

About the Author

Since the first printing of this book the author has died. The Publishers wish to express their deepest regret at the entirely unexpected and untimely death of Professor John Degnbol-Martinussen who passed away at a time when he was at the height of his powers. He led a distinguished career in development studies, was study director for International Development Studies at Roskilde University in Denmark, and chairman of the Danish Social Science Research Council and a president of the Danish Association for International Cooperation (Mellemfølkeligt Samvirke). At the time of his death he was chairman of the Council for the International Development Cooperation in Denmark.

Over the years he acted as a consultant to various international organisations, including the UNDP. South and South East Asia were his primary geographical regions of specialisation and his research interests revolved around, *inter alia*, a reappraisal of the role of the state in development, as well as appropriate methodological approaches and the growth of theory in development studies.

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New International Economics and their Applicability in a Third World Context (edited), Roskilde: International Development Studies, 1993.

Transnational Corporations in a Developing Country: The Indian Experience, New Delhi: Sage Publications, 1988.

Society, State and Market

A guide to competing theories
of development

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able to diversify their exports so as to include capital- and technology-intensive products like ships, cars and electronics as well.

We shall get back to a discussion of different industrialisation strategies elsewhere in the book, for example in connection with a model of industrial development and foreign trade (Chapter 8), and in connection with considerations on agricultural development (Chapter 10). In this latter context, a third main type of industrialisation strategies, *agriculture-based industrialisation*, will be introduced.

CHAPTER 7

Neo-Marxist Theories of Underdevelopment and Dependency

Neo-Marxist theories of underdevelopment and development appeared during the 1950s, partly as a reaction against the growth and modernisation theories, partly as the outcome of a long-standing debate concerning the impact of imperialism. The early Neo-Marxist theories were primarily known as *dependency theories*. They were to a large extent influenced by the Latin American structuralists and their analyses of the trade relations between the economically backward countries and the highly industrialised countries.

With respect to the theoretical heritage from the debate on imperialism, it may be of interest to note that Marx had concerned himself with this issue as early as the 1850s. In articles in publications such as the *New York Tribune*, Marx tried to assess what would be the long-term impact of the European colonisation of South Asia. In this context, he arrived at the conclusion that imperialism would probably destroy important elements, including local small-scale manufacturing, and set in motion a significant exploitation of the colonial areas; but, on the other hand, he believed that the European penetration would at the same time remove basic obstacles to the development of capitalism. Furthermore, Marx considered many of the British interventions as directly promoting economic transformation. This applied especially to the building and expansion of material infrastructure, the introduction of the plantation economy, monetisation of commodity exchange, and the initial establishment of modern industry with its concomitant wage labour (cf. Marx and Engels, 1972).

In other words, British rule implied destruction and exploitation in the short-term perspective, but construction and creation of essential material preconditions for the colonial areas' later transformation to capitalism – and thus, according to Marx, genuine societal development. It may be added that Marx later toned down the constructive aspects of British rule in South Asia. He further asserted that the British colonisation of Ireland had only destructive effects.

The interesting point in the present context is to note the wide span in Marx's own conceptions, because this span has paved the way for very different interpretations within the Marxist research tradition. One of the theorists who has championed the view that imperialism has promoted

development in the Third World is Bill Warren. We shall look at his main argument later in this chapter. But first we shall deal with the Neo-Marxist mainstream and focus on some of the several theorists who have vehemently rejected this interpretation and instead asserted that imperialism has actively underdeveloped the peripheral societies – or at the very least obstructed their development.

These theorists – most of whom may be regarded as proponents of dependency theory in one form or another – have further claimed that not only imperialism and colonialism of the past, but also contemporary forms of economic imperialism have impeded progress throughout the Third World. They argue that economic domination, as exerted by the highly industrialised countries, is a much more important development-impeding factor than all the internal conditions in the backward countries that feature so prominently in the growth and modernisation theories (for an overview of both theoretical propositions and historical evidence, see Bagchi, 1982).

Causes of underdevelopment: Baran

Before we come to the dependency theories that during the 1970s and after came to dominate large parts of the development debate, it is deemed relevant to look a little closer at the role *Paul Baran* played in establishing the theoretical linkages backwards to classical Marxism.

Baran, who emigrated to the USA from the USSR before the Second World War, wrote his most influential work in 1957. It included both an historical account of the origins of underdevelopment and an analysis of the 'morphology' of contemporary underdevelopment (Baran, 1957). Baran conceptualised underdevelopment in much the same way as his contemporary non-Marxist economists. He emphasised that the backward countries were characterised by dual economies: on the one hand they comprised large agricultural sectors, where productivity was extremely low and the marginal productivity of labour close to zero; on the other, they had small industrial sectors with a high level of productivity. Baran further stressed that the growth and employment potential lay in the industrial sector, but that its expansion was constrained by the small size of the domestic markets as well as by competition from the highly industrialised countries. All these were generally accepted views in the 1950s. The important new feature in Baran's approach and analysis was his attempt to explain this state of affairs, and, in particular, why the backward societies remained underdeveloped. In pursuit of this explanation, Baran introduced a special version of Karl Marx's economic theories with emphasis on class relations and their impact upon the utilisation of the economic surplus.

Where Marx, in his analyses of conventional capitalism, had underlined how the capital owners could expropriate an economic surplus from the working class in the form of the surplus value produced by the workers

(who were not paid the full value of their labour), Baran emphasised the extraction of economic surplus in all its forms. In the backward economies, the surplus potentially available for capital formation did not only take the form of surplus value produced by wage labour, but also included the appropriation of surplus from peasants and other direct producers in the form of land rent, interest on credit, and profits from trade. Four main classes each appropriated surplus in one of these forms.

Land rent was extracted by the feudal aristocracy or other big landowners. Interest on credit accrued to the moneylenders, who were sometimes the same people as the landowners. The profit from trade was appropriated by merchants who made a living from buying cheaply and selling dearly. Finally, the surplus value from capitalist production was appropriated by the largely foreign capitalists, but also to a certain extent by the emerging groups of national industrialists.

Baran's crucial point was that none of these four propertied and economically dominant classes had any vital interest in promoting industrialisation and the accompanying transformation of the peripheral economies. The feudal landowners, moneylenders and traders, in fact, opposed this because it would threaten their access to the traditional sources of economic surplus. The foreign and national capital owners were also against it, because a more comprehensive industrialisation process would undermine their monopoly position and force them into competition with new entrepreneurs – which, in turn, could threaten their extraordinarily high profits. In such circumstances capitalism was devitalised and deprived of its growth and development dynamism – the dynamism that, under other circumstances, had created impressive economic progress in the centre formations during an earlier period.

Baran, contrary to the classical structuralists and many later dependency theorists, focused mainly on the internal conditions in the backward societies. It was in these internal conditions, and more specifically in the distribution of power among the classes and control over the economic surplus, that Baran found the primary barriers which had prevented the poor countries from copying the industrialised countries and reaching a similar stage of development. However, Baran also emphasised the international circumstances by underlining that economic development in the backward societies was profoundly inimical to the dominant interests in the advanced capitalist countries. As these countries governed the international economic system, the underdeveloped countries remained trapped in poverty (cf. Palma, 1978, in Meier, 1989).

The only way Baran could see out of the misery was through extensive state interventions to promote nationally-controlled industrialisation. The recommended strategy markedly distinguished itself from those of the structuralists by emphasising the establishment of state-owned heavy industries as a precondition for evolution of the other industrial sectors.

The strategy proposed by Baran, directly or indirectly, achieved some influence on economic planning in countries such as India and China, but did not otherwise come to play any central role in the theory formation within the Neo-Marxist school of thought. On the other hand, Baran's analyses of the causes of underdevelopment became an important source of inspiration for scholars like the American economist, *Andre Gunder Frank*, and other dependency theorists. In addition to Frank, the following section will briefly review the contributions to theory formation from the Egyptian economist, *Samir Amin*, and the Graeco-French economist, *Arghiri Emmanuel*. Frank based his original dependency theory mainly on evidence from Latin America, while Amin drew his conclusions chiefly from empirical analyses of West Africa. Emmanuel drew more widely on the developing countries' trade with the industrialised countries. In terms of analytical perspective he worked only with a few rather limited subject areas – as opposed to Frank and Amin.

After a brief examination of the earlier works on dependency, from the 1960s and the beginning of the 1970s, we shall try to trace the main lines of thought in the debate among the Neo-Marxists during the subsequent decades. This will include, on the one hand, a discussion of what can be conceived of as attempts to further elaborate and refine the original propositions, and, on the other hand, a summary of opposing positions in the debate. In the next chapter we shall follow yet another school of thought with roots going back to Marx and Baran: theories on modes of production and social classes which focus primarily on the internal conditions in peripheral societies.

Metropolises and satellites: Frank

Andre Gunder Frank, like Baran, was interested in identifying the causes of underdevelopment, but unlike his predecessor he did not lay great emphasis on the social classes and their control over the economic surplus (Frank, 1967). Rather, Frank argued that the crucial mechanism for extraction of the surplus was trade and other kinds of exchange of goods and services – not only international trade, but also exchange internally in the peripheral societies.

Frank rejected the dualist conception according to which the underdeveloped countries comprised two separate economies, one modern and capitalist and another traditional and non-capitalist. On the contrary, he claimed that capitalism permeated the whole of the periphery to such an extent that the Latin American and other peripheral societies had become integrated parts of a one-world capitalist system after the first penetration by metropolitan merchant capital. This had established capitalist exchange relations and networks that linked the poorest agricultural labourers in the periphery with the executive directors of the large corporations in the USA.

The exchange relations and the network were described by Frank as a

pyramidal structure with metropolises and satellites. The agricultural labourers and the small farmers in the rural regions of the periphery were satellites at the bottom. They were linked, mainly through trade, to the landowners and local centres of capital accumulation, that is local metropolises. These, in turn, were satellites in terms of regional economic elites and centres of surplus extraction. In this way the structure grew – through several links – until it reached the ruling classes and world centres of capitalism in the USA. Throughout this pyramidal structure surplus was appropriated by the centres which, in turn, were subject to the surplus extraction activities of higher-level centres.

According to Frank, empirical evidence showed that the economic surplus generated in Latin America was drained away. Instead of being used for investment in the countries of origin, most of the surplus was transferred to the affluent capitalist countries, especially the USA. Frank's basic point was that the satellites would be developed only to the extent and in the respects which were compatible with the interests of their metropolises. And here experience showed, according to him, that neither the USA nor the other industrialised countries had any interest in genuine development of the Latin American countries. Much indicated in fact that precisely those countries and regions which had the closest links to the industrialised countries were the proportionally least developed. Therefore, the explanation of underdevelopment lay primarily in the metropole-satellite relations, which not only blocked economic progress, but also often actively underdeveloped the backward areas further (this being a process and not a state).

Frank derived from this the much debated conclusion that all countries in Latin America – as well as other Third World countries – would be better off if they disassociated themselves from, or totally broke the links to, the USA and the other industrialised countries. *De-linking from the world market* was the best development strategy. This presupposed the introduction of some form of socialism in the peripheral countries, because the ruling classes, the landowners and the comprador capitalists could not be expected to bring about such a de-linking and thus remove the foundation for their own surplus generation.

Frank's conclusions, according to both contemporary and later critics, were often drawn further than the analyses warranted. However, this did not prevent his fundamental views and conceptions from winning wide dissemination and achieving considerable impact upon the development debate throughout most of the 1970s. Frank's position in this regard came to resemble that of Rostow in the sense that they both, for more than a decade, functioned as major reference points in the debates on dependency and economic growth respectively. Like Rostow, whose position was gradually superseded by more nuanced and empirically better-substantiated theories within his research tradition, Frank eventually was replaced by more complex and differentiated attempts at explaining the reasons for underdevelopment

and its dynamics. One of the earliest attempts in this direction came from Samir Amin.

Centre and periphery: Amin

Amin was one of the first economists from the Third World who acquired a prominent international position in the development debates, including the debates in Western Europe and North America. Two of his academic works, in particular, contributed to this prominence: *Accumulation on a World Scale* (Amin, 1974), and *Unequal Development* (Amin, 1976).

While Frank chiefly concerned himself with trade and other exchange relations, Amin was more concerned with the conditions and relations of production. Based on thorough historical analysis of how Europe had underdeveloped large parts of Africa in the colonial era, Amin worked out two ideal-type societal models with the main emphasis on the structuring of production processes. One model described an autocentric centre economy; the other a dependent peripheral economy.

The model of the *autocentric economy* has features similar to those included in Rostow's description of the industrialised countries in the epoch of high mass consumption (cf. Chapter 5). The autocentric reproduction structure is characterised by the manufacturing of both means of production and goods for mass consumption. Furthermore, the two sectors are interlinked so that they mutually support each other's growth. Similarly, there is a close link between industry and agriculture. The autocentric economy is generally characterised by being self-reliant. This does not imply self-sufficiency. On the contrary, a highly developed capitalist economy typically engages in extensive foreign trade and other international exchange relations. But the economy is autocentric in the sense that the intra-societal linkages between the main sectors predominate and shape the basic reproduction processes. It is the internal production relations that primarily determine the society's development possibilities and dynamics.

It is quite a different matter with the *peripheral economy*. According to Amin, this type of economy is dominated by an 'over-developed' export sector and a sector that produces goods for luxury consumption. There is no capital goods industry, and only a small sector manufacturing goods for mass consumption. There are no development-promoting links between agriculture and industry. The peripheral economy is not self-reliant, but heavily dependent on the world market and the links to production and centres of capital accumulation in the centre countries.

It is further part of the picture of the peripheral economy that it is composed of various modes of production. Capitalism has only penetrated limited parts of the production processes while other parts, and quantitatively greater ones, are structured by non-capitalist modes of production. On this point, Amin's conception is more in line with Baran's mode of reasoning

and, hence, in opposition to Frank's definition of capitalism in terms of exchange relations. Amin endorsed the thesis that capitalism dominates the periphery within the sphere of circulation, but he asserted at the same time that pre-capitalist modes of production continue to exist and that they exert considerable influence on the total structure of reproduction.

The distorted production structure in the peripheral countries and their dependence is a result of the dominance of the centre countries. It is the centre countries who, by extracting resources and exploiting cheap labour, have inflicted on the peripheral economies the 'over-developed' export sector. At the same time, the centre countries have prevented the establishment of national capital goods industries and the manufacturing of goods for mass consumption. In these areas the rich countries continue to have a vital interest in selling their goods in the peripheral markets.

If the less developed countries operating under these circumstances are to initiate a development process that can lead them in the direction of an autocentric economy – if they are to achieve growth with at least a minimum of equity in social and spatial terms – then they must break their asymmetrical relationship with the centre countries. In its place they must expand regional co-operation and internally pursue a socialist development strategy.

Amin's basic notion of the differences between the pure autocentric economy and the likewise stylised peripheral economy was taken over by many dependency theorists, but often with the addition of new dimensions and more nuances. Before considering these elaborations we shall briefly overview Emmanuel's – and Geoffrey Kay's – special contributions to the dependency debate.

Theories of unequal exchange: Emmanuel and Kay

Arghiri Emmanuel's theory of unequal exchange, dating from the late 1960s, was in certain respects an extension of Prebisch's and Singer's analyses of the deteriorating terms of trade for the less developed countries, although Emmanuel himself claimed that his mode of reasoning was different (Emmanuel, 1972). Emmanuel tried to explain the deteriorating terms of trade with reference to Karl Marx's labour theory of value. This made his theory somewhat complicated and difficult to review in a few words. The aim here is therefore just to highlight a few main points.

According to Emmanuel, the industrialised countries could buy goods from the peripheral countries at prices below the costs involved in producing the same goods in the industrialised countries – due to the very low wages in the peripheral countries. Emmanuel argued that wages were so low that the workers there were paid the equivalent of only a tiny fraction of the value of the work they performed and the goods they produced. This fraction was considerably smaller than that paid to workers within the same branches of industry in the centre countries. In this sense, a kind of over-exploitation

prevailed in the poor and dependent countries. This over-exploitation, according to Emmanuel, was a more important mechanism of surplus extraction than monopoly control over trade (as suggested by Frank). It resulted in a significant transfer of value to the industrialised countries. This transfer of value was at the same time the main explanation of the perpetuation of underdevelopment.

Emmanuel's original theory has since been strongly criticised and reworked in several versions. Doubt has been raised about the theory's general validity. On the other hand, his theory of unequal exchange has sown more seeds of doubt about the blessings of international trade for the underdeveloped countries, thus reinforcing the criticism put forward by the structuralist economists and others. The theory has pointed out some further weaknesses embodied in the neo-classical theory of comparative advantages and its basic thesis that trade under all circumstances will be advantageous for all parties involved.

It may be added here that in the mid-1970s an attempt was made to incorporate a special version of the theory of unequal exchange into *Geoffrey Kay's* analyses of the causes of underdevelopment (Kay, 1975). Kay argued that unequal exchange was the preferred mechanism for extracting economic surplus of a particular social class, which he termed the *pre-capitalist commercial bourgeoisie*. This bourgeoisie, which also existed in Europe prior to the Industrial Revolution, did not acquire its revenue (as did the industrial and capitalist commercial bourgeoisies) by appropriating the surplus value produced by labour, but on the contrary by exploiting the distortion of prices – a distortion that enabled this class of merchants to buy goods at costs below their real value and sell them at prices above their real value. This was possible because of an exceptional position in the buyers' market, for example as a monopsonist, and a corresponding exceptional position in the sellers' market, for example as a monopolist. The British East India Company and other similar transnational trading companies which operated during the colonial period could be seen as organised representatives of this particular pre-capitalist commercial bourgeoisie.

The emphasis on market position distinguished Kay's theory from Emmanuel's. In certain respects, it resembled instead the mode of reasoning proposed by Frank. The most interesting aspect of Kay's approach, however, is that he took a first decisive step towards a systematic differentiation and, hence, a limitation of the validity of the theory of unequal exchange. It thus followed from his considerations that the establishment of industrial capitalism in the peripheral countries would pave the way for the growth of a 'normal' capitalist commercial bourgeoisie which would not be dependent on price distortions, but would receive its revenue from the surplus value produced by labour in the production processes. As a result, unequal exchange would no longer be necessary.

More specifically, this implied that peripheral societies which experienced

considerable industrial development – such as South Korea and Taiwan, but also India, Brazil and Mexico – at the same time would experience a reduction of the value transfers through unequal exchange. Conversely, countries like the small African ones, with very limited industrial production, would continue to be subject to the special mechanisms of surplus extraction referred to as unequal exchange.

Dependent development: Cardoso, Senghass and Menzel

The dependency theories reviewed above had, for some time, had such a great impact in the international development debate that a dichotomy evolved – with these theories on the one hand, and the previously introduced growth and modernisation theories on the other (see Chapter 5). During the 1970s, however, it became clear to most development researchers that none of these schools, in their original forms, was entirely capable of interpreting and explaining the causes and dynamics of development or underdevelopment. As a response, a new series of theoretical contributions appeared. We have dealt with some of them as regards the economic modernisation theories; below we shall look at selected theories that emerged within the Neo-Marxist tradition. But before that it may be useful briefly to refer to the empirical background to the criticisms raised against the original mainstream theories within both traditions.

First, it should be mentioned that the cumulated knowledge about the economic situation in the less developed countries had uncovered such a complex and multifaceted picture that it had become increasingly difficult to use the somewhat simplified conceptual frameworks and analytical models. In particular, it had proved impossible to conceive of the Third World as a large group of countries with uniform economic structures, development conditions and potentials. This applied whether these countries were described as underdeveloped, as dual economies, as satellites, or as peripheral societies.

Next, it should be stressed that actual changes in the less developed countries in general implied greater and greater *differentiation* – accentuation of existing, and emergence of new, differences between the developing countries. To illustrate, they reacted and had to react in very dissimilar ways to the so-called oil crises of 1973 and 1979, just as they reacted very differently to the continued stagnation in the world economy at the beginning of the 1980s. Because of this process of differentiation, it became increasingly inadequate to treat the Third World as a homogeneous group of countries.

One of the few common traits that persisted was that economic progress almost everywhere remained limited to small geographic enclaves, to certain narrowly limited sectors, and to small prosperous social groups. The phenomenon has been characterised as 'Singaporisation' – after the city-state of Singapore, which, although surrounded by backward and poor areas,

experienced unusual economic progress as early as the 1960s and 1970s. However, even a common feature like 'Singaporisation' created problems for the classical theories, because it signified general tendencies very different from those envisaged in the theories. 'Singaporisation' corresponded poorly with the expectations of the modernisation theories. It was contrary to these theories that development and modernisation could be encapsulated and distorted to such a degree. Neither did this fit with the experiences garnered from the industrialised countries.

At the same time, the classical dependency theories were unable to explain the extensive industrial development which in fact occurred in many Third World countries. They faced particular problems when trying to understand and explain why, in countries like South Korea and Taiwan, even relatively close links had been forged between agriculture and industry, and between the various industrial sectors. This was in direct contradiction to the main thesis on the obstructing and blocking impact of close association with the world market and the rich countries: South Korea and Taiwan were among those countries most closely linked to the global capitalist structures and the centres of accumulation in the highly industrialised countries.

These and many other factors prompted many development researchers and people who were actively engaged in development work to start looking seriously for other theories and strategies. The relatively closed theories, which at the same time treated the developing countries as a homogeneous group, had had their day.

In their place appeared a number of more open theories which also, in a systematic manner, took into account the differences between the many countries of the Third World. Many of these theories focused on specific aspects of reality, special development problems, and selected factors. One example could be propositions regarding the role of transnational companies in Latin American countries; another could be natural resource management in Western Africa and its impact upon economic performance.

The new wave of theories appeared partly as a criticism of the classical dependency theories; others took their point of departure in the modernisation theories, but elaborated these considerably further. Several of the new theories had little or no intellectual relationship or affinity with either of these two earlier schools of thought.

The Brazilian social scientist, *F. H. Cardoso*, was one of those who took his starting point in the original Latin American dependency theories (Cardoso, 1974; Cardoso and Faletto, 1979). However, he rejected the notion that peripheral countries could be treated as one group of dependent economies. In addition, he rebutted the idea that the world market and other external factors should be seen as more important than intra-societal conditions and forces, as some of these theories had asserted. Cardoso claimed instead that the external factors would have very different impacts, depending on the dissimilar internal conditions.

So decisive were the internal conditions, according to Cardoso, that he would not rule out the possibility of extensive capitalist development in some dependent economies. Indeed he did observe, in his own thorough analyses of Brazil, that significant capitalist growth had occurred, though without creating autocentric reproduction and followed by marginalisation of large segments of the population. When Cardoso referred to internal conditions, attention was drawn not only to economic structures but also to the social classes, the distribution of power in the society, and the role of the state. His analyses thus reflected systematic attempts at combining economics and political science.

In contrast to Frank, Cardoso regarded the national bourgeoisies of the dependent societies as potentially powerful and capable of shaping development. These classes could be so weak that they functioned merely as an extended arm of imperialism. But the national business community and its leaders could, under other circumstances – as in the case of Brazil – act so autonomously and effectively that national, long-term interests were taken into account and embodied in the strategies pursued by the state.

The kind of development and societal transformation that could be brought about in even the most successful peripheral societies did not correspond to the development pattern in the centre countries. The result was not autocentric reproduction, but rather *development in dependency* (as opposed to Frank's development of dependency). Or as Cardoso himself characterised it: dependent, associated development – that is development dependent on, and linked to, the world market and the centre economies.

In the further characterisation of dependent development, Cardoso used to a large extent concepts and formulations that resembled those of Amin. He thus emphasised the unbalanced and distorted production structure with its greatly over-enlarged sector manufacturing luxury goods exclusively for the benefit of the bourgeoisie and the middle class. Moreover he highlighted the absence of a sector that produced capital goods and the resulting dependency on machinery and equipment imports from the centre countries. But in contrast to Amin, Cardoso was very careful about generalising. He would rather talk specifically about Brazil than about the peripheral countries in general.

In a similar way, Cardoso was reluctant to recommend general strategies for a large number of dependent countries. Regarding Brazil, he pointed to a democratic form of regime as the most important precondition for turning societal development in a direction which would benefit the great majority of the people. Socialism was not on the agenda, and introducing it was in any case not as unproblematic as claimed by Frank and Amin.

Parallel to Cardoso's efforts to adjust the classical dependency theories to the more complex reality of Brazil, a number of German development researchers, under the leadership of *Dieter Sengbass* and *Ulrich Menzel*, carried out a series of extensive historical studies of both centre and peripheral

societies. The result was a systematic and elaborate differentiation within both categories of countries (Senghass, 1985; Mjøset, 1993). Their point was that when the centre countries were subjected to closer investigation, it turned out that they too, like the peripheral societies, revealed very different individualised structures and patterns of transformation. There were great differences, for instance, between the Nordic countries and France or Germany.

Based on their historical studies Senghass and Menzel arrived at a dissolution of the dichotomy between centre and periphery. In its place they put a number of patterns of integration into the world economy and the resulting development trajectories. In addition, they reached the conclusion that the international conditions by themselves could not explain why a given society managed, or did not manage, to break out of the dependency trap. Far more important were the internal socio-economic conditions and political institutions in determining whether the economy in a given country could be transformed from a dependent export economy to an autocentric, nationally integrated economy.

From a number of country studies Senghass and Menzel extracted a list of conditions which, in Europe at least, could explain the occurrence of autocentric development (Mjøset, 1993). The important socio-economic variables included a relatively egalitarian distribution of land and incomes; a high level of literacy; and economic policies and institutions that supported industrialisation and industrial interests. The political variables included extensive mobilisation of farmers and workers; effective democratisation to weaken the old elites; and partnership between the bureaucracy, industrial interests and the new social movements.

Senghass and Menzel, when they initiated their ambitious research programme, essentially wanted to find out how much could be learned from the over a century and a half of European experiences that would be of relevance to understanding the basic preconditions for the transformation of dependent, peripheral economies into autocentric economies. There is little doubt that they have produced highly adequate documentation concerning the intra-societal conditions, but there is also little doubt that their approach can be further enriched by more systematically taking into consideration the basic changes in the world capitalist system which have impacted heavily upon contemporary centre-periphery relationships.

The capitalist world system: Wallerstein

The discussions within the Neo-Marxist research tradition have, since the 1950s, centred around the causes of underdevelopment in the Third World. Some of the theorists have identified these causes primarily within the framework of the individual society, while others have emphasised the external links and dependency relationships. In connection with this problematique, researchers have taken different positions regarding the character and role of

capitalism. According to one school of thought, decades ago, capitalism had already penetrated both the world economy and individual peripheral economies to such an extent that this provided a solid basis for understanding the whole problem of underdevelopment. According to another school of thought, the capitalist mode of production has only permeated the centre economies and their international relations with the periphery. The peripheral economies, on the other hand, have been characterised by complex articulations of different modes of production thus creating structural heterogeneity, which in itself has hindered national economic integration and development.

Regardless of their position in this debate, the conceptions presented in the previous sections have used as their point of departure individual societal formations and moved up from there to the international system. The character and the mode of functioning of this system have been seen as determined primarily by the centre formations and the interests of their dominant social classes. In opposition to this view, a competing approach instead starts with the capitalist world system itself, and moves down to analyses of the individual societies and their position within the system. This world system approach has been elaborated, first and foremost, by *Immanuel Wallerstein* (Wallerstein, 1974, 1979, 1980), but has to a large extent been taken over by Frank and Amin in their more recent works during the 1980s and the early 1990s.

Wallerstein's theory did not originate from the classical dependency theories. In the present context, though, it may still be appropriate to compare Wallerstein's considerations with the main propositions of these theories, because this will facilitate an identification of some of his core notions and propositions. Wallerstein operated with a significantly longer historical perspective than the mainstream dependency theories. In addition, he studied not only the structures of the world economy, but also the cyclical fluctuations, the economic recessions, depressions, upswings and booms. One of his points in this connection was that major fluctuations have engrafted upon both the world economy and the international political system some specific characteristics that have been crucial for the individual nations' development possibilities in the period concerned.

Wallerstein consistently used as his starting point the basic features of the global system. The analysis of the individual countries came second, because he assumed that their development prospects depended more on the nature of the global system than on their internal structures. The development prospects are further determined by the individual country's position in the international economic and political system. In this context Wallerstein worked out a detailed ranking of the countries as well as a grouping of them into three main categories: centre, semi-peripheral, and peripheral. The individual country can change its position in the global hierarchy both upwards and downwards. But the framework for such shifts is set by the structures and the prevailing conditions in the world system.

Summarised in these few sentences it is hard to get a proper impression of Wallerstein's quite elaborate theory. Therefore, it should be added that his theory, more thoroughly than the classical dependency theories, reflects the very complicated and constantly changing structures in the international economy. It is also to Wallerstein's credit that he has related the economic analysis to investigations of the international political system and the power relations that permeate it.

Wallerstein has been criticised for focusing exclusively on international conditions and their impact upon the individual countries' development prospects. It is correct that his dominant interest lies here, but the world system theory as such does not preclude careful consideration of internal preconditions and prospects for development. Wallerstein's main point here is rather that the further down in the hierarchy a country is, the narrower are the constraints and barriers to its development established by the world system. Thus, to understand stagnation and underdevelopment in the very poor and dependent countries requires particular emphasis on the global framework and conditions.

It is interesting to note that both Frank and Amin have adjusted their original theories by incorporating some of Wallerstein's propositions, but without accepting the world system as the necessary analytical starting point for all periods in the development of capitalism. On the contrary, Amin has argued that the world system approach has only recently become the most feasible analytical framework, the main reason being that now the economies of the centre countries have become significantly more integrated and dependent on the global economic system. Another reason for paying more attention to this system, according to Amin, is the transformation of the previously centrally planned economies and their increased world market integration (Amin, 1992a, 1992b).

In recently published works, Amin has been particularly preoccupied with what he calls the *new capitalist globalisation* (Amin, 1992b: Ch. 2). This process is characterised by a polarisation and regionalisation of the world economy around three poles: the USA, Japan and the European Union. It is further characterised by a continuous strengthening of the semi-peripheral economies such as South Korea and Taiwan – but as parts of regional networks, not as independent units. Parallel to these trends, many peripheral societies have been subjected to a drastic differentiation process involving relative deprivation. This has prompted Amin to talk about a Fourth World with reference to the African countries, which have fallen further behind in relation to most of the Asian and Latin American countries.

According to Amin, capital accumulation in this new global system has in reality broken down in both the periphery and what was previously known as the Second World, and the capitalist system in its present form will not be able to resolve this accumulation crisis. The main reason is not the dominance of the centre countries and their national bourgeoisies, as claimed

by the classical dependency theories. The explanation should rather be looked for in the international financial system and the 'wild orgy of financial speculation', which has undermined the foundations of national production- and growth-oriented policies and strategies – even in relatively strong, centre countries. Amin has sought to capture these prevailing conditions in the title of his latest book, *Empire of Chaos* (1992b).

While Amin may have identified unprecedented new features in the world system, it should also be noted that he has not yet substantiated his recent propositions with empirical studies of the same quality as those he carried out in support of his original dependency theory.

Elimination of dependency: Warren

So far in this chapter we have discussed development researchers whose prime aim has been to adjust, elaborate or supplement the classical dependency theories. Other researchers within the Neo-Marxist tradition, however, have rejected the whole body of dependency theories and attempted to replace them with totally different approaches. This applies to, among others, the American social scientist *Bill Warren* (Warren, 1973, 1980).

Warren's main point was: certainly imperialism has led to the creation of a system characterised by inequality and exploitation, but at the same time this imperialism has created the conditions for the spreading of capitalism to the Third World. And not only that. Warren went further by claiming that he was able to prove that capitalism, since the Second World War, had actually developed both in depth and width in the Third World. Although the capitalist mode of production was originally grafted on to the peripheral economies from outside, by the industrialised countries, Warren argued that in the long run it would lead to *elimination of dependency* – or to a development out of dependency. Imperialism has, in other words, laid the foundations of its own dissolution.

Warren saw the situation in the 1960s and 1970s as especially conducive to national capitalist development in the Third World. He referred in this connection to the conflict between East and West, which he believed the dependent countries in general could derive considerable benefits from. He also pointed to the competition between the different industrialised countries, and between the many transnational corporations, and argued that these forms of competition could also be exploited with a view to promoting more independent national development. The difficulties were chiefly the internal conditions in these countries, including a very widespread tendency to pursue totally misconceived agricultural policies, which neither brought about the necessary land reforms nor linked the rural economies to the dynamic capitalist urban economies.

Warren's theory is essentially the classical dependency theory turned on its head. To him imperialism and the world market were in no way obstacles to

economic growth and progress, understood as capitalist development. On the contrary, it was from these global systems that the whole process of development would be set in motion. The fact that the result would be capitalism – with its inequality, exploitation, and limited social progress reserved for the few – meant less to Warren; in contrast to Soviet Marxism, he regarded the development of capitalism – for good or evil – as an unavoidable necessity, as a stage all underdeveloped countries had to go through to reach socialism.

Warren must be credited for drawing attention, at an early stage, to the actual growth of industry and other capitalist sectors in the Third World within the framework of Marxist theory. But he did it with such eagerness and intensity that his theory became one-sided and biased, and therefore makes itself most useful as a closing marginal note to the main body of Marxist theory regarding underdevelopment and dependency. On the other hand there is, within this tradition, a pressing need for a better theory which can explain both underdevelopment and development. Attempts to achieve this will be reviewed in the following chapter.

CHAPTER 8

Modes of Production and
Social Classes

The Neo-Marxist dependency theories were to some extent formed with reference to Paul Baran's analysis of the causes of underdevelopment, but they shifted the emphasis to aspects and factors which Baran had perceived as being secondary, namely international and external relations. During the 1970s and 1980s a number of other Marxist-inspired theories appeared which, like Baran, underlined the internal modes of production and social classes. They did not disregard the global setting and the relationships of dependence, but merely assigned analytical priority to internal conditions and left it open to empirical investigations to determine the balance between internal and external determinants.

In this chapter, we shall look at some of the contributions within this school of thought, not so much by examining the propositions of individual theories, but rather by providing a thematic description of common concepts and hypotheses. The first section presents a stylised and simplified model of the basic economic structures in a peripheral society. The succeeding section reviews some of the reasons suggested in the literature for assigning a special analytical priority to social classes. The third section gives an overview of how social classes may be related to their economic-structural basis within different modes of production. The fourth section goes more specifically into an analysis of the main industrial sectors under capitalism, and proposes in this connection a categorisation of the peripheral countries on the basis of their industrial and accumulation structure. The presentation in this section may be seen as an attempt to sum up some of the propositions contained both in economic structuralism and Neo-Marxist dependency theories. Throughout this chapter, I present some of my own ideas along with interpretations of existing conceptual frameworks and theories.

The peripheral economy: a simplified model

It is a common feature of many of the previously discussed economic development theories that they assume or postulate some form of *structural heterogeneity* in the less developed countries, in the sense that different production systems or modes of production co-exist. In addition, the Neo-