

## **On a new approach to theories of development**

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While economists write new books in theories of development and growth, there is widespread skepticism among the general public about their utility. There is a distinct reluctance also on the part of other social scientists, cultural critics, radical literary theorists to credit anything that economists write. This reluctance or skepticism had its roots in the perception that the usual theories of development are irrelevant or even worse, positively pernicious. The charge of perniciousness can be easily substantiated from any number of publications. First, it takes a mythic model of development of the advanced capitalist countries as a fact, and then derives prescriptions for these countries which would seem to damn them for ever, because they are patently incapable of putting those prescriptions into practice. The theories of Adam Smith are taken as reflecting the reality of Britain of his time without considering the fact that Smith or Josiah Tucker were engaged in ideological battles with key figures of their times such as Sir James Steuart and David Hume (Semmel, 1970). Secondly, they derive prescriptions which suit the current convenience of the advanced capitalist economies and can be shown to be damaging the welfare of hundreds of millions of people. The deluge of structural adjustment policies let loose by the IMF and the transnational banks and their disastrous effects on most of the adjusting countries has yet to be resisted by the major group of economic policy-makers despite authoritative indictments of such policies (Cornia, Jolly and Stewart, 1987; UNDP, 1990; Adelman and Taylor, 1990).

The people who accuse the economists of spinning out irrelevant theories point to the fact that they are unable to explain or predict even economic behaviour in a narrow sense, for the reason that such behaviour is influenced by the cultural and ideological ambience of different social and regional groups, and the outcome is decided by the resolution of contradictions emanating from differences in class, gender, and differences in the situation of different countries in the international context.

Finally, even many economists felt that most theories of economic development are unable to take account of long-term propensities to invest, dynamic economies of scale, technical change, product differentiation and market dominance. From Karl Marx (1867) through Joseph Schumpeter, Allyn Young (1928) and Nicholas Kaldor (1957) there is a trend of economic thinking which has given many signposts, but no path or paths have been charted out yet. The recent work of Paul Romer, Robert Lucas and others is moving in the right direction. But they are again spinning out tales with strictly determined outcomes. It is an irony that economists based in the so-called free world have been some of the worst determinists.

I will try to outline the ingredients of a new theory of economic and social change. There are many issues that will still be left out of the discourse, such as those of gender and ecology, but I believe that once we have taken ideological issues into account in framing theories, the way will be clear also for integrating issues of gender and ecology.

A completely new theory of development would be the work of a crank or a genius. Since I do not plead guilty to being either, what I will try to do is to knit together some pieces from other theories to offer, I hope, a better explanation of the experience of industrialization during the last two centuries. Before getting on to the kind of hypotheses I have in mind, I will briefly sketch my reasons for my inability to accept some theories or rather perspectives, that have been advanced at different times.

First, there is what I would characterise as the mainstream, diffusionist theory of industrialization. I hesitate to call this a neo-classical theory, because neoclassical theory in its pure form cannot really incorporate any transformatory processes. The so-called neo-classical theory of economic growth, advanced by Tinbergen, Solow, or Meade, simply assumes that rates of population growth, investment, or rather, saving, and technical change are given and then trace out the configuration of total output, per capita income etc., on the assumption that equilibrium holds in all markets, assuring full capacity utilization of capital and full employment of labour. A broader version advanced at different times by W.A. Lewis (1956), C.P. Kindleberger (1965) and numerous other economists does recognize the need to explain what determines the supplies of capital,

or population, and the necessity of providing incentives for actions which would cause disequilibrium to be overcome, and which would expand the supplies of factors of production over time. However, by and large, most of these theories keep the question of the determinants of technological change hanging in the air. They also mostly assume away the problem that in a market economy, there may be no mechanism ensuring full employment either in the short or in the long run. Finally, most of these theories just assume economic growth in every country to be always a positive-sum game even when all of them are involved in a network of (unequal) interdependence. International trade is always supposed to be guided by principles of comparative advantage. They do not recognize that in some situations, international flows of capital, labour and commodities can be such that for many countries involved in forced or apparently voluntary exchanges, the game may be a negative-sum one. The optimism of such diffusionist theories is not borne out in the history of most of the countries of the world for much of the time during the last two centuries.

The next group of theories I will take up can be classed broadly as Marxist in their approach. It will appear from the sequel that I will draw largely on the methods and perspectives of both Marx's theories in his published and unpublished writings and on Lenin's theory of imperialism (Lenin, 1917a). However, the usual presentations of the Marxist theory of capitalist development do not take sufficient account of the historical specificity of the situations of major capitalist countries, and do not try to integrate the theory of the state, the theory of ideology and the theory of production relations that can be derived from the various writings of Marx, Engels, Lenin, Gramsci and other writers in the Marxist tradition. Naturally, what I will attempt here in the way of repairing the omission will be sketchy and illustrative rather than definitive. But I want at least to indicate the general direction in which, according to this perspective, further theoretical enquiry should move. In doing so, I will also draw upon the work of such economists as Nicholas Kaldor, Kenneth Arrow (1962), Paul Krugman (1979) and others, and such philosophers and social theorists as Althusser, Michael Buraway and John Urry (1981).

One Major error in many of the later theories is to present the abstract model of the working of a capitalist economy as drawn by

Marx, *Capital*, Vol.I, as the actual proto-type of development of a capitalist country. Without a theory of state and ideology such an abstract theory cannot be put into motion in the first place (Urry, 1981). For example, once you grow beyond Marx's aphorism 'Accumulate, accumulate'. That is Moses and the Maimonides for capital', you have to ask questions about what determines the long-term rate of investment of capitalists of a particular country in a particular epoch, or what determines the speed of adoption or diffusion of technologies in particular countries, or what are the coordinates of international competitiveness (or aggressiveness) or particular countries, and so on. We can continue to draw upon many elements of Marx's work to theorize all these areas, but it is obvious that we will have to ask new questions, and find new meanings in Marx's and other great social theorists' works, and try to move beyond them and grapple with contemporary issues.

Take, for example, Marx's portrayal of British capitalism (Marx, 1867, chapters 3-15). He did not make the mistake, which many of his followers did, of equating industrial capitalism with the extensive use of machinery. For him, the spread of use of machinery in industrial production marked yet another phase of the growth of capitalism itself. He singled out the emergence of manufacture, in the sense of subjection of a large number of free wage-earners to the despotism of the individual capitalist as the distinctive characteristic of capitalist manufacture. He also recognized that side by side with the rise of capitalist manufacture, the anarchy of the social division of labour continued. But he insisted that anarchy would be disciplined and yet other modes of social and capitalist division of labour would emerge, through the process of capitalist competition. In fact, his treatment of the way in which horizontal and vertical integration of labour is replaced by disintegration of the labour process along horizontal and vertical lines to be replaced by yet other modes of integration is still unmatched in the literature of industrial organization. (This is where Marx can be considered to be a predecessor of the new institutional economics *a la* Oliver Williamson, Herbert Simon and Robert Coase).

However, since Marx was never able to finish his project of giving a fully theorised account of the anatomy of capitalism, there are areas touched by him which need further exploration. For example, if the English revolution of the seventeenth century was a bourgeois

revolution, how bourgeois was the British state apparatus? Or to take other issues almost at random, how despotic could the British capitalist really be, now that we know more about the politics of the workplace? Should the Factory Acts and the Poor Laws be regarded as impeding the growth of capitalism or providing an apparatus for regulating the labour market, including the reproduction of labour, in the interest of capital? Or yet again, was the freedom of contract really absolute in England, or had it to be qualified almost as soon as it was unleashed, as P.S. Atiyah and other jurists have argued?

Any general theory of development must be able to account for both the British case and the other paradigmatic case of modern times, namely Japan. Of course, it must also have room for examining the development of the U.S. and German capitalism; but there is a tendency to treat them only as instances of spread of capitalism once it had been 'invented' in Britain, or as special cases, because of (a) lack of a prehistory of feudalism in the case of the U.S.A. and (b) survival of feudal remnants as in the case of Germany. If most cases of capitalist development are to be seen as fitting into a general pattern rather than being a catalogue of special cases, the treatment of development on a global scale must still recognize that countries have specific geographical locations on the map and they have their particular histories at the same time as they are involved in the histories of other people and other countries.

The third group of theories I will take up are those which are often treated together as dependency theory and as world system theory (Baran, 1957; Frank, 1967, 1969; Wallerstein, 1984). I see both differences in emphasis as well as affinities between the two. But for pure expediency, I will stress the affinities more than the differences. These theories also have affinities with Marxist theories of underdevelopment and imperialism. However, there are major differences in emphasis. While a Marxist theory recognizes the possibility of conflicts out of which an old order may be transformed (so that, for example industrialists' interests rather than those of traders and landlords come out on top), most dependency theorists take a rather pessimistic view of such dialectical changes. Their motto seem to be 'There must be a social and political revolution overthrowing all propertied classes or nothing will change'. But the social dynamics bringing about a revolution is kept extremely vague.

As far as I can make out, the world system theory (although it is difficult to fix the colours of the chameleon that it has become) shares with the dependency school the view that (a) what was exported to Latin America by the Spaniards was capitalism, and not a local form of landlordism with both feudal and capitalist elements, that (b) in the international order it is rather difficult to overcome a situation of initial subordination and that (c) dominance is exercised through instruments of finance and exchange, which may or may not be implicated with capitalist relations in the domain of production. However, the world system theory seen as a theory of how international political and economic relations modify the functioning of most national institutions and politics is more general in its application than dependency theory. By and large, the world system theory attains the predictive power it aims at by building in relations of dominance and subordination in the international sphere in the set forces it takes as its domain. Such hierarchisation allows it to incorporate novel ways of incorporation of the periphery into the core areas around which it has built its 'origin myth' (cf. Wallerstein, 1986).

However, the very facility of world system theory in handling novel or at least hitherto fore unobserved phenomena, such as social movements for democratization of work and politics (Frank and Fuentes, 1990) is also its weakness. While dominance and subordination interact dialectically, there is no *a priori* resolution of the inherently conflictual situations. This lack of a technological *denouement* is part of its attraction. But it leaves the enquirer unsure about the elements that must be put in place in order to get a grip in the dialectics of social conflicts. This dialectical causality is, of course, one of the main strengths of classical Marxism (and also the weakness of theorists who would like to play the role of Marxian astrologers). My own impression, on the basis, of course, of a rather fragmentary reading of the literature of world system theory is that paradoxically enough, it does best when it concentrates on a particular problematic (such as the politics of the workplace). It is in soaring into the empyrean before its analytical wings are fully grown that the world system theory often meets the Icarian fate.

I will take the following ten basic propositions as the major constituents of a theory of industrial development and underdevelopment in the world today.

1. In virtually all countries of the world, commercialization of all economic activities and commodization of all goods and services is progressing.
2. In all countries, capitalist production relations have a tendency to grow. Capitalist production relations are defined in the Marxian sense, that is, these are the relations between a class of owners of means of production and a class of workers who have little control over the means of production.
3. In all countries, the state plays a vital role in maintaining, reproducing or modifying the existing production relations. The modification is guided by two contradictory impulses, and the resultant often harbours the potential for contraction. One is an attempt to broaden and deepen capitalist relations, and the other is an attempt to repair imagined and actual damage to the social fabric, conditions of living etc. caused by spread of commercialization and capitalist relations.
4. All the countries in the world are involved in the twin web of relations between states which claim a monopoly of violence within their borders, and inter capitalist relations.
5. While the legal framework for defining capitalist relations continues to be based on separate, unitary states, there is an increasing tendency towards internationalization of capital in virtually all countries.
6. The attempts of most of the states in the era of increasing internationalization of capital can be read as efforts at tackling or appropriating internationalized capital.
7. Because of the uneven spread of industrialization, because of the contradictions caused by the unleashing of capitalist relations, because of the historical legacy of colonialism and the pattern of inter-state relations left by it, the growth of capitalist development has always been uneven, and continues

to be so to this date. It is not only the absolute progress of productive forces, but also the differential between productivity, profitability etc. created by the uneven spread of capitalist relations that further fuels the processes of differentiation between different nations along capitalist lines.

8. There is a persisting contradiction, in spite of the globalisation of the financial flows, information networks and skilled labour, between the demands of internationalized capital and finance and those of the growth of productive forces. For the full exploitation of the dynamic and static external economies, productive activities have to be localized within a region (Britain, the USA or the European community) that permits full mobility of labour and capital, and the full and symmetric adaptation of state policy towards the demands of the region. However, mobility of international finance without corresponding mobility of labour leaves the net losers of capital unable to develop the productive forces in step with those of the gainers of capital which have adapted their institutions to permit a more or less unfettered growth of capitalist (or proto-capitalist) production relation. The work of Fröbel, Henrichs and Kreye (1980) has underscored the importance of class struggles in the advanced capitalist countries and the search for ever-cheaper sources of labour power in making for a finer international division of labour in recent years. However, there has been the opposite pull from the advanced capitalist strategies of building up cadres of skilled labour and creating segmented markets for them (cf. Gordon, Edwards, and Reich, 1982). The bunching of international finance capital movements from the less developed countries towards the core OECD lands and the parallel movements of highly skilled manpower in the same direction have aggravated such centralizing tendencies. Even when transnational capital creates its own labour market for skilled labour and brings about corresponding skill upgradation, such tendencies are confined to a select few: for the vast majority of semi-skilled or unskilled labour forces, transnationalisation means greater vulnerability to global crises and global changes in flows of money capital, commodity capital or productive capital (for a discussion of the internationalization of capital, in these terms, derived from



Marx's *Capital*, Vol.2, see Jenkins, 1984; also Chandrasekhar, 1986).

9. The unevenness of development of capitalist relations defines and redefines regions of frontier growth, and leaves open the opportunity for new regions to act as these frontier growth areas, if they can suitably adapt their social structures (the density of interpersonal relations in a prevailing capitalist ethos), productive organization, innovation procedures and state strategies. Various kinds of leads and lags are highly important however.
10. The concepts of unevenness of capitalist development and of 'economic retardation' can also cover the phenomenon of underdevelopment (Bagchi, 1982, chapter 2; Bagchi, 1986). There is no universally accepted criterion of underdevelopment. It is a combination of low per capita income, low rates of industrial growth, and low rates of change in the structure of incomes and occupations persisting over, say, a twenty-five year period or more that can be taken as the visible criteria of underdevelopment. One major symptom of underdevelopment in a private enterprise economy is that the country concerned finds it difficult to attract net direct or portfolio investment on a large scale for any length of time. The validity of this assumption is illustrated by the fact that while we have to realise that long before the debt crisis, many of the countries of Latin America and underdeveloped regions of Asia apparently received large amounts of gross foreign investment, over decadal periods these flows were almost always negative.

Some countries have adopted public policies restricting private foreign investment. However, if such policies are not sustainable and in most cases they have not been, then whatever the public stance might be, the implicit policy has been to favour foreign capital in various ways. However, it is countries which have somehow managed to substitute potential foreign investment by domestic investment in a large enough scale to break out in high rates of growth over time that have got out of underdevelopment or at least poverty.

The obvious examples outside Western Europe are Japan, Taiwan and South Korea.

The enquiry then turns on the factors that sustain high rates of industrial and aggregate investment, which fructify in a sustained growth profile. One set of conditions within the territorial limits of national economy under which this would take place are the following:

- (a) there is no landlordism so that money cannot be made or power expanded through the control of land;
- (b) the level of literacy is high, so that the skill composition of the labour force can adapt quickly to changing technologies;
- (c) there is some provision for social security of the poorest, so that usury and use of non-market power cannot be sustainable bases for primitive accumulation in the long run;
- (d) the business community has confidence in the state apparatus in the sense that it expects it to be able to maintain the kind of hierarchy it is used to;
- (e) the business community is homogeneous so that there is no major conflict over the distribution of state patronage; and
- (f) the ruling classes enjoy ideological hegemony so that the maintenance of control of labour is not too costly.

It may at once be pointed out that in Britain, (a) and (b) did not hold (Rubinstein, 1987). This is where the importance of leads and lags becomes particularly clear. For, she enjoyed a leadership in industrial technology which compensated for most of the other disadvantages. And despite some radical claims to the contrary, the British ruling class not only enjoyed ideological hegemony within Britain's borders but provided ideological leadership even to ruling classes of other countries for which the *laissez faire* ideology was hardly suitable. (Thus was born the 'voluntary colonialism', in Joan Robinson's phrase, of the ruling coteries of so many underdeveloped countries). The early acquisition of an extensive colonial empire also helped Britain to overcome the other limitations.

In virtually all other countries where industrialization proceeded fast, either landlordism was decisively eliminated by the middle of the nineteenth century, or it was economically subjected to the logic of capitalist accumulation. In the Scandinavian countries, in France, and in our own times, in Taiwan and South Korea, the former path was taken. To put it very roughly, the latter path was adopted by Germany (Blackbourn and Eley, 1985), and to a lesser extent, by Japan and Italy. However, in the latter group of countries, especially in Germany and Japan, the new ideology cannot be expressed as either the embourgeoisment of the landlord or the feudalisation of the bourgeoisie. The elements seeking to enhance accumulation and growth evolved a statist and ultranationalist ideology purporting to transcend class barriers. That such a ruling class strategy could coexist with deep dissent within society was demonstrated by the growth of the socialist movement in Wilhelmine Germany.

Foreign direct or portfolio investment by capitalists of other countries has been a major source of capital for industrialization in only the colonies which were peopled by European emigrants. Some other countries have attracted gross inflow of foreign capital in some phases of boom but almost invariably positive gross inflows have turned into a negative drain over the medium term.

Looking at the process of industrialization from the vantage point of its progress in the first industrial nation, it is useful to divide the world into four distinct divisions: (i) the North Atlantic countries which industrialized soon after Britain, (ii) most of the countries of eastern and southern Europe where industrialization was sluggish down to the 1930s, (iii) the colonies and informal dependencies of Asia, Africa and Latin America, and (iv) the eastern Pacific rim where Japan became a new pace-setter of industrialization. Such a sectoring, of course, utilizes hindsight in an opportunistic manner. In 1898, just a hundred years back, few people would have predicted the role of a world leader in industry and finance for Japan; few would have predicted the socialist or rather state capitalist phase of development of eastern European countries. Only a few, a very small number, might, have predicted a politically independent future for the nonwhite dependencies of Africa, Asia and Latin America. Among the latter, it would have taken a very brave soul to predict an industrializing future for these 'dark' landmasses.

Brazil and Argentina would have figured among exceptional, lucky cases in a wise observer's list.

That the luck of Argentine, Brazil or, for that matter, Egypt did not hold had as much to do with their failure to subordinate landlordism and non market power to the demands of capital accumulation as to the fickleness of foreign investment which is easily driven by a suspicion of political undependability (as far as the servicing of foreign debt obligations is concerned) and by the lure of alternative opportunities for lodgement of capital.

This fourfold sectoring of the global economy is no more than a mnemonic device to keep a firm hold of the fact that internal changes and international forces are all the time changing the structural conditions even while an observer gets the impression that the structures have reached their asymptotic limits of transformation. The holding together of a structure *in media res*, sudden breaks in the structure as a result of accumulation of small changes or the opening up of rifts in basic economic and social arrangements (such as the reordering of the social space of a defeated nation) are not just happen stances. Ideological hegemony of the ruling strata, alteration in the regimes of accumulation, and new patterns of international trade, division of labour and financial arrangements reinforce particular structures and tear them apart in the process of dialectical change.

I will illustrate the contradictory working of ideology (not 'functioning' in the old functionalist mode) with the example of racism. Racism or ethnicism, in the sense of one community regarding outsiders as barbarians or *mlechhas*, has been there as long as we have any written records of the expression of such feelings. This helped consolidate many empires in the past, as of course, the challenging ideologies of the others helped in the overthrow of those empires. But racism has also played a very important role in the aggressive conquest of other lands by European sail- or steam-born armies in the Western hemisphere and in Africa and Asia. It also became a ruling ideology in the consolidation of particular elites, often assuming contorted features in the process. Thus it was decided after involved theological disputes that the inhabitants of New Spain could not be formally enslaved but black Africans could: the latter, of course, proved essential for repopulating the Caribbean

islands and New Spain which experienced one of the worst demographic disasters of history in the wake of Spanish conquest.

Racism allied with ideologies of nationalism and religiosity conferred a special advantage on European capitalists playing the role of entrepreneurs not only in foreign lands but also at home. In their particular colonies and to a lesser extent on their home grounds, this triply constructed identity helped them erect barriers against other communities and carry on with their business of investment and innovation as if they were the sole architects of their universe. In countries whose social institutions had changed so as to favour capitalist accumulation, and the numerical majority belonged to such a self-conscious ruling race, the ideology of fascist nationalism proved to be highly effective in promoting growth. Japan's 'Yamato' is an extreme example of this sense of unchallengeable superiority. In the colonies, however, such a deeply held ideological stance on the part of the rulers impeded capitalist development in numerous ways: Indonesia and many countries of West Africa would be good examples of retardation in which this particular type of ideology played an important role.

Racism in some form or others has continued to operate in the post-colonial societies. The exclusiveness of minority business groups in African countries has repeatedly impeded the development of local business communities. The reaction against the dominance of such minority enclaves has in turn further destabilised the situation, since the minority communities (such as the Syrians, the Lebanese, the Indians and the Pakistanis) have transferred capital abroad.

Developments in the world economy and society have thrown up the notion among the elites of most capitalist nations that the sole centre of the global economy is the U.S.A. and certain countries in Europe. Property owners from oil-rich states, and from all elites unwilling to stake their whole capital in their own country have transmitted their surplus to that centre. The international flight of capital from the third world, that has been only lately recognized by watchdogs of the global financial authorities, has been going on for quite some time. In the case of Latin America this flight has assumed particularly alarming proportions not only because of the instability of their societies (caused in the first place by their own policies and strategies imposed by transnational corporations and

aid-giving governments) but also because of the sense on the part of their elites that they are exiled Europeans in a land of blacks, Amerindians, mulattos and mestizos<sup>1</sup>. Their acceptability as equals in the North Atlantic societies has helped this process further.

The above brief account of the contradictory operation of racism is only meant to illustrate the point that all usable theoretical constructs must hold within themselves the possibility of being integrated with other theoretical constructs, but also must indicate the ways they would be deconstructed by other forces, and through the invasion of challenging theories. Unlike a theory that is simply superseded, a deconstructed theory plays a role in the construction of other, contextually and conceptually more appropriate theories. This, for example, applies to the theory (or theories) positing a new international division of labour.

The world has been undergoing processes of relocation of economic activities as between different lands ever since ocean-borne trade brought different producing and consuming regions together. The nineteenth century, for example, witnessed the decisive decline of India as the leading exporter of cotton textiles produced by handlooms, and the conversion of most nonwhite colonies into net importers of manufactures and net exporters of primary products. Within the North Atlantic community, the frontier of new manufactures shifted from Britain to the U.S.A. and Germany. A considerable relocation took place again in the nineteen thirties when the USSR and Japan emerged as major manufacturing production, mostly via the import substitution route.

A new impetus, however, for describing the processes of international (and regional) relocation of labour and analysing their proximate reasons was given in the 1960s with the discovery, first, of large-scale globalising of production by US corporations and the quick imitation of new U.S. products and processes by firms in ot-

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<sup>1</sup> The continued survival of racist attitudes in Latin America and in many other parts of the world is illustrated by new items in IIPF, 1988. Since a recent change in the law, banning the adoption of Brazilian children by foreigners from which was brought in to stop illicit adoption agencies profiting from the human misery of semi-slavery - children were bought, sold and stolen - adoptions from the Rio de Janerio orphanage cited in the news item had practically ceased. The majority of the children are brown, but most domestic adoptive parents are seeking white babies. Foreign couples tended to be less choosy and hence nonwhite children had a better chance of being adopted under the other regulation.

her advanced capitalist countries. This interest continued with the further finding that the invasion of Europe by U.S. firms was soon matched by European (and increasingly Japanese) firms invading the U.S. economic space. Finally, the movement of many OECD-based firms' manufacturing activities into Third World countries also gave a fresh push to the research into the new forms of internationalization of capital.

The theories which have competed for attention in this area include several varieties. First, there were the largely technology-oriented product cycle theories of Michael Posner, Gary Hafbauer and Raymond Vernon, which divided the process of global spread of production of a new product into several phases. In the first phase the production was the new manufactured product in the innovating country and sold mainly within that country. Then there was the phase when the innovating country was the chief exporter of the product, followed by the major transnational corporations producing the product by setting up facilities for manufacturing the product in the major importing countries. Finally, the innovating country loses the competitive lead altogether (through rise of wages and through capital moving into more profitable product lines) and begins importing the product from other countries.

Secondly, the elaboration and development of the theory of the multinational enterprise saw the processes of relocation of international economic activities as part of their global profit-maximizing strategy.

Thirdly, (and this trend has grown alongside of the elaboration of the theory of multinational or transnational enterprises), as we have noted above, a new international division of labour has been seen as a strategy evolved by capital based in OECD countries in response to challenges from organized labour. The years up to 1973 saw the share and the rate of profits being squeezed in many OECD countries: OECD firms also faced various import restrictions in the major market of the U.S.A. Relocation of economic activity was one of the strategies adopted by the transnational corporations to overcome these problems.

The behaviour of Japanese firms departed from the prediction of the product cycle model even in the 1960s (Kojima, 1974, 1977). Later

on, the product cycle seemed to vanish as the phases became increasingly short in duration or became merged with other effects (Storper, 1985). The behaviour of transnational capital changed significantly as global recession overtook global exhilaration. The increasing centralization of R & D activities in the OECD heartland and the increasing 'flexibility' of labour markets enforced by a high level of unemployment also stimulated the outgoing tentacles of TNCs to contract. Finally, the evolution of transnational financial markets which seem to spiral entirely outside the control of all central banking authorities damaged the credibility of most theories based on the assumption of determinancy of the strategy of the major players (Wachtel, 1986). However, it can be claimed that transnational money markets are still linked organically to the OECD economies through the umbilical cord of surplus generation and appropriation.

The end of the postwar secular boom produced another group of theories which were evolved almost simultaneously in France (Aglietta, Boyer, Lipietz *et al.*), the U.S.A. (Gordon, Edwards and Reich) and Belgium (Mandel). All these theories, especially those evolved in France and the U.S.A. had very specific historical experiences as their background. What they have in common is the realization that developments within the capitalist system cannot be regarded as passive adaptations to exogenous circumstances but should be seen as deliberate modifications in response to specific challenges to the systems, to parts of the system or as part of intra-capitalist competitive strategies. Systems of management, systems of labour market segmentation, relocation of workplaces, the pacing of innovation, the ordering of innovation systems, and even global arrangements for macroeconomic adjustment are all to be seen as parts of capitalist modes of regulation or regimes of accumulation (Mandel, 1980; Aglietta, 1982; Gordon, Edwards and Reich, 1982). Some, but not all theorists, recognize that these modes of regulation cannot simply be imposed by the capitalist class, either nationally or globally constituted, but evolve in response to class struggles, emergent international competition, or anti-imperialist struggles. Moreover, it is difficult to think of a uniform system of regulation for all capitalist countries. For example, most countries have found it difficult to adopt modern Japanese systems of management for the latter are greatly dependent on the broader pattern of Japanese social organization. Similarly, the mode of macroeconomic adjust-



ment available to the U.S.A. in the way of attracting loans to bridge internal budget deficits and deficits in the balance of payments is not available to a country such as France. However this group of theories has helped us get a better handle on the ways different policy instruments evolve in response to technological and political challenges *within* the club of dominant capitalist countries.

Most of the theories we have analysed so far implicitly or explicitly accept economic growth as something that is going to take place at least over some regions of the world whether we like or not. However, there are now perspectives on the entire experience of growth and development which question many of the premises of which growth has been predicated. One is the perspective of feminism, which views patriarchy as an essential element in all ideologies or imagined communities constructed by the male of the species. In the Marxist variants patriarchy is seen to be implicated in all modes of hierarchical ordering of society, be it class, cast or colonial dependence. In the democratic-socialist paradigm, patriarchy is seen as an enemy of gender equality in ideological formulations as different as the Islamic *Umma* (Mernissi, 1986) and the Confucian family. To the extent that capitalism seems to produce a competitive race for constructing authoritarian social relationships in order to utilise the labour of whole families and communities for the purposes of accumulation, feminist socialists would also fight capitalism. However, they have no faith in the automatic attainment of gender equality under the various brands of (male-constructed) socialism.

A second type of challenge to the theories of development comes from those who see all development as involving the displacement of the most under-privileged sections of the community, and in many cases, of the displacement of whole communities. Displacement has been recognized as part of the process of capitalist growth by all theorists other than the Dr. Panglosses of the *laissez faire* school. However, with time, with high rates of population growth in many of the poorest nations of the world and with the increased distancing of the locus of decision making which causes displacement, the awareness of the losses caused among the displaced communities has gained a sharper focus. What good is it for inhabitants of the Amazon basin to know that a paper mill which has literally bullosed their homes and their living space provides

employment to a few hundred outsiders? Why should a community in Orissa acquiesce in the destruction of the hill that is the major source of their traditional herbs by an aluminium mining project when they see neither jobs nor modern medicine being offered to them as compensation? Such resistance movements have their counterpart in ideological currents all the world over.

The ecological movement in many countries of western and northern Europe, and less structured movements of environmentalists in many other parts of the world view with skepticism many state-sponsored or private enterprise projects promising development, since they rarely take adequate account of the costs in terms of added pollution of air or water, or depletion of soil moisture, soil fertility or forest cover. Threats of ecological damage also have energized some feminist movements which see woman as nature - as the literal guardian and embodiment of nature. This is the way the Chipko movement has been conceptualized by some feminist who believe in the power of local self-reliance. But the view of externally imposed development as being no other than exploitative displacement has also provided the popular force behind many of the Naxalite groups in India.

A third strand of theorising and movement has tended to view state-oriented development as an enemy of human freedom. People involved in such movements have regarded democracy as the supreme goal. It has been characteristic of most social movements in Eastern Europe and elsewhere that they have been joined by people whose relation to the state apparatus or to the control of the means of production has been very diverse. But within the states of erstwhile eastern Europe, of course, there are dissentients who regard a free market rather than human freedom as the supreme good, and seem to welcome a different brand of authoritarianism as a condition for the creation of such a free market. Such confusion of tongues and ideologies, is characteristic of the turmoil we are going through. In many cases such confusion deliberately fostered by the media and the ideologies of the free market. 'Free markets' and authoritarianism have been comfortable bedfellows in the palaces of power in many class-divided societies. Civil rights are often among the first casualties of a regime seeking to increase private market power in a particular society.

Where do we go from here? We continue to follow our own furrows, but recognize that the field systems may change any time and a number of ways of drawing the furrow will have to be simultaneously followed. In the area of economic growth theory, the construction of a theory of endogenous technical change, and the building of a conceptual framework for diffusion of technical change to less developed regions remain major tasks. Now that even mainstream theorists have had to give up pure competition as a maintained hypothesis, the building of a theory which is more than a collection of unrelated game models is yet to be accomplished. But beyond these economists' concerns is the social scientist's and citizen's task. How do we analyse the interaction of the coercive power of the state apparatus and the working of the forces of production without getting lost in unprincipled and undirected eclecticism? As citizens we need to try and arrive at approximately correct answers to most of these questions because religious fundamentalism, free market fundamentalism, communalism, racism, terrorism, internal and external colonialism, centralized state oppression and its opposite - opportunistic secessionism - are threatening us all the while.<sup>2</sup>

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