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Critics of Underdevelopment

I Introduction

All theories of underdevelopment treat capitalism as functioning on a global scale in the manner of Marx's account of merchant capital, where monopoly power and unequal exchange redistribute surplus between geographical areas. Frank and Wallerstein add a zero-sum description to this circulationist perspective. Not only do they maintain that advanced capitalism underdeveloped the periphery, but they also insist that the centre has developed only because of the exploitation of the periphery. Furthermore, for Frank and Wallerstein it is production for profit realised on the market which defines capitalism. Specific relations of production are not regarded as important. Capitalism includes various forms of labour control, each of which is the outcome of optimising behaviour by property owners, including serfdom, slavery and wage-labour. Thus class structures are endogenous variables and have no causal significance; any effect which may be attributable to them can be reduced to the more fundamental determinant of profit maximisation.¹

This position is sometimes associated with Paul Sweezy, who, in his debate with Maurice Dobb during the 1950s over the transition from feudalism to capitalism in Western Europe, saw the rise of trade as the 'prime mover'.² Dobb, by contrast, argued that contradictions of the feudal mode of production were the principal factors bringing about the transition. Sweezy's view was expressed by Marx in the 1840s, and because he was then heavily influenced by Adam Smith any emphasis on the importance of exchange relations is sometimes called 'Smithian'.³ The importance of the market in promoting capitalism in Russia was also stressed by Plekhanov and Lenin in their debate with the populists, and the idea reappeared in controversies over economic development in Russia during the 1920s (see Chapters 8, 9, 10 and 15 of volume I of this book). Nevertheless, modern
theorists of underdevelopment go very much further than earlier Marxists, who always identified capitalism with wage labour. Thus, while Sweezy (for example) believed that the expansion of markets caused the development of capitalism, he defined capitalism by specific relations of production in the same way as Marx.

Insofar as there is a theoretical link between Sweezy and the theorists of underdevelopment in their treatment of capitalism it lies at a deeper level. Critics of the thesis that the expansion of trade created capitalism allege that it rests upon the assumption of *homo economicus*. If this is true, there is indeed a resemblance between Sweezy, Frank and Wallerstein. A difference occurs only because Sweezy believed that profit maximisation would result in wage labour, while theorists of underdevelopment recognise that other modes of labour control may prove more profitable. There is here also a similarity with neoclassical theory, although again it is imperfect. Neoclassical economists invariably assume that rational economic agents act in an environment where voluntary contracts prevail, whereas Frank and Wallerstein recognise the possibility of trade at the point of a gun. This indicates that an appeal to acquisitive behaviour explains very little. It becomes an explanatory hypothesis only when the feasible set from which choices are made is specified. This judgement is reinforced by the fact that Robert Brenner, who is a powerful critic of all Smithian views, assumes rationality to predominate in economic behaviour, and that property owners seek to maximise their incomes. His own account of the origin of capitalism and of underdevelopment, therefore, rests upon the same assumption about motivation as those which he attacks (see section III below).

Since the 1960s, Marxian critics of theories of underdevelopment have regarded the treatment of relations of production as the central weakness of these theories. They are convinced that class structures are far less pliable than Frank and Wallerstein maintain. From the critics' perspective, the periphery has suffered less from capitalist exploitation than from its absence, and continuing backwardness is the result of factors endogenous to peripheral societies rather than being exogenously imposed by their contacts with the advanced capitalist world (see section II of Chapter 9 above). Since relations of production have remained predominantly pre-capitalist, the rapid economic development which capitalist class structures invariably generate has been delayed or blocked. While the critics recognise that underdevelopment may occur, they claim that it depends upon the reinforcement of non-capitalist relations of production. More generally, they argue that class structures are not properly conceived as endogenous variables; they are instead the exogenous cause of development and underdevelopment. And while they also accept that capitalist development at the centre may have benefited from exploitation of the periphery, they do not regard this exploitation as a necessary condition for the development to have occurred. Consequently, the Marxian critics argue that a zero-sum concep-
tion of the relationship between the centre and the periphery is thoroughly misconceived.

The most important criticisms of the theory of underdevelopment from this 'mode of production' perspective arise from two interpretations of historical materialism formulated by Louis Althusser in the 1960s, and Robert Brenner in the 1970s. Only Brenner appears to have been motivated by the issue of backwardness, but Althusser's theory has been applied to the problem by numerous Marxists. Section II below outlines the Althusserian approach, and section III considers Brenner's critique of Frank and Wallerstein. As we will see, both forms of historical materialism can be criticised for devaluing the causal significance of the forces of production. Each theory, therefore, points to the importance of the version of historical materialism defended by G.A. Cohen in the 1970s, in which relations of production are held to be endogenous while the forces of production are exogenous. Cohen's theory has never been used explicitly in the analysis of underdevelopment, but his ideas are of central relevance to it. They are considered in section IV. Finally, we deal in section V with the work of those Marxists who have argued that many peripheral economies are, in fact, rapidly developing the forces of production.

II Articulation Theory

Althusserian Marxism is inherently complex, but it is made artificially difficult to understand by the use of a vocabulary which inhibits clarity. However, the essential ideas relevant to the problem of backwardness are reasonably straightforward. Actual economic systems are seen as involving more than one mode of production, and this 'articulation' of modes is particularly pronounced in the case of peripheral 'social formations'. Capitalism is treated in the usual Marxian manner as involving wage labour, and it is generally presumed that capitalist relations of production facilitate the rapid development of the forces of production. The persistence of backwardness in the periphery is due to restraints on the expansion of capitalism by pre-capitalist modes of production. This may be due to the integrity of the pre-capitalist mode itself, or to the weakness of capitalist penetration, or it may be the result of the adaptation of the pre-capitalist modes to meet the requirements of capitalist reproduction, which thereby suffocates its own dynamism. (Note, however, that such adaptation is not interpreted as the result of a conscious policy by advanced capitalist states to obstruct the development of the periphery.) The extent to which capitalist development is hindered is variable, and depends principally on the nature of the pre-capitalist mode. Development and underdevelopment, then, can each be regarded as a function of the ease with which capitalism is able to progress in the face of resistance by pre-capitalist modes. What Frank and
Wallerstein see as a single capitalist economy is instead a set of distinct modal articulations, which result in very different developmental tendencies. Not all 'mode of production' Marxists are articulation theorists. Some show the influence of dependency theory and regard capitalism in the periphery as externally determined, with its dynamic deriving from capitalist modes of production at the centre. Since Frank and the dependency theorists themselves have increasingly given attention to, and emphasised the importance of, internal factors within peripheral economies, the difference between these schools becomes unclear. Other mode of production theorists have argued that 'peripheral' or 'colonial' modes of production are *sui generis.* The modes of production outside the centre are thus considered to be distinct from those at the centre, and to bring about different kinds of development, because they were imposed under colonialism, or are otherwise the result of the centre's domination of the world economy. This approach again comes very close to that of Frank, Wallerstein and the dependency theorists. In this section, therefore, we do not consider mode of production theorists in general but direct attention to articulation theorists, who do have a position distinct from the theorists of underdevelopment.

The notion of articulation is evident in the earlier history of Marxian political economy, including Marx's own analysis. But Althusserians have tended to repudiate Marx's ideas on peripheral economies, instead using his general theoretical apparatus to construct their own. Lenin's treatment of the Prussian and American routes to capitalist development is clearly relevant, and most Althusserians have a high regard for all aspects of Leninism. Rosa Luxemburg's account of the violent impact of capitalism on natural economies is usually respectfully acknowledged, although she is criticised for failing to recognise the extent to which capitalist development in the periphery may be blocked. However, Trotsky's ideas on uneven and combined development, which are the most relevant of all, tend to get little credit in Althusserian Marxism. This has probably more to do with the politics of French communism than considered judgements as to their worth, which may also explain the importance attached to some of the platitudes of Mao Tse-Tung.

Modern articulation theory comes in two forms: studies of specific social formations, and general theoretical work designed to elucidate the key concepts. However, this division is somewhat artificial in that the work of Althusserians is invariably theoretical, and specific studies have sometimes formulated general hypotheses. Moreover, by the very nature of this approach to underdevelopment, high theory is put at a premium. Since concrete social formations are to be explained by the modes of production which constitute them, in the face of the manifold meanings which Marx's concepts have acquired there is a need to refine the tools of analysis. Indeed, this was at the outset the primary purpose of Althusser's Marxism, which was based on the belief that Marx's work had been extensively infused with
alien notions of economism, humanism, historicism and empiricism, and required a thorough overhaul to make rigorous the specifically Marxian problematic.

However, little progress has been made on the specialised issues of articulation theory. There is no doubt that the basic idea is a fertile one and that fixing attention on modes of production is clearly more Marxian than is the theory of underdevelopment. But the considerable attention devoted to conceptual elucidation has brought great disagreement over the exact definition of a mode of production, how modes interrelate, and the relation of modes to the political and ideological dimensions of social formations. These basic theoretical issues have proved difficult to resolve.

Since the outcome of any articulation depends on the dynamics of the combined modes of production, it is essential that these elements of the theory be treated properly. But Althusserians have been altogether ignorant of the deficiencies in Marx's own treatment of the laws of motion of capitalism. Thus Laclau, in what is otherwise an admirable critique of Frank's work on Latin America, appeals to Marx's law of the falling rate of profit to explain the geographical expansion of capitalism. This cannot possibly form the basis of any coherent explanation (see Chapter 7 above). More generally there has been a pronounced tendency, beginning with Althusser himself, to treat all of Marx's more technical economic analysis as unproblematic, including the quantitative theory of value (see part IV below). Despite their own shortcomings, theorists of underdevelopment correctly realise that some revision is required, but this is anathema to Althusserians.

Any account of the dynamics of the capitalist mode of production must in turn be based on a model of pure capitalism, where there are no elements from other modes present. However, what is invariably taken as a necessary feature of capitalism - commodity production - cannot extend to all aspects of economic life; it is excluded from the production of labour power, and from institutions which regulate and enforce contracts. Moreover, all instances of capitalism have up to now been organised as specific political units (city- or nation-states), reflecting the importance of previous historical development.

An even more intractable problem is to determine what modes of production can in principle exist. Unless all modes are specified, it is impossible to separate articulations from single modes. Explanation in Althusserian terms would necessarily be suspect, as it could always retreat into ad hoc specification of new modes in order to counter evidence which threatened established theory. Modes of production theorists may well have trodden this path already. The existing literature includes references to 'colonial modes of production', the 'lineage mode', 'plantation modes' and 'peasant modes', which certainly cannot be found in Marx, while his own concept of the Asiatic mode has rightly been subject to criticism (see Chapter
7 of volume I of this book). Moreover, to preclude the endless creation of new modes requires some principle of limitation, and this implies an appeal to elements which are not modal; forces of production are the obvious example within the Marxian tradition. But then modes of production become endogenous variables, and can have no part in the most fundamental of explanations of development and undevelopment.20

Nothing in the overall vision of Althusser's Marxism aids the solution of these problems. The alleged priority of economic relations is specified in a way which cannot be falsified. Those cases where politics appears to be of paramount importance, for example, are rationalised by asserting that this is so only because the economic structure allows it and therefore remains the 'structure in dominance'. Elements of the superstructure, however, are said to have relative autonomy, although the limits which define it have not been specified clearly. They do not involve human agency, for individuals are conceived as mere 'bearers of relations' and only structures are of significance. This facilitates functionalist explanation, but no justification is provided for this form of argument. Indeed, there is no sensible specification of what constitutes science. Theory construction itself is supposed to be an autonomous practice, unconstrained by empirical evidence. Exactly what validates knowledge remains unclear.21

III Class Relations and Development

Robert Brenner offers a much more rigorous account of backwardness in terms of relations of production than do the Althusserians, and he is now widely recognised as the strongest critic of Baran, Frank and Wallerstein from this perspective. However, Brenner's primary concern is with backwardness prior to the twentieth century, and he suggests that some of his propositions might have to be modified in the changed conditions of the modern world.22 On the other hand, since Brenner appeals to theoretical considerations which are general, any changes would presumably be slight. Thus the relevance of his critique to the post-war theory of underdevelopment is ambiguous.

Brenner's basic proposition is that capitalist relations of production lead to a systematic development of the productive forces, and pre-capitalist relations do not. Two relations define capitalism: the dependence of economic agents upon the market, and wage labour. Since individuals in capitalism cannot produce the full range of use values which they need, but instead must procure them through exchange, they have an incentive to be efficient. More important, they are forced to be efficient by competition from similarly situated economic agents. Furthermore, the existence of wage labour allows continual adjustments in organisation and scale to achieve
efficiency. Pre-capitalist relations of production which involve either the coercive extraction of surplus from direct producers, or non-dependence upon markets, or both, generate neither the incentive nor the compulsion for continual improvements in efficiency, and if the direct producers are tied to their means of production (as under feudalism) the organisation of labour is less flexible. While Brenner accepts that improvements in techniques are not wholly precluded by pre-capitalist relations of production, he argues that these relations do not generate a systematic tendency in this direction. Instead, property owners are led to concentrate upon increasing their incomes by lengthening the working day, or reducing the incomes of direct producers, rather than raising labour productivity as under capitalism.

According to Brenner, then, Baran, Frank and Wallerstein have all misunderstood the reasons for development and continued backwardness, which are largely separate and unconnected phenomena. Different class structures are the pivotal factors, not the relationship of centre and periphery in the world market, or surplus transfers between geographical areas. Thus Brenner is a severe critic of the theories of underdevelopment which were discussed in Chapter 9 above.

Brenner supports his thesis with a whole battery of arguments and evidence. He examines the transition from feudalism to capitalism in England and cogently argues that it was not the rise of trade, but rather a series of class struggles between peasants and lords, which constituted the 'prime mover'. This is buttressed by comparisons of similarly situated European countries, in which Brenner seeks to show that only the different outcomes of the same class struggles can account for the different economic histories of the various countries. The method itself is a powerful one, for it seeks to isolate class struggles as the only factor which differs in the initial situation, so that any variation in forms of development must be due to this cause. Dobb's earlier position in his debate with Sweezy is thus broadly confirmed by Brenner, and the causal importance of the world market is denied. Brenner also maintains that it is the class structures of peripheral regions that account for their place in the world economy, he points to examples where peripheries have sometimes derived surplus from trading with the centre, and denies that the exploitation of backward areas was necessary for the development of advanced capitalism because capitalism has its own internal dynamic of growth.

Brenner's rehabilitation of the importance of class relationships is a major achievement, with devastating consequences for the theories of underdevelopment examined in Chapters 9 and 10 above. But Brenner's claims are not thoroughly secure, and the remainder of this section concentrates upon their weaknesses. The arguments are sometimes indeterminate, but there are reasons for believing that the autonomy of class structures – at least in the modern world – has been significantly weakened by the development of the world market. This does not re-establish the validity of theories of
underdevelopment, but it does suggest that some of their subsidiary propositions may contain elements of truth.

Capitalist competition, acting as a compulsive force which generates economic development, is at the heart of Brenner's thesis. Marx himself agreed that this was important, but maintained that competition only externalises 'the inherent laws of capitalist production' which arise from the fact that 'the appropriation of ever more and more wealth in the abstract' is the 'subjective aim' of capitalists. This distinction is important because, without the prior existence of the acquisitive drive, competition will not arise in the first place. The reason why capitalist class relations have been associated with economic development may not then lie wholly within these relations, as Brenner presumes. Cultural factors become important as well, at least in the formative period.\(^{32}\)

This argument is reinforced by the experience of European 'late starters'. German and Russian capitalism in the second half of the nineteenth century was extremely dynamic, but was also characterised by extensive protection and monopolistic practices which Tugan-Baranovsky, Hilferding, Bukharin and Lenin all documented (see volume I of this book and section V below). Furthermore, in both cases industrialisation was induced by pressure from other states, so that competition was of a different type from that stressed by Brenner. This indicates also that Wallerstein's conception of the world economy cannot be completely subordinated to matters of class, since in these instances class structures were altered 'from above' in order to meet the challenges posed by the international system. And, in treating this issue, Wallerstein makes a more fundamental point against all theorists who argue that relations of production act as exogenous causes of development and underdevelopment. He points out that economic theory studies systems, and must therefore pay attention to the boundaries of systemic relations. Wallerstein defines an economic system, not unreasonably, as a connected division of labour and argues that the modes of production of particular areas do not include all the factors relevant to explaining economic performance, except in primitive and isolated mini-systems.\(^{33}\) The problem with this argument is that, in the work of Frank and Wallerstein, it takes an absolutist form. They treat any particular country's connection with the world economy as entailing that its economy is wholly determined by the world economy. Indeed, Frank argues that even the remaining mini-systems which are not overtly connected with the world economy are nevertheless determined by it. The fact that they have not been incorporated reflects the lack of potential for profitable reorganisation, and this itself is determined by the situation in the world economy.\(^{34}\)

The increasing causal importance of the world market is also suggested by some of Brenner's arguments for the dominance of class relations in European pre-capitalist economies. He does not appeal to traditionalism, but instead claims that relations of production channelled the rational
actions of all economic agents towards reproducing existing relations of production, even though overall productivity could have been increased by changing them. For example, peasant producers did not innovate and specialise because markets were thin and uncertain, so that risk-averse behaviour favoured conservatism. However, it would seem to follow that, as the world economy expands, the better organisation of markets would then encourage specialisation and the development of capitalism, as Plekhanov and Lenin argued (see Chapters 8 and 9 of volume I of this book).

This example also suggests that Brenner's thesis may after all share the central deficiency of articulation theory. In Brenner's argument, it is not only thin markets which hold back development; were living standards higher, the cost of engaging in risky specialisation would be reduced. Thus the maintenance of pre-capitalist class structures seems to be dependent upon the level of development reached by the productive forces. Relations of production are endogenous, then, and there are deeper causes of the continuance of backwardness. It is the limited development of the forces of production which proves to be self-sustaining, generating a 'low-level equilibrium trap'.

**IV The Productive Forces and the Relations of Production**

Is it, then, the growth of the productive forces which represents the motor of history, and the level of their productivity which determines the stage of economic development? According to G.A. Cohen's version of historical materialism, they are indeed both the prime mover and the principal determinant. In _Karl Marx's Theory of History_, published in 1978, he argues for an interpretation of the materialist conception of history which in the post-war years was considered to be indefensible by even the most fundamentalist of Marxists. It is the technological determinism of Marx's famous summary of his science of history in the preface to the _Critique of Political Economy_ which, Cohen maintains, is canonical. 'History is, fundamentally, the growth of human productive power, and forms of society rise and fall accordingly as they enable or impede that growth'. Cohen's substantive position is thus very close to that of Kautsky and Plekhanov, and runs against most currents of twentieth-century Marxism, which elevate the importance of the relations of production. But Cohen's method is distinctive: he uses the tools of modern analytic philosophy and employs new arguments to make his case.

Cohen organises his defence of technological determinism by arguing for what he calls the 'development thesis' and the 'primacy thesis'. The development thesis rests upon three propositions: (c) Men are ... somewhat rational. (d) The historical situation of men is one of scarcity. (e) Men possess intelligence of a kind and degree which enables them to improve their situation.' Because of (d) there is a struggle for survival; (e) ensures that
scarcity-reducing innovations will occur; and (c) implies that there will be a
tendency to adopt them. Cohen’s case for the primacy thesis hinges on the
argument that different relations of production do have differential capabili-
ties for generating growth in the productive forces at different stages of
development.41

These ideas have played no role in the debate on underdevelopment. This
is surprising because their relevance to it would seem obvious, and the
quality of Cohen’s analysis far surpasses that of the main protagonists in the
debate. It appears to reinforce the critical position already taken towards the
work of Baran, Frank and Wallerstein, as well as questioning both arti-
culation theory and Brenner’s thesis. At the same time, however,
Cohen’s position apparently runs against the brute facts of backwardness.
Why, given the vast development of the productive forces in advanced
capitalism, are the living standards in the poor countries on average one-
seventh of those in the developed countries?42

The relevance of the ‘development thesis’ for understanding Third World
backwardness today is very limited. The productive forces have already
developed elsewhere, and desires for material improvement in the periphery
are manifestly evident. On the other hand, the acceptance of the primacy
thesis may not be incompatible with the main thrust of the theory of
underdevelopment. Surprisingly, Cohen nowhere explicitly specifies the
types of economy to which his propositions apply: that is, whether they
relate to the local economies; to regional, national or continental economies;
or to the global economy as a whole. In the intellectual history of Marxian
political economy strikingly different positions have been taken on this
question. One way of representing the differences in 1917 between Bukharin,
Trotsky and Luxemburg on the one hand, and Kautsky, Hilferding and
Plekh anov on the other, is that the former group took the world economy as
the relevant unit in terms of which the concepts of historical materialism
were to be understood, whereas the latter believed that national or regional
territorial entities were the proper referents. Both interpretations could find
support in Marx, but in neither case is it conclusive. And Cohen does not
even discuss the issue, let alone resolve it, although what hints there are to
his own views suggest that he would side with Kautsky, Hilferding and
Plekanov.43 Thus in principle Frank and Wallerstein could accept the
primacy thesis by arguing that it applies to the world economy, and that the
economic relations of this economy are functional for global accumulation,
which is centred in the core countries at the expense of the periphery.

The theorists of underdevelopment might also accept the primacy thesis
yet reject the proposition that capitalist relations of production (in the
traditional Marxian sense) facilitate the development of the modern pro-
ductive forces. There is evidence supporting the idea that wage labour may be
less effective, compared to slavery, petty commodity production and
serfdom, than Cohen is willing to concede.44 Moreover, even if increasing
technical sophistication of the productive forces favours wage labour, there is still ambiguity in the relevance of the primacy thesis for capitalist development in the periphery, for Cohen nowhere discusses the time frame of his propositions. Consequently it is not clear whether the tendency to proletarianisation would operate over a matter of decades or centuries.

Nor does Cohen's historical materialism have clear implications, either for articulation theory or for Brenner's thesis. Like Brenner, Cohen recognises exceptions to the association between capitalist relations of production and rapid economic development if these relations are insufficiently extensive in the social formation, as articulation theorists emphasise. In addition, Cohen's treatment of pre-capitalist relations of production seems to hinge on their appropriateness being concentrated on preserving established productive power. He suggests that the limited availability of surplus puts a premium upon productive relations which maintain, rather than change, the forces of production. This is hardly a position dramatically at odds with Brenner's own.45

Recent work by sophisticated neoclassical economists and by some Marxists has substantiated this proposition in the context of undeveloped countries. By recognising uncertainty, information asymmetries, non-convexities and transactions costs, as well as the incompleteness of markets and the imperfections in existing markets which result from these factors, they have demonstrated that what appear to be 'feudal remnants', like sharecropping, may be sustained in the absence of coercion or traditional culture.46 This points to the importance of state policy in establishing institutions which encourage the endogenous emergence of capitalist relation of production. Such institutions might even involve the creation of social security systems to reduce the risks to entrepreneurship on the part of petty producers.

A related issue is the importance of secure property rights.47 Neither the articulation theorists, nor the theorists of underdevelopment, nor Brenner and Cohen, treat this issue. All implicitly assume that property rights are immune to any threat apart from class conflict. But the fact that many Third World areas are wracked by civil war, under military threat, and ruled by corrupt and arbitrary governments, is not conducive to capitalist economic development, even when other conditions might be highly favourable to it. It is not clear, however, whether these factors support those who claim that continued backwardness stems from internal factors, or the theorists of underdevelopment who maintain that it is the relation of the peripheral economies to the advanced West which is the key issue.

V Capitalist Development in the Periphery

The ideas of Althusser, Brenner and Cohen represent successive attempts to 'return to Marx' in the face of the revisionism which has become increasingly
important since the 1920s. The theory of underdevelopment was therefore a natural target, and each version of historical materialism has indicated limitations in the theory. However, at the time none proved able to mount a frontal assault on the doctrine as it applies to economic backwardness in the modern world. Such an attack emerged only in the 1970s, and even then did not become pronounced until the 1980s. But here, too, a 'return to Marx' has been evident, and at a much more concrete level.

From the outset, Marxism sought to become the chief intellectual opponent of liberalism. Its success in achieving this objective resulted in an inclination on the part of some Marxists to suppress or dismiss Marx's own economic liberalism. Notwithstanding the significance of his critique of classical political economy, Marx remained in many ways a classical economist, and this is obviously true at the level of policy. Apart from supporting working-class attempts to limit exploitation, Marx by and large favoured free trade and a minimal state, and certainly regarded colonialism as extending 'civilisation'. He did not repudiate the doctrine of comparative advantage, was opposed to autarkic economic development, and favoured virtually all measures promoting capitalist social relations, including imperial domination of 'non-historical' ethnic groups. And, on the whole, he remained optimistic that capitalism would engulf the whole globe and provide the material basis for socialism on a world scale.48

Long dismissed as ideological representatives of the dominant powers, liberal economists have never experienced the pessimism of many modern Marxists regarding economic development of the periphery. It has come as something of a shock to Marxian writers that the empirical evidence on economic growth in the periphery since the Second World War has borne out much of the liberal case. Those countries which adopted strategies of export-oriented growth have achieved the most spectacular performance, while countries favouring self-sufficiency have done relatively poorly. Countries which have resisted distorting market prices have out-performed the heavily interventionist backward economies, which have in varying degrees emulated the Soviet model and replaced economic mechanisms with direct controls and administrative allocation.49 Not surprisingly there has been a resurgence of liberal development economics since the 1960s, and the theory of underdevelopment has been brought into disrepute.

It is to the abiding credit of Bill Warren that, 20 years ago, he began the process of reasserting the coherence of the original Marxian position, and coupled it to a comprehensive critical evaluation of the theory of underdevelopment. In a series of works, the most important of which is his book, *Imperialism: Pioneer of Capitalism*, published (posthumously) in 1980, he exposed many of the conceptual ambiguities, theoretical errors and empirical inaccuracies of Baran, Frank and the dependency theorists.50 Warren forcefully restated the case for regarding capitalism (defined in the traditional Marxian sense) as progressive, not only economically but also
politically, morally and culturally. Empirical evidence that capitalist economic development in the Third World brought with it a tendency toward equality, increasing freedom and cultural growth was used to clinch his case. 51

Warren argued that the theory of underdevelopment represented a nationalist ideology suited to the interests of the professional intelligentsia, and not very different from that of the Russian Narodniki a century earlier. 52 Indeed, he regarded the state of Marxian development theory in the 1970s as very similar to the 'great debate' between Social Democrats and populists in the 1890s (see Chapters 7, 8, 9 and 10 of volume 1 of this book). 53 In arguing that backward capitalisms had their own internal dynamic, and in documenting their growth, Warren saw himself as occupying a position analogous to that of Lenin. But in fact he was in some ways closer to the position of Peter Struve. Like Struve, Warren saw population growth as the proximate cause of outright misery in the Third World, 54 underestimated the diversity of conditions which prevailed there, and painted the most optimistic picture which the data could sustain. Even those Marxists who were sympathetic to his general viewpoint felt impelled to criticise his own presentation sharply. 55

Warren also gave capitalism a one-dimensional representation. In order to justify its progressivity, he neglected the dialectical complexities evident in Marx's own writing on primitive accumulation and nineteenth-century imperialism. 56 Marx distinguished between imperialist nations with respect to the modernity of their own social formations, and related this to the type of colonialism which they practised. Even the impact of British rule in India had varied over time, depending on which particular groups within the propertied classes dominated policy formation. So far as Ireland was concerned, Marx believed it essential for British rule to be ended completely; without independence, the strength of domestic capitalist development would be sacrificed to those interests which controlled the occupying power. 57 Thus in Marx's view not all aspects of imperialism were wholly favourable to the most rapid development of capitalism, and none of them minimised the 'birth pangs' of that development. 58

Furthermore, Warren contradicted himself when he stressed the economic importance of political independence for Third World countries. 59 He was correct to argue that decolonisation was much more than an aspect of 'continuity in change' which the theorists of underdevelopment claimed, but in doing so he undercut his own different representation of continuity, in which both colonialism and independence aided capitalist development in the periphery. Warren was also rather cavalier in tracing the intellectual origins of the theory of underdevelopment, despite the extended treatment which he gave to the issue. He located the watershed in Lenin's Imperialism, and saw a continuous line of advance to Frank and the dependency theorists. It is true that Lenin facilitated the formation of underdevelop-
ment theories by representing capitalism as moribund, treating working-class affluence as confined to a labour aristocracy living off super-profits, and finding a place for anti-imperialist movements in the overthrow of capitalism. But it was only with Baran’s work in the 1950s that a ‘Third-Worldist’ revision of Marxism attained even minimal coherence. And an essential element in this revision stemmed from the achievements of the Soviet command economy, which post-dated Lenin’s death. Warren mistakenly equated the political slogans of the Comintern and the statements of Soviet diplomats with theoretical analysis, and he attributed to Lenin’s Imperialism a more coherent and precise content than it actually contained (see Chapter 15 of volume I of this book).

Despite these weaknesses in Warren’s presentation of his argument, it was basically sound, and it has been well supported both by subsequent analysis and by empirical evidence. The most important Marxist work has been that of Nigel Harris, who provides extensive data on the rapid capitalist development of peripheral economies and differentiates between types of growth. With one important qualification Harris recognises, as did Warren, that neoclassical theorists have been more acute in understanding Third World development than neo-Marxists like Baran, Frank and Wallerstein. The qualification concerns the importance of state capitalism: apart from Hong Kong, all ‘Newly Industrialising Countries’ (NICs) have depended upon extensive state involvement. However, this offers little support to the theory of underdevelopment because the NICs followed the example of Japan and Wilhelmine Germany rather than the Soviet model, and export-oriented growth strategies have been far more successful than those of import-substitution. Moreover, according to Harris, modern technologies ensure that development cannot continue very far without entry into the world market, even for the largest economies. He maintains that a free-trade policy, if not complete laissez-faire, has become a necessity for continued success.

According to Harris the success of the NICs reflects the emergence of what Marxists have increasingly seen as a new international division of labour. A centre concentrating on manufacturing and a periphery specialising in primary products is rapidly being replaced by integrated circuits of production, widely distributed in space and not amenable to simple classification. Advanced capitalist states do not constitute a unified centre, and transnational corporations are intensely competitive. Protection from the rigours of the world market can be achieved only at great cost in terms of efficiency, and any partial de-industrialisation of developed economies which occurs because of relocation of productive capacity in the Third World has to accepted. All this will become more evident as new NICs emerge, an occurrence confidently expected by Harris. He even sees the ‘debt crisis’ as having positive value here; it forces developing countries into the world market and counters attempts to reduce dependence, which can only
Harris also maintains that a more integrated world economy will provide the foundation for reduced military conflict, the erosion of nationalism, and an increasing uniformity of conditions for working classes everywhere. He rehabilitates Marx's original idea of global socialist revolution based on an international proletariat which inherits a world where the means of production have been everywhere developed.

Critics have nowhere provided a refined alternative prognosis. Instead they have formulated only a patchwork of objections which indicate the great uncertainties inherent in the global economy. The bulk of the Third World, even those areas which have grown very quickly, can still be represented as a 'chamber of horrors' in which unemployment, mass poverty and sweated labour prevail. The vast gulf between the living standards of the Western working class and those of the proletariat in the backward countries is likely to preclude any recognition of common interests. Moreover, the end of the 'long boom' in the early 1970s slowed growth generally (see Chapter 16 below). Many Third World countries insulated themselves only through extensive borrowing, which brought about the debt crisis of the 1980s. This has cut into their advance drastically, and is likely to continue to do so for many years. If the experience of the South-East Asian 'tigers' is to be duplicated, it will require ever-larger import penetration into advanced economies, which is bound to strengthen protectionist pressures in the West in the face of de-industrialisation. The decline of US hegemony may also threaten the continuance of the liberal economic order in the world economy, perhaps even ushering in a new era of inter-imperialist rivalries.

VI Conclusion

The ambiguities and loose construction introduced wholesale into the theory of underdevelopment by Frank and the dependency theorists provide ample opportunity to weave these considerations into continued support for a neo-Marxist 'Third-Worldism'. But the evidence on the development that has so far occurred is clearly inconsistent with what the dependency theorists claimed in the 1960s. Moreover, the crisis of the Soviet mode of production adds yet more hostile evidence (see Chapter 18 below). It is now increasingly apparent that the principal barrier to global development is not the incorporation of the periphery into the world economy, but whether advanced capitalist countries will continue to act in a manner which allows this incorporation to continue, and whether international coordination mechanisms can sustain the broad stability evident in the post-war years. Thus major uncertainties remain within the economies of the advanced capitalist countries and the rickety institutions which integrate their activities.
Where does this leave the Marxian theory of imperialism, taken as a whole? We saw in section I of Chapter 9 above that the term underwent a metamorphosis in the middle decades of the century. In classical Marxism 'imperialism' referred principally to the relations between the advanced countries, and denoted a 'struggle for economic territory' among the metropolitan centres of monopoly finance capital which led inexorably to world wars. The relations between the major capitalist powers and the backward areas were regarded as being of subsidiary importance. Paul Baran and his followers changed all this. Perhaps now, with the palpable decline of dependency theory, the original usage might sensibly be restored.

There are, however, two serious problems which must be faced in any attempt to rehabilitate the Hilferding–Lenin theory of imperialism. The first is factual: there has been no war between the advanced capitalist states for almost half a century, and never since 1945 has an imperialist conflict appeared likely. To a very large extent this reflects the political conjuncture: the combination of economic and (especially) military dominance by the United States, and the threat – real or supposed – from the Soviet Union. With the evident decline of US 'super-imperialism', and the termination of the Cold War, the Pax Americana may itself be coming to an end. So long as there is uneven development on a global scale there remains considerable scope for conflict between the metropolitan powers, as some Marxian writers have always recognised. But the prospect of renewed warfare along classical imperialist lines – involving, say, Europe, Japan and the United States – remains mercifully remote.

This indicates a second difficulty. The Hilferding–Lenin analysis of imperialism requires that capitalists are nationalistic. Whether they internalise the bellicose chauvinism and racist ideology identified by Hilferding is unimportant. What matters is that they believe their own material interests to be intimately connected with those of the nation-states to which, in some sense, they 'belong'. Liberal thinkers such as Cobden and Schumpeter had always maintained this to be an illusion. Capital, they argued, was increasingly cosmopolitan; the interests of its owners were bound up with the peace and prosperity of the world as a whole, and were damaged (as they themselves would come to realise) by militarism and the pursuit of aggressive foreign policies. Nationalistic impulses were atavistic, and freedom of trade and capital movements would give rise to international harmony and cooperation.

Although shared by some Marxists, like Karl Kautsky, this vision was shattered by the two world wars. But the revival of global economic liberalism after 1945 has a real material foundation in the emergence of 'multinational' or 'transnational' capital. Corporations with huge assets on several continents can no longer be regarded automatically as 'American', 'British' or 'Japanese' simply because their head offices are New York, London or Tokyo; patriotism may be, increasingly, unprofitable. To the
extent that transnational corporations treat all nation states as fair game, and identify with none of them, the continued relevance of the classical Marxian approach to imperialism is in doubt.

Notes

1. Nevertheless Wallerstein frequently expresses himself in structuralist terms, recognising the causal priority of the world economy as a totality, explaining historical developments in functionalist terms, and accepting the relative autonomy of subsystems like state organisations and class structures. See, for example, I. Wallerstein, The Capitalist World-Economy (Cambridge: Cambridge University Press, 1979), pp. 20f, 38, 48, 69; Wallerstein, The Politics of the World-Economy (Cambridge: Cambridge University Press, 1984), pp. 4, 14, 16, 27ff, 33. Frank and the dependency theorists, too, have sometimes elevated the importance of class structures beyond that allowed logically by their own theories. See, for example, A.G. Frank, Lumpenbourgeoisie: Lumpendevelopment (New York: Monthly Review Press, 1972). However, it is Samir Amin who is the worst offender against internal coherence: see S. Smith, 'The Ideas of Samir Amin: Theory or Tautology?', Journal of Development Studies, 17, 1980, pp. 5–21.


16. Lacolla, ‘Feudalism’.
34. A.G. Frank, Capitalism and Underdevelopment in Latin America (Harmondsworth: Penguin, 1971), p. 159. There is, of course, no need to maintain either that modes of production or class relations will always override the world economy, or to take the opposite extreme position. Wallerstein might be more correct for the sixteenth century than for the sixteenth, while Brenner’s thesis would be stronger for the sixteenth than the nineteenth (as he himself seems to recognize; see Ashton and Philpin, Brenner Debate, pp. 322-3, and Brenner, ‘Social Basis’, pp. 29, 50).
37. At one point, Brenner seeks to meet this kind of criticism directly. However, his argument is exceptionally weak; see ibid, p. 31.


40. Cohen, *Karl Marx’s Theory*, Ch. IV.

41. Ibid, pp. 152ff.


51. Ibid, pp. 91ff, 170ff, 185ff.
54. Ibid, p. 113.
60. Ibid, pp. 3–4, 7–8, 27, 39ff, 48ff, 55ff, 81ff.
63. Harris, *End of the Third World*, pp. 84ff, 115ff, 127ff, 143ff, 149ff, 163ff, 189ff.
65. Ibid, pp. 81–2, 87ff, 91, 125ff, 142, 165ff, 192ff.
72. See Chs 4 and 5 of volume I of this book.