one side covers the modern traditional system and on the other includes minor-major dependency.

Reyes (2001a) also indicated that there was one aspect for which both Modernisation and Dependency Theory were criticised recently: the fact that both theories still construct their ideologies based on the nation-state unit. The role of accounting systems in developing countries is dependent according to UN and World Bank guidelines, on the adoption of systems from developed countries. These are sometimes inappropriate, given the public ownership of enterprises (see Table 1). For this reason, we can take these theories as being distinct from World-System or Globalisation Theory. The emphasis of these two theories is on universal relations, specifically those related to financial matters, trade, military and technological interconnections (Reyes 2001, p. 6).

4. World Systems Theory

World Systems Theory uses other levels of quantitative analysis, though it admits that there is no set of processes in World Systems Theory that is applicable to all economies. World Systems Theory argues that international trade specialization and transfer of resources from less developed countries to developed countries (known as a “core” countries) prevents development in less developed countries by making them rely on core countries and by encouraging peripheralization (Szymanski 1982). World Systems Theory therefore views the world economy as an international hierarchy of unequal relations. A country can change its position in the global hierarchy with changes controlled by the “World System”. Relations between countries are similar to what developing theorists described (Szymanski 1982). In other words, wealth is taken from semi-periphery or periphery zones to economies in the core countries.

World Systems Theory is a theory of development that deals with different forms of capitalism world-wide (Reyes, 2001a). It thus takes a world-centric view and focuses on the relationship between countries. This relationship is directed by culture through social change. World Systems Theory explains inequality by identifying different cultures and the role of the state in international connections.

Reyes (2001, p. 6) identified the origin of World Systems Theory as capitalism in its various forms in different parts of world, specifically since the 1960s. From this date onward, Third World countries tried to raise their levels of life-style and develop their overall situation. Such development started when international trade interactions played an important and influential role compared to the national government roles and activities, which became less significant. Such international economic interrelations caused radical researchers to conclude that new practices in the economy of the world in capitalistic theory are very difficult to define, considering the limitations of the Dependency Theory point of view. Still, Reyes (2001a) concluded, most theorists of World Systems Theory consider that, as a whole, this is the only theory that unites the socialist countries in the twentieth century.

For Wallerstein (1979, p. 5), World Systems is a multiple cultural system with a single division of labour. He argued that the basic feature of this system is having a pool of labour in which different divisions and areas are dependent upon each other in exchanging the provisions of those areas (Wallerstein 1974, p. 390; Wallerstein 1979, p. 5). As Szymanski (1982, p. 57) pointed out, most theorists of the World Systems school argue that there is only one World System, the capitalist world-economy, and specifically that this single system incorporates the socialist countries. In the nineteenth and twentieth centuries especially, there was one only world system, namely, the capitalist trade economy.

Onyemelukwe (2005, p. 16) traced the source of World Systems Theory in the early 1970s as a reaction against Structuralist theories. This viewpoint did not accept the idea that the wrong model of social structure would lead to countries becoming impoverished. According to this idea, it is the foreign capitalistic countries that are responsible for the underdevelopment of such poor countries. Paradoxically, the way ahead for underdeveloped countries is to adopt the practices and systems, including accounting, of developed nations. These changes inevitably have a negative cultural impact (see Table 1).

Reyes (2001, p. 1) observed that the methods of international relations with the focal point of geopolitics, the neoclassical theories of the economy that apply comparative progress as a base, and the World Systems viewpoint with the emphatic point of unequal exchange, all illustrate various patterns of international systems. Rather than a two phase system, three types of country classifications (Reyes, 2001b, p. 1) can be identified: core, semi-periphery and periphery countries. The next section introduces Globalisation Theory as a theory that addresses some of the limitations of Modernisation, Dependency and World Systems Theories.

5. Globalization Theory

5.1. Globalization Theory Defined

Globalisation is a theory of development (Reyes, 2001a) that uses a global mechanism of greater integration with particular emphasis on the sphere of economic transactions. It is a US- and Europe-centric positive model of development whose feature is the spread of capitalism around the globe. The focus of Globalisation Theory is communications and international ties, with these ties directed at cultural and economic factors in communication systems. Globalisation Theory explains inequality by identifying cultural and economic factors in global connection. Reyes (2001, p. 2) claimed there are two major meanings of the word “Globalisation”. One deals with the word as an event when a sense of interdependence occurs throughout different countries of the world in different aspects of communication, trade, and finance. The other meaning that has been applied to the concept of Globalisation considers it as a theory of economic development with the supposition of widespread unification among different countries. This integration is believed to have an effective influence on the development of economies and on the improvement in social indicators.

As far as the term Globalisation is concerned, it includes degrees of change in theories. For example, as Zineldin (2002, p. 37) stated, Globalisation has transformed theory concerning development effort and its different definitions, which is specific to every developing country. It can therefore be considered a theory of economic development which provides constructive suggestions about the ways in which developing countries can achieve the positive, beneficial effects of developed countries. According to Zineldin (2002), however, one can witness the problems that have been produced by Globalisation in developing countries. He traces the origin of such problems to developing countries competing rather than cooperating with each other. Religion, he states (Zineldin 2002), can affect Globalisation in exactly the same way that culture can, as demonstrated by the instruction in the Quran that cooperation is based on piety and goodness and shuns malice and devilish deeds (Qur'an, verse 2 in sura 5; Zineldin 2002, p. 39). Zineldin (2002, p. 39) takes Arabic countries, as examples of places where, according to Islam, such an idea will help the sense of cooperation needed in implementing Globalisation Theory. Similarly, Hamid et al. (1993, p. 132) generalised the notion of religious cooperation to include not only Muslim but also non-Muslim countries.

5.2. Background

As far as the level of interest is concerned, the phenomenon of Globalisation has caused an increasing level of eagerness and attraction in different academic disciplines since the early 1970s (Unerman 2003, p. 425). Graham and Neu (2003, p. 449) reflected on the unfortunate lack of sufficient understanding about Globalisation, despite the unlimited and increasing coverage that the mass media dedicate to Globalisation and its issues, pointing out that modern critics have been dubious about considering “Globalisation” as a theory. They (Graham and Neu, 2003, p. 449) believed that this is specifically because of social theorists like Marx, Engles and Adam Smith that such an interpretation of Globalisation has been created among people today. More explicitly, Graham and Neu (2003, p. 450) undermined the authenticity of Globalisation as a theory, claiming that it is nothing but a modern, attractive fashion.

Considering the concept of Globalisation in relation to markets, Everett (2003) traced its emergence in the article by Theodore Levitt (1983), and claimed the concept of Globalisation itself had been applied for many years, specifically after the revolution in the world of technology. Levitt believed that a strong wave has appeared that is moving the world towards a kind of shared condition. He ascribed this powerful force to the emergence of technology. Moreover, Levitt pointed out the importance of such a wave with its easy and cheap availability to the isolated parts of the world and poor nations. Consequently, everyone ought to be able to enjoy equally the fruits of modern economic prosperity. Communication systems increasingly cause the appearance of commonality, which makes the markets homogeneous throughout the world (Levitt 1983, p. 20).

Nonetheless, however the term Globalisation is defined, the story of its increasing emergence in academic arguments goes back to the early 1980s. As Clark and Knowles (2003, p. 361) indicated, it has been the active and dynamic feature of the age, although it is still under evaluation and strict consideration is given to matters dealing with its meaning and specifications. The main reason for this focal investigation is that Globalisation has always been studied independently and separately from other related fields, each with its own filter.

This kind of perspective has led to the one-dimensional growth of theories with a limited consideration of the subject. In international business also, the existence of several elements blocks the appearance of an inclusive consideration of Globalisation. Considering such a situation, it is wise to ask if there are any risks or outcomes in the case of Globalisation. It is not correct to think that Globalisation has an equal influence on the rich and the poor. In the same way, it is not true to undermine its value by saying that it is only a kind of new liberal movement. It is not wise either, for example, to define it as the continuation of the idea of neo-colonialism. The best way, as Everett (2003, p. 402) suggests, is to be doubtful and cautious about the two polarised views.

5.3. Features of Globalization

Globalization has positive and negative effects. It has led to increasing global competition. Despite many organizations, especially in developing countries, worrying about competition, there are a lot of beneficial effects of competition such as increasing production and efficiency. In some cases, competition has led developing countries to improve their economic situation. Moreover, Globalization may increase productivity as a result of the rationalization of production on a global scale and the spread of technology (Intriligator 2004, p. 490; Tanzi 2004, p. 526).

Indeed, if we aim to introduce Globalisation as a constructive theory having a fruitful effect, it is necessary to trace in detail the foundations on which it is based. Globalisation Theory makes us recognise that communication is increasing on a daily basis and every day more countries are finding it easy to put themselves in an interacting relationship; this kind of interaction is not limited to government affairs but can be seen among the public as well (Reyes 2001, p. 2; Stiglitz 2004, p. 18). Such interrelationships not only exist at a high level among developed countries, but also are occurring with increasing intensity among less developed countries. This kind of communication lets poor countries apply new technology and enables them to participate in a global context.

Modern communication mechanisms have led to positive changes in the cultural and socio economic models of every nation (Reyes 2001, p. 2). As a result, as far as economic activities are concerned, minor local businesses can benefit from technological improvements. It has also led to the creation of what is, basically, a new atmosphere for operating any business affairs applying productive sources, tools, and trading products with the positive help of a “virtual monetary mechanism”. Culturally, the products that are the result of these kinds of communication systems act as integrating models of communication throughout the world, at least as far as they cover economic business transactions. These kinds of communication systems are so powerful that they can affect the minorities of every country although such minorities are not so involved with the modern pattern of communication. Due to the presence of powerful political parties or business sectors in each country, the ultimate decision-making of world interaction, however, is still western-centric.

Another viewpoint that is considered in Globalisation arguments is the positional features of some countries. Their sharing of similar patterns of relationships can act as linkages with other countries only in terms of the regional relationship. That those countries’ characteristics are subject to various changes, such as changes in the size of the economy, internal demand, the structure of exports, the degree of economic and historical growth, even the periphery position of international relations, is a much-discussed issue in Globalisation (Reyes, 2001b, p. 1). Finally, it has been verified that focal economic models among different countries, specifically those related to financial construction and international trade, are connected to the models of dependent development introduced by neo structuralizes. Reyes (2001, p. 1) concluded that the Development Theory of Globalisation accepted these matters and tried to reach an agreement on them.

The final major aspect of Globalisation Theory according to Reyes (2001b, p. 2) is the effect on the living standards of the nations of social and economic factors, which are themselves under the influence of the present Globalisation issue.

Three main points can be counted as basic presupposed ideologies of Globalisation (Reyes 2001). The first principle is that economic and cultural factors determine social conditions. The second principle deals with the fact that the nation-state unit loses its importance and value in the present global conditions and also when a financial system is evaluated. This is because international relations and universal communications cause this unit of analysis to lose its usefulness. Finally, as technological progressions become more standard, there is an increasing connection among social groups that leads to the increased ease of economic transactions as well and the unification of social and international groups.

5.4. Globalization and Culture

In Globalisation Theory the signifying factor is the cultural element that stresses the social and economic situation of the nation (Reyes, 2001a, p. 9). Weber (1985, p. 23) held a similar view, declaring it to be like a comprehensive school, involving various factors such as the main model of identity, ideologies, value systems and subgroups that are taken to be the most important ones in defining each nation's economic and social features. Thus Reyes' idea, obtained from 1920s Weberian theory, applies to the present condition of the world specifically in matters of transferring and scattering cultural values that are influencing several groups in all countries through the application of communication systems.

Globalisation Theory proposes a great unified universal system with the focus on areas of communication and economic relations. This is the feature that this theory shares with the World Systems Theory, although the outstanding feature of Globalisation lies in the emphasis it places upon, and attention it gives to, cultural characteristics and the interconnection of such aspects in the world. Reyes (2001, p. 8) declared that "rather than the economic, financial and political ties, Globalisation scholars argue that the main modern elements for development interpretation are the cultural links among nations".

5.5. Globalization and Communication

Globalisation is therefore an interpretation of the events taking place globally in economic situations, social plans, political and cultural effects and most importantly, development. Moreover, being a series of theoretical ideals, Globalisation includes two major developing categories: it underlines both the universal dynamic system of communication, and current economic situations, specifically those of highly active financial transactions and trade (Reyes 2001, p. 1). What is usually predicted in the process of Globalisation is that countries will be more dependent on universal trade, financial mechanisms, and interrelations. As a result, there is more unification in the world's economic systems. The progress of technology and communication has opened up opportunities for local businesses. As a result, a completely different atmosphere has emerged for all kinds of economic relations, the application of productive resources, the existence of tools and business products and finally the usage of virtual monetary mechanisms (Reyes 2001, p. 2).

The influence of new models of communication on nations' minorities is thus a major aspect of Globalisation (Reyes 2001, p. 2). The presence and the authority of certain political groups or strong business sections can mingle with a new communication system although the minorities cannot totally integrate with such a mechanism. This is what Reyes (2001b, p. 2) explicitly referred to when he said, that "the business and political leaders continue to be the decision makers in developing nations". Decisions in developing countries often are made on an ad hoc or unilateral basis without reference to accounting information and with little or no accountability to the general public. Thus, in spite of global communications, dissenting minorities in such situation have no opportunity to question decisions.

5.6. Globalization and Unity (Technology and Accounting)

One of the positive points of global improvements in communication, which is based on culture, is the dramatic development in technology, which facilitates communication throughout the world (Reyes 2001, p. 2; Tanzi 2004, p. 526).

In the literature of accounting, basic studies of Globalisation have stressed the influence of financial market liberalisation and accounting standards leading to the proliferation of western accounting technologies around the world. Following on from the views of Clark and Knowles (2003), Graham and Neu (2003) added that, based on such research, we now know increasingly more about institutional settings, such as capital markets. Unfortunately, there has been a less emphatic attempt to discover the function of financial/accounting operational systems and other centres in the distribution of general actions and practices to places outside capital markets. The role of accounting systems in developing countries is seen as being a global practice and it is undergoing change in line with western accounting.

Generally, the development of sophisticated systems of communication and globalised technologies means that nations are increasingly unified. One can examine the results and the outcomes of such a unified condition from two main viewpoints, the external condition and outward system, and the internal or domestic situation of every country from within. As Reyes (2001, p. 1) and Smith and White (1992, p. 857) believed, from the second perspective, the units of analysis lead to the country variables of economic growth or social indicators.

They add that the process of Globalisation that is happening at present includes two major topics in the world political economy: the first one is the format of the international economy, and the second is the way international relations have been changed as a result:

[t]his Globalisation approach suggests that the structure of the global system and the roles that countries play within the international division of trade and labour, are important in understanding a wide variety of social, political, and economic changes within particular countries (Reyes 2001, p. 1).

Given the increasingly global focus of world trade and politics, it is inevitable that developed and developing countries will experience an increasing number of interactions. To analyse different aspects of development therefore, international relationships and connections thus play an important role, for example in the connections related to financial issues among different nations and their economic growth. As far as the notion of economic change is concerned, the unification level among nations is the focal point of Globalisation (Reyes, 2001b, p. 1).

5.7. Effects of Globalization

Globalisation thus has several major drivers. One of its effects, according to Everett (2003, p. 408) and Reyes (2001, p. 2) is the increasing extent to which nations are unifying with increasing ease regardless of the bounds of government so that they can integrate within the community as well. Another important characteristic of Globalisation is its ability to influence less developed countries on a widespread scale, despite the fact that we might expect this growth only in developed nations. This is the characteristic of the communication mechanism that enables groups that have a marginal existence in poor countries to use new technology and consequently relate on a global scale (Reyes 2001, p. 2). This way, they can unify with the global village and develop modern and up-to-date universal interrelationships, and dramatically decreased the costs of data processing and information storage and retrieval (Intriligator 2004, p. 486). The increased facility of communication, as a key component of Globalisation, has, in turn, helped to speed technology transfer from one country to another (Gomory and Baumol 2004, p. 428; Stiglitz 2004, p. 16).

One of the key effects of Globalisation is the unification of international business and accounting, a system for financial affairs, communication and technological advances, in addition to the dissemination of global culture and technology from developed nations to less developed nations. According to Reyes (2001, p. 3), “economic integration at the systemic level, among countries, means stronger worldwide relationships”, and at the sub-systemic level, within individual countries, “it implies social and economic integration from the different social sectors”.

Based on this notion, at the systemic or national level, some countries have a greater capability than have others to participate in the economic condition of the new world. Some social groups at the sub-systemic level have the ability to unify themselves with the progressive economic factors that emerge from economic development, but other groups are socially marginalised (Reyes 2001, p. 3).

5.8. A critique of Globalization

In spite of the claims of globalization, there are challenges to its supposed universal benefits. The disparity in global incomes is one of the probable consequences considering the fact that the growth rate of developing countries is more dramatic than the developed ones (Intriligator 2004, pp. 490-492). This is evidenced by a limited number of countries called “tiger economies” in East Asia, such as China, South Korea, Taiwan, and Malaysia that have a quicker rate of growth than the least developed countries of Africa, Asia, and South and Central America (Stiglitz 2002, p. 17). This fact leads to a bimodal “twin peaks” distribution of incomes (Intriligator 2004, p. 490), and as a result, developing countries are going to become less powerful and lose their position.

In the meantime, probable international or even local instability can be considered as another side effect of Globalisation which itself is the result of the worldwide interdependency of economies. It may be the case that an economic vibration or instability in one country can trigger global effects, as illustrated by the financial crisis in Asia.

Through Globalisation, the control of national economies becomes the monopoly of certain powerful units like nation states, international institutions or strong multinational companies.

This threatens the economic control of self-governing, independent countries, which is why the leaders of some developing countries think that Globalisation means their limitation and imprisonment in the hands of powerful international forces, and voters feel uninterested and discontented due to the perceived devaluation of their government's independence. The severe sense of instability of every kind in addition to a harsh type of national devotion are manifestations of the negative side of Globalisation, and can lead to a sudden national reaction and a probable rise of traditionalism in politics.

It has been suggested that unemployment and lack of job opportunities in countries with a high wage economy is a cost of Globalisation. However, the relatively low rate of unemployment in most high wage countries and their high rates in many low wage nations seem to disprove this idea. It is worth mentioning that technological factors and the political approaches of each nation determine the employment situation, not merely global trends. Globalisation has also been condemned for threatening the traditions of the society, but there are other elements which play more important roles in this matter like the local budgetary approach or population-based factors. In each case similarly, Globalisation is blamed for the weakness or incapability of national policy (Intriligator 2004, p. 491).

In addition to the previously mentioned economic aspects of Globalisation, there are other possible effects which are not economic, like probable costs, or potential crises. The most risky factor is the issue of security, with the negative side of Globalisation possibly leading to another world war or at least a serious crisis. The Globalisation process can culminate in a desegregation of markets, with catastrophic challenges both economically and socially. According to Intriligator (2004) political turning points are considered another side effect of Globalisation, which can grow from a limited local area to a challenge on a large scale. He identified health and environment as two areas which can be affected by the negative aspect of Globalisation, for example the influenza epidemic of 1918 or global warming.

The effect of Globalisation on world poverty either in the scale of the country or each person, is another important matter which should be considered. Based on the measurement of poverty in a relative scale, the results vary in a dramatic way. Salvatore (2004, p. 548) suggested that an estimation of the regular, time-bound changes of the per capita income of the richest country (U.S.) compared with that of the poorest country among 10 or 20 selected countries of each group, is the best way to measure changes in relative poverty. Stiglitz (2002) emphasised that Globalisation caused the appearance of income inequality and the emergence of poverty in the poorest developing countries in a large scale over the past decades.

Stiglitz (2004, p. 468) also argued that countries could benefit from Globalisation by selecting specific policies and institutions. He even considered Globalisation as a good, strong motivation for the economic growth of developing countries, but asserted (Stiglitz 2004, p. 482), that Globalisation under the auspices of the IMF had not been so well managed. Consequently, Globalisation without good management influences the growth rate in a different way in different countries. Generally, it is the undemocratic usage of Globalisation that has resulted in negative consequences in developing countries, especially the poorest ones.

5.9. Globalization and Other Theories of Development

Modernisation, World Systems, and Dependency are three major theories of development that have been considered besides Globalisation. If we consider Globalisation and Modernisation Theories comparatively, we can see they share some similarities (Reyes 2001, p. 3). Reyes (2001b) determined that all three theories (Modernisation, Dependency and World Systems Theory) share a belief in the way they regard the influence of the U.S. and Europe. The other common characteristic of all theories concerns the fact that the most practical and successful model of communication and the best equipment by which we can gain a high standard of living are believed to be those originating from developed regions.

There are, however, differences between the four theories. Modernisation Theory takes a normative position, i.e. it proposed a desirable solution to development issues, Globalisation Theory focuses on the positivist viewpoint. It focuses on communication and international ties (Reyes 2001, p. 8), emphasising the emphatic, determinative factors of culture and economy that influence the political and social situations of countries (Reyes, 2001b). This is exactly what the comprehensive social school of Max Weber claimed. Based on this theory, the identity features of major and minor groups of each society, such as sets of values, beliefs and models, determine every nation's characteristics economically and socially.

This Weberian notion is widely applicable to, and suitable for, the present world condition, when cultural values are mingling with each other through systems of communication that have an increasing influence on social sectors (Reyes, 2001b, p. 3). Table 3-1 shows that the global viewpoint is the analytical unit of both Globalisation and World Systems theories instead of the nation-state unit which is the focus of Modernisation and Dependency Theories. Regarding the differing point of Globalisation and World-Systems schools, Etzioni (1981) claimed we should pay attention to the latter's inclusion of neo-Marxist elements, while the former signifies a structural and functionalist sociological movement. As a result, he concludes that Globalisation Theory leans more towards a systematic and gradual change mechanism rather than a sudden and violently abrupt transition model:

For Globalisation authors, the gradual changes in societies become a reality when different social groups adapt themselves to current innovations, particularly in the areas of cultural communication and the economic sphere (Reyes 2001, p. 3, citing Etzioni, 1981).

Both Modernisation and Globalisation Theories identify the major category of development as the one defined by the U.S. and Europe. According to these two theories, to achieve more practical tools of communication and achieve a faster rate of closing the knowledge gap (Stiglitz 2004, p. 467), it is imperative to adopt the practices of these developed regions. This ethnocentric approach (Reyes, 2001a, p. 8) means that, to follow the way of development, every country should obey the patterns of the U.S. and European countries. According to Globalisation theorists, the reason developing countries should adopt such models is due to the wide interconnectivity of communication and the widespread cultural pattern of such developed countries. Such is the dominance of their practices that not to adopt them would result in going backwards economically.

Functionally, Globalisation is different from the theory of World Systems, which focuses on the process having a quantitative nature instead of a focus on qualitative features since "Globalisation processes are qualitatively different from internationalisation processes" (Dicken 1998, p. 5). Furthermore, such processing in Globalisation deals with the geographical development of economic performance on the one hand and on the other, it covers the functional formatting of such activities as well (Dicken, 1998). It is worth mentioning that this feature of globalisation processing creates a new kind of unity for global functioning (Reyes 2001, p. 3).

In the light of these observations, understanding the role of accounting systems from the participant nation's perspective will be better achieved by applying Globalisation Theory. This is because accounting has now become a global practice common to both developed and developing countries. The adoption of western forms of accounting assists developing countries to comply with globally accepted practices and participate in the economic benefits of Globalisation. A Western accounting model is therefore imperative for the survival of developing countries, not just an optional extra (see Table 3-1).

Consequently, Globalization Theory takes into account the global environment, and does not ignore the cultural aspects of the developing nations. While, it does not take into account the dramatic growth rate of developing countries, it can be adapted more easily to the needs of a developing nation in a global economy. It acknowledges the desire of developing countries to participate in the global economy, and the difficulties they face in embracing western technologies to their own unique characteristics (see Table 1).

5.10. Integrating Accounting into a Global Economic Development Framework

Instead of leaving things to market forces or chance happenings, some developing countries have tried to set appropriate plans for their own development. This kind of planning is evidenced in widespread national development plans, intended to lead to a significant and durable improvement in economic development. One of the most active debates of the governments of developing countries at present is the link between living conditions and socio-economic factors. Consequently, development authors offer theoretical solutions to cope with this important issue in developing countries. Given the increasing Globalization of all aspects of cultural, social and economic life it is inevitable that the practices of developed countries will have a huge impact on these plans. According to many writers (Enthoven 1973; Mirghani 1982; Perera 1989; Belkaoui 1994), accounting is essential in the implementation of the economic development plans of developing countries. As a result of this situation accounting has become a global practice common to developed and developing countries over the world. However, for a variety of reasons most, if not all, developing countries have difficulties in using accounting information. The current practices of the accounting profession in developing countries are based mainly on the requirements of government legislation.

As a result, Globalization can be explained as a means of developing interrelationships among developed and developing countries with accounting playing a role in satisfying the requirements of the development of developing countries (see Table 2).

Table 2 Major Aspects of Globalization

Major aspects of Globalization [Link to the paper](#)

- 1) Social and cultural factors determine economic condition. The need for an economic development plan, taking culture into account.
- 2) Communication and its significance in a global world The need for communication in a global world.
- 3) Greater technological unification, including globalised accounting. The role of accounting as part of a globalised world, including difficulties in implementing westernized accounting practices.

6. Conclusion

This paper has established what is meant by development in the context of this paper. Development is considered to be an internal, social process taking place within every country, where the basic requirements of the people are fulfilled by the wise and durable application of the country's resources. Economically, the definition of development suggests the nation's fulfillment of people's needs, employment, and the improvement of national wealth.

As mentioned above, there is a common tendency to reduce the problems of development to economic problems. Some theories of development (Modernization, Dependency, and World-Systems) concern themselves with internal social, political or cultural considerations. They pay more attention to prevailing power relations, cultural or social preconditions for economic reform. They normally fail to consider, for example, whether governments have the administrative capacity or political will to implement the suggested economic development strategies.

One may argue that the paradigm of development is no longer suitable and has been distorted under the forces of global competition. However, Globalization does not mean a global theory of development. It does mean, however, that due to the influence of powerful western nations and western-centric global institutions, structural modification plans have been carried out by governments of developing countries interested in receiving development aid and support from international bodies. Further, Globalization can be identified as a powerful force for the mobilization of technologies, including accounting, across cultures, aided by global communication systems. Of course, considering such an application we need to think about the cultural characteristics of the whole country.

The goal of the paper is to examine the role of accounting systems developing countries, and it utilizes the perspective of Globalization Theory based on the model of developed countries. Development theories have implications for the use of accounting systems in assisting developing countries to achieve economic improvement, and for the kind of accounting systems that will be adopted.

7. References

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