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TWENTIETH CENTURY GROWTH THEORIES

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Abstract

Growth has been at the forefront of political, economic and social discussions during the twentieth century. Although the subject of many empirical studies the theory of growth has received little attention outside of economics. Within economics it is widely acknowledged that the theorisation of growth raises many non-economic questions. This study is a contribution to the theory of growth from a wider sociological point of view.

The study discusses the origins of the development impulse, the hyper-modernising character of the colonial state, the discovery of malnutrition and the beginnings of welfarist policies towards the colonies (Chapters 1 and 2). The postwar development controversies in the United Nations, the unsuccessful search for a non-political, technical theory of growth and the subsumption of growth problems to cold war geo-political theory are discussed in Chapter 3. The limited, and limiting, contributions of economics to growth theory are discussed in Chapters 4 and 5. Soviet Russian development theory and certain fundamental planning problems connected to the theorisation of the future are discussed in Chapter 6. Similar problems in modernisation theory are discussed in Chapter 7 and some early discussions of the problematics of the relationship between planning theory, state theory and the theorisation of the future are also discussed. Chapter 8 discusses some of the theoretical problems raised by treating development studies as a central, rather than peripheral, or applied discipline. These problems stem mainly from the theorisation of the future and raise difficult questions about progressivist and radical historicism, political philosophy, *telos* and rationality.

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Chapter 3, pages 125-144 and pages 149-154 enlarge and expand on discussions in the M. Phil thesis, pages 58-66 and 54-58 respectively.

Chapter 4, pages 180-191 enlarge and expand on material discussed in the M. Phil thesis, pages 66-77.

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...if we reckon that moral thinking requires a notion of human nature not just as it is, but as it could be if it realised its *telos*, or ultimate end, then we shall seek to recapture a tradition in which inquiry into our *telos* is a basic and legitimate exercise of human rationality.

Alasdair MacIntyre

(p.16, Kruschwitz, R. and Roberts, R. *The Virtues: contemporary essays on moral character*, Belmont, 1987.)

CONTENTS

Introduction 1

Chapter 1 16

Chapter 2 69

Chapter 3 123

Chapter 4 159

Chapter 5 192

Chapter 6 232

Chapter 7 301

Chapter 8 361

Appendices 379

Notes 382

Bibliography 490

Introduction

I.

The subject of this study is twentieth century growth theories. The context of the study is development studies and the development of the third world. This interest, the development of the third world and its associated scholarly activity, development studies, has been an integral part and sometimes a central part of universal thought since its inception some fifty years ago. The images of the third world and our contemporary understandings of the category touch most intellectual horizons and dominate not a few. In the first few decades following the discovery of the third world it was widely believed that the problems of the third world could be solved by development and growth. Today we have lost that sense of certainty and gained, instead, the apprehension that the problems of poverty and wretched economic immiseration will continue to be the lot of millions of people into the foreseeable future. It seemed then, appropriate, to attempt some sort of theoretical evaluation of development studies and to assay the discipline in the attempt to find out where the

grand designs had gone wrong and what might realistically be expected of the discipline in the years to come.

Growth theory was chosen as the focus of the study because it seemed to the writer to constitute the core of the discipline of development studies. At the same time the study of growth theory seemed to open up new possibilities for discussion and analysis when much academic theoretical discussion, conducted in terms of the traditional paradigms of dependency, neo-colonialism, multinationals, and community had become both over-wrought and tired. A focus on the theory of growth might offer the possibility of escape from disputes that had come to seem unresolvable, if not irrelevant to the changing circumstances of the world. Not the least of which was the fact that sufficient time had now passed since the end of colonialism to suggest that many of the development and growth problems formerly ascribed to colonialism or its lingering aftermath could not be so.

Growth theory was also chosen because, surprisingly, no cohesive study appears to have been made of this subject despite its centrality. One of the arguments advanced in this study is that development studies has been, at least in the international institutions, dominated by economists although conventional economic theory has little to say on the subject of growth and possesses no elaborated, coherent, technical theory of growth to offer. This has

not limited the pretensions of many economists in this field, however, but I believe it has cramped the articulation and discussion of more broad based theories of growth and development. This study is an attempt to begin the process of developing such theories.

The study of growth theory does raise some unexpected and difficult problems. Some of these problems are discussed in the study. Most of them have not had much recognition to date in the discipline, however, and the writer found little in cognate disciplines to assist in their solution.

Basically, the study is a study in intellectual history. But as such it raises some peculiar problems. In its more straightforward aspects this study is concerned to *revitalize* (in the Lovejoy sense[1]) much recently acquired knowledge and those technical understandings which were fundamental to the creation of the contemporary concern for, and interest in, the development of the third world. It is the writer's contention that much of this knowledge has been forgotten or relegated to the merely *passé*. Writing the intellectual history of such discoveries, drawing on this body of *passé* knowledge, is, however, relatively straightforward. Epistemologically speaking, they fall, with few exceptions, into the familiar category of the scientific elimination of error through the discovery of truth.

Much more difficult are the problems associated with the contemporary understanding of the present. Here there is less guidance. The separation of contemporary truth from error is by no means clear cut in social theory and what might constitute the correct theoretical understanding of the world and its development problems quickly takes on the dimensions of a polemic. By staying safely in the historical past we can assess truth and error with rather more certitude. But we do not have this certitude with respect to the present, especially in a discipline which has seen many of its theoretical paradigms crumble and sometimes collapse in the last decade.

The study becomes even more fraught with difficulty when it is realized that growth theory and development studies are ways of addressing the future. The central theoretical concerns of the discipline are the techniques and methods for social and economic change, for dealing with a yet to be realized future that stands in a counterfactual relationship both to the present and to other possible futures. So, in this sense, a study of twentieth century growth theory is a history of attempts to think about, conceptualize, theorize, technicize and create the future, and to evaluate these activities in terms of the recent past, the present, and a future of what ought to be, rather than what will. This is a very

tall order and not one which any historian, even an historian of ideas, would be likely, willingly, to lend the term 'history' as a description.

This study advances the argument that the theme of the future is an integral aspect of social theorizing and that the futurist problematics of development studies can be found, sometimes as part of the shadowy underpinnings, sometimes more prominently, in much social theory of the last three centuries. However, it is only in development studies and in growth theory that these embarrassingly utopian themes are allowed to assume a central place, even if they usually remain undiscussed, subordinated to technique. But a strict focus on growth theory shifts the focus of discussion to precisely these elements and it is the writer's contention that the concepts and tools of philosophy, history, economics and sociology have provided little in the way of methodological or theoretical assistance for an assessment of knowledge in these areas to date.

An argument also advanced in the study is that the full implications of the epoch making discovery of the technical understanding of malnutrition, under-nutrition and starvation and the effects of famine, although now an integral part of the intellectual understandings of the twentieth century, have not yet been fully explored. This study suggests that the technical understanding of

malnutrition brings together at one point an unusual, perhaps unique, fusion of empirical facts, values and experiential phenomenality. The study finds in this fusion some support for the rationalist assertion of ethical absolutism or, to use a more contemporary terminology, the notion of a "critical theory" with its central fusion of facts and values.

Empiricism argues that facts and values differ in their referents. Facts refer to phenomena and values refer to states of mind. From an empiricist point of view therefore, values belong to the realm of opinion and are unverifiable, while facts, however, can be checked with reference to the phenomenal world. Empiricism argues that facts and values belong to separate realms of discourse, there being no intrinsic relationship between them. Following from this argument is the view that while facts may be subject to arbitration, when it comes to values all judgements are of equal value. Against this empiricist position the rationalist position is that facts and values are intimately associated and that judgements of fact are inseparable from judgements of value. The Frankfurt school of 'critical theory' insisted on fusing statements of fact and value, in such a way that social science should develop a critical stance so as to become a "science of morality." The usual objection to the rationalist 'critical theory' view is that this form of 'objective' sociology is merely

another form of subjectivism. But is malnutrition merely a 'subjective' experience? This study argues that it is not and that, at least within the schemes of development studies, it retains an absolute value.

But the attempt to escape from questions of value by the adoption of technicist schemes in development studies has not proved successful. In part, I argue, my assessment of the failings of development studies owes much to the refusal of the underlying facts of human existence, such as malnutrition, to be consigned to the realm of subjective value. In part, I also argue, the failings of the discipline can be attributed to the fact that the theoretical positions advanced and argued for have the property of schemes that rely in turn, at certain key points, on other schemes (Hawthorn 1991:174-6). And since there is, in a clear way in development studies, a fusion of fact and value in the phenomenality of malnutrition and starvation, and since the elimination of these conditions is one of the aims of the discipline, I argue that the schematic and metaphorical character of social theory is exposed in a direct way in development studies, unlike more conventional sociological theory. In this regard I take the view that a critical analysis of the history of development and development studies sheds some light on particular characteristics of social theory that have received little discussion to date.

II.

Development studies is usually conceived by its practitioners to be a form of "secondary studies" (Boudon 1969). Conceived in this way, for those who practice development studies and describe, plan and analyze development projects, there are various types of "humankind" including "tribesmen," "peasants," "villagers," to name a few, who are variously "sedentarized," "nomadic," or engaged in activities such as "market relations," all of which terms are derived from the concepts and theories of primary or parent disciplines such as anthropology, sociology and political science. Apthorpe, discussing the primary/secondary distinction, argues that:

> For much social science in the 1960's, a principal question for secondary (that is, comparative) development studies was to discover just what, precisely, constituted the mixture that was "peasant" society. This led to much play in the interpretation of primary (that is monographic) materials, using such concepts as "dependence mentality" and "limited good." The best of the creative-historical and ideological-social anthropological analyses that resulted distinguished, for instance, between peoples and their societies who were and who were not taxed, or who were

> and who were not bound to the land. Insightful descriptive understandings of social forms considered such descriptions to be structurally basic. As the decade advanced, however, and as the varieties of social and other changes "inside" and "from within" peasantries were brought more and more to the fore in social analysis, social science could, and to some extent did, recognize more of the common humanity of man. By the end of the decade ... it had come to be somewhat generally recognized that earlier suppositions ... needed to be revised (Apthorpe 1976:22).

Apthorpe continues:

> Social survey research, monographic analyses, and particular policy statements, as a general class of pronouncements, often tend to relate or be relatable to characteristically post *factum* explanations. Secondary analysis, which must transcend individual case studies and be addressed to general theories, has its own problems. What is suitable for the one kind of inquiry is seldom suitable also for the other. Received dichotomies such as sacred-secular, *gemeinschaft-gesellschaft,* etc., however useful, in limited ways, their contribution might be to social survey work or monographic studies, will usually be useless for secondary analyses. The latter have to recognize above all that any (indeed every) social situation can usually be characterized by each pair of these at one and the same time (Apthorpe 1976:23).

Taking Apthorpe's point about the character of secondary studies and the secondary character of development studies, it seemed timely to this writer to ask the question why should development studies not be approached as a primary discipline? Why should it not stand as a discipline in its own right? To be its own scheme, rather than the battleground of schemes from elsewhere (Hawthorn

1991:174-6). There is no *ipso facto* reason why development studies should not be conceived of and approached as a primary discipline. And perhaps some of its deficiencies might be made much clearer if this were done. This study approaches development studies from this point of view and attempts to constitute a discipline centered on the concept of growth theory. The adoption of such an approach, I argue, assists in the exposure of certain major conceptual deficiencies and identifies topics that have remained under-theorized since the beginning of development studies.

The study begins with a discussion of the origins of modern growth theories in the colonial period. The study of colonialism and the technical understandings developed during this period by colonial science are not fashionable topics. But it is the writer's contention that the foundation for development studies, the impulse for development, was the product of advances made in the technical understanding of mal- and under-nutrition during the colonial period. Chapter one discusses the origins of development economics, 'basic needs' and development planning in this period. Chapter two continues with a discussion of the relationship between the state and economic development and the characteristics of the late colonial state. Drawing on the example of Papua, it is the writer's contention that the relationship between the state and development was

established during the colonial period and continued largely unchanged into the independence period. Only by understanding the authoritarian, *dirigiste,* character of the relationship can we fully appreciate the role of planning in the independent third world state and the extent to which the early attempts at growth theory tacitly accepted an authoritarian character for the newly independent state.

Chapter three discusses the early postwar controversies in the international institutions about development and growth. During this period the problem of poverty and malnutrition and their proposed solution through development and growth made its way onto the international political agenda. This problem, which quickly came to be understood in terms of a set of stylized facts, was thought of by many at the time to be the most pressing and urgent problem facing the world as a whole. Such a widely held point of view demanded, in turn, a solution and Chapter three documents the simple fact that when the policy makers called for a solution none was to be found. Although the dimensions of the problems of poverty, disease, malnutrition and the economic growth required to solve them could be sketched in with some accuracy, what was not to hand, however, were the technical means to solve them. Technical in the sense of a detailed understanding of the elements of the problems and a set of established methods for the implementation of their

solutions. In the absence of countervailing theories the new discipline of development studies came to be dominated in the next decade, the 1950's, by various extensions of orthodox economic theory including such ideas as "balanced growth", the "big push", the conditions for "economic take-off", and economic development under conditions of "unlimited supply of labour". Today we might say, cynically, that their powerful metaphorical character served well to conceal their theoretical shortcomings and vacuities.

The discussion is developed further in Chapter four with a discussion of the kinds of responses of three major contributors from the discipline of economics to development studies and growth theory in the first part of the first decade of the development impulse. It is argued that economics brought no profound insights into the growth process and insofar as economics, *qua* economics, restricted its discussions to the economistic and pushed the sociological dimensions of the problems to the margin and beyond, then little was added to the understanding of the growth process. The discussion of the limitations of the discipline of economics and conventional economic theory in relation to the understanding of economic growth is further extended in Chapter five, where it is argued that economics, as conventionally practiced as a discipline has little to say on the subject of growth. Those growth theories that

are found in economics rest on largely under-discussed sociological assumptions which in turn may owe much to Cold War assumptions and contemporary political philosophies of freedom and democracy. Indeed, it is the writer's view that orthodox economic policy in the international institutions has always linked the policy of resisting economic inflation with a theory of politics and the state.

Chapter six discusses the theory of planning in relation to economic growth. Here the main focus is on the Soviet Russian planning literature and debates. The development problems faced by the post-revolutionary Soviet state in the 1920's were very similar to those faced by many of the newly independent ex-colonies in the 1950's and 1960's. The early Soviet literature encompassed several controversies about theoretical aspects of planning, in particular the distinction between 'teleological' (goal determined) and 'genetic' (system conditional) planning. The basic planning dilemmas encompassed by this distinction have been understood by few authors except, partly, by Lorwin and Hayek and more fully by Zweig in the 1940's. These matters were passed over without mention by the post-war development planners who were seemingly unaware of the theoretical problems posed by the planning process. The argument is made here that the planning of economic growth and social transformations encapsulates two kinds

of problems. The first and simpler problem is what I term the 'boundary' problem. The more defined the boundary of the planned project the more closely the planner is able to define and control the elements of the plan and hence its outcomes. Conversely the more extensive the plan, the more complex the variables included within the planned, the less certain the outcome. The second, and more difficult problem, is that complex social planning is an exercise in the construction of plausible worlds. As such it defies the conventions of economic and sociological explanation and goes beyond the normally accepted limits of social theory. Some of the limits of contemporary Marxism are discussed in part of this chapter in the context of the theoretical collapse of Soviet Russian third world development theory in the early and mid 1980's.

Chapter seven examines the origins of modernization theory in US development studies and discusses the continuing influence of anti-communism on the theory of modernization and the extent to which modernization theory was subsumed under more general geo-political theories designed to account for and provide policy prescriptions for containing the perceived global expansion of communist influence. Chapter seven also includes an account of the early US and World War II debates on the theory of planning and the uneasy relationship of the planning protagonists to the

historical linkages between planning and Soviet communism. It is the writer's view that the theoretical understandings reached, in particular by Zweig, in this period were subsequently "lost" and the postwar planning debates and their continuation in the field of development studies have a consequent vapidity that continues to the present day. Some comments are also offered on non- or anti-growth theories such as dependency theory.

Chapter eight offers some general, but non-schematic, conclusions to the matters discussed in the earlier chapters.

Chapter 1

I. Empires, colonies and growth

By the end of the nineteenth century British colonial administration and finance had evolved into a set of well-established procedures and practices. The various colonial administrations were supervised by the Colonial Office in London. The Colonial Office used a 'desk' system with different desks attending to specific colonies and the decisions made under this system were mostly based on precedent. Where decisions on financial matters were required the Colonial Office cooperated with the British Treasury. The permanent officials of the Colonial Office believed in the dogmas of Gladstonian finance, "Nothing was worse than over-spending; and the less spent the better spent" (Carland 1985:104). The colonial governors were expected to submit balanced budgets to the Colonial Office for approval. Deficit financing was frowned upon and generally not allowed (Carland 1985: 103).

In the colonies the Governors were responsible to the Colonial Office for all administrative expenditure within their colonies. They were required to prepare and submit balanced budgets to the Colonial Office in London. The colonial administrators were required to raise sufficient revenue in the colony to meet the costs of the administration and any contemplated public works. Sometimes colonies suffered unexpected fluctuations in revenue. These were due to fluctuations in world commodity prices and unanticipated fluctuation in domestic outputs. When budget deficits occurred the colonial governors were expected to make these good from reserves or from revenue. When this proved impossible or undesirable the shortfall was made good by a British Treasury grant. A few colonial governors, notably Sir Walter Egerton, Governor of Southern Nigeria, 1906 (Carland 1985: 63-6), had deficit proposals accepted and approved by the Colonial Office and the Treasury. These proposals were for government spending on public works and infrastructural development purposes. When these projects ran foul of revenue fluctuations they served to confirm the disapproval of those officials who regarded deficit budgeting as a financially unsound and improper practice. An important practice, strictly adhered to, was that colonies should not be a charge on the British taxpayer and that a good colonial administration planned and prepared accordingly.

Crown colonies generally relied on indirect taxation for most of their revenues. These taxes, usually in the form of import and export duties, varied from colony to colony. Ceylon levied duties on the export of coffee, tea and cocoa; the West Indies colonies taxed sugar and the West African colonies, ground nuts, palm oil, cocoa and gold. The colonies also taxed a wide range of consumer imports, such as cloth and finished metal products, but at much lower rates. Colonial administrators were expected to introduce direct taxation of the indigenous inhabitants carefully and gradually. The botched introduction of poll or hut taxes not infrequently caused expensive wars (e.g., the Hut Tax War of the Gold Coast 1897-98). The administration regarded the introduction of such taxes as an important initial step in the political development of the colony and considered them justifiable on this ground rather than as a means of revenue raising *per se* (Kesner 1981: Chap 1).

A number of authors addressed the problems of imperial administration as they were understood at the time. For example C.H. Stigand in *Administration in Tropical Africa*, published in 1914, wrote that:

> We should strive to bring them at first only [civilization's] benefits. Of these the first is justice. The second is, perhaps, the development of trade, finding markets for them outside their country, rather than for traders inside (Stigand 1914:73).

Furthermore:

> We have come to the conclusion that agriculture is the best means of developing most countries. Whether the agriculture is to be run by the natives themselves, or by labour under planter, is a matter of policy in deciding which sentiment and suitability of the country play a large part. Much will depend on the natives themselves, if they are thought capable of self-development or there are other reasons making the country unsuitable for planters, it should be made into a native reserve (Stigand 1914:76).

[and]

> the duties of the Colonial Office are: to maintain the balance of just relations between white and coloured, capital and labour in the various colonies (Stigand 1914:291).

The success of the British Empire inspired comments and theorizing as to its cause. In the nineteenth century the dominant explanation for the existence of the empire was scientific racism. Scientific racism enjoyed great popularity, especially after the 1850's and inspired several generations of novelists and countless tracts of imperial reportage (Bolt 1971).

Scientific racism combined the racist doctrine of the biological inheritance of cultural characteristics with the notion of societies evolving through stages. According to this view, different cultures were at different stages of maturity and their level of maturity was determined by the evolutionary status of their inhabi-

tants. The role of the imperial administration was to perform the civilizing mission, to carry to the "lesser breeds without the law" the benefits and virtues of triumphant Anglo-Saxonism (Horsman 1976).

Kuklick, discussing the characteristics of the imperial bureaucrats of the late nineteenth and early twentieth centuries comments on their attachment to the:

> recapitulation hypothesis: the growth of each individual and every society invariably repeated a single linear developmental sequence. The evolutionary stages leading to the development of civilization were invariant; what differed were the rates at which societies changed, modified by environmental factors. All of a people's characteristics were interdependent . . . Within any given society, at no matter what level of evolution, it was the elite that was most advanced, the lower orders that were closest to primitive nature. The purpose of British colonial rule was to accelerate evolutionary trends . . . [and it was] presumed that as societies evolved, their political organization became increasingly centralized, resulting in the formation of strong native states with patriotic populations (Kuklick 1979:46-7).

From this point of view, progress was a slow and uncertain process and the prospect of wealth and self-rule, for most of the colonies, was thought to be centuries ahead. The economic theory of the time supported this view. Alfred Marshall was the leading figure in British economics from 1880 and continued to exert an influence after his death in 1924. Marshall was

Professor of Political Economy at Cambridge and his *Principles of Economics* went through some eight editions during his lifetime. The Principles took the view that the course of economic events is a history of increasing production, of the progressive realization of the benefits of free enterprise, and of the stimulating effects of competition on the development of individual initiative, responsibility, efficiency, thriftiness and rational conduct (Marshall 1920: Appendix A). Writing in *Industry and Trade*, Marshall stated his belief that Englishmen have the "characteristics of firm will, self-determination, thoroughness, fidelity and love of freedom . . . qualities of body and character which ultimately [give] to Englishmen a certain leadership in industry and trade" (Marshall 1919:35).

Colonial revenues were limited by their tax base and colonial administrations were not permitted to engage in capitalist commerce. Impatient with the slow progress of capitalist development some colonial governors proposed capital works schemes. For example Swettenham, Governor of Malaya, developed a system of roads and claimed that:

> Revenue and prosperity follow the liberal but prudently directed expenditure of public funds, especially when they are invested in high-class roads, in railways, telegraphs, waterworks, and everything likely to encourage trade and private enterprise. The colonial government cannot do the mining and the agriculture, but it can make it profitable for

> others to embark on such speculations
> (Swettenham 1920:300).

Sir Walter Egerton, Governor of Southern Nigeria, successfully proposed deficit budgeting as a method for financing public works expenditures for development purposes in the early 1900's. However, two successive years of declining revenue regenerated the odium with which the Colonial Office and Treasury viewed deficit budgeting (Carland 1985:110). In general colonial finances were strictly controlled. A Colonial Office minute of the time (1905) stated that "estimated expenditure should be brought within estimated revenues" (quoted in Carland 1985:103). Government revenues in fact depended to a significant extent in many colonies on taxing native consumption. Duties were levied on imports of native consumables and excise on, for example, alcoholic beverages, tobacco and cloth. Usually the amounts collected by these means exceeded those derived from hut and poll taxes. Notwithstanding these facts it was generally held that the colonized natives were the net beneficiaries of imperialism's civilizing mission, even if the benefits conveyed to them were largely intangible (Bertram 1930:17).

Discussion of the principles and practices of the administration of 'subject races' reached its apotheosis with the publication in 1922 of Lord Lugard's *The Dual*

Mandate in British Tropical Africa. The title page quotations include:

> It will be the high task of all My Governments to superintend and assist the development of these countries . . . for the benefit of the inhabitants and the general welfare of mankind — HIS MAJESTY THE KING.
>
> The well-being and development of peoples not yet able to stand by themselves, form a sacred trust of Civilization — Covenant of the League of Nations, Article 22.
>
> We develop new territory as Trustees for Civilization, for the Commerce of the World — Joseph Chamberlain (Secretary of State for the Colonies, 1895-1903).

Attendees of the colonial Office training courses at Cambridge in the 1930's were instructed to turn to Lugard's work as the exemplary model for all administrative policies and procedures.[1]

Lugard ranged over the whole field of colonial administration as it was then understood. Advice was given on subjects as varied as where to site your district office when opening up a new district, to the low cost policy of indirect rule. Lugard reaffirmed the administrative reservation of the primary economic development role for private capitalism and the duty of the colonial administration to support such development. The proper sphere of government, in his view, was to provide infra-structure and services that would support and facilitate the operations and expansion of private

capitalism (Lugard 1922:500). The high moral purpose was most fully realized in the colonial legal system. Native land tenure laws and labour laws received special consideration. The purpose of these laws was to control and regulate the penetration of capitalism, the alienation of land and to regulate the conditions of employment in the capitalist sector of the colonial economy, and prevent the immoral abuse of native 'rights' (Lugard 1922: Chapters 19, 20).

The Empire had its supporters and its critics. Criticism came from a variety of sources with many different points of view, but by the end of the nineteenth century certain common critical themes had begun to emerge. The most influential critic of imperialism was J.A. Hobson who, in 1902, published Imperialism, a Study. Hobson gave voice to a fairly simple thesis that found a great deal of support among members of the British Labour Party and among Fabian socialists. The argument was that capitalism exploits workers, the empire exports capitalism, and colonial capitalism exploits native land and labour. From this point of view the capitalist development process, far from being regarded as a slow, begin process, was seen as a malignant catastrophe. "The native should be protected from the blighting exploitation of white men's capitalism" wrote J. Ramsay MacDonald, first British Labour Member of Parliament and future Prime Minister, in *The Empire and*

Land Policy (1907:102). Hobson's study of imperialism condemned the wealth derived from the Empire in the following terms:

> could the monies expended in the Home Counties and other large districts of Southern Britain be traced to their sources, it would be found that they were in large measure wrung from the enforced toil of vast multitudes of black, brown or yellow natives (Hobson 1902: 159).

Another early example was the work of the colonial civil servant and Fabianist Sydney Olivier. In *White capital and Coloured Labour* (1906) Olivier wrote a sustained attack on racist imperialism and the exploitation of natives in South Africa.

The theme of empire as exploiter was taken up by many writers over the succeeding decades. For example Leonard Woolf, Fabianist and ex-colonial civil servant, was arguing in 1919 that:

> For generations Europe has exploited Africa for economic ends, at first by the slave trade, and later by commerce, agriculture, mining and finance (Woolf 1919:357),

[and]

> the economic principles upon which our society is based, inevitably result in the political subjection and economic exploitation of Africans by Europeans (Woolf 1919:358).

As alternatives to capitalist 'exploitation' the critics of empire pointed to the native cocoa plantations in West Africa and, negatively, to the suppression of native commerce in South Africa. The argument here was that colonial development should proceed by allowing the natives to become capitalists, or at least small-holding peasants and petty traders. Such a system, it was argued, would allow the presently stifled indigenous economic and political development to take place. Although it might be less "efficient" than the expatriate plantations it was thought that the adoption of such a policy would be a positive step in the direction of self-rule (Morel 1914:642, 1919). Another frequently invoked example was the cooperative. This was felt to be peculiarly appropriate to native life and customs. It was considered to be an ideal way of bringing people into contact with capitalism, protecting them from exploitation, and helping to preserve native 'communalistic' customs. Such forms of development were considered more 'appropriate' to the evolutionary stage of the colony and the facts of village life as they were understood at the time (Hailey 1938:1471 ff).

II. The origins of the development impulse

Nutrition and development

Scientific interest in animal and human nutrition developed in the latter part of the nineteenth century. The earliest experiments were carried out on farm animals with a view to establishing the technical requirements for efficient animal husbandry. By the end of the nineteenth century there was strong interest in the application of scientific methods to the study of animal nutrition especially in the new US universities and the new national and regional agricultural research establishments in Canada, USA, Australia and New Zealand with their strong bias towards the development of instrumental knowledge. Animal nutrition studies depended on the use of controlled experiments, but controlled experiments with human subjects raised obvious difficulties.

A pioneer in human nutrition studies was Robert McCarrison who joined the Indian Medical Service in 1902 and in 1910 made a study of the causes of goitre among people living in the foothills of the Himalayas. While making this study McCarrison was struck by the wide range of physical differences between hill tribes and he attributed these physical differences to variations in diet. Between 1918 and 1923 and 1925 and 1929 McCarrison worked on beri-beri research and the pathogenesis of

malnutrition at the Pasteur Institute in Coonoor, south India. In his written submission to the 1926 Royal commission on Agriculture in India (chaired by Viscount Linlithgow) McCarrison stated that his purpose was to indicate:

> (a) the great importance of malnutrition as a cause of physical inefficiency and ill-health among the masses of India; [and] (b) the intimate connection which exists between problems of nutrition and those of agriculture (McCarrison 1953:261)

McCarrison argued that the most important health problems in India were the "diseases of malnutrition" and that the means of prevention of these diseases were the "improvements of conditions of living and of food supply of the people. Indeed the greatest of all problems in India at the present time is the adjustment of the population to its food supply" (McCarrison 1953:277). According to McCarrison this adjustment would be achieved mainly by "restraint in reproduction" (1953:277).

While making his detailed investigations of the pathogenesis of malnutrition McCarrison continued a general investigation into the relation between diet, health and disease. The finding of these studies suggested to McCarrison that India could be divided into seven major dietary areas. In his Coonoor-based studies laboratory simulations McCarrison studied dietary group-

ings with the help of a population of rats. The rats were divided into different groups and fed on diets derived from the seven major diet areas of India. The results were striking, the rats exhibiting the health and physical characteristics of the different Indian populations and visibly demonstrating the different nutritive values of the different diets (McCarrison 1936:25). These demonstrations were particularly effective in securing funding for the Coonoor laboratories and enlarging the scope of its studies. The Linlithgow Royal Commission, which visited Coonoor and viewed the rat populations, recommended the permanent establishment of McCarrison's work and in 1929 the unit at Coonoor was renamed and established as the Indian Nutrition Research Laboratories.

McCarrison retired in 1935 and was succeeded as Director by W.R. Aykroyd. Aykroyd had begun nutrition research on farm animals in Canada in the 1920's. In 1930 Aykroyd joined the Health Section of the League of Nations in Geneva, holding the first international appointment specifically concerned with nutrition. According to Aykroyd "nutrition and public health" was the main theme of his activities as a member of the League secretariat (Aykroyd 1953:xviii). During Aykroyd's tenure at Coonoor a variety of research initiatives were undertaken. Principal among these were the establishment of calorific values for Indian foods

and the commencement in 1936 of field surveys of diet and level of nutrition. As a result of these surveys it was found that the diet of the poor rice eater was essentially the same all over India (Aykroyd 1953:xix). Aykroyd was an advisor in the formative stages of the Food and Agriculture Organization (FAO) and in 1945 left Coonoor to take a position with the FAO secretariat. McCarrison later served as an advisor to the World Health Organization (WHO) committee on nutrition in the late 1940's.

Simultaneously with the work at Coonoor similar work was being done in East Africa. By the late 1920's some medical opinion held the view that the vexing question of native labour efficiency and the varying performances of the different tribal groups may have been related to diet rather than assumed racial incapacity. The Empire Marketing Board gave the Dietetic Committee of the Economic Advisory Council (formerly the British Committee of Civil Research) grants totaling £6000 to investigate native dietaries. Kenya was selected as the first area for field work studies and J.B. Orr and J.L. Gilks made a comparative study of the Masai and the Kikuyu. In their report published in 1931, they stated that they found ample evidence to support the conclusion that Africans suffered from a "loss of health and efficiency due to diet" and that the problem was one "that concerns not only medical and public health, but also agricultural

authorities" (Orr and Gilks 1931:10, see also Northcote 1954).

The nutrition studies were extremely important because they provided the first solid scientific evidence against the claims of scientific racism. Scientific racism asserted that what in fact differentiated populations was inherited capacity or inherited incapacity, both psychological and physical. Scientific racism held that some social groups were more 'advanced' than others and that some social groups were characterized by 'degeneration'. An illustration of scientific racism in the colonial context is provided by syphilis. Syphilis was the subject of much scientific research at the end of the nineteenth century and in the first decade of the twentieth century. The organism causing it was first seen under the microscope in 1905 and the Wasserman test for it was discovered in 1906. Much of the high child mortality in colonial populations was attributed by medical opinion, after 1900, to congenital syphilis. A leader in *The Lancet*, in 1908, suggested that syphilis, as a cause of infant deaths and sterility in adults, would lead to the extinction of the Baganda (Orley 1980:131). Trowell reports that as late as 1935 there was still confusion among medical personnel in Uganda between syphilis and kwashiorkor. Children suffering from kwashiorkor were thought to be exhibiting the muddled signs of lingering infections of malaria, helminths or

congenital syphilis and were frequently given anti-syphilis treatments (Trowell 1982:26). Kwashiorkor was correctly described as a protein deficiency disease in the Gold Coast Medical Report for 1931-32, but this was not widely accepted until the 1940's (Bradley, Kirkwood and Sabben-Clare 1982).

In a number of colonies much administrative effort was expended after 1900 on the pursuit of syphilis. In fact the disease that was probably being identified by the Wasserman test was not syphilis but yaws, a closely related disease. Many of the so-called epidemics of syphilis could most probably be attributed to the belated discovery of yaws, which has a very high incidence in African populations. Orley (1980:132) describes the discovery of 'epidemic syphilis' in Uganda in 1906 and the Governor's request to the Secretary of State for the Colonies for an investigative commission. The report of this commission was published in a volume entitled The British System of Syphilis in 1908 and resulted in the above mentioned leader in The Lancet. Syphilis was a constant preoccupation of the colonial administration in Papua from about 1910 until the late 1930's. Patrol Officers regularly inspected thousands of villagers for signs of syphilis and those detected were summarily consigned to district centres for medical treatment (Annual Reports of the Territory of Papua, 1910-1935). It is not clear, however, to what extent this unreliable

method of detection was supported by laboratory tests. In any case the Wasserman test does not distinguish well between syphilis and yaws and syphilis treatments were then effective against yaws (Hackett 1980:85). The Patrol Officers themselves do not mention yaws and whatever it was they were looking at was simply referred to as "venereal" (CAO 336/90). MacMillan, writing in 1935 (*Warning from the West Indies*), comments adversely on the use by officials in the West Indies of the "South African explanation" of illegitimacy for high infant mortality, and their belief that the high infant death rate was attributable to syphilis, although in a great number of cases this attribution was based on casual observation without the use of serological evidence (MacMillan 1936:127). The important point is that colonial administrations from at least 1900 until well into the 1930's saw their populations as being afflicted with diseases associated with moral degeneration. This view fitted in well with the official and missionary concern for preserving native races and preventing their disappearance which was a major preoccupation during the same period (See for example W.H.R. Rivers *Essays on the Depopulation of Melanesia*, 1922). The technical analysis of nutrition problems and the diseases of mal- and under-nutrition did a great deal to dispel these attitudes and in many respects created the prospect for, and the humanitarian necessity of, economic development.

During the depression of the 1930's food consumption fell in the advanced countries. Early studies of nutrition in the advanced countries in the 1920's had concentrated on the question of malnutrition and problems such as vitamin deficiency. Following the fall in consumption with the onset of the depression attention was paid to a number of diet-related indicators, such as the physical condition of recruits to the armed forces, and a number of countries conducted nutrition surveys in the early 1930's.

The decline in food consumption had severe effects on the economies of the major food exporting countries. Some of these effects included the wholesale destruction of food crops, including dumping at sea. Interest in nutrition had been strong since the early 1920's in Australia and New Zealand, both of which had at an early date introduced consumer subsidies for some foods on nutritional grounds. Accordingly, at the 18th session of the Council of the League of Nations, meeting in Geneva in September 1935, S.M. Bruce (Australian delegate to the Council and a former Prime Minister) raised the question of linking nutritional needs with food surpluses, so as to increase consumption and raise standards of living. This question was enthusiastically taken up by the member nations of the League and resulted in the immediate formation of two committees and a series of reports. One of the committees was chaired by Professor G. Mellanby,

the secretary of the British Medical Research Council, and included among its members Sir John Boyd Orr (one of the authors of the Masai/Kikuyu study mentioned above and the author of *Food, Health and Income* published in 1936). This committee met in November 1935 and produced a report that defined the basic human nutritional requirement of 2400 calories per day when at rest. Coefficients were calculated for age, sex, maternity, work output, and other conditions [LON A. 12(a). 1936. II.B:7]. The other committee was chaired by Viscount Astor and was also composed of an international panel of experts. This committee produced two reports, *The Problem of Nutrition* [LON.A(a). 12.1936. II.B] to which the International Labour Office (ILO) made a contribution, and *Nutrition in Various Countries* [LON.A.12(b). 1936.II.B]. In these two reports the main emphasis was on the problems of malnutrition (i.e., a 'balanced diet') as opposed to undernutrition (i.e., not enough to eat) and the underdeveloped countries, the colonies, were largely left out of account. The reports did, however, conclude that the standard of nutrition improved with income in all cross-country comparisons and that undernutrition was a consequence of poverty.

Nevertheless some of the implications of the nutrition question were immediately grasped by the colonial authorities. Within a few months of the publication of the League of Nations reports the British Secretary of

State for the Colonies issued a despatch, dated 18 April 1936, entitled *Nutrition Policy in the Colonial Empire*, which made reference to them. The despatch was addressed to the colonial dependencies and set in motion the process of an Empire-wide survey of colonial nutrition. The despatch mentioned inter alia that there was a distinction between mal- and under-nutrition; that diet may be a cause of inefficiency as well as disease and that food crop production was an important element in nutrition problems. The despatch signaled a major change of emphasis in colonial agricultural policy towards a technical interest in food crops and their production. Prior to this time the major interest of the colonial agricultural technical services had been species introductions and the plantation system of cash cropping for export (Masefield 1972:63, 69).

In 1937 V.K.R.V. Rao gave a paper entitled *A Note on the Inadequacy of India's Food Supply in Relation to Dietetic Requirements* to the annual conference of the Indian Statistical Association in Calcutta. This was subsequently published in *Sankhya*, the influential journal of the Association. Rao was a student of economics at Cambridge in the mid 1930's. While at Cambridge, and under the influence of Keynesian economics, he had worked on a study of the national income of India for the year 1931-32. Keynesian economics, with its emphasis on aggregates, requires the use of national income

statistics and these were largely non-existent for the colonies. Rao's work pioneered national income statistics for India. In his paper on India's food supply, Rao took McCarrison's conclusion that there was a widespread dietary insufficiency in India, married this with the League of Nations determination of 2400 calories per day as the minimum human requirement and used his study of the Indian national income to calculate an estimate for Indian food production and food imports. On the basis of on these figures Rao calculated that Indian food requirements averaged 2.4lbs per day per capita, while actual supplies available amounted to only 1.8lbs per day per capita. In other words there was a shortfall of 25% in the basic food requirements. Following the contemporary nutritionists' preoccupation with dietary fats, Rao further estimated that in protein terms the Indian diet may have been more than 40% below minimum requirements. It was Rao's view that "dietary habits, when they involve deficiency, are really the result of economic circumstances" and that "an increase in foodstuffs is not beyond the bounds of possibility" (Rao 1937: 185). Rao had given an earlier version of his paper to the Political Economy Club which used to meet in Keynes' rooms in Kings College, Cambridge (Rao 1982:vii). Rao's essentially speculative paper on the question of national under-nutrition inspired immediate action and the Bengal Government initiated research within months (editorial note attached to Rao's paper, Rao 1937:188).

In 1939 N. Gangulee (a member of the 1926 Linlithgow Royal Commission on Agriculture in India and former Professor of Agriculture and Rural Economy at the University of Calcutta) published *Health and Nutrition in India* with a foreword written by Sir John Boyd Orr. Gangulee's inspirations were the work of McCarrison and the League of Nations initiatives of S.M. Bruce and his proposed "marriage of nutrition with agriculture" (Gangulee 1939:239). Gangulee began by making a statement against what he saw as the conventional wisdom of the day:

> It is often argued that in the various Indian communities there exists a sort of adjustment with the environment, and that the food supply is both qualitatively and quantitatively regulated in accordance with the needs of the peoples. In reality there is every reason to believe that this is not the case. The results of a number of local surveys of dietaries show that the Indian communities have not been able to adjust their requirements to the circumstances of their life and labour . . . the mere survival of a community is not an indication of the adequacy of its food supply and health is something more than mere survival, . . . the community while managing to survive may yet be functioning at levels below those possible to its innate capacities (Gangulee 1939:26).

Citing McCarrison, Gangulee argued that the various Indian dietaries, even "when barely sufficient in quantity, . . . are deficient in quality (Gangulee 1939:28).

According to Gangulee the Indian problems derived basically from the structure of the Indian economy. He described the economy as a mix of a feudal agricultural system, a capitalist industrial system and overlying these two, and in his view profoundly influencing them, an Imperial economic system (Gangulee 1939:31).

Gangulee was particularly concerned with the fact that the output of the Indian agricultural system, which produced mainly food crops for home consumption, had remained largely static or declined slightly during the previous decade. The rise in population during this period meant that *per capita* output had in fact declined. Gangulee further illustrated his concern by examining tax revenues and demonstrating that although gross receipts had risen in this period, taxes paid *per capita* had in fact diminished. Gangulee attributed some of the decline in agricultural output to the growth of landlordism under the British Raj and the consequential pauperization of the peasantry. Another part of the decline was attributed to the exhaustion or depletion of the fertility of the soil. In addition, according to Gangulee, the industrial sector of the economy was growing too slowly and hence not absorbing the superfluous agricultural population. Gangulee attributed this slow growth to the domination of British imperialism.

> From the point of view of the metropolis, the fundamental purpose of a colonial empire is to supply a source of raw materials as well as to provide a market for manufactured goods. It is not therefore to the advantage of the imperialist country to foster the growth of either agriculture or industry in the countries under its control deliberately for the benefit of the indigenous peoples . . . British Imperialism seeks to keep the population on the land (1939:25).

Gangulee noted that the census figures for the proportion of the population supported by agriculture had risen from 61% in 1891 to 73.9% in 1931 and although the vast irrigation works in the Punjab, United Provinces and the Sind had absorbed some of the increase in the rural workforce, the repayment of the loans advanced to finance the costs of their construction "implies the financial enslavement of India to Britain in perpetuity" (1939:25). In any case irrigation under a feudal system cannot benefit the actual cultivator. Gangulee saw the future of India in the breaking of the Imperial bond, or at any rate the bond between Empire and vested Indian interests. Only when these were broken could the land tenure reforms be pushed through as a necessary preliminary to the raising of agricultural output. The breaking of the landlords' interests should also be accompanied by the introduction of improved methods of cultivation. The two cash crops, cotton and sugar, had increased in output during the previous decade largely because of technical attention devoted to them. Gangulee placed some emphasis

on increasing output through the application of science and technology to the Indian food crops and instanced the improved plant breeding stocks that were beginning to become available through the work of, for example, the Plant Breeding Institute at Cambridge (Gangulee 1939:278) (by the late 1930's the Institute had produced wheat varieties that nearly doubled the average United Kingdom wheat yields). Gangulee's work represents what was probably the first attempt to place nutrition policy within an elaborated framework of national economic analysis.

By the end of the 1930's a considerable number of books had been published on the subject of nutrition and considerable advances had been made in the technical understanding of the clinical phenomenon. Some of these books emphasized the importance of the linkage of nutrition with agricultural production, living standards and national income. For example C.C. Furnas and S.M. Furnas, American academics, published a book entitled *Man, Bread and Destiny* in 1938, in which they followed US Department of Agriculture figures and declared that 20 million Americans were mal-nourished. On the general subject of the food problem they wrote:

> it is a mistake to assume that there is not a food problem . . . the world is disgracefully under nourished. There is neither enough nor the right kind of food. The amount of food at present produced is enormously less than the

> amount required to provide all mankind with a satisfactory diet (Furnas and Furnas 1938:291).

But with a few limited exceptions nobody had yet begun to develop an analytic to deal with these problems. Growth models in economics barely existed until after World War II.

Not all currents were moving in the same direction. A number of smaller British protectorates in southern Africa experienced economic difficulties in the 1930's. One such was Nyasaland (now Malawi) and the Secretary of State for the Colonies appointed a one man commission to "inquire into the financial position and further development of Nyasaland." The terms of reference of the commission included:

> (1) To inquire into the whole field of Government expenditure, with particular reference to the cost of administrative and technical services; and to report whether in your judgement the total expenditure can be legitimately reduced.

The Commissioner was also asked to examine the prospects for further development of the Protectorate and the problem of the Nyasaland public debt. The report of the Commissioner, published in 1938, was very much a 'continue as you are' document, recommending only minor administrative changes so as to effect economies and contenting itself with the anodyne comment "That

Nyasaland is a purely agricultural country. Its prosperity depends on tobacco, tea and cotton which in value constitute 98% of its export trade" (Report 1938:para 329). The serenity of the colonial administration was left largely unruffled.

In 1939 the survey of colonial nutrition set in motion by the 1936 despatch of the Secretary of State for the Colonies was completed and published as *Nutrition in the Colonial Empire*, Parts I and II (Cmd 6050, 6051). The committee responsible for the report included among its members the Earl De La Warr (chairman), Professor Mellanby, Sir John Boyd Orr and Sir Frank Stockdale. De La Warr was the British representative at the League of Nations at the time of the Bruce initiative and took an active part in the food and nutrition discussions. Mellanby and Boyd Orr were members of the League of Nations nutrition committees and Stockdale was an eminent British scientist and the Agricultural Advisor to the British Colonial Secretary. The report of the committee was issued in two parts, the first being a summary of the nutrition problem and the recommendations of the committee and a second part comprising the results of a survey questionnaire sent to the various colonial administrations for information on the different dietaries. The report firmly expressed the view that:

There is no doubt in our minds that over a large part of the Colonial Empire one of the most important causes of malnutrition is the low standard of living of many of its inhabitants (p. 13)

but when all is said and done we cannot get away from the fact that the present economic level is, broadly speaking, not high enough. Malnutrition will never be cured until the hopes of the peoples of the Colonial Empire command far greater resources than they do at present (p.14)

The main [cause] of malnutrition in the Colonial Empire [is] in our view . . . that the standard of living is too low (p.39).

We have no hesitation in saying that in almost every part of the Colonial Empire the total income of a very large proportion of the population is a long way below the minimum required for satisfactory nutrition. The reason for this is not necessarily that the available income is badly distributed . . . it is due to the fact that the total income of the community is at present too low to provide optimum nourishment and at the same time supply its other essential needs and all the services of local authorities and the Central Government (p. 40)

Our main concern . . . is to emphasize the very large extent to which the problem of malnutrition is a problem of economic development [and] economic development in the Colonial Empire means improvements in agricultural production (p.42)

Colonial diets are very often far below what is necessary for optimum nutrition. This must result . . . in a general impairment of well-being and efficiency. We do not doubt that if it were possible (as unfortunately it is not) to remove at one stroke all traces of mal-nutrition in the Colonial Empire there would be an immense gain in physical health, mental alertness and in material welfare. Money spent on improving nutrition should be a sound investment, yielding its dividend in the increased welfare of the community as a whole (p.88).

These extensive quotations serve to show both the character and the sharp focus of the report.

The report largely side-stepped the problem of how economic development might be achieved. Most of the attention of the report was given to the more marginal issues of improving peasant production and consumption. For example, the report devoted attention to the question of the correct diet for paid labourers and recommended that plantations should make small plots of land available to their indentured employees. Other matters given space were the importance of education to dispel ignorance and prejudice about diet. Not unexpectedly, and in accord with a long imperial tradition, the report recommended land tenure reform and the building up of a 'yeoman' peasantry in the colonial dependencies. All very worthwhile objectives but not in themselves a solution to the problem of creating economic development.

The report did note, however, that in some colonies (e.g., the West Indies) a rapid population increase was occurring and that this, coupled with the diminishing return on the principal export crop, sugar, in itself established the necessity for some forward movement of the colonial economies if the inhabitants were not to become a burden on the British tax payer.

Additionally, the report touched on what had been suspected for a few years. Namely the problem of seasonal fluctuations where the period of greatest subsistence shortfall coincided with the period of highest labour demand. One of the earliest pieces of research initiated by the report committee provided a scientific proof of this. Platt, in his *Report of a Nutrition Survey in Nyasaland in 1939-40*, was the first to show that seasonal weight variations were consistent with variations in energy balance; "at the time when food stocks were low and the energy expended in operations at the opening of a new agricultural season was high, the energy value of the food eaten was only 60% of the estimated requirement." This observation was repeated many times in Africa in the 1940's (for a Gambian example see Eddy 1980:38). One response, suggested by Platt, to this problem was to 'pump prime' the system by providing food supplies and raising diet levels during the period of greatest shortage, thereby permitting more crops to be planted with a consequentially increased harvest and a better food supply next time around. This suggestion was taken up in the post-war period as the basis for economic development by FAO.

The report on *Nutrition in the Colonial Empire* saw the Empire as fundamentally rural, however, and conceptualized the problem as primarily a matter of increasing peasant domestic subsistence production. This would be

achieved, the report thought, by devoting Colonial Agricultural Service scientific expertise to the improvement of crop farming methods and crop varieties and giving land tenure to the landless.

The second part of the report on *Nutrition in the Colonial Empire* contained the various colonial administrations' responses to a questionnaire about the local dietaries. This part of the report demonstrated that in the majority of cases the colonial authorities were unaware, or only barely aware, of nutrition problems. The responses included many simplistic accounts of "what the natives eat." Despite the fact that the Colonial Secretary, in his 1936 Despatch, had virtually invited the colonial administrations to apply for Colonial Development funds to develop schemes to deal with these newly discovered problems ["one of the objects which may be assisted by the Colonial Development Fund is the promotion of public health in the Empire" (1936:8)], no proposals had been advanced. While there was a great deal of agreement that something should be done, precisely what was not at all clear. In fact the problems of colonial (soon to be national) economic development largely defeated the concepts and theories of the time.

Writing in 1939, the Commonwealth historian W.K. Hancock, (*Problems of Economic Policy 1918-1939, Part I*), concluded his analysis of economic policy within the

Empire with a discussion of the economic policy responses of the Dominions to the collapse of agricultural and raw material prices in the 1930's. Hancock argued that the economies of the Dominions were sufficiently hardy to weather the storm by diversifying their agricultural production and developing their industrial production.

> But [Hancock asks] how could Great Britain's African dependencies do for themselves what the Dominions were doing? The classic theory and practice of international trade had been operating on them long enough to disturb their primitive foundations, but not long enough to firmly lay the new foundations. The African peoples who had been drawn into the society of trade might justly claim some share of the society's promised blessing: decent medical services *and one square meal a day* [my emphasis] would hardly seem an excessive demand. But could the demand be satisfied now that the terms of trade had changed so catastrophically? If it were to be satisfied, capital investment must continue in areas partially developed and begin in other areas which remained quite undeveloped. But where were the market prospects which would attract the private investor? Responsibility, it would seem, must fall increasingly on those governments which had taken on themselves a 'sacred trust' for the welfare of African peoples. Would they have the will and the economic strength . . . or would a more stronger nation have to shoulder the burden? (Hancock 1940:292).

It was really the nutrition argument that was responsible for the British parliament passing the *Colonial Development and Welfare Act of 1940*. Although other factors such as long running declines in colonial food crop yields (a major reason for the intense interest

in the colonial agriculture departments in soil erosion) and, of course, political considerations, were influential, the nutrition argument was in the fore-front of the 'official mind'. The advances and discoveries in nutrition science were instrumental in securing the acceptance of the Act without significant political party division.

The Bill was introduced to the Parliament by the Secretary of State for the Colonies, Lord Lloyd, who remarked that "the promotion of better nutrition, better health . . . is as important as material infrastructure" (Hansard HC:Nov 1940) (a reference to the previous policy of restricting government investment to railways and other infrastructure). Creech-Jones referred to the "very grave revelations" to be found in the report *Nutrition in the Colonial Empire* and Viscount Bledisloe stated that:

> Subsistence must come first . . . without efficient husbandry native peoples cannot be nourished; and malnutrition which is alas so widely prevalent in many parts of Africa, not only invoked discontent but also produces a widespread susceptibility to disease . . . Social progress is impossible under these conditions . . . *Prime the pump* [my emphasis] of development by all means, but insist thereafter that the handle operated locally shall lift the water of economic progress (Hansard HC:Feb 1941).

Something of the ecumenical flavour which was bestowed on the Bill is indicated by Creech-Jones' remark that:

> it is no good for us on these benches to talk of capitalist exploitation, or for Members in any other part of the House to talk about the goal of self-government, unless they are prepared to help the Colonial peoples get food, shelter, knowledge and health and to bring them an economic organization for the development of their well-being (Hansard HC:May 1940).

The mention of exploitation touched some nerves and Rear Admiral Beamish expressed the sentiment that "this Bill makes up at least a little for what we have done so wickedly in the past" (Hansard HC:May 1940) and Sir Richard Ackland thought it "just a small repayment . . . for all the advantages we have received" (Hansard HC:May 1940).

Among matters dealt with by the Bill were the setting up of two committees, one to advise on expenditure for development and welfare and the other to advise on expenditure for research. The colonial administrations were invited "to prepare development programmes for a period of years ahead" (Cmd 6175:15) and the Act provided for the financing of these plans up to a maximum of £5 million per year for ten years.

It must be emphasized that there was little, or perhaps no conception of how this amount of money might be spent

so as to achieve economic development. In passing, the report on *Nutrition in the Colonial Empire* had ruled out the possibility of encouraging subsistence agriculture by the payment of subsidies as "administratively impractical" (Cmd 6050:131). Equally unacceptable, although for different reasons, was the payment of subsidies for export crop production (Cmd 6050:131). It must be remembered that while the passing of the Act marked the virtual abandonment of the old Marshallian economic orthodoxy with its emphasis on the very long run and its racist and evolutionist coloration, there was, as yet, nothing to take its place. The early attempts at growth models (von Neumann 1936) were either not understood or, in the case of the primitive and simple Keynesian derived models, only just being formulated. Their application to development problems was largely a post World War II phenomenon. The clearest line of development, the one that the reports recommended, was the improvement of food crops and subsistence farming. This certainly fell within the limited vision and intellectual resources of the colonial administrations of the time. As Masefield notes in his *A History of the Colonial Agricultural Services*, the services only really started giving food crops a major research emphasis in the 1940's as a result of the *Colonial Development and Welfare Act* (1972:69).

The West Indies remained a problem colony because of its population problem. Whatever population problems other colonies might have had went largely unnoticed because of inadequate statistics (it was really only in the 1930's that the techniques for the analysis of demographic statistics were refined to something like contemporary standards). In the West Indies, however, it was clear that the surge in population growth could simply not be accommodated by establishing and enlarging a peasantry in the tradition of the imperial "yeoman" fantasy. In this context "light industrial-isation" was suggested. Lord Lloyd, answering questions on colonial economic policy in the House in December 1940, said:

> I think we must admit that quite a number of the colonies have, in the past, concentrated far too much on the production of possibly one very profitable export crop and been blind to the necessity for a healthy system of mixed farming.
>
> The results have been lamentable particularly in the West Indies . . . the agriculture in the colony becomes entirely unbalanced, and consequently the standard of nutrition . . . gets very low.
>
> I am very interested in what can be done to increase the growth of secondary industries in the Crown Colonies . . . I do not think you can get away from the fact, look at it how you will — although it is highly complex, as I am beginning to learn — that is our duty to try to make the Crown Colonies as healthy normal entities as we can . . . you should try to develop a reasonable number of secondary industries in the Crown Colonies . . . (Hansard HL:Dec 1940).

Lloyd's words mark the end of an era.

III. Agriculture and development

During the nineteenth century and until the mid 1920's the chief vehicle for colonial development was the plantation. The term plantation is not easy to define, since some of the leading features of plantation production has changed over the centuries. The Encyclopedia of the Social Sciences provides a convenient working definition appropriate for the period under discussion. It restricts the use of the term to:

> large scale agricultural units in the warmer climes . . . a property producing a single crop or two crops grown primarily for export . . . [A plantation] depends on a plentiful supply of cheap labour . . . [and] an extensive land frontier.

The Encyclopedia also stresses the political dimension of plantation production, seeing plantations as a means of occupying, pacifying and bringing new lands into development, supplementing the work of the colonial administration.

A plantation economy depends upon cheap factors of production — land, labour and transport - and a lucrative export market. To the extent that colonial administrators were dependent on revenue raised directly or indirectly from the plantation system, they were bound to assist, at least in some measure, the provision of the three factors - land, labour and transport. Various colonial administrations made land available for expatriate plantation development through a variety of mechanisms including land capture, registration and purchase schemes, and leasehold arrangements. Colonial administrations also introduced legislation to control the process by which labour was levered out of the indigenous subsistence economies and into the plantation system. Colonial administrations were permitted, and sometimes encouraged, to take out development loans for the construction of a transport infrastructure to service the expatriate dominated, export oriented, plantation sector. E. Van Maanen Helmer, writing in *The Mandates System in relation to Africa and the Pacific* (1929) avers that:

> Under the mandates system the principle ought to be applied that exploitation of the mandated territories should only be permitted to the extent it can be made compatible with the moral and material welfare of the inhabitants (Van Maanen Helmer 1929:259).

Van Maanen Helmer quotes approvingly Lugard's *Dual Mandate* prescription for colonial economic development:

> Sir F. Lugard divides the economic development of the territories into two categories: (a) Works undertaken by the Government in order to render possible the administration of the country, the establishment of law and order, and the advent of commerce, from which should be derived a revenue for administrative purposes, (b) Enterprises conducted by private capital and initiative, and the facilities afforded by Governments for their encouragement (Van Maanen Helmer 1929:259).

Van Maanen Helmer notes that both these forms of development demand native labour and that there is a standing obligation on the administration to regulate the use of native labour.

During the period 1880-1940 the colonial agricultural departments primarily devoted their time and attention to the problems of plantation agriculture. There were three main areas of interest; the introduction of 'economic' species, the development of efficient cultivation techniques and the improvement of crop yields, with an overall focus on export crops rather than the indigenous food crops. Indeed, by 1900, the introduction of crops from one county to another had become almost an article of faith rather than of policy, and this activity was the main preoccupation of many of the new British colonial agriculture departments founded during this period (Masefield 1972:63). The peak period of crop intro-

ductions coincided with that in which the native poll tax was first imposed in many colonies.

In India agriculture departments were established in most provinces in the 1880's and 1890's and became involved in research over the next two decades (Randhawa 1979: Chap 1). Some departments spent a good deal of time and effort trying to discover an implement or tool which would revolutionize indigenous agriculture, a strategy which reflected certain assumptions carried over from European experience (for example seed drills, mechanical harvesters, steel implements). In India this took the form of the invention of the heavy plough that was later abandoned because of its contribution to soil erosion (Baker 1984:144), while in Papua there was the firm conviction until the 1940's among administration officials that some simple, but as yet uninvented, steel hand tools would revolutionize the indigenous swidden horticulture (PAR 1910-1940). In their research on plant breeding and improved cultivation techniques the various agriculture research departments used simple and slow trial and error experiments, the methodology of which, the use of controlled statistical comparisons, was not significantly improved upon until the late 1930's (Sampson and Crowther 1943:67). Using these methods cash crops such as sugar, cotton, jute, tobacco, rubber, cocoa and coffee enjoyed the most attention and new strains were bred and acclimatized.

After 1926 world commodity prices tended to move against plantation agriculture and this general decline was greatly intensified by the depression of the 1930's. Colonial economies suffered, some more than others (for details see Bower 1949 and Frankel 1938:tables 43, 49 - reproduced here as Appendices I and II). Writing in 1939 Sampson and Crowther argued that the expatriate plantation would never be successful in West Africa because of depressed commodity prices, although native plantations might succeed (along the model of the successful Gold Coast native cocoa plantations) because of their lower overheads and the farmers growing their own food (Sampson and Crowther 1939:11).

During the 1930's scientific agriculture became interested in and concerned about soil erosion. This interest originated in the United States when arable (or semi-arable) land was turned into 'dust bowls' after tillage had damaged the structure of the soil and poor seasons led to crop failures. An informative account of contemporary scientific thinking about soil erosion in the colonial context is given in Chapter XVI of Hailey's monumental *African Survey* of 1938. Soil erosion is a term that covers a complex set of more or less closely interrelated phenomena, including denudation of forest cover, loss of topsoils in water run-off, gullying, loss of topsoil through wind action, silting up of rivers,

over rapid water run-off for plant growth, lowering of the water table, diminished rainfall and other phenomena. As the *African Survey* puts it:

> Soil erosion leads to chemical changes in the soil . . . all tending in one direction: to reduce fertility of the soil and so impart its efficiency as a supporter of plant life. This in turn can have only one result, the reduction of the capacity of the land to maintain human and animal life . . . in parts of the continent the demands of the population are already throwing such a strain on the land that its productivity is actually declining . . . [and] on the fringe of the Sahara "the whole population is actually increasing whilst the means of supporting it are visibly decreasing" (Hailey 1938:1063, quoting Stebbing 1935:609).

The soil erosion thesis made a strong impact on colonial agriculture departments and was a central topic of discussion for several decades. The argument at the centre of discussion was that if arable land was expanded, so as to produce more food and meet the requirements of a growing population, this in turn led to further population growth and a demand for yet more arable land. Arable land in the meanwhile was losing its fertility. Under these circumstances the demand for land would increase exponentially. This pessimistic 'doomsday' scenario was much discussed by agricultural scientists. Much of the controversy as to whether this was, or was not happening, remained unresolvable speculation in the absence of anything more than estimates of soil loss and population growth. Furthermore, at least

in Africa, there was no information about the general state of native subsistence agriculture and its production trends.

India was, however, a different matter. India was early identified as a country suffering from severe soil erosion and forest conservation had been established there at an early date, an appreciation of the role of the Himalayan forests in the catchments of the great rivers. There were statistics available for both Indian food crop production and for the population and by the late 1930's these were causing much concern in scientific circles. Following the compilation of the census figures for the mid-1930's numerous studies were made in an attempt to determine what were the long run population trends for India. Official policy at this time discounted the possibility of population growth. Much of the controversy centered on mathematical analysis and the choice of curves of best fit to explain what were assumed to be the underlying growth characteristics. [These exchanges (Raja 1935, 1937 and Ardarkar 1937a, 1937b) were published in *Sankhya*, the Journal of the Indian Statistical Association then edited by P.C Mahalanobis, later a major contributor to Indian Government planning and industrialization policy]. Interestingly, and indicative of the state of theory at the time, a frequently cited example of population growth was an American experiment in which a colony of fruit flies was

put in a bell jar, given a constant, fixed supply of food, and simply allowed to reproduce. The fruit fly population followed a curve of increase and then leveled off, remaining constant. This was cited then as a guide to the Indian population future.

On the food supply side of the Indian Malthusian equation, although output of the two cash crops, sugar and cotton, had increased between 1922 and 1937, no increase had been recorded for food crops and some had in fact declined [for example rice production had declined from 31 million tons in 1922/3 to 29 million tons in 1935/6 (Gangulee 1939: Appendix III, reproduced here as Appendix III, and Indian Bureau of Statistics 1939]. Moreover there were some indications that a general decline had set in, the effects of which were masked by the expansion of agriculture under the large irrigation schemes being carried out under the British Raj. Some discussion as to whether crop yields were actually decreasing appeared in Sankhya and Gangulee, in *Health and Nutrition in India* (1939), attributed the stagnation of output to the exhaustion of the soil, particularly in the older rice growing areas. In fact by the 1930's many of the new strains of crops, which had been grown for several decades, had begun to show unmistakable signs of a long term fall off in yields, even under the research conditions of the agriculture department's stations. Informed guesses were made as to reasons. One of these

was that while the new seeds delivered better yields they took more nutrients out of the soil and these were not being replaced. Another possible cause was the actual pattern of water delivery in the irrigation systems as the cropped areas grew larger (Baker 1984:45). A number of studies speculated on the question of the impoverishment of the Indian soil and the measures that might be taken to restore its fertility, given the possibility of a "national catastrophe due to soil erosion and its dreadful consequences" (Anonymous review in the *Indian Journal of Agricultural Science*, 1939:9, of Jacks and White *The Rape of the Earth: A World Survey of Soil Erosion*, 1937).

The net result of static food production and growing population combined with an increasing understanding of soil fertility problems on a national scale led to a call for more agricultural research across a broad front and a burgeoning interest in agricultural extension. Agricultural research in Britain and America was beginning to demonstrate in the later 1930's the potential for the application of scientific methods and technical innovation in agriculture. The Tennessee Valley Authority provided a widely discussed model for a farm improvement program, as did the NFA initiatives in America. The potential for a radical increase in crop yields had been demonstrated by the plant breeding institutions. Several surveys in the late 1930's suggested changes in these

directions and this trend was greatly reinforced by the new understanding of the problems of mal and under-nutrition. In 1939 Gangulee wrote:

> We see the solution of the population problem in India not in any direct attempts to limit the population, but in a reorientation of the agricultural policy supported by a corresponding reorganization of other branches of economic structure, and in a general improvement of the standard of living of the people (Gangulee 1939:275).

In 1943 W. Burns, a senior Indian agricultural scientist, carried out a survey, the results of which were published as *Technological Possibilities of Agricultural Improvement in India* (Burns 1944). This survey took account of crop yield and population growth (see Burns' table included here as Appendix 4) and made recommendations for increased agricultural research. (The official response to Indian agricultural productivity and food problems in fact pre-dates the notorious great Bengal famine of 1943. After a serious famine at the turn of the century only minor famines occurred which were easily controlled and limited, until the Bengal famine where the death toll numbered in the millions). The administration of the Indian food supply during World War II raised some complex problems (Knight 1954), but possibly the most significant effect of the famine, in policy terms, was the anti-imperialist publicity it generated in the USA. In any case the very rapid

increases in food crop production in the USA and Canada during this period were viewed with great interest and in some quarters at least were viewed as exemplary applications of 'know how.'

During World War II farm output rose by varying amounts in different countries. It rose least in those food exporting countries faced with a long haul to their markets, Australia and New Zealand, but very steep rises occurred in the USA. In the USA administration policy encouraged the growth of farm production and the physical volume of agricultural output increased steadily during the war by about three times as much as during the corresponding period of World War I. Overall it was estimated that farm production rose by about one third and this increase was attributed partly to the weather and partly to better production methods and better varieties (such as hybrid corn) which combined to raise the overall yield rates per acre (Ezekiel 1946:22). Agriculture in the USA benefited during the war from substantial capital investment. American farmers acquired 50% more tractors, doubled their use of chemical fertilizer and benefited from administration-funded farm "re-modeling" programs (Black and Hyson 1945). Such outcomes served to reinforce the expectation that colonial and tropical agriculture could be similarly transformed by concerted state research, planning and expenditure.

Following from the initiatives required by the *Colonial Development and Welfare Act of 1940* many British colonial administrations had produced five or ten year plans for agricultural development by 1945. The plans included schemes for mechanized agriculture, the dissemination of mixed farming, planned farm development, group or communal farms, new cash crops or new food crops (Masefield 1972:71, 104). Many of the proposed plans included soil conservation measures, afforestation, anti-erosion and water works.

As Morgan's work shows, none of these schemes were founded on a growth and development analytic as such, rather they were programmed allocations of expenditure under the traditional colonial budgetary headings of education, health, agriculture, water, roads, etc., (Morgan 1980: Chap 16). In the case of agriculture the plans were intended to increase output both of food crops and of export cash crops, and the aid inputs were meant to 'pump prime' they system. Colonial economies were thought of as stagnant and backward due to lack of capital and technical ignorance. Money invested in agricultural production and health services increased physical efficiency and raised output and money invested in education dispelled ignorance and prejudice and permitted the cross-cultural transference of modernizing concepts. The combination of these three, along with

some supporting infra-structural investments would, it was expected, raise a colony from its state of backwardness. Although agricultural scientists thought that this would take a longtime, at least many decades (Baker 1984:48).

British development thinking in the 1940's had a certain vagueness to it. There was no particular appreciation of the kinds of structural changes that the colonies would have to make and no special apprehensions about the kinds of class and socio-political tensions that inevitably accompany periods of social transformation. Progressive and conservative colonial thinking had always seen the colonies as "predominantly rural" and for decades had debated the respective merits of expatriate versus native plantations. Conservatives and progressives then saw the colonial of the future as a peasant, either a rural capitalist or a rural socialist, but always a peasant. Hence, within the larger framework of the relationship of the colonies to the 'mother' country no change was intended nor anticipated. Although Keynes had presently remarked in 1929, when told about the new chemical fertilizer factories, that, as you can make anything our of dirt now, it does not matter where it comes from.

IV. Counterfactuals and conclusions

In this account of the origins of the idea of development and the development impulse the discovery of the technical facts of under-nutrition and malnutrition have been given prominence. It is the writer's view that these technical discoveries are of primary significance in any account of the course of intellectual events during the first half of this century. It is surprising, to this writer, how frequently technical discoveries are written out of intellectual histories.

The reason for the disappearance of technical discoveries, insights and understandings from sociological analyses of historical processes is, however, not difficult to discern. In the first instance, an appreciation of the significance of technical discoveries frequently requires an in depth familiarity with technical analyses and processes. Secondly, although within a technical field the discoverers of a process and technique are frequently given recognition, outside of the field the technical facts may often become naturalized in the double sense that their human origins become less significant the further one is removed from active engagement in the

particular technical field, and in the sense that all technical facts, when they become well known, assume a timeless quality.

The discovery of the technical facts of nutrition quickly came to have this timeless quality and it is for this reason, perhaps, that the few accounts of the origins of the modern idea of development give only the briefest of mentions to the events of the 1920's and 1930's. In fact the technical discoveries were taken into official and political consideration with great rapidity and in less than a decade their significance was so well established that they became, as it were, merely background information. With the rise of social democracies, with their commitment to social justice and the elimination of poverty, the discovery of the poverty and human needs of the colonial populations and the accompanying political problem of developing the colonies destroyed the traditional political economics of empire. The *Colonial Development Act of 1940* signaled the end of the Empire and the beginning of the decolonisation process. From this point of view the Colonial Empires disaggregated themselves under instructions from the centre and the rise to prominence of colonial independence movements should be understood in this light. Possibly the only cases where native independence movements were seriously opposed were when they appeared to be part of the cold war confrontation or, as in the case

of Rhodesia and Algeria, when they faced an entrenched, *indigenous* opposition.

The analysis presented here rests on a consideration of counterfactuals. The key events were the technical discoveries. Had these not taken place then the political and economic understandings would have been different. Such an identification of human needs and a factual recognition of the scale of such needs is an event of considerable importance in the intellectual history of the twentieth century.

Chapter 2

Growth and the Colonial State

1.

The nature and character of the late colonial state has been a relatively unfashionable topic for some decades. The onset of independence in the third world was intended to sweep aside the legacy of the past and to bring about the refashioning of the third world state into an entirely modern form. During the late colonial period and the first few decades after independence the colonial state was widely perceived as a brake on development and growth and the newly independent states were expected to realize a Promethean transformation. We are now sufficiently distant from this period to reassess this view.

The purpose of this chapter is to examine some aspects of the dimensions of growth and change in the twentieth century colonial state of Papua. In order to understand success and failure of the process of planned economic development in the

post-independence third world state, it is necessary to examine the colonial period and the developmentalist assumptions made during this period that were carried into the post-independence period. A central argument made here is that the relationship established between the state and its citizens in the colonial period continued into the independence period and that the chief characteristics of the post-independence developing state are derived from the colonial period.

II. Modernizing law in the colonial state

Central to any conception of the colonial state as it was theorized and put into practice in the decades following the turn of the century was the idea of the rule of law. The primary development task was then seen as the putting into place of a system of law that would, if not immediately, start the process of evolution to the end state represented by the legal systems of the colonial powers. This was seen as an evolutionary and historical process.

In practice, however, the extension of colonial rule into indigenous communities required a recognition of, and a

measure of adaptation to, existing native custom. It was this practical interface that constituted a primary limit to the colonial state and constituted the focal point of the growth process. In effect the colonial state for the greater part of its existence exercised few functions other than statehood itself and its primary manifestation through the rule of law. The growth and development of the nation state was seen and understood largely in terms of the growth and development of the juridical role. By the late nineteenth century commerce, in the well-ordered colonial state followed law and should commerce precede law, then this was sufficient justification for the pre-emptive establishment of the rule of law.

The art and practice of colonialism revolved largely around law and its implementation, extension, adaptation and evolution. Colonial studies adopted legal principles as their centre piece and the study of native customs as the surrounding supports. The colonial science of anthropology was, from the turn of the century, dominated by the preoccupation with the determination of the rules and laws of kinship and the explication of the labyrinthine complexities of particularizing native custom and traditional case law.

In anthropology the most widely used approach to the analysis of law in traditional societies has been that of dispute analysis.[1] Analysis is a convenient tool for field workers. It provides them with something to do, it engages and involves the field worker with the people among whom he or

she is a participant observer. It fills note books with observations which later to extended explanations. Disputes when recorded have real, almost palpable overtones. They involve real people and their emotions. Dispute analysis as a means of approaching the analysis of social reality also reflects a rather Anglo-centric view of law. It is the view of this writer that the discourse produced by dispute analysis reproduces some of the characteristics of English common law discourse, particularly the presumption of an absolute character to custom itself. The analysis suggested in this chapter eschews this particular positivism of colonial anthropology and instead focuses on the culturally embedded dimensions of force and coercion, the structuring effect of the time dimension within these factors and the changes in these factors over time.

An important characteristic of traditional law in pre-literate societies is its dependence on memory. Its existence in the living memory, in human time, is its most important structuring characteristic. Practically speaking, how does this come about? Human time, the present, is never confined to the present, to just the here and now. In every society there is some sort of conception of a future and a past. The transit of the generations at least ensures that this is the case. In every society the past is better known than the future because of its existence in human memory. Old people know the past as part of their lived experience. Young people know of the past only by learning from the old. In any

kinship system, simple or complex, older people have a more certain knowledge of relationships that actually existed or are remembered as having existed. Old people are able to cite practical rules based on their experiences and to draw morals and define the right and proper. In doing so they may invoke religious sanctions, supernatural power, beliefs, or some form of socially sanctioned authority. But there is a sense in which memory is the authority. In traditional societies, whatever form authority may take in the present, it shows a dependency on the past, it is built out of memory of the past. The past in human terms is a memory of people, names, incidents, events and places. It is this incidental base that gives traditional laws its multiplicity of cases, its wide ranging variability of principles and its ability to create itself anew with each generation.[2]

III. Colonial law and Papuan society: the development of the modern state

The anthropological/historical study of the colonial period in Papua is especially illuminating because it enables to understand in fine grain and immediate detail the actual way in which a modern state takes over a traditional society, the

process by which an over arching power is imposed from above where none existed before. The study of the domination of traditional societies and the exercise of bureaucratic design by the state enables us to grasp the relational aspects of power and the primal violence of the state. The study of the adaptations of traditional societies to the imposed state also enables us to understand some of the relatively neglected temporal dimensions of power relationships and the implications of these for the economies of modernizing societies. The extent to which exchange in traditional societies is not free and moral in the Maussian sense (Mauss 1954), but rather forced and coerced, structured and layered by inequalities at any one moment and by the passage of time itself.

In Papua colonial government was established by British colonial authority in 1884 and over a period of some 15 years an administrative presence was created throughout most of the coastal areas and some inland areas in the central and eastern districts. The inland western areas of Papua remained largely outside the ambit of the administration until well into the twentieth century. The early colonial administration was small and although many officials were recruited in Britain or posted from other British colonial administrative services there was always a strong Australian presence in the Territory (Mair 1948, Legge 1971, Hudson 1971). Administrative responsibility for Papua passed from Britain to Australia in 1906 and after a period as Acting Administrator J.H.P. Murray

was appointed Lieutenant Governor in 1908. Murray inherited a colonial administration that had been established according to the policies and practices current in the British Empire at the end of the nineteenth century. These policies and practices were based on the assumption that it was the duty of civilized races to develop the backward regions of the world to ensure that civilization would enjoy the benefits of their resources and that their populations would benefit accordingly from such civilized contact. The duty of the administration, as discussed in Chapter one, was to control this process with due regard to the rights of the native inhabitants.

In practice the duties of a colonial administration at the end of the nineteenth century were to administer the law and control public order; to raise revenues sufficient to meet the costs of administration and to monitor and control the process of capitalist economic penetration and development by systems of land tenure laws and labour laws. Land tenure laws made land available for expatriate capital and development and labour laws controlled the use of native labour by these commercial interests. In short the principal duties of the administration were to define and manage the introduction of capital trophic property rights along the moving frontier of statist expansion, while avoiding violent political confrontations associated with native alienation and excessive capitalist exploitation. Unsurprisingly, given this essentially statist orientation, many colonial officials shared similar semi-corporatist and welfarist concepts with

the nascent British Labour Party and the Christian socialists.[3]

In common with most of the British administered colonies the Papuan administration raised revenue mainly from the sources identified in Chapter one: export duties levied on the crops produced by the plantation system import duties levied on consumables, and, with the growth of plantation agriculture and hence native cash income, revenue was raised from hut or head taxes. Within the administration, development was thought of as a long term process and with few limited exceptions (Carland 1985: Chap 3) the Papuan administration was neither permitted nor encouraged to borrow money for spending on development projects. The Governor of Papua, J.H.P. Murray, made substantial published contributions to the theory and practice of colonialism and the principles and practice of the administration of 'subject' races (Murray 1912, 1921, 1925).

Four characteristics of the pre-colonial Papuan societies assume special importance in the confrontation with the colonial state. These four interrelated characteristics were the relatively small size of Papuan societies, the wide range of cultural variability, the tendency for customs to have no absolute character and the absence of chiefly and inherited authority. Lewis Lett, an expatriate Australian, plantation owner, confidante and biographer of Lieutenant Governor Murray, writing in 1944 stated that:

> It is not possible to speak of the natives of Papua in the same way as one speaks of the natives of Fiji or Samoa or Lapland, or of the members of any great African tribe. For in Papua there are many tribes, none of them consisting of more than five thousand members, and very few of them numbering a thousand.
>
> Traveling around the coast, one encounters a different tribe every few miles. Each of the small islands lying off the coast of the mainland is inhabited by people of different origin and customs. And there is a distinct clan in each of the inhabited valleys that lie among the inland mountains.
>
> These tribes are different, not only in name, but in appearance and origin and custom . . . Yet it is curious to note that the folk-lore of all tribes in Papua, though it contains different legends, is all of the same fantastic and superstitious character. The legend of how the first coconut came to Papua, and of how fire was discovered, and by what means the first members of the tribe came to the country that they now inhabit, vary a little in detail, but in broad outline are the same almost throughout the territory (Lett 1944:37).

F.E. Williams, Assistant Government Anthropologist from 1920 and Government Anthropologist from 1931 until 1944, makes frequent mention both in his published works and in his field notes during the 1920's and 1930's of the variability and mutability of Papuan custom and the difficulty for the fieldworker to establish a definitive account of any instance.[4] These characteristics of Papuan societies led Williams, an excellent and accurate fieldworker, to largely eschew the contemporary anthropological theoretical frameworks of diffusionism organic functionalism and

structural functionalism as manifestly inadequate to the task of encompassing Papuan social and cultural realities.

> I venture to put forward the heterodox suggestion that the view of culture as an integrated, organized, system has been carried too far. Culture is after all only the work of human minds and has been put together in a strangely haphazard manner. It would indeed be surprising then if we found it completely organized; nor, I think do the facts justify such an assumption. The most that can be said of culture is that it is partially-organized, semi- integrated . . . I am more and more impressed by its adaptability, its plasticity, its power to heal over wounds (Williams 1951:15).

During his twenty-four years of service with the colonial administration Williams spent many years in the field and developed unusually extended relationships with many Papuans. It is perhaps because of this that Williams became more aware of cultural change and the mutability of social relations than most workers. Williams intellectual honesty also meant that the uncertainties of interpretation and ambiguities were mentioned in his enthnographies and perhaps contributed to the impression that Papuan societies demonstrated lower forms of organization compared to, say, African societies. More recently Barnes published a telling attack on the use of African models as a yardstick for the evaluation of the social reality of Papua New Guinea highland societies social reality (Barnes 1962). Barnes' paper was mainly directed at his colleagues use of Afrocentric descent theory and the consequential distorted description of New Guinea social

reality. What Barnes did not appreciate, however, was that the problem is much older and not confined to professional anthropology.

Custom variability and the absence of chiefly authority were seen as problems by the colonial authorities. Starting from the contact period colonial officials were quick to condemn Papuans and their societies for both the absence of chiefly authority and the presence of custom variability.[5] The theme of Papuan society being somehow less than an African society appears in the Administration records in the 1890's and continued without a break into the 1980's.[6] Colonial authorities saw these two characteristics as productive of centrifugal and atomistic results and hence an impedance to Papuan progress and development. My interest here is to explore these two features of Papuan society with regard to their implications for our general understanding of law and the developmental state.

Societies without unified customs and defined authority tend towards the atomistic. In the event of disputes arising that cannot be resolved they tend to fractionate. Papuan societies in the pre-colonial period showed these characteristics in a marked degree. Substantial oral evidence exists to show a turbulent succession of population movements preceding the contact period for at least two centuries and that these movements continued into the colonial period for several decades (Institute of Papua New Guinea Studies 1975, 1976).

Williams' field work notes[7], as do my own, contain eloquent testimony to this tendency. This complex of characteristics, absence of formal authority, mutability of folk law, heterodoxy of custom, is both the outcome of and productive of short time systems, social systems that are regularly irregular without tending towards an end state. Williams' published works tend to present these Papuan characteristics in an almost apologetic manner, as if they in some way fell short of the regularity and order which the anthropological theory of the time demanded. Possibly the difficulty of fitting Papuan societies into an evolutionary or historical schematic was responsible for their relegation in anthropology to the theoretically unimportant category of "irregular" societies after the second decade of the twentieth century.,

All societies tend to reproduce power and Papuan societies are no exception. In a general way we can understand power in traditional societies as an outcome of generational differences, as a product of time-based processes. Groups exist in relation to boundaries and insofar as boundaries exist they return individuals to the group. Groups also define and create differences within themselves. This can be seen very clearly in the production of marriage patterns and the outcome of such time-based patterning, the kinship system. To the extent that these forms of organization distribute both resources and desires they create economies and the differentials of power.

Looked at from another point of view Papuan societies are individualistic (the description 'egalitarian' is sometimes used[8]), anti-state and indeed anti-totalitarian. To this extent Papuan societies presented the colonial administrations with a profound problem. For the colonial administrators these characteristics, insofar as they were coherently identified, were seen as problematic impediments. Problematic because they enshrined in some very obvious ways certain concepts of personal freedom that were popularly believed to be at the foundation of English common law. Impediments because they practically impeded the extension of the colonial bureaucracy which was widely believed to be a necessary condition for progress towards modernity until well into the second half of the twentieth century.

In the pre-colonial period endemic armed conflict in some areas and the ever present possibility of casual violence in other areas (Auhova 1984) placed a major restraint on the fractionating tendencies of Papuan societies. In the absence of over arching authority large groups could not, and did not, form for the perpetration of violent acts, yet at the same time individuals needed to belong to a certain minimal size of group in order to protect themselves from the violent actions of other individuals and groups. This element of personal security was an important individual calculation for Papuans in the nineteenth century and to some extent remains so to the present day. This situation was greatly modified after the arrival of the colonial administration by the introduction of

and enforcement of the concept of the 'freedom of the King's highway'.

The colonial administration brought rapid changes to the structuring characteristics of Papuan society. The most important changes for the purposes of my discussion were the reservation of violence by the bureaucratic state and the institution of rights of free passage. The authority of the colonial state was created by the use of controlled violence by peripatetic officials and their retinue of armed police. A sample of three consecutive days from a patrol report of a routine visit to an area that had been in close contact with the administration for some thirty-six years conveys well the Caesarean character of the Administration's presence in the Papuan villages.

> Tuesday 10th August 1920. Started on the census of Orokolo (V. Cs [Village Constables] Hepa and Akurivira. Population 1150). Ordered such of the people as I did not require for the census to clean up around the village, particularly the beach in front. At the end of the day nothing what ever had been done in the way of such a clean up, and the V.C.'s, who are particularly weak and useless, report that the people will not hear their talk.
>
> Wednesday 11th August 1920. Continued with the census of Orokolo. Again ordered the people to clean up, but at noon nothing had been done. I then mustered the whole village, men women and children, and delivered an harangue which appeared to impress them a little, after which I marched all, that I did not require for the census, out of the village onto the beach, and stationed A.C.'s [armed

> policemen] to see that nobody left the job without good reason, and to immediately report any slackers.
>
> Thursday 12th August 1920. Completed census of Orokolo. Again marched the people out to the beach, and had them working all day, as a result of which things are fairly clean. Started on a census of Arihava (East) Population 261), and moved camp to the main Arihava village. Found the Rest House a filthy ruin, and not fit to occupy. Mustered the village, and set all able-bodied men, about 400 of them, to repair the place. By dusk the house was sufficiently renovated to live in. It is situated on the opposite side of the creek to the village, and the bridge across same is also a ruin. Ordered the men to repair the bridge on the morrow (C.A. Leonard Patrol Report 5/8/20-8/10/20, CAO 336/14).

The absence of unified customs and established chiefly authorities meant that the administration presence was directly felt in each village by individual Papuans without the benefit of mediation by indigenous authority. The colonial state established its presence through its ability to command resources with a capacity for organized violence many orders of magnitude greater than that of any individual or group in traditional Papuan societies. The colonial state also demanded absolute freedom of movement for its officials and enforced a similar, although more limited, freedom of movement for Papuans within the paternalistic *cordon sanitaire* of the Trust Territory.[9] The asseveration of such absolute power produced profound results in Papua societies the most obvious of which were the abandonment of the men's' house system and many ceremonial cycles and an intensified interest

in speculative philosophy (Williams 1923b). There was a profound change in the centre of gravity of power and knowledge in Papuan society.

> Informants tell me that they no longer practice the old ceremonies [sevese etc.] because if they were to put on masks the women would laugh at them (Williams MLL MSS514/92).

The enforcement by the state of rights of free passage made earlier geographical limits less significant as cultural and legal boundaries. Legal systems exist in relation to boundaries. The sovereignty of law is established with reference to a boundary. The diminution of the significance of the pre-colonial Papuan physical boundaries contributed to the atomistic tendencies and custom variability of Papuan societies.

The colonial period marked the establishment of an international boundary for the Territory of Papua. Within this boundary the expansion of the colonial state was associated with the establishment of several moving frontiers. The frontier of the expanding administration presence, the frontier of pacification, fundamentally changed the significance of extant inter-group boundaries. Other frontiers were established by the legislation for property rights, land tenure and labour laws. Intersecting with all of these was the frontier of the upward extension of authority into the state. The creation of a definitive hierarchy of

authority, a super ordinate power, an absolute authority where none existed before.

The new colonial authority had very diverse effects on Papuan culture and society. In certain respects the new authority and its laws went some way to obliterating or reducing status inequalities in Papuan society. Papuans were quick to grasp the uses to which the colonial laws might be put for the satisfaction of grievances and settlement of disputes. Numerous groups and individuals contrived to have traditional disputes resolved in their favour by the colonial authorities. One instance of this was recorded in the Gulf Division Annual Report for 1914/1915:

> In this Division, polygamy appears to be rapidly vanishing, and it is becoming an exception to find a man with more than one wife. From conversations I have had with old men, one reason for this is ascribed to Government influence . . . Formerly when a man had two or more wives, he maintained order amongst them by the liberal use of a thick stick, now he is afraid of being hauled up by the village policeman before a magistrate on the complaint of the wife, and so prefers peace to a wide family circle.

In other instances land disputes were brought to the Resident Magistrate for settlement. Weaker groups that might formerly have been simply displaced from their land by force were able to secure their occupancy with the support of the administration (Gulf Division Patrol Reports 1920-1939, while the historical process of land capture was halted,

paradoxically the new colonial system of land tenure legislation elevated the land captures of the past to the status of customary law. Perhaps of even more significance is the innovation by the new state, indicative of its absolutist character, of the power to make final judgements for all time. This was not a feature of the traditional folk law systems of Papua and the implications of this innovation are still being carried forward to the present day.

The new colonial authority diminished the power and status of existing Papuan authority not only in the direct sense in that all Papuans were given the status of native in the new social order, but also in many less obvious and indirect ways. In Papuan society an individual exists within a complex set of exchange relationships. These relationships permeate every part of a person's daily life and activities. These exchange relationships are time-based, created, manipulated, extorted and directed over time itself. In Papuan society their structuring characteristics arise as a result of the generational roll-over, the maturing of the individual, the death and birth of the others and the odds of life.[10] Within these systems the compulsion of obligations, coercion and forced exchanges are part of the lived in reality for every person. The power and authority of the Papuan individual can only be understood within this complex set of exchange relationships.

The new colonial legal system showed a marked disinclination to recognize authority outside of itself. There were complex reasons for this. One was the tendency for the colonial administration not to recognize the time dimension within Papuan society. Administration officials came to villages as outsiders, made short visits and left. Their lack of extended contact over time and frequent transfer to new districts meant that their grasp of time-related social processes was minimal. Insofar as the time element in the Papuan villager's life was perceived this was defined by the administration as "custom". Custom was a complex concept in colonial culture. On the one had native customs were thought of as being simply inherited and having the force and presence of moral law. From this point of view the administration sometimes described the natives as being "slaves to custom" (Lett 1935) and hence trapped in an irrational past which history and the national development process would simply have to grind down. On the other hand, and with much encouragement from the Malinowskian ethnographers, custom was assumed to both have, and to be explained in terms of, its utilitarian properties. Associated with this was the equally widespread view which maintained a posture of regret that the old ways were passing, native beliefs were being eroded, traditional authority weakened and the morality of the village destroyed (Monckton 1927). These contradictory themes were very much part of the anthropology of the colonial period. Anthropologists wrote both classical ethnographies which presented a timeless view of societies and cultures existing largely without reference to an external

political environment and at the same time wrote booklets (Hogbin and Wedgwood 1943) for colonial administrations on subjects such as modernization, education and the management of social change. To some extent both these tendencies were reinforced by the development of field work anthropology. In fact the fieldworker was often around and about in village society no more than the colonial official. But there is a strong pressure within the discipline to put things together, in the sense that the field worker's account of village life is taken out of time and presented in such a way as to construct a functioning system, a seamless web of functioning interrelationships held together by moral values.

When the administration official entered the village he necessarily became involved in the process of dispute settlement. It was quickly recognized by Papuan litigants that the involvement of the administration made the outcome of the process very uncertain. In the first place most administration officials were too impatient to listen to the wealth of historical detail that Papuans can bring to a dispute. In the second place most administration officials were unable to comprehend issues that departed very far from the Australian conception of the law governing sale and exchange. To the extent that they could find and recognize something approximating this in a dispute they tended to rule accordingly (Chignell 1911, Griffin 1925). Hence it was possible to get an enforceable administration judgment that went entirely against the Papuan grain and that might satisfy

none of the parties. To this extent the colonial legal system appeared to the villager as arbitrary and capricious and blatantly disrespectful of Papuan authority (Williams 1941).

The introduced native labour regulations, expatriate owned and managed plantations, cash and trade goods and the poll tax further undermined existing Papuan patterns of authority. The poll tax was progressively introduced through Papua from 1919 onwards and required all adult men to make an annual payment. Papuan societies, like many other traditional societies, offer only limited possibilities for accumulation. In traditional Papuan society perhaps the greatest store of capital value was to be found in the possession of a large and functioning household. Such a household was able to provide security and continuity against misfortune and mobilize the production of food and goods for the large scale exchanges by means of which its senior male members maintained their power and authority. The administration insisted that the tax be paid in cash and this, combined with the plantation demand for young male labour and other factors mentioned above, undoubtedly resulted in what the administration described as the wholesale destruction of native ceremonies in Papua in the 1920's and 1930's (Williams 1940: chap. 5).

While the colonial legal system severed or attenuated some parts of these traditional relations of power and authority other parts were left intact. Those parts left intact were either outside the direct interests of the burgeoning state or

deemed by English and Australian law to be inside the core areas of personal freedom and hence not subject to close regulation. In these areas the state came to an uneasy accommodation with those traditional beliefs that were deemed to be personal belief by the colonial legal system. For example the Gulf Division Annual Report for 1924/1925 reports the following case:

> Among those dismissed from the [village constabulary] during the year was a man name Ohaka of Orokolo. He was charged by a European with stealing a quantity of copper nails by extracting them from the keel of his whaleboat. In reply to the charge Ohaka said that he took out six nails from the white man's whaleboat. Questioned as to such extra-ordinary conduct he said that he had helped to put in the nails (which was quite true) when the whaleboat was being repaired; that he had to take them out again because his wife who was with child when he performed the work had become very ill, the wind had blown to her the smell of her husband's body as he laboured, it had killed the child, and if he had not taken the nails out again the dead child would not have been delivered, and his wife too would have died.
>
> I satisfied myself beyond all doubt that the man was sincere and I dismissed the case.

Traditional Papuan society regarded instances of ill fortune as being the product of evil intentioned individuals using sorcery. Group feelings could run high where such instances occurred and those individuals who were known to be practitioners might be punished or forced to make a retribution for damages,[11] Sorcery was and is still today abhorred by many Papuans. Missionaries also opposed and

abhorred sorcery (Holmes 1924) and may Papuans both directly and as a result of mission influence made representations to the colonial authorities to proscribe sorcery. The following incident recorded in the Annual Report for the Gulf Division, 1928/1929 illustrates both Papuan attitudes to sorcery and the administration response to shifts in the balance of power and authority in Papuan society:

> A pleasing ceremony took place at Ipisi village in June. It appears that for many years past there has been a feeling of enmity between the villages of Ipisi and Koraita. If a man died at Ipisi the Koraita people were blamed, and in turn if a man died at Koraita the Ipisi people were blamed.
>
> The chief sorcerers, Ariki of Koraita, and Kerosai of Ipisi died in January and February respectively, and as there were no deaths attributed to "purri-purri" [sorcery] at either village from February to June, it was unanimously agreed at a meeting of the people of both villages that the deaths in the past were due to the evil practices of Kerosia, whose knowledge of "purri-purri" was greater that of any other man. After coming to this decision it was decided to forget all about the past and to give a feast to the "purri-purri" men of both villages.
>
> On the 26th of June the feast was held, which at the request of the people, was witnessed by Government Officers. Several speeches were made, and the "purri-purri" men agreed, now that Kerosai was dead, to give up their evil practices, and to foster a better feeling between the people of the two villages.

The official response was not to ban sorcery, as this was considered a matter of personal belief, but rather to create the offense of "pretending to practice sorcery" or

alternatively the offense of "spreading lying reports".[12] In this way the administration could officially claim to give no credence to sorcery, to allow sorcery to persist as a belief and hence outside the ambit of the law, and to suppress its manifestations when they were such as to cause public unrest.

In these indirect ways much customary law was given a *de facto* recognition by the colonial legal and judicial system. The guiding principle for the colonial administration was that of quietude. Much of the guidance and training (little though it was for many decades) given to administration patrol officers was devoted to creating an awareness of cultural variations and inculcating a code of personal behaviour and discretion such that out in the bush the aims of the administration could be achieved without civil disturbances. The administration required many of its officials and all its patrol officers to keep diaries and report to the central administration on a regular basis. Reports of civil disturbances and violent acts were automatically brought to the attention of the Lieutenant Governor in Port Moresby and the officials involved were regularly required to submit explanations both for the event and for their personal conduct during the incident. In turn these incidents were the subject of reports by the Lieutenant Governor to the Australian Prime Minister.[13]

Throughout the colonial period we can trace a moving frontier of law. On the one hand a limited series of

accommodations were made by the colonial administration to Papuan society as it pursued its developmental agendas of pacification, controlled economic development, missionisation and the modernization of Papuan society under the rule of law. On the other hand Papuan society experienced substantial structural changes of two kinds. The first of these, which took place fairly rapidly, was the adjustment to a super-ordinate authority and to the extent that the new colonial authority was based on coercion and force and unequal exchange then it did not break with existing Papuan social philosophy. The second major change in Papuan society was much more protracted and consisted of the revision of internal relations between Papuans.

Towards the end of the colonial period attempts were made by the administration to extend judicial processes into Papuan communities. In keeping with the growing anti-colonialist rhetoric of the post-1945 period such moves were seen as inherently emancipatory. The installation of customary law within the legal system, the elevation of formerly despised Papuan custom to formal legal status and the establishment of a village court system for the settlement of Papuan disputes by Papuans was seen as part of the return of sovereignty to the people of Papua New Guinea and away from the Australian colonial rulers (Strathern 197; Narokobi 1982; Chalmers 1982; Weisbrot, Paliwala and Sawyerr 1982).

We are now sufficiently distant from the decolonisation period to appreciate the extent to which such moves were part of the emancipatory narratives of those times. What is perhaps striking to the present day reader is the extent to which key concepts such as custom and community were left largely unexamined and the problems they encapsulate overlooked. The fundamental problem with locating law in the community in the modern state, the granting of sovereignty to the community, is that the constitutionality of the community is not in fact determinate in an unambiguous way. The problem is made even more complex in Papua because pre-colonial Papuan society also did not in and of itself produce unambiguously defined communities. In many colonial states the colonizing power represented itself as a modern progressive force bringing with itself a modern legal system and all that implies in terms of the liberation from the mediaeval, the feudalistic and the backwardness. Enlightenment and emancipation. Papuan societies do not fit with this narrative because they already possessed many of the modern characteristics of personal freedom. Hence the return to customary law in Papua actually constituted an attack on the unitary basis of the modern state.

In a broader sense these Papuan problems fit within the contemporary problem of generating a general theory of emancipation. The late colonial period and the post-independence period were dominated by the idea of rational progress with the state and its 'rule of law' as the vehicle

for the emancipation of community and the individual. But the conventional rhetoric of liberation and independence frequently conflated the interests of the individual with the interests of the state. This high doctrine of the state, conceived in the colonial period and buttressed only by the violent authoritarianism of colonialism, was carried forward with little or no modification into the independence period, the newly democratic state, experiencing democratic, populist politics within government and the state apparatus for the first time. More than four decades after the onset of the post-colonial independence era we no longer share the certainty that the state can, by adopting high moral principles, enshrine the emancipatory interests of all its citizens and then realize these interests through bureaucratic design. While at the level of the individual, at the personal level, the specificities of emancipation remain as clear as ever they were, the potential for the modernizing state to use repressive violence in the furtherance of its interests is now well understood (Bauman 1989).

The modernistic bias and development agenda of the colonial administration meant that it rejected most aspects of Papuan customs as hopelessly backward and inappropriate for the future development of Papua. This same bias also led the administration into major policy blunders, many of which persisted over decades. Not the least of these was the search for the Papuan chief. Operating with a hierarchical and authoritarian model, drawing its inspiration from the text

books of empire, the Papuan administration deeply desired native chiefs. These persons could be the agents of the administration in the village and they would, according to contemporary theory, use their authority both to persuade villagers of the beneficence of the administration's goals and the desirability of working towards them. Much patrol activity was taken up with trying to spot such individuals and patrol reports over many decades contain references to promising individuals in this or that village. Administration aspirations in this respect remained frustrated for the whole of the colonial period. Some more percipient colonial officials, aware of the impossibility of finding an African kingdom in Papua, turned to other options as a means of promoting Papuan economic development. A favoured option was the cooperative.

IV. The state and economic development in Papua

Since its inception in the late 1930's development theory (which became the dominant form of growth theory) has had a progressive character. Widely shared by its practitioners until recently has been the assumption that the solution to the problem of growth lies in the correct

identification of perhaps five variously identified, but primarily economic factors, and the implementation of the correct mix of these factors by means of a government policy.[14] Once this is done, it was assumed, the growth process would commence and the country would 'take off'. During the 1950's and continuing through the 1960's (the "decade of development") there was a wave of optimism about the possibility of transforming the under-developed world and it was generally supposed that while the absolute solution of third world problems would require a lengthy period of historical time (perhaps three decades?), the adoption of the correct mix of policies by a newly independent country would install the growth dynamic within a decade. It is difficult for us now to recapture the optimism of that time.

During the formative period of development theory and for several decades thereafter there was little interest in the anthropological and historical analysis of social change. There were two reasons for this stance among the practitioners of development studies. Firstly, the development studies discipline, from its inception adopted a technicist and futurist character. Its practitioners had little taste for an anthropology with its celebration of the consuetudinary and even less for musty archives. Secondly, and also deeply imbued in the development studies discipline since its inception has been the view that the lingering presence of the stagnant

past in the underdeveloped countries should and would inevitably yield to that modernization of values associated with the unstoppable diaspora of commodities, money and capital. The ability of capitalism *per se* to form social and economic systems, to act as a system forming factor, was questioned by neither its defenders nor its detractors, neither was the supremacy of the state. Theoretical polarizations tended to follow the cold war divide with one side invoking various versions of the Hobson-Leninist dependency theory and class struggle and the other side pinning its hopes on the growth of a naturalized capitalist individualism born in markets created and managed by the state (Niculescu 1958, Waterston 1965, McLelland and Winter 1969).

But development is about economic growth and the anthropological and historical study of the successes and failures of development programs can bring some important insights into the dynamics of social change and the re-distribution of power opportunity and income that is always associated with economic growth. Furthermore, the careful diachronic study of development programs at the local level illustrates the tendency of these 'planned' processes towards the turbulent, the contingent and sometimes the chaotic. Development planning in its quest for input/output rationality and Pareto optimality has always tried and frequently failed to suppress these effects. The anthropological/historical study of

development programs may also illustrate the extent to which economic life is dominated by institutions and suffused with human values, sufficiently so to make the creation of a market *tabula rasa* improbable.

Perhaps another reason for the very limited use made the disciplines of anthropology and history in the development process is that their incorporation would carry with it the implication that the field of study is not only the society and culture for whom the change is being planned but also the society and culture of the planners. On the one hand this tends to demote the planners from their super-rationalist position (something from which they are institutionally well protected). On the other hand it requires the anthropologist/historian to be in a position to make technical and intellectual judgements, something that is normally thought to lie outside the ordinary scope of the profession, to be beyond the limits set by relativism. But the non-neutrality of these considerations serves to remind us that whatever else is entailed in the analysis of economic principles and social structure, at the heart of the development process is the fact of power.

For all these reasons the development process was intended to leave history behind, to replace the traditional with the modern, to create the future in the

present. Development studies, according to this view, has nothing to learn from anthropology and history.

Greatly reinforcing this view among the practitioners of the discipline was the rise of decolonization. The general derogation of the colonial period by many intellectuals, socialists, Fabians, Christian Socialists, anti-slavery movements, anti-racists, trade unionists and anti-imperialists on the one side and most of the colonized on the other, ensured that for several decades the historical perspective was suppressed and the development schemes of the colonial authorities largely forgotten. In any case, in an anti-colonial age any attempt to draw on the lessons of the colonial past would have been fraught with misunderstandings from all sides.

The onset of independence in the third world was intended to sweep aside the legacy of the past and to bring about the refashioning of the third world state into an entirely modern form. In addition, during the late colonial period and the first few decades following independence, the colonial state was widely perceived as a brake on development and growth and with the removal of this brake the newly independent states were expected to realize a Promethean transformation.

We are now sufficiently distant from this period to reassess this view. The purpose of this section is to

examine some anthropological and historical aspects of the growth and change process in the Papuan colonial period.

V. Cooperative development in colonial Papua

Governor Murray adopted as central planks of his administration a system of land tenure and a system of labour indenture. Under Murray the Crown recognized customary land ownership. Land could not be sold by its customary owners except to the Crown. Expatriate individuals, companies, and missions, could only lease land from the Crown. The terms and conditions of the leases were strictly controlled by the administration. It was not intended by Murray that expatriate lease holdings would disrupt existing indigenous patterns of land use and occupation. Where customary owners were willing to sell to the Crown then the lease terms offered by the administration to the expatriate settlers, companies, and missions, were very favourable. Under Murray, labour laws were administered in such a way as to limit the amount of labour taken for indenture from any one district at a given time and to strictly control the

terms and conditions of work and the payment of wages. According to this scheme Papua would undergo economic development but without the attendant abuses of native's rights which were characteristic of some colonies (Smith 1912:30-2, 85, 86 and Murray 1921:ix-xi).

The policy of making land available for expatriate leasehold was actively pursued until about 1914. Expatriate enterprises, however, ran into difficulties and frequently failed. Usually these failures had little to do with the administration and its regulations but nevertheless Murray was criticized for being 'soft on natives' (Lett 1949:138, 141,183-5 and Legge 1956:161). Between 1914 and 1920 large areas of land under lease reverted to the administration due to the failure of the lessees to meet the requirements for clearing and cultivation of the land (*Annual Reports of the Territory of Papua 1914 - 1920*, hereinafter referred to as *PAR*-).

In 1914 the Australian Army occupied German New Guinea and remained in occupation and control until the League of Nations mandates provisions came into force in 1922. Murray argued for New Guinea to be brought under his control and for its administration to be unified with that of Papua (West, 1970, 84-7, 98, 106-8). The Australian Government, however, elected to continue with and then expand the expatriate owned and controlled plan-

tation system established by the German New Guinea Company and the former German administration.

In 1918 Murray introduced legislation for the establishment of native plantations and native taxation in Papua. The inspiration and justification for the native plantation scheme came from a number of sources. On the wider front Murray found support for the scheme in the anti-capitalist literature of imperialist criticism and colonial commentary. Murray cited (Murray 1921:39) in support of native systems of agriculture, S. Olivier's *White Capital and Coloured Labour* (Olivier 1906) and E.D. Morel, *Free Labour in Tropical Africa* (Morel 1914). Olivier was a senior Colonial Office civil servant and a Fabian and his book was a wide ranging attack on racist attitudes and discriminatory policies in Africa. Olivier argued that in South Africa a landless proletariat had been created by the alienation of the blacks from their land and the suppression of black commerce (1906: Chap 9), while in West Africa the export trade depended on native agriculture and native commerce flourished (Olivier 1906: Chap 10). E.D. Morel offered similar arguments in favour of indigenous African commerce and agriculture. Both writers saw the expanding colonial enterprises as being exploitive of native land and labour and destructive of native subsistence agriculture, production and commerce. Both saw the native plantations of West Africa as a morally and politically preferable,

though less efficient, form of indigenous economic development and a necessary step towards the distant goal of self-rule.

Within Papua an important factor in the decision to introduce legislation was the seemingly successful attempt in 1913 by the Resident Magistrate of the Western Division to induce villagers in the Division to establish village copra plantations. The *Annual Report for the Western Division 1913/1914* stated that:

> In order to teach the more civilized natives to be more self-reliant, and the members of a village to be interdependent, a village coconut plantation scheme was initiated in the earlier part of the year. Outwardly, many of the natives of this Division appear to be highly civilized, so it was thought that the scheme would be a test of their civilization and at the same time make them realize its sterner side. Briefly the scheme is one by which the natives of each village will make, maintain, and control a plantation on cooperative lines. In order that they should see its benefits, their own methods of living from hand to mouth were contrasted with the foresight of the white man in providing for the future in the years of his youth. Then it was shown to them how their requirements had increased in proportion to the increase in their civilization, and it was pointed out that as the years went by their requirements would be further increased. They were asked how these were to be satisfied. They did not know. This set them thinking. Gradually they began to realize that the line of argument used was right, so some of them set about to carry out the plantation scheme. They were told that the Government wished them to see that it was being done for their own good. The idea of compulsion was entirely eliminated.

Lyons, the Resident Magistrate, appears to have been motivated by, on the one hand, the relative disinterest and failure of commercial plantation interests in the Western Division and on the other hand by a vision of village based native cooperatives as the instrument of social improvement and economic development (*PAR* 1913/1914).

Accordingly Murray was persuaded to bring forward the *Native Plantations Ordinance* of 1918. A few years later he described the ordinance in the following terms:

> In a concrete form the system will work out very much as follows — the Government will resume an area of land near a village and declare it a native plantation; the villagers, or a certain number of them, will work out their tax by clearing, planting, etc., while the Government superintends, and perhaps supplies the seed and tools. The crop is to be divided between the Government and the villagers, and the proceeds of the Government share are to be paid into a fund and to be expended for the benefit of the natives generally, and for no other purpose (Murray 1921:32)

Murray saw this scheme as assisting in the preservation of native institutions and customs, the destruction of which was often considered to be the cause of population decline (e.g., Rivers, 1922, Williams 1923a, 1923b). The ordinance was intended to supplement the capitalist system of commercial agriculture and to create an economy

for the natives based on the village and social cooperation. In this way a strong indigenous economy would be created, greatly preferable to capitalist exploitation, and strongly resistant to any changes that future administrations might make towards the New Guinea style of commercial plantation agriculture.[15]

The Murray administration intended that the village plantation scheme should be introduced gradually. The more "advanced" Gulf Division was chosen for the introduction of the scheme and divided into two parts.. That part of the Division west of the administrative centre, Kerema, was selected for the introduction of rice plantations and that part to the east of Kerema for coconut plantations.

VI. The implementation of the scheme

For administrative purposes Papua was divided into a number of districts. Each district, or division as they were termed, was staffed by a Resident Magistrate, a few Patrol Officers and a detachment of the Armed Native Constabulary. These people generally resided in the

division administrative centre and their overall strength was never very great. The administrative presence was established in the villages by active patrolling and the vigorous application of the judicial system to petty matters [e.g., the prosecution of persons for the wearing of clothing on the upper half of their body, failing to keep pigs outside the village fences, insulting attitudes towards administration officials, etc., (*Gulf Division Annual Reports 1913-1940*, hereinafter referred to as *GDAR-*)].

The population of the Gulf Division in the early 1920's numbered about 20,000.[16] These were to be found mostly in the coastal villages. Much of the Gulf Division is low lying delta country and very swampy. The Elema, the dominant Gulf social group, live mostly in the coastal villages, which are grouped in large clusters along the beaches. Social organization among the Elema follows one typical Papua New Guinea pattern of egalitarianism, 'big man' leadership, informal political structures and no inherited authority. In the Gulf, as in most other parts of Papua, there was no significant economic integration beyond the household unit. Inter-village and inter-regional trade were either non-existent or of little economic significance.[17] In the Gulf the household subsistence economy depended on fishing from the sea, gathering from the swamps, the cultivated coconut, the extraction of sago from the sago palm, bush gardens and

bush hunting. The household, which could be more or less large or extended, was the unit of production. When a new bush garden was started a large number of households would combine for the clearing of the forest. Not all large trees were felled however, and many of the felled trees were left to lie, rather than burnt to ashes. Individual households worked their own areas in the gardens and reaped their own produce. Cultivation techniques made use of the shade provided by large tree debris and the plantings usually intermixed the species.[18]

In 1920 G.H. Murray, formerly Resident Magistrate at Kerema, was placed in charge of the Native Plantations scheme and began surveying and purchasing "unused" land in the western part of the Gulf Division. Under the scheme a suitable piece of land was purchased by the Government from its traditional owner(s) and gazetted a Native Plantation. In the same year a head tax was introduced into Gulf Division. Those eligible to pay tax were male natives between the ages of 16 and 36 years. Those exempt were members of the Armed Native Constabulary, Village Constables, persons unfit for work, mission teachers and fathers of not less than four children by one wife. The tax was set at a maximum of ten shillings for indentured native labourers and twenty shillings for all others (*PAR* 1919/1902).

The introduction of the plantation scheme and the tax created a great deal of confusion and unrest. Many villagers regarded the tax as indistinguishable from the fines imposed by the Government in its courts (and perhaps equally arbitrary) and the plantation scheme as simply a disguised form of forced labour. The initial period was marked by a considerable social uproar and a large number of summary arrests. Liston-Blyth, the Acting Resident Magistrate for Gulf Division, in a Patrol Report for March and April 1921, reported that:

> I reached the Government rest house which is at present occupied with Mr Murray's party here I camped and later Mr Murray turned up from his rice planting area and had many complaints re the natives and their refusal to assist him to clear the ground etc., etc., . . .
>
> Up early and saw Mr Murray with his people who are working they are very much against the plantation scheme it seems and Mr Murray has been having great difficulty with them he has sent a fair number to Kerema already and several more prisoners waiting here, one case brought before me was determined interference with the police, a man being ordered to be arrested by Mr Murray, when the handcuffs were put on him the village people seized the man and carried him away and the police had a regular tug of war to keep him (*CAO* 336/69 [19]).

Despite the initial dislike and distrust the scheme caught on and was taken up enthusiastically by thousands of Gulf villagers. G.H. Murray and his colleagues promoted the scheme as a means for social and economic

improvement to the villagers, which they came to accept and embrace. Patrol Officer Lambden reported in May 1921 that:

> [I] discovered a recently cleared track through the thick timber. Four boys followed me and wanted to show me something . . . [we] came to a large patch that is being cleared of timber. The natives told me that it was going to be their rice fields. Mr Murray is looking after the work and the boys are now awaiting his return. One portion has already been planted and the rice in some parts is a foot high. I am told by my companions that soon, they will have plenty of money from the sale of their rice and that bye and bye they are going to clear miles of country to plant rice . . . the country is very thickly timbered and . . . this small patch must have taken many weeks to clear. These people are most enthusiastic about rice (*CAO* 336/90).

The administration used sticks and carrots on the village population in order to implement the schemes. Punitive sanctions were applied to those who evaded labour and opposed the compulsory land purchases, or spoke their opposition to the schemes. Typically these took the form of gaol sentences. On the other hand the villagers were told that the schemes would bring wealth to the villages and an income for individuals, providing they all worked hard.

> Generally speaking the natives have taken very kindly to rice cultivation. At first there was general dissatisfaction and the people could not understand why they were asked to plant rice when they had an abundance of food in the form of sago, game and garden produce, it was only after long and earnest talks with

> them that they now realise the benefits they will derive from cultivating a suitable and marketable produce (*GDAR* 1922/1923).

By 1923 in the western part of the Gulf 2357 acres of land had been gazetted native plantations, 417 acres had been cleared and planted with rice and 1668 eligible males had been noted as working the plantations. These persons were granted a tax dispensation at the rate of ten shillings for each month spent working on the rice plantations, a measure that had proved necessary to gain a wider acceptance of the scheme (*GDAR* 1922/1923).

The *Papuan Annual Reports* provide a succinct account of the progress of the scheme:

> There is suitable soil in the Gulf Division for rice growing, and now that the preliminary difficulties have been overcome, the natives appear to be interested in its cultivation and 12 tons of rice was cropped, which is quite a satisfactory beginning. Operations are being extended, and a large increase in rice production from this district may be expected (*PAR 1921/1922*).
>
> [In 1922/23] a sum of £3,052 was spent in the establishment and development of native rice plantations and on the preliminary expenses of a rice mill. Rice has so far been the principal crop grown and a crop of nearly 200 tons is assured (*PAR 1922/1923*).
>
> [In 1924/25] rice planting under European instruction was continued in the Gulf Division, but owing to shortage of staff caused by ill-health the planting did not receive the necessary supervision and the crop was rather less than that of the previous year, 172 tons as against 181 tons (*PAR 1924/1925*).

A disappointing result was again noted in 1925/26 when only 95 tons were produced, but this was again attributed to the ill-health of the administration staff (*PAR 1925/1926*). The 1926/27 *Annual Report* blamed the climate for the next disappointing harvest:

> again rain and floods did much damage . . . this had happened every year and it becomes necessary seriously to consider whether there is any justification for persisting in the attempt to establish the culture of rice in the face of unsatisfactory climatic conditions (*PAR 1926/27*).

The 1927/28 Report noted that rice growing had been abandoned "as was foreshadowed in last year's report."

IV.

There were many factors contributing to the failure of the rice scheme. Looking beyond the well-known exogenous factors such as slumps in world prices, and the eco-geographical factors such as distance from world markets, difficulties with transportation, there are those factors associated more directly with the administration, its

culture, belief systems and technical knowledge. Significant among these latter were a series of misperceptions. Firstly, the administration failed to perceive that while social cooperation was an important part of village life, cooperative labour and the domestic subsistence economy operated largely in terms of households and not at the level of the village. The administration's insistence on the village as the unit of social cooperation simply ignored important intra-village kindred-based group differences. This situation was in part caused by the relative absence of formal authority and hierarchy in Papuan villages. The administration made persistent attempts to find or create a village authority that would do their work for them. The administration saw the problem not in social structural terms but as a weakness of character in the Papuans chosen for this role. Administration reports carry frequent references to individuals who might exert the necessary authority to "make a good village Constable" and some time later a swingeing reference to a hapless individual's inability to "command authority over lazy and insolent villagers." Also the notion of the rural village cooperative was a potent symbol to many during this period and beyond (see for example Hobson 1895, Collings 1914).

Another aspect of social cooperation is the fact that what appears to the outsider, the observer from out of

time, as spontaneous giving and communal participation based on moral values (Mauss 1954) maybe, from the point of view of the life world of the villager, a fulfillment of personal obligations and social duties, which if left undone would result in coercion and force being applied to his or her person. Without the essential time dimension the elements of coercion and force can easily be overlooked and indeed the complexity of the formal relationships of production and consumption in any society cannot be properly understood without taking this temporal dimension into account. The relationship between the administration and this aspect of Papuan village society is complex. The administration, with its peripatetic officials and superordinate power, did support and even enhance by the application of the doctrine of customary law certain aspects of traditional life and customs. Principal among these were elements of the extant land tenure, marriage and sexuality arrangements. To an extent those Papuan social elements that fell within the domain of the new law imposed from above became fixed in time and frozen as a result of this process. Such an outcome, particularly in the case of land tenure, is contrary to the facts of Papuan history. Even so, the general orientation of the administration was towards the future and the Papuan past could at any moment be denied and set aside in the interests of modernity or modernization. For example, the labour laws assumed the model of a depersonalized work relationship

and the right to quit, a near impossibility in the context of traditional village relationships. Consequentially, the administration technically supported, in the name of personal liberty, the breaking of traditional relationships of exchange, while failing to realize that these relationships, historically developed through the reproduction of patronage, and based on coercion and force, would no longer carry moral authority once broken by the arrogated authority of the state. In this respect the administration was in direct conflict with traditional native society.

A second important failure lay in the administering officials' failure to comprehend the techniques of garden cultivation that were necessary in the wet tropical environment of the Gulf. Gulf gardening practices were consistently and monotonously condemned over decades by the administration largely because the Gulf garden in no way fits the stereotype of the European 'scientific' garden.[20] In the Gulf the soil is not usually tilled; the ground is not always stripped of all traces of former vegetation, plantings intermix species and are not aligned in rows, and in the life of a garden a mixture of crops is planted in a well-understood succession over some eighteen to thirty months before the garden is abandoned to the forest. To the administration the gardens looked a "mess." Yet the administration's own gardens were a mess. In order to provide food for the

prisoners held in gaol at Kerema the administration maintained large gardens. Local villagers were paid for the land and paid to clear the land and were permitted to take a first crop off this land "in order to break the soil up"! (*GDAR 1926/1927*). The prisoners then worked the land under supervision, planting in rows and weeding the tilled soil, and each year the administration noted in its annual reports the very poor return and occasional failure of the crops. This dismal result was consistently reported during the period 1910 - 1940, with the failure being blamed on the poor soil and the vagaries of the climate (*GDAR 1910-1940*). The adherence to similar methods ensured that the rice crops also consistently failed due to impoverishment of the soil and breakdown of its structure and the pest depredations and infectious diseases that a mono-culture invites in such an environment.

A third and related failure lay in the fact that administration took inadequate account of labour values in the village subsistence economic system. The administration handled the collection and sale of the rice crop. Half of the money received from the sale was paid to the villagers who had participated in the scheme and the other half was paid into a native purposes fund. Sometimes the villagers did not receive their share until more than a year after the harvest, an unconscionably long time. Of the other half of the money, this was used

to buy some rice mills and to pay the salaries of G.H. Murray and other administration officials who worked with him on the scheme.

It is clear that after the cash return for the 1922 crop had been received there was general agreement among the villagers that rice growing did not give an adequate return for the labour involved.[21] Against this must be held the administration's perception of the natives as being indolent and lazy and too well provided for by a natural tropical abundance. In fact the administration intended that the economic development of Papua and the establishment of a money economy would be an act of political discipline.

Another example of the myopic attitude of the colonial administration towards native labour values can be found in the various coconut plantation schemes from the 1920's to the 1960's. The administration officials insisted that the coconuts be planted in rows with a spacing of thirty feet between the trees. This spacing was "scientifically" determined as the optimum distance required for maximum nut size. However, such a spacing permits the abundant growth of vegetation between the trees. When the ripe nuts fall from the trees they are lost to view unless the ground is kept clear. Much copra plantation labour is expended on clearing the ground between trees with machetes. The villagers consistently

planted their trees much closer together than the administration regulations permitted. This reduced the yield per tree but greatly inhibited the growth of ground cover and hence the labour required to gather the nuts. The Administration sent people to gaol for planting their trees at less than the regulation distance apart (*GDAR 1925/26*).

Following the failure of its rice growing scheme the administration lapsed into a *Fanonesque* rage and less publicly attributed the failure of the scheme to the persistent perversity, stupidity, indolence, suspicion, contrariness, childishness (choose what you will) of the natives. No further attempts were made to develop western Papua until the early 1950's when cooperatives and rive growing were revived for the Gulf, and once again failed. In the late 1970's there was again talk of developing the Gulf by establishing rice growing cooperatives.

VII Development theory and social theory

The writer's attention was first alerted to the cyclical character of the development impulse during a

visit to western Gulf in 1978. The national government had responded to the then newly established provincial government's urgings for a development scheme for the district by suggesting a rice growing project. This 'new' project was supported by essentially the same reasons that had come to the 'official mind' in the 1920's and excited many of the same hopes among the villagers. My attention was first drawn to the Government proposals by the comments of villagers and one day while passing several hectares of cleared land near Ihu airstrip this was pointed out to me as the chosen site for the 'new' rice scheme. Also on the land were some derelict buildings dating from the 1950's. When I inquired as to their original purpose I was informed that they had been built for the 'old' rice scheme. I was not able to ascertain if the land then being proposed for the site of the 'new' rice scheme was one of those portions marked off for the same purpose in the 1920's, although I think it likely that this was the case. What I do know is that the officials in the Provincial Government, the officials in the national government Department of Primary Industry and the officials of the sponsoring agency, the UNDP, had no knowledge of the 1950's rice scheme, much less that of the 1920's. There is no institutional memory. Development schemes address the future, not the past. The absence of institutional memory is without doubt a contributing factor to the cyclical character of development fashions. Each scheme

addresses the future by reacting to the present, turning away from the 'backwardness' of the past. But this process takes place not only at the level of the individual project but also at the level of generalising theory.

Since the Berg Report of 1981 the international financial institutions have again come to emphasise the element of "governance," the role of the legal system and legislation for basic human rights for establishing the pre-conditions for a modern property owning individualism which is thought to be the basis for the development process. The 1991 World Bank *Annual Conference on Development Economics* devoted a number of sessions to this topic. Nelson, in a "Comment" on the lead paper by two World Bank experts, remarked that the links between government, political and legal institutions and economic growth had come full circle over the past thirty years - "in 1960 it was widely believed that democracy and development went hand in hand . . . that was part of the inspiration for the Alliance for Progress" (Nelson 1992:289). Nelson, however ignores the distorting veil of the cold war over the Alliance for Progress and is seemingly unaware of the extent to which the recent preoccupation of development specialists with the legal and juridical basis of the democratic institutions which appear to support capitalist economic growth reflect concerns that were present in the colonial period. The

difference is that while legal and juridical institutions were well established within the framework and practice of colonial government under the Lugard rules, they were not, as the colonial authorities recognized, well embedded in the societies governed. Accordingly the focus of colonial concern was their establishment in the social groups over which they ruled. In contrast the present interest is focused more on the *re*-establishment of legal and juridical institutions within the successor governments to the colonial authorities. This is seen as essential in order to defeat such "anti-market" forces as "corruption" and "neo-patrimonialism." The contemporary interest in the relationship between "good government" and the institutions of "civil society," that legal and juridical institutions support the functioning of a modernized economy and thereby establish the conditions for modernization and economic growth, but nevertheless rely for their functioning on a widespread acceptance of their political legitimacy and conceptual basis, is nevertheless closely parallel to the concerns of colonial administrators and the theorists of imperialism.,

The cycle of recursive return and the renewal of hopes for the future is a deeply embedded, although infrequently remarked on, feature of western social theory. The recursiveness and the undatedness, the untimeliness of social theory is an eloquent testimony to its philosophical status (Hawthorn 1987) and the contributory element

of counterfactuals to theories built around schemes and the denial of history. Practitioners of social theory, with their pretensions to science frequently supported on an airy positivism, have often dismissed, or relegated to footnote status, the discussion of counterfactuals (Plath 1971:ix-x, Dator 1971:55-63). But a futuristically oriented development studies is necessarily involved with counterfactuals, with what ought to be rather than with what is (Lewis 1973, Hawthorn 1991). A usefully critical discussion of development programs, initiatives and theories can only be advanced through a realistic consideration of the 'might have beens.' Such an approach depends on controlled applications of the kinds of thick descriptions that are pre-eminent in anthropological analysis and inquiry. Such an approach also permits an analysis that advances towards practical understandings and eschews the etherealisms of structural history.

Chapter 3

Post-war approaches to development

After World War II there was widespread agreement that the underdeveloped countries should be assisted to develop their economies and raise their living standards. At the time there were many who held the opinion that this was the most important and urgent task facing the world. The problem of how to plan for and create economic development quickly became a major topic in the debates of the United Nations General Assembly and its committees. Much of this discussion was controversial because there was no general agreement as to how, in fact, economic development might be achieved. In 1948 the Economic and Social Council of the United Nations appointed a sub-commission to study economic development in the expectation that some of the more contentious issues might be resolved and that through the process of expert consultation the puzzlingly elusive correct technical methods for economic development might be made clear.

The report of the sub-commission (UN/E. 1333), however, attracted only limited and partial support and the Economic and Social Council requested the Secretary-General to prepare a report after consultation with the international agencies. This report, with appended statements from FAO, IBRD, ILO, IMF, the Sub-Commission on Economic Development, the Economic and Employment Commission and the International Chamber of Commerce (ICC), was published in 1949 as *Methods of Financing Economic Development in Under-Developed Countries* (UN/1949.II.B.4). This publication was the subject of discussion at the ninth session of the Economic and Social Council meeting in July 1949. Many international and national organizations and many of the leading academic and technical experts of the time contributed to this debate. Many conflicting views were expressed but few were widely shared. In this chapter I shall discuss the positions of the major contributors to the debate. These were the international agencies, FAO, the IBRD and the ICC, and India, the USA and the USSR.

I. FAO and basic needs

The origins of the Food and Agriculture Organization

(FAO) lie in the international food and nutrition debates of the 1930's. The Australian F.L. McDougall (Australian representative and former Prime Minister S.M. Bruce's advisor at the League of Nations in 1936 and a member of the League nutrition committees) wrote a memorandum on postwar food policy for an International Wheat Board meeting in 1942. McDougall was concerned about the prospect of international food shortages in the aftermath of war and the likely effects of consequential price movements for some countries as well as in the longer term "freedom from want of food" (McDougall's phrase, McDougall 1943:127). McDougall's proposal for an international organization was taken up by President Roosevelt (FAO 1956:17) and a United Nations conference on Food and Agriculture was held at Hot Springs, Virginia, in 1943. This conference produced, *inter alia*, the following statement:

> Malnutrition is responsible for widespread impairment of human efficiency and for an enormous amount of ill health and disease . . . food consumption at a level merely sufficient to prevent malnutrition is not enough to promote health and well-being (McDougall 1943:127).

These preliminaries led to the establishment of FAO in 1945 as an international organization devoted to improving nutrition, increasing the production of food and facilitating the improved distribution of food on an international scale. The principles expressed in the Hot

Springs conference were incorporated in the FAO constitution in the following form:

> The Nations accepting this Constitution, being determined to promote the common welfare by furthering separate and collective action on their part for the purposes of
>
> raising levels of nutrition and standards of living of peoples under their respective jurisdictions,
>
> securing improvements in the efficiency of the production and distribution of all food and agricultural products,
>
> bettering the condition of rural populations, and thus contributing toward an expanding world economy.

The first Director General, Sir John Boyd Orr, intended that FAO would "wage war on want." Orr had been a member of British and League of Nations nutrition committees, had written books on the subject of nutrition and been a researcher and an active campaigner in the cause of good public nutrition since the 1930's. During World War II Orr was a member of the national nutrition committee that advised the British government on nutrition policies. The nutrition policy committees were responsible for the nutritional aspects of food rationing. The ration system, when applied to the general public during World War II had the effect of switching consumption from luxury to basic foodstuffs of proven high nutritional value. This had resulted in a noticeable improvement in some morbidity and mortality rates. Nutrition policies,

with obvious benefits for individuals, served as important 'scientific' justification of the need for direct state intervention in consumption.

W.R. Aykroyd, formerly Director of the Indian Nutrition Research Laboratories, Coonoor, joined Orr as FAO Director of Nutrition. Orr used FAO to promote his concept of a World Food Bank and appointed S.M. Bruce as chairman of the FAO commission set up to define the necessary machinery for this concept to be realized. The 'bank' was intended to function as an international clearing house for food exports, to hold buffer stocks, and to oversight generally world food production, so as to eliminate famine and undernutrition. Although Orr's utopian scheme was abandoned when no workable formulae could be found that would secure general agreement for the formation of an organization along the lines proposed, Orr was nevertheless successful in ensuring that nutrition problems were regarded as issues of central importance in internationalist discussions in the late 1940's. The phrase "freedom from want" assumed a political significance at this time which it retains to the present day. In 1948 Orr was succeeded as Director General by Norris E. Dodd, formerly US Under Secretary of Agriculture and a Farm Services Administration (FSA) official.

During the 1920's and 1930's world food production had remained static. In the 1930's the US government introduced subsidies for farm soil erosion control measures. In the same period farm studies developed the notion of the efficient farm and farm layout and equipment modernization programs were devised. Regional planning with multiple resource use had also begun with schemes such as the Tennessee Valley Authority and in Australia, the Murrumbidgee Irrigation Area. In the 1940's a massive expansion of food and agricultural production took place in the USA and Canada. This expansion was achieved as a result of technical innovation and investment. Between the beginning and end of World War II US farmers acquired 50% more tractors, doubled their use of chemical fertilizer and with a work force reduced by 12%, increased food production by a third. This achievement had repercussions far beyond the supplying of food to allied and liberated countries. It convinced many people that the application of science and technology to agriculture could obtain similar results to those attained by the application of science and technology to industry (Ezekiel 1946:22).

II. The FAO approach to economic development

FAO started with the notion, derived from nutrition studies, of 'pump priming' the system (a concept derived from Platt's 1940 Nyasaland nutrition study discussed in Chapter one). In other words, the notion that a strategically applied energy input would have the effect of transforming the system by lifting its performance to a higher level. To this basic concept FAO added the concept of regional planning and the 'big push.' It was thought that if development plans were concerted over a broad front, if inputs were made at the individual, regional and infrastructural levels in a coordinated way, then this 'big push' would have the effect of lifting the standard of living of a whole region or nation, permanently. Another analogy that FAO used to describe this process was the aeroplane 'take off' for flight.

In approaching the problem of economic development FAO began with certain premises in respect of food, population, agriculture and international trade. In regard to food there was the recognition of the previously discussed problem of under-nutrition. In addition there was the immediate post-war problem that food production had dropped seriously below pre-war levels in many underdeveloped countries and the restoration of production in the war damaged countries to at least pre-war levels was

viewed as the most pressing and immediate task. However, it should be made clear that while population growth was thought to be a problem in some of the poorer countries (notably the West Indies, see MacMillan 1940) there were not yet the Malthusian apprehensions of the 1950's. This was largely because the statistical techniques for demographic analysis (net reproduction rates, differential fertility) had only been refined in the late 1930's and for much of the world before 1950 there were few reliable figures to which they could be applied.

In regard to agriculture the FAO attitude was that "primitive methods" in many countries kept productivity low and that this "backwardness" was reinforced by significant levels of rural underemployment. The appropriate solution to this set of problems was thought to be "modernization." Finally, as regards international trade, FAO envisaged that "modernized" agriculture would not only raise nutrition levels *per capita* but also, through export receipts, repay international investment and (at least partially) fund development programs. It was assumed that the underdeveloped countries would largely continue to be (tropical) agricultural exporters and that the demand for their products from advanced countries would remain high and prices buoyant. Hence the FAO formula for economic development took the following form:

1. Improving the food supply by raising agricultural productivity through introducing simple tools and technical assistance.

2. Water control projects - raising health, agricultural productivity and power generation, to be paid for from land sales.

3. Improvement of transport and communications - to be paid for from distribution efficiency gains and reduced food crop waste.

4. Related industrial development - the absorption of the "great surplus of underemployed people on farms" (UN/1949.II.B.4:49) in light manufacturing industry producing appropriate goods and farm equipment for local consumption. The investment required for this would be paid for from the gains of reducing underemployment (UN/1949.II.B.4:43-82).

Having outlined the schematics of development the FAO submission went on to estimate the amount of capital investment required in order to achieve minimally appropriate productivity increases. In doing so the FAO submission developed the idea of a "take-off" analogy:

> A rocket . . . must attain a . . . 'speed of release' before it can escape the earth's gravitational field . . . Similarly, the process of development in any country must attain a given speed before it can exceed population growth. Only then can it begin to improve standards of living, reduce excessive farm population and help slow down population growth (UN/1949.II.B.4:60).

FAO, in common with all other parties to the debate, examined the potential for the use of domestic savings in financing development and expressed the view that little could be both realistically and humanely expected from such a source given that consumption for many millions

was already below the desirable minimum human standard. All that might realistically be expected from the underdeveloped countries was a reform of the financial system to discourage hoarding and other unproductive forms of saving. Consequently, when calculating its estimates of the foreign capital required by the underdeveloped countries, FAO expressed the view that their achievement of "take-off" would require concessional forms of finance to supplement international investment. It envisaged that the concessional finance would be contributed by the governments of the advanced countries and paid out through the IBRD or another United Nations agency.[1]

As a planning package the FAO proposals were presented to the UN Economic and Social Council in 1949 as a method for the economic development of the underdeveloped countries (UN/1949.II.B.4:43-82). As a comprehensive approach to development the FAO proposals were what came to be known as the 'basic needs' approach. An approach that assumes that most of the population in a developing country first need food, a water supply, housing, health services, education, etc., and that the provision of these is fundamental for human life and dignity and should have priority in all planning considerations.

FAO discounted contemporary rival development theory emphases on the importance of domestic savings as the

source of capital for development investment, largely on the grounds that people who were not getting enough to eat could not humanely be expected to achieve savings by reducing their consumption. On the question of under-employment, FAO saw a subsidiary role for manufacturing in the transformation process. Some expansion of domestic manufactures would be required, FAO argued, to provide, for example, the simple steel farm implements that were considered appropriate for the initial stages of the modernization process. Other domestic utensils and farm implements would follow and then:

> If the expansion of such plants is properly timed with related agricultural development to provide farmers more buying power, there will be ready markets, domestic and export, for all the factories can turn out (UN/1949,II.B.4:49).

On a more general level FAO argued that the productivity gains that the transformation would bring about would generate sufficient surpluses to repay capital investment. The primary role of capital transfer, aid, as to start this process in motion.

It is important to note that the FAO proposals were not really derived from the economics of the day. The concept of agricultural system and the analysis of the dynamics of system change fell largely outside the interest of the economics of the time. After all the

major economic problem of the 1930's had been food surpluses. In a recent paper the economist Rosenstein-Rodan makes a specious claim to be the originator of regional planning and the terms 'under-development,' 'big push' and 'take off' (Rosenstein-Rodan 1984:210). Rosenstein-Rodan was certainly among the first economists to use these terms and to attempt to incorporate them, and the growth dynamic that they imply, into economic theory, but their true origins are to be found in the pioneer efforts of the architects of FAO to articulate a theory of social transformation. In this sense the FAO theory of economic development was formed outside of economics proper.

Some of the limitations of the FAO theory are obvious. The FAO theory presupposed that the societies undergoing transformation would retain essentially the same social relations and social order throughout this process. It envisaged some reforms of land tenure and the relief of rural indebtedness, but apart from this the theory had no particular notions about socio-structural change. Certain vague ideas about modernization flowing from education were expressed, but in most areas the theory was determinedly non-ideological. It was intended to be applicable to both socialist and capitalist countries with only minor modifications and it took no position on the relative merits of either.

Some of this positional neutrality can be attributed to the fact that both the Tennessee Valley Authority and the Murrumbidgee Irrigation Area were widely praised at the time as successful examples of super-regional authorities that did not displace, but rather worked with and obtained the cooperation of existing authorities and councils through a multiplicity of separate agreements. Another basis for the neutrality was the fact that FAO was a new organization of committed internationalists with a well-developed technical viewpoint and a shared vision of a world without famine or undernutrition which, essentially, lay beyond the practical politics of the day. Perhaps more generally, in this colonial period, it was taken for granted that the colonial regimes would continue to exist for a fairly long period of time into the future and that the authoritarian characteristics of the colonial administrations would be used as they had in the past, to continue to suppress the more turbulent manifestations of social change, with perhaps the greater justification that they were now doing it for the natives' own good.

Another major shortcoming of the FAO theory was that it largely excluded money. Its main focus was on agriculture, employment and social services and as such it largely lacked a monetary dimension. The little attention that was given to this factor of social change was largely confined to advocating the extension of rural

credit (at "realistic" rates of interest) and exhorting the necessity for the control and limitation of inflation during the transformation period (a conventional wisdom of the time).

The FAO submission, which was an original formulation of the "basic needs" approach, found limited support among the members of the Economic and Social Council, except from Australia and New Zealand, who both had strong national nutrition policies and economies oriented to the production and export of basic foodstuffs and found no cause not to give humanitarian support to an international policy that was consonant with their national interests. The USA supported the concept of an international agency disbursing development funds but saw economic development largely in terms of expanding international investment and trade. India supported the "basic needs" approach (indeed was largely responsible for it) but, drawing on the Soviet model, favoured an emphasis on heavy industrialization and the reduction of "dependency." Venezuela, Brazil and Chile, the only Latin American countries represented, were much more concerned with the problems of attracting and controlling American multi-national corporate investment. The major colonial powers, France and the UK, saw no role for an international financing agency in "their" territories and viewed the prospect of *international* technical assistance with only slightly less distaste. Nor did the colonial

powers support third world industrialization. On the other hand, the USSR did favour a policy of heavy industrialization on similar grounds to India, namely that this was an essential prerequisite for the achievement of political independence. However, the USSR strongly attacked the international financing of development as a form of US economic imperialism and favoured instead high levels of compulsory domestic savings, pointing to itself as a successful example of this method.

I have dealt with the FAO submission at some length because it was much wider in its scope, rather better thought out and provoked a wider range of responses from the discussants than the other approaches. In addition the FAO submission was essentially modern and both theoretically and technically would require only minor updating to be used again today. The broad emphasis on appropriate and sustainable development based on efficiency and productivity grounds and a central core of health and nutrition concerns has remained at the centre of development thinking since its inception in the FAO submission. The characteristics and theoretical limitations of this kind of approach are examined in detail in the discussion of Soviet development theory in chapter seven.

III. IBRD — the origins

The IBRD (International Bank for Reconstruction and Development, later renamed the World Bank) was created by the Bretton Woods agreements of 1944 and established in 1945. The capital for the Bank was subscribed by member countries in varying amounts with the USA much the largest shareholder. It was intended that the Bank should raise money in the normal commercial way through the sale of bonds, promissory notes and other financial instruments, and use this money for the international financing of postwar reconstruction and development. The personnel of the Bank were mainly drawn from the US banking system and included some who had served as officials with the Basle based Bank for International Settlements (BIS), the International Chamber of Commerce (ICC) and the Financial Section of the League of Nations (Jacobsson 1979:30, 79). The expertise of many of these officials had been built up largely through their involvement in the preparation of recovery plans for the defeated European nations after World War I. In this context the primary orientation was towards the goals of inflation control and currency stabilization with the aim of achieving currency reform and the re-direction of the

respective national economies so as to enable these countries to make the war reparations payments required under the terms of the Treaty of Versailles. In day-to-day terms the IBRD was expected to conform to the accepted practices of commercial banking in the USA. In this early period it is worthy of note that the Bank showed a marked disinclination to share in the Keynesian enthusiasm for state capital works expenditure, a position that the Bank maintains to the present day. The personnel of the Bank were not, by training and inclination, prone to view high risk and concessional loans to under-developed countries with particular favour (Jacobsson 1970:210). In 1946 the Bank was formally joined to the United Nations and over the next few years pressure grew for it to undertake a more substantial role in financing projects in the under-developed countries. By 1949 the Bank had financed only one such project.

IV. The IBRD submission

The Bank contributed to the UN Economic and Social Council discussion of how to create economic growth in underdeveloped countries. As the Bank had been created

to foster and facilitate the new order of international free trade and investment its response to the problem of underdevelopment began with the premise that capitalist investment was the mechanism for raising productivity and hence *per capita* income, the economists' index of development. According to the Bank the under-developed countries had the responsibility for creating the conditions that would attract such investment. Foremost among these conditions was a reform of their domestic financial systems which would unlock hoarding, make domestic savings available for investment and generally stimulate accumulation. In addition, the Bank argued, it would be necessary for the under-developed countries to implement measures that would reduce the risks for foreign investors, if they were to attract foreign capital investments. These measures should include, according to the Bank, exchange stabilization controls so as to reduce fluctuations and guarantees for providing compensation against nationalization. In other words the bank saw the prior creation of growth within the under-developed countries as being a condition for successful foreign capital investment. If this were not done, the Bank suggested, then much money would be wasted.

Although it is nowhere explicitly stated, the Bank used what is now known as the Harrod - Domar growth model as the basis for its submission to the Economic and Social Council. The Harrod equation was first described in the

late 1930's and was a simple, truistic, formulation that drew jointly on what came to be called the 'acceleration principle' and the Keynesian relation called the 'multiplier.' The Harrod equation was inspired by the notion first advanced in Keynes' *Treatise on Money* of 1930 that "the relation between the amount saved out of income and the amount devoted (by entrepreneurs) to investment in additions to real capital . . . was the prime cause of tendencies to expansion and contraction in the economy" (Dobb 1973:226). The equation was Gw=s/C, where s represented the proportion of income saved and C represented the capital-output ratio. The post-World War II Domar version was essentially the same (Dobb 1973:228).

In the view of the Bank, development was considered a matter of economic growth, the growth of the aggregate income of the nation state, resulting from capital accumulation and ensuing productive investment. This relation was given precise expression in the Harrod - Domar growth model, in which the growth rate in output equals the savings ratio times an incremental output/capital ratio (usually given a fixed value). For planning purposes, if the growth target were, for example, 5% per annum, and the incremental capital/output ratio were 0.33, then it could be deduced that the economy had to save 15% of its income in order to achieve the target growth rate. If then, it seemed that the

domestic savings ratio could not plausibly exceed 10% (following standard banking practices and assuming no state compulsion), foreign grants and loans would have to make up the difference of 5% of national income until such time as the economy could permanently generate the required 15% savings ratio from its own domestic sources.

In its submission the Bank defined the problem in the following terms:

> a common characteristic of the under-developed countries is that . . . production is carried on with a relatively small amount of real capital per head and with relatively backward techniques . . . Economic development is the process of increasing real capital and improving techniques of production. The basic problem . . . is to ensure that the increase in capital and the introduction of better techniques are so applied as to make the best possible use of . . . resources for the purpose of raising real income per head. (UN/1949.II.B.4:90).

The Bank took the view that inadequate availability of finance was not a major limiting factor and that:

> external financing for development is useful only when it is productively employed; if it is wasted, the economic progress of the recipient country, instead of being advanced is retarded by the burden of repayment. This elementary fact is too frequently ignored by those who, concentrating exclusively on the vast development needs of the world, express impatience at the inadequacy of international investment to meet these needs (UN/1949.II.B.4:90).

The major emphasis in the Bank's submission was on domestic savings. The submission argued that the domestic savings rate must be substantially increased in the under-developed countries and that reforms would be necessary to achieve this, although it declined to specify the nature of the reforms except in the most general terms. Development would also have to be carried out in association with a strict balance of payments discipline. The Bank also argued that industrialization policies were inappropriate on the grounds of economic efficiency, preferring instead the expansion of agricultural exports. As far as concessional loans were concerned the Bank saw these as government grants and wanted nothing to do with them (UN/1949.II.B.4:101).

In using this growth model as the solution to the problem of developing the underdeveloped countries, the Bank was being puristically economistic. In keeping with the traditions of its officials (some of whom were ex-employees of the Financial Committee of the League of Nations and contributory authors to the world's first country report, on Austria in 1926) the Bank chose to ignore political and social problems and made only a passing reference to the FAO imperatives of nutrition and agriculture. On monetary policy the Bank stressed the necessity for "wise" management of foreign exchange and the importance of controlling inflation. While the history of economic growth suggested the importance of

industrialization, the Bank did not, on the whole, think that economically viable investments could be made for this purpose in the under-developed countries and simply sidestepped this larger problem by insisting that each investment project submitted to the Bank would be treated according to its intrinsic "merits" (UN/1949.II.B.4:102). Reading between the lines it seems likely that, to some extent, behind the Bank's positional maneuvering on the problem of industrialization in under-developed countries, was its intention to eliminate from consideration the successful Soviet autarchic model of state planned industrialization and agricultural collectivization. The Bank regarded both as inimical to its primary role, the stimulation of international private investment on capitalist principles and the corollary of freedom from international exchange controls. In the late 1940's the US was the only nation with substantial funds for investment and inevitably the Bank was drawn into the role of promoting rules that would nurture and protect US private investment in the underdeveloped countries.

In sum the IBRD did not have a theory and scheme for economic development. It simply married the Harrod-Domar growth model with the banking orthodoxies of the day (many of which evolved in the period of currency stabilization following World War I) and gave birth to an extremely limited, and limiting, set of economic policy

prescriptions. Although the Bank's response attracted a great deal of critical comment it did not resile from its position but continued to insist on what it saw as the economic fundamentals.

V. India — basic needs and industrialization

Indigenous Indian economic planning began in the 1930's and continued through the 1940's before independence in 1948 (Visvesvaraya 1934 and Sen 1939). Indian development planning showed a consistent concern for "basic needs" (the equation of agriculture, food, health and national income) and a considerable interest in industrialization. Indian industrialization was supported by both the indigenous right and the left. Indian industrialists sympathized with the nationalist arguments about British imperial exploitation that were widely current at the time and the socialists drew inspiration from Soviet autarchic industrialization (Thakurdas et al., 1944 and Indian Federation of Labour 1944).

The linkages between the British Fabian socialists and the British Labour Party with their commitment to state

planning and a *dirigiste* economy and the Indian nationalists ensured that by the middle 1940's there was widespread acceptance in indigenous Indian political circles of the concept of state planning (Ghosh 1957). Indeed this was seen by many as the only practical policy option if any attempt were to be made to solve the now well known problems of Indian malnutrition and poverty. In consequence, by the late 1940's Indian development planning was conceptually more advanced than in any other country outside the Soviet Union. As a newly independent country India vigorously promoted the concept of a special United Nations development agency. The Indian proposal was that this agency should dispense technical advice and disburse funds put up by UN member countries and that this money should entirely supplant any role that the IBRD should have in financing development. Instead it was envisaged that the primary development role would be the responsibility of the planning bureaucracies of the underdeveloped countries themselves and the UN development agencies should devote their expertise and funds to the support of the indigenous planning process. This proposal, which was vigorously attacked by the IBRD, found little support among the member countries of the Social and Economic Council. Most potential capital donor countries wished to reserve control over the disbursement of their development aid funds and to use them in their own areas of special interest. And in any case most of the funds would have to

come from the US, the only postwar nation with funding reserves.

VI.— The USA — development through trade

US interest in development arose out of the wartime debate on postwar planning for reconstruction. One of the major and widely shared concerns raised in this debate was the perceived necessity to re-structure the US economy at the end of the war for peace-time production. As previously mentioned, US agricultural output had risen by one third during the course of the war, but industrial output over the same period had increased by very much greater amounts. Ezekiel puts the physical volume of production in 1944 at about twice the level that prevailed before the war. Non-durables rose by about 53% and durables rose by about 159%. Other factors, such as transport, showed staggering increases of over 400% (Ezekiel 1946:23). The fundamental problem was seen as one of maintaining production for peace, and at the same time avoiding the much feared cycle of a conversion slump, postwar boom, followed by a great depression. What was needed to avoid this outcome, it was widely

thought, was a new order of international trade. The creation of an international trade agreement that would prevent the repetition of the destructive trade restrictions and protective embargoes of the 1930's. A new international trade order, it was hoped, would return the world to something like the state of affairs that existed before 1914. Not only would trade be liberalized, international investment would also be freed of restrictions. The main focus of US attention was, of course, on the war torn economies of Europe, but the underdeveloped countries were also included in this view.

In fact the US view implicitly accepted the thesis that the colonies were in a state of arrested development, a view that had been gaining ground since the publication of Indian analyses which attributed Indian economic problems to the effects of the British Raj and the discovery of malnutrition in the 1930's. Additionally, the passing of the British Colonial Development and Welfare Act of 1940 ("this Bill that makes up at least a little for what we have done so wickedly in the past") and the announcement of "bold plans" and the prospective "investment" of very large sums of money in the colonies had not, as the war drew to a close, come to anything very much[2] and it was apparent to sceptics that they never would. (British defenses of colonialism to the Americans in the wartime and immediate postwar period make interesting reading.)

Gottfried Haberler, in an influential 1946 article entitled *Some Factors Affecting International Trade and International Economic Policy* (Haberler 1946), argued that three factors would be important in the new world order. These were, in his view, technology, volume of employment and economic activity and lastly, politics. The first factor, technology, referred to the dominant position of US technology in the world economy. The second factor, the volume of employment and economic activity, related the continued growth of the US economy to the economic activity of the rest of the world. The last factor, politics, covered the agreements necessary to achieve the integration of the world economy so as to realize the full potential for the US of the first two factors. Haberler thought that with the coming of peace there was bound to be a slump in the US economy and a surplus of investment capital. This would be largely avoided, he argued, if the surplus capital were invested internationally. Such investments would not only assist the war damaged economies but also the under-developed countries and enable them to import capital goods from the US, thereby assisting in the maintenance of a buoyant US postwar economy. The political dimension was extremely important because, according to Haberler, without government intervention it was thought unlikely that the necessary conditions for international investment would be created. There was some controversy as to

whether investment should be private or government with fellow *émigré* Austrian economist Joseph Schumpeter making the then provocative suggestion that postwar US capitalism would tend towards state socialism, because of its new responsibilities for the maintenance of the envisaged new post-war international order [Perhaps this was a tacit admission on Schumpeter's part that, however necessary unbridled competition might be for capitalism at the level of the *individual*, unconstrained competition could not form the basis of international relations and peace-keeping responsibilities (Schumpeter 1946)]. Generally Haberler's views, or a similar version of them, were widely held by US economists at the time and formed the basis of the geo-political theorizing that lay behind the US willingness to embrace the cold war confrontations of the later 1940's and beyond. Of course at the time Haberler was writing, the US economy had been transformed, in less than a decade, into a triumphant expression of capitalism with the capacity to dominate the world.

Oscar Lange, the socialist economist resident in the USA during this period, in an article entitled *Economic Progress and Full Employment* (Lange 1946) classified the world into "mature economies" and "undeveloped economies." In this latter group, Lange argued, there was:

> such a shortage of industrial equipment that the existing available working population cannot all be employed with modern technological methods. In such countries, a part of the population remains unemployed or is forced into employment with productive methods more primitive than those which modern science makes available. The industrial equipment is not sufficient to employ the available workforce . . . [which is] forced into primitive agriculture or into primitive methods of craftsmanship (Lange 1946:92)

According to Lange, the monetary policies that had been devised as a cure for unemployment in the mature economies would not work in the undeveloped economies because of the lack of industrial equipment and machinery. Therefore, any increase in the aggregate expenditure of the community cannot bring forth an increased output, but rather would have an inflationary effect. The solution to the problem of unemployment in the mature economies and under-employment in the undeveloped economies would lie in the return to the classical nineteenth century forms of capital export.

> Exchanging industrial equipment produced by the mature economies for the agricultural products, raw materials, and handcraft products of the undeveloped economies . . . in my opinion provides the world (Lange 1946:93).

Lange saw the International Bank as the main vehicle for achieving this result and the United Nations as playing a supporting role in bringing about the agreements which would re-establish international trade

and investment and "facilitate cooperation between the two types of countries" (Lange 1946:93). According to Lange the Economic and Social Council could initiate the necessary studies and reports.

In fact this is what did happen. The United States as well as many other countries took up economic development and made it a major theme of the United Nations. In his opening speech to the ninth session of the Economic and Social Council in 1949 the US delegate stated that:

> During recent months, the United States of America had done her best to understand more deeply the processes and problems of economic development and had carefully reviewed her past experience in the field of technical assistance and capital investment . . . With the assistance of many private individuals and organizations, well over 500 Government officials had participated in that attempt to consider future possibilities on the basis of past experience. Such an effort, while not uncovering a new and simple solution to the problem, had sharpened his Government's knowledge. (UN/EcoSoc 303.33:265)

Notwithstanding this specific puzzlement, that no "new and simple solution to the problem" of economic development has been found, the US remained generally committed to "the right of a great capital exporting nation . . . to parallel in its external activities the pattern of its internal economy" (UN.E/1333,App.IV, para 6). What this meant in practice was the Truman *Point Four Plan* and its belief that a stimulation of

international trade would bring about the economic development of the underdeveloped countries. The same kind of thinking lay behind the abortive US attempts to establish the ITO (the International Trade Organization, the residue of which became GATT, in turn recently reconstituted as the WTO, with many similarities to the original ITO). By 1949 the ITO, as proposed, had been largely abandoned and the USA was prepared to attempt the same ends by proposing the funding of development programs through the United Nations. At the Economic and Social Council meeting in 1949 the USA proposed the formation of a committee for economic development and envisaged in its proposal that the committee would spend between 15 and 25 million dollars in its first year and much greater amounts in subsequent years. These funds would come primarily from the USA.

The US proposal was abandoned in the face of the strong demand by India and the USSR for strategic industrialization policies (essentially import substitution industrialization policies, something from which both the UK and France took fright). There was also little prospect of agreement being reached on the status, composition and precise role of the proposed committee.

It is possible that most participants in the discussions over-estimated the future demand for tropical products during this period because the USA was making

large purchases for cold war strategic stock piling purposes. Mendés-France, the French delegate (and future Prime Minister), obviously anticipating a lengthy colonial future, made the remarkable suggestion that European trade deficits with the USA would be financed by transfers from the European trade surpluses with the under-developed countries, their colonies, "whose econom(ies were) complementary to [the] American economy" and would have favourable trade balances with the USA (UN/EcoSoc 308/43:353)

VII. The USSR and dependency

The USSR delegate to the Economic and Social Council launched a sustained attack on economic dependency and neo-imperialism. The USSR took the view that the colonial powers were responsible for either the lack of development or the suppression of development and that US proposals to fund development programs were simply an attempt to take over by economic means the colonial possessions of the UK, France and the Netherlands. According to this view, the proposals of the US delegate:

> reflected the mentality which envisaged the permanent dependence of the under-developed countries on the more highly developed countries which were, in fact, responsible for under-development . . . to base a program for assistance on world market conditions would serve only the interests of the capitalist monopolies in a few advanced countries (UN/EcoSoc 310/45:399).
>
> [The] facts made it plain that the colonial powers and monopolies were reaping profits from the under-developed territories which could be used for the economic development of those territories . . . [and the Truman *Point Four Plan*] . . . had been prompted . . . by desire to find new outlets for United States capital and to enable it to earn great profits (UN/EcoSoc 310/45:401).

The USSR delegate also pointed to the linkage between development funding and military bases.

Generally the USSR position was that the problem of development was in effect a non-problem. The recipe for economic growth was essentially simple and the history of the USSR since the 1917 revolution provided an exemplary case study of the process by which a nation could rapidly transform itself from its backward past into a modernized present. Technically the means to do this were through the use of centralized state planning and the political control of all sectors of the economy. In this way development could be primarily funded from sequestrated domestic savings and the high level of domestic savings necessary to avoid reliance on foreign capital could only be achieved with a centrally planned socialist economy.

From this point of view the principal political problem facing the underdeveloped countries was that of breaking the existing ties of exploitation between themselves and the Imperial centres and resisting the creation of the new ties of neo-imperialism and economic dependency. The USSR pointed to its own pre- and post-war experience as an example and laid great stress on the importance of a strategic heavy industrialization policy as the means for achieving economic independence.

VII. Some outcomes

The US pressed its policies of development through international investment and trade in the discussions of the proposed ITO (International Trade Organization) until its abandonment after the 1948 Havana Conference and in the UN discussions about the proposed UN Development Agency. The US plans, however, met with a wide range of opposition. One forceful argument against them at the United Nations was that they represented a form of *neo-imperialism* and were inherently exploitative and thus creative of economic dependency. The major colonial powers were never happy with the prospect of colonial

industrialization, being acutely sensitive to any employment effects it might have on their own economies. In addition the colonial powers locked out the US completely from their possessions. As late as 1956 the only African countries that had received US aid and investment were Liberia and Ethiopia. Smaller countries with aid and development programs (e.g., Australia, New Zealand, Belgium) preferred to pursue their own independent and largely regional initiatives. Until 1950 the International Bank gave minimal support to investment in the under-developed countries, choosing to apply fairly strict banking loan criteria to the few project loan applications which it received. In any case the International Bank was ideologically reluctant to supply capital to the 'undeveloped economies' on the grounds that to do so would be likely to invite its dissipation. Perhaps this is why the Bank emphasized domestic savings over foreign capital. A society with a healthy respect for its own money might be less likely to squander someone else's money.

The controversies of 1948-1949 are of great interest because they traverse virtually the whole range of current thinking about development. Development studies is a three dimensional discipline, studying both changes in centre/periphery relations, changes in time, and, in its futurism, the counterfactuals of both time and place. In social theory it does not seem possible to separate

futurism and ideology absolutely (Ricoeur 1976). There is no privileged position which enables us to make purely technical determinations about the future, especially the human future of millions. There were many who assumed, when the question of development first arose, that such a determination was, if not immediately available, then just around the corner. Such has not proved to be the case. It was on this rock that the United Nations development debates foundered.

In the ensuing decades the dependency arguments were widely discussed and the fundamentally Hobson - Leninist position of the USSR became a staple of debate in the development studies discipline for many years. The Bank continued along the path of economic rectitude making only a smaller number of loans to the underdeveloped countries in its first ten years. Arguments about the role of the Bank in economic development intensified in the 1950's with critics charging the Bank with putting economic and banking orthodoxies ahead of humanitarian concerns. In 1960 the Bank made some concessions to its critics by establishing a 'soft loan' branch, the International Development Agency (IDA). However, pleas for the mitigation of balance of payments' disciplines continue to be heard to the present day.

Chapter 4

I.

Economists and development

During and immediately after World War II there was little interest among economists in economic growth generally and even less in the economic growth of the underdeveloped countries (Arndt 1972:24-9) and the term "economic development" was rarely used before this period (Meier 1984:6). During the period of planning for postwar reconstruction a great deal of discussion revolved around the problem of the adjustment of booming US war time production levels for peace time consumption while avoiding a recession and the problem of the reconstruction of the war damaged economies. The adjustment of the US economy, the world's largest and most successful, to peace time conditions was seen as a domestic US policy problem while the reconstruction of war damaged economies was perceived almost entirely in German/Japanese terms, a perception which the advent of the cold war did much to sharpen. The problems of European/Japanese economic reconstruction were not

regarded as growth problems *per se*, but rather were seen in terms of the restoration of existing institutions to full functioning (central banks, stock exchanges, currencies, markets) and, conjointly with this institutional restoration, the provision by the US of credits for selected business and infrastructural investments (Lorwin 1942:90-1, 1945). By these means the war damaged economies of Germany and Japan would be restored to full functioning. From the US point of view, the best method of expediting the post-war reconstruction of Germany and Japan was through the establishment of international finance and trade regimes that would both facilitate the international investment of surplus US capital and the opportunity for US manufacturers to divert their war-time production into peace-time exports. Opinions varied as to the necessity for the creation of an international institutional framework to support this process. Some analysts were of the opinion that US investment in foreign economies, and the opening of these economies to US exports would play an essential part in the avoidance of an otherwise inevitable post-war US domestic recession. It is important to note, however, that the concept of underdeveloped countries did not feature in these discussions.

The Bretton Woods agreements established the IMF and the International Bank for Reconstruction and Development (IBRD) which was later conjoined with the Marshall Plan

and formally linked (albeit at arm's length) with the United Nations Organization. The problem of the development of the underdeveloped countries was first raised in 1948 in the UN Councils during a discussion of the problems of European economic reconstruction. In the course of the discussion the suggestion was made that the political and economic aid associated with the Marshall Plan could be applied with even greater benefits to the underdeveloped countries. This suggestion was made by the Indian delegate to the Economic and Social Council of the UN and the controversy that ensued was discussed in chapter three above.

The point was also made in the previous chapter that the discipline of economics had very little to contribute to the discussion. Growth theory had never been a topic of primary interest in neoclassical economics. During the 1930's the process of the mathematicisation of economics had begun and after 1945 continued apace. During this period the neoclassical canon became progressively refined and the two main strands of economics began to assume their contemporary importance. These were respectively, the literature of formalized, axiomatic models based on rational choice theory assumptions on the one hand and on the other, statistical economics or econometrics. The formalized models of the neoclassical canon were given great stimulus by the war time developments of game theory and matrix algebra by

von Neumann and Morgenstern (von Neumann and Morgenstern 1944) while econometrics rested largely on the refinements of statistical sampling and significance interpretation that were reached in the 1930's with quite general implications for many scientific practices (including plant breeding mentioned in chapter one). The development of neither of these branches of economics disturbed the underlying Marshallian growth assumptions — that economic growth was essentially the slow aggregative accretion of the positive effects of the innumerable entrepreneurial decisions made by individuals and firms.

The analysis of growth and development, especially in relation to underdeveloped countries, raises problems of quite a different order from those normally considered by neoclassical economics. The problems that are raised by the analysis of growth and development may usefully be divided into the two categories of historical problems and structural problems. Any discussion of the growth of an actual economy asks questions with a time-based, historical character. To talk about growth, with its futuristic orientation, raises "the problem of the present as a historical problem" (Lukács 1956:67). Neoclassical economics, in its theoretical core assumptions, largely eliminates time, and hence history from consideration. To put this another way, the axiomatic models of neoclassical economics, produce solutions of an instantaneous character to problems that

have been formalized and stripped of their time dimension. The analytical limitations of the *dehistoricized* character of conventional neoclassical economic theory may be overlooked in western type fully monetized economies with their conventional frameworks of short term and medium term time horizons that rarely stretch beyond a decade. But the analysis of the growth of underdeveloped countries, however, raises time frames that extend into decades and centuries.

The analysis of the growth of the underdeveloped economy also raises problems concerning the analysis of economic and social structures. The question of the correct inter-sectoral relations of the economy, for growth to take place, is a problem that involves political, welfare and efficiency considerations. In short, a discussion of the problems of the growth of the underdeveloped countries carries with it the unavoidable requirement to consider matters ranging from the historical to the political. These dimensions are problematic for the study of growth in a developed economy with western type institutions and an extensively ramified cash nexus. In the context of an underdeveloped economy, with a large subsistence system, a limited cash nexus, non-capitalist forms of accumulation and exchange, a capitalist sector dominated by merchant capital and a nation state imposed from above, then conventional neoclassical economics and the tools of econometrics have

only limited value. In fact the high expectations of rapid economic growth at the beginning of the decolonization period went against the underlying Marshallian assumptions of neoclassical economic analysis that economic growth was simply the outcome of a slow and simple accretion of the product of the successful investment of capital. Economists in this period were also deeply divided over the possibility of planning for economic development. Those of a Hayekian persuasion saw planning as politically repulsive and economically disastrous. Others of both the right and the left saw capitalism as evolving through the use of von Neumann information machines towards a form of planned socialism through the pursuit of efficiency goals (Haberler, Schumpeter, Lange and Baran). Nevertheless many politicians in the post-war period and especially those associated with the administration of colonies were committed to planning in some form or another and many economists (but by no means all, e.g., Bauer) joined the development train.

Early economic development literature frequently suggests the unease which many economists may have felt about the possibility of creating growth theories within the neoclassical canon. The literature of the period makes interesting reading as the authors struggle to maintain their theoretical respectability while at the same time venturing into the historical regions necessary

for the formulation of policy recommendations. Indeed policy recommendations during the start up period and into the 1950's, while going along with the growth dynamic, frequently expressed some scepticism about the viability of the whole enterprise. The IBRD on a number of occasions extending well into the 1950's took the view that the only meaningful approach to growth was to apply conventional investment criteria on a project by project basis. In other words the IBRD expressed scepticism as to whether any general model of growth was possible. Other, non-socialist economists, drew on the Schumpeterian model of the key role of the entrepreneur in economic growth. But the attempt to incorporate this essentially sociological theory into the neoclassical canon raises fundamental theoretical difficulties and is usually associated with a form of psychological economics with a thorough going ethnocentric colouration.

Before 1952 very few economists had published on the subject of economic development. Immediately prior to World War II Harrod had published his growth equation based on Keynesian assumptions (Harrod 1939). This was followed by Domar's version of substantially the same relationship in 1947 (Domar 1947). Colin Clark, as a Cambridge Keynesian, had pioneered the aggregative study of the British national income (and supervised V.K.R.V. Rao's pioneering study of the Indian national income) and had later extended this early 1930's work on national

income to a statistical-based study of the historical factors of growth (Clark 1940). In 1942 Rosenstein-Rodan had published his study of the economic development of backward areas in Europe by industrialization. The attention given to post-war reconstruction gave rise to a number of studies including Eugene Staley's *World Economic Development* (Staley 1944), Kurt Mandelbaum's *Industrialization of Backward Areas* (Mandelbaum 1944) and Arthur Bonné's *The Economic Development of the Middle East: An Outline of Planned Reconstruction* (Bonné 1945). Although with the benefit of hindsight these studies are sometimes described as ground breaking and pioneering (Arndt 1972:16), there is in fact little of theoretical interest or originality in them. With the exception of the work of Harrod and Lewis (which is described below) they did not lay the basis for later theoretical developments. Apart from these few early studies, which were not influential, it was only after 1952 that a literature on economic development began to appear and it was not until the end of the 1950's that it began to assume the dimensions of a flood (for a survey of this period see Meier 1984:3-22).

II. The application of economics to development

Apart from the abstract Keynesian growth literature (Harrod 1937, 1939, 1947; Domar 1946, 1956) which mostly consisted of truistic formulations, using linear equations, which expressed in model form a version of Keynesian theory as an expanding economy, all of the first wave of economic growth literature assumed the continuation of the *dirigisme* of the late colonial state and the planning of the national economy from the commanding heights. Theorists of growth in this context saw the future in terms of the state managed manipulation of the underdeveloped economy, in terms of a state direction of sectoral resources by command or coercion into the requisite pattern that would bring about economic growth. What was at issue among the theorists was the correct determination of this pattern for growth to occur. However the solution of these historico-structural questions and the problems they raise resists a simple solution using the concepts of Clarkian neoclassical economics and associated utility theory. Rather, the solution of the problems of growth requires instead the solution of some classical problems of value and distribution of a kind associated with the economics of Ricardo and Marx.

The econometric-influenced examination of actual historical examples suggested that the classical parameters of growth were the shift of the work force from the country to the city and the expansion of manufacturing industry. Therefore, it was believed, the correct growth strategy was the planned management and coordination of these sectoral shifts through time by the state. In more practical terms this was translated into the modernization of "inefficient" subsistence agriculture and the shift of the "surplus" labour from the country to the city. In the city this labour would be taken into a workforce employed in new state planned industries developed with the assistance of capital provided directly or indirectly by the state. When these strategies were first suggested by economists in the context of the UN discussions there was a nearly palpable sense of disappointment among the participants. Far from providing the new technical insights, which the profession claimed to command, there was nothing that was not self evident to the international health and agricultural and colonial administrators of the time.

As discussed in previous chapters the origins of the development impulse and its broad parameters lie outside of economics. However, after World War II and the establishment of the international institutions, economists began to play an increasingly important role in the provision of technical advice and theoretical

guidance on the problems of development which rapidly came to be redefined as *economic* development. Within a few short years the dominance of the economic profession in the field was largely complete, notwithstanding the narrow theoretical range of the contributors and the restricted analytic of their contributions. The only notable exceptions to this rapidly established orthodoxy were the economists who held to the view that western democracies were evolving towards more or less fully planned economies which would converge with socialist ideals, that the evolutionary logic of capitalism is towards a form of bureaucratic socialism (Baran 1942; Lange, 1937, 1938, 1945). Even so, the problems of development have always challenged the orthodoxies of the various brands of classical and neoclassical economics that have been deployed for their solution.

Nevertheless it is instructive to examine some of the results of the early confrontation of economists with development problems. Within this formative period, between 1948 and 1955, most of the features of development economics were discussed and applied and little was added to basic theory until these early theories were left behind with the abrupt swerve to the right and the return to pre-eminence of Austrian influenced monetarism in the World Bank in the late 1970's. Three of the more eminent contributors to the formation of development economics have been selected for

discussion. The first of these is Colin Clark who might best be described as a Keynesian-influenced neoclassical economist of hard line empiricist persuasions. The second is Oskar Lange, possibly the most influential of the socialist economists of the 1930's and 1940's and a significant contributor to economic development debate in the early 1950's. Lastly is W.Arthur Lewis, Nobel economics prize winner for his contribution to the theory of economic development and leading theoretician of the structurally influenced neoclassical school.

III.

Colin Clark and the economics of facticity

Colin Clark was a member of the staff of the British Economic Council where he came into contact with Keynes between 1930 and 1931. Between 1931 and 1937 he was lecturer in economic statistics at Cambridge. During this period Clark worked on his studies of national income in tune with the burgeoning interest in aggregative economics inspired by Keynes' theories of national demand management. Clark's studies of the

British national income were published in 1932 and 1937 and these were followed by *The Conditions of Economic Progress* (Clark 1940). Clark's approach to economic analysis laid great stress on what he perceived to be the "facts of the matter" and on deductions from comparative observation. In his introduction Clark emphasizes that he offers a "scientific economics," an approach that he claims entails:

> the careful systematization of all observed facts, the framing of hypotheses from these facts, prediction of fresh conclusions on the basis of these hypotheses, and the testing of these conclusions against further observed facts . . . only men of transcendental powers of reasoning can be [economic theorists] . . . the rest of us should be economic scientists, content steadily to lay stone on stone in building the structure of ordered knowledge . . . the discovery of new facts, and of generalizations based on them, is work for all time (Clark 1940:vii-viii).

The purpose of the book is to identify the necessary conditions for economic progress and it is Clark's belief that a systematic inter-country comparison would reveal these. Using statistical indices, Clark attempted to identify the range of economic variation of a wide range of developed countries by bringing the different aspects of the different economies into direct comparison. Clark is not tentative in his conclusions, but, unsurprisingly, he singles out the ratio of the population employed in agriculture as against industry as one critical factor:

> In Great Britain and Norway the transfer of population away from the comparatively unproductive agriculture assisted in raising the general average income per head. In Sweden, Italy and Japan also there was a transfer away from agriculture, but in this case income per head was also rising in agriculture. In France and Australia agricultural incomes per head, until recently, were higher than those of the rest of the community. Generally speaking, the main dynamic of economic advance has been rising income per head in either secondary or tertiary industry, often in both, and the transfer of population away from primary industry (Clark 1940:12).

And for the other critical factor Clark puts forward the view that:

> Evidence from a large number of countries is available to show that there is a close functional relationship between national income and the value of investment. This relationship is linear and the slope of the line is defined as "the multiplier." This multiplier can be deduced from empirical comparison of investment and national income . . . for a community to realize its full productive possibilities, there must be a level of investment sufficient to be in equilibrium with the national income thus produced, in accordance with the multiplier formula (Clark 1940:16).

This latter conclusion is, of course, no more than a restatement of Clark's Keynesian premises. And it is typical of the obsessions of the Keynesian period that even growth was conceived as merely an equilibrium point in motion. As such it represents a touching faith in the model and magic of Keynesianism and the strange attachment of many economists to the essentially mystic

concept and artifact of the modelling process, *balanced* growth.

Despite its obvious limitations, the crudities of the indices of inter-country comparisons, and the unsophisticated positivist methodologies employed. Clark's 1940 monograph stimulated many econometric-based historical studies of income differences between the advanced and the underdeveloped countries in an effort to locate the touchstones of economic growth. It was Clark's belief in the cult of the fact, and that of many who came after him, that continuing work in the field would lead to increasing accuracy in the figures and an increasingly refined set of inter-country comparisons which would in turn lead to a more precise "scientific" determination of the factors of economic growth and their interrelationships. This has not happened and it is clear today that the choice of factors has more to do with the ideological orientation of the analyst than with the scientificity of their analysis. This failure has much to do with the fact that not only do economies, like societies, resist the simple comparisons implicit in the statistical methods employed, but also because the underlying assumption that the kinds of statistical data collected and manipulated had anything to do with the growth process was never tested. Historically linearised data is incapable of demonstrating more than coarse trends, which may, at best, assist in the identification

of an institutional matrix that may be of some significance to the growth process.

IV.

Oscar Lange and the econometrics of planned socialism

Oscar Lange was born in Poland in 1904 and educated as an economist in Polish universities. Lange early took up socialist causes and wrote pamphlets on the economics of planned socialism in the 1920's. Following a strong interest in the application of mathematics to the social sciences, Lange published *Statistical Methods in Investigating Economic Fluctuations* in 1931 (Lange 1931) and was appointed a university lecturer in statistics in the same year. In 1935 Lange was awarded a Rockefeller Foundation fellowship and left Poland for two years of study in the USA and England. In 1937 Lange returned briefly to Poland before returning to the USA and lecturing at the universities of California and Stanford. Subsequently, in 1939 Lange moved to Chicago and the position of Professor of Economics and Statistics. In 1945 Lange was appointed Polish ambassador to the USA and

delęgate to the United Nations. In 1955 Lange returned to Poland where he occupied high administrative positions and the chair of political economy at the University of Warsaw where he continued to lecture and write on economic topics, econometrics, planning and economic development. Lange also served several periods as advisor on economic development to the Governments of India, Sri Lanka, United Arab Republic and Iraq.

In 1936 and 1937 Lange published a two part article, followed by a book with F.W. Taylor in 1938 *On the Economic Theory of Socialism* (Lange and Taylor 1938). The 1936/7 articles were essays on the economic theory of socialist economy and an attempt to render compatible the socialist vision of the socialist economy with the principles of economics as they were perceived in the neoclassical terms of the time. The book contains a revised version of the articles and a polemic against the arguments denying the possibilities of creating a rational system of socialist economy. Mises, an Austrian economist, and the first academic to give serious critical consideration to the economic ideas of Karl Marx, had argued that in fact a rational socialist economy was impossible on the grounds that economic calculation was impossible under socialism, a system without markets and hence with no rational criteria for the determination of prices and the matching of supply and demand that ensues from this. Mises' argument had a

profound effect on the Austrian school of economists and can be found in the various versions of Menger, Schumpeter, Röpke, Haberler and others of the Austrian persuasion. In the 1930's Mises' argument was revived and given added force by Hayek and Robbins who both argued that although the rational allocation of production factors is theoretically possible under socialism, it is in practice quite unattainable because to plan on this basis would require the simultaneous solution of thousands or hundreds of thousands of equations. Against this Lange argued that under socialist planning prices need not be arbitrary. Starting with the Keynesian theory of market equilibrium Lange argued that prices can be calculated on the basis of the quantity of production outlays and used as instruments in economic calculation. That these "accounting prices" could be fixed using a method similar to the action of the free market and that in a decentralized model of a socialist economy a "quasi-market" accomplishes this. According to Lange, and against Hayek and Robbins, there is a version of the socialist economy, in which there is no free consumer choice and which is directed by a scale of preferences defined by a central planning body, which is capable of functioning as a consistent system. This is sometimes referred to as the Langer-Lerner solution to the problem of modelling a socialist economy within the neoclassical economic canon.

Lange's defense of socialism as economically rational, and his use of econometrics in his argument was highly influential. Lange's argument made socialism technically respectable and appeared to establish socialism as being soundly scientific rather than merely visionary and justicial. While at the University of Chicago Lange made major contributions to the post-war reconstruction literature and in his writing, following the contributions of von Neumann, Wiener, Rosenblueth and Bigelow in the fields of arithmetical computation, cybernetics, feed-back (see for example Rosenblueth, Wiener and Bigelow 1943:18-24) and game theory, espoused the view that the new developments in these fields would produce computing machines that would easily solve the technical problem of managing an actually existing socialist economy. This view gained some following among non-socialist economists such as Schumpeter and Haberler (then living in the USA and both also contributors to the US post-war reconstruction literature). Here the view was that scientific managerial capitalism was tending to ever larger structures and state like bureaucracies (which in war time tended to merge with the state apparatuses in the interests of the rational solution of production problems) and to this extent the capitalist economies were showing signs of evolving towards the kind of economic socialism envisaged by Lange.

The ideas deployed in Lange's defense of the compatibility of socialism and planning with neoclassical economic theory were further developed in *Price Flexibility and Employment* (Lange 1945) and in *Political Economy* (Lange 1957), the first volume of an incomplete three volume synthesis of socialism, neoclassical economics and the econometrics of planning. In this latter work Lange attempted a definition and classification of "economic laws" and an argument that these were, together with the "laws" and an argument that these were, together with the "laws" and an argument that these were, together with the "laws of human behaviour," in harmony with a Marxian political economy. Lange developed this argument in terms of his conception of the relation between political economy and what he termed "praxiology." According to this point of view, the principle of economic rationality (the utility principle at the heart of neoclassical economics) does not have an ahistorical character, and that its emergence and specific content are determined by social and institutional conditions. To put Lange's conclusion in rather crude terms, what was argued was that the principle of the rational actor matching scarce means to ends is itself the product of an historical evolution, explicable in Marxian terms, and hence not an obstacle to socialist economics, but rather to be incorporated within it as part of the technical evolution of society.

It was Lange's non-sectarian contributions to econometrics, his effective use of mathematics, his deep understanding of neoclassical economic theory, and his use of the principle of rationality to vigorously defend planning and scientific socialism that earned him the esteem of his non-socialist colleagues and gave credibility to the idea that economic growth, under liberal democratic (anti-fascist, anti-monopoly) conditions, would tend towards a form of socialism. In these respects Lange promoted a climate of informed opinion that accepted at the very least that the possibility of the state adopting a planned economy might simply enhance the underlying rationality of the system. Such an elevation of the principle of rationality might also be construed as a change to a higher level of evolution.

The important of Oscar Lange has less to do with the specific content of his theories as such and more to do with his general promotion of socialist growth as part of the outcome of capitalism itself. Largely this is because Lange ignored the Soviet Russian literature on planning from the 1920's period and adopted the Stalinist solution to the problem of irrationality inherent in the act of planning itself. Rationality principles do carry this sting in their tail whether applied in respect of individual or collective decisions. Suffice it to say at this point that all rational planning, on the basis of

input/output tables, insofar as it is possible at all, depends on the control of a finite set of essentially linear relationships, which implies a non-permeable *boundary* between the planned project and its environmental context, which is, in fact, the rest of the universe. In addition there is no doubt that Lange, like Stalin and Hayek and many others, pursued enlightenment rationalism. This set of problems will be discussed further in Chapters 5 and 6.

IV.

W. Arthur Lewis and the Gold Coast

W. Arthur Lewis was one of the first economists to take a sustained interest in development problems. A West Indian by birth, Lewis, as an academic working in England in the late 1930's, had a strong interest in colonial issues and was an advisor to the Fabian Colonial Bureau during the mid 1940's. In 1944 Lewis published an article in *Agenda*, a British journal devoted to post-war reconstruction, strongly critical of the *Report of the Jamaica Economic Policy committee*. This committee had

been formed as one of the initiatives stemming from the passing of the Colonial Development and Welfare Act of 1940. Under the Act responsibility for development planning was given to the various colonial administrations who were supposed to formulate plans that took into account local circumstances and needs. Lewis noted that most of the plans produced by this method had been disappointing because they tended to concentrate on spending for welfare rather than development (Lewis 1944:154). Part of the problem was due to the fact that social welfare needs were more or less obvious to the colonial administrations whereas the techniques of planning for economic development were quite obscure. Another part of the problem, Lewis argued, was due to the defective character of the economics that was being applied to the problems of colonial economic development.

Lewis' central point was that the colonial societies mostly possessed unlimited supplies of labour and hence were fundamentally different from modern advanced economies with their scarce supplies of labour. Economists overlooked the fact that, in respect of their labour supply, colonial societies were, according to Lewis, similar to the advanced economies in the earlier stages of their development. The nutrition surveys of the late 1930's had precisely defined the fact that in many of the islands of the West Indies population growth had outstripped available land resources and the

possibilities for expanding employment in subsistence agriculture were largely foreclosed. Accordingly, Lewis took the Report of the Committee to task for not turning to industrialization as (a) the only possible means of resolving the problem of un- and under-employment, and (b) the only possible method for raising real capital per head, raising the standard of living and developing the West Indies colonies:

> It is as clear as daylight that only a great increase in secondary industry can solve Jamaica's employment problem. Her agricultural resources will not support a population of 1,200,000 increasingly by 2 per cent per annum . . . nothing that anyone can suggest will make any substantial contribution to the 70,000 to 120,000 more jobs that the economic system must provide. Only industrialization can do that (Lewis 1944:162).

Lewis went on to develop this line of argument over some ten years, re-presenting essentially the same argument, but in increasingly sophisticated forms in his *Colonial Development* (Lewis 1949) and *Economic Development with Unlimited Supplies of Labour* (Lewis 1954).

During this period Lewis surveyed the colonial economies and concluded that the terms of trade had moved against tropical products since the 1870's (Lewis 1952). Lewis argued that the colonies were poor because the prices that they received for their products were low.

The prices were low because productivity was low (Lewis 1944:156). Therefore, Lewis argued, the way to raise tropical agricultural product prices was to raise the domestic demand for them and the way to do this was to shift a significant number of agricultural workers into industry.

According to Lewis colonial economies comprise two sectors, the "capitalist, industrialized" sector, and a "stagnant agricultural" sector. Lewis held the view that economic growth, defined in terms of *per capita* output, is dependent upon the expansion of savings and the investment of these savings in the capitalist sector. And if the capitalist sector were to grow then it would absorb labour from the stagnant agricultural sector. Lewis thought the only significant savers and investors, historically speaking, were the capitalist industrialists. Therefore the problem was not to increase the savings of the great mass of the population (which would always be insignificant) but rather to create a class of capitalist savers and investors. Capitalist investors were created, Lewis believed, by a process of education or acculturation that created in them the propensity to save when confronted with capital (Lewis's definition of capitalists was in fact narrowly tautological, see Lewis 1954:156,160).

The role of the colonial, or ex-colonial state, planning for industrialization, was to create, on the one hand, the capitalist and, on the other, to provide him with capital. The first could be achieved by a battery of measures, including education, management training schemes, small business courses, technical training and orchestrated government intervention. The second aim of providing capital could be accomplished by the state providing loans and, at least initially, by the inflationary policy of cheap loans. State funds in their turn would be provided from overseas sources, foreign investors, colonial development loans, IBRD loans and other forms of inter-governmental credits.

In 1953 Lewis prepared a report for the Gold Coast Government entitled *Report on Industrialization and the Gold Coast* (Lewis 1953). The Report examined the prospects for industrialization in the Gold Coast on the simple basis of examining the list of imports and selecting for attention those manufactured products which might economically be produced in the Gold Coast rather than imported. In addition the Report looked at the possibility of increased processing of raw materials for export and possible new export industries for previously unexploited resources. The Report concluded that while the first priority should be to raise the productivity of the agricultural sector and the second priority should be to improve state services, there was justification for a

modest program of state sponsored industrialization. The industrialization process should proceed on a basis of import substitution. Protection should be offered as well as plant facilities, advice and cheap loans as inducements for capitalists (Lewis 1953:23).

Although there is no specific mention of it in the Report, Lewis, in a formal paper published the following year (Lewis 1954), put forward his view that inflation should be used as a means of providing finance for investment and of transferring profits to capitalist entrepreneurs. Inflation, Lewis argued, was "self-destructive" in an economy with unlimited supplies of labour and could be used to finance industrialization with impunity, that the effects of inflation would be offset by the economic growth fuelled by the inflationary expansion of credit. Lewis supported this view of inflation in societies "with unlimited supplies of labour" with an additional argument that, historically, industrialization had been financed by squeezing rural production and more particularly, the rich peasant (Lewis 1954).

At the time that Lewis submitted his Report the Gold Coast was nearing independence and was shortly to become Ghana, the first African colony to achieve independence. Since the passing of the Colonial Development and Welfare Act of 1940 not a lot had actually been paid out to the

colonies for development purposes (for a full list of loans see Morgan 1964, 1980). Partly this was due to the disruption of World War II and partly due to the post-war problems of sterling and the British economy. During this period the British Government held and controlled the large sterling and dollar credit balance of the colonies and used these colonial reserves to help prop up the pound. Such actions served to strengthen the notion that the colonies were in a state of 'arrested development' as a result of the actions of the imperial power.

During World War II the colonial administration of the Gold Coast had taken over cocoa marketing and created a marketing board. This board was modelled on the producer marketing boards that had been successful in stabilizing prices for primary products in Australia and New Zealand in the 1930's. The purpose of the cocoa marketing board was, among other things, to provide the farmer with a guaranteed income and to even out price fluctuations. The cocoa crop became a significant dollar earner for Britain during this period and under conservative colonial control the board accumulated substantial reserves. After the war cocoa prices continued to rise and the policies of the board continued without significant change. By the early 1950's, still under colonial rule, it was thought appropriate that the board reserves should be made available for general development purposes.

Since the early 1900's the cocoa plantations of the Gold Coast had been held up as a model for native commercial agriculture (Morel 1914, 1919; Woolf 1919). By the 1950's the native cocoa plantations were thriving operations enjoying high prices for their product [Lewis rated cocoa as one of the few exceptions to the long running secular decline in prices for tropical products (Lewis 1954:184)]. Some of the justification for using the reserves of the state cocoa marketing board was that they would contribute to the improvement of infrastructural services for cocoa farmers.

Faced in the 1950's with a need for investment capital, which was not likely to be forthcoming from Britain and with US funds locked out of the colonial empires, the Gold Coast government found the cocoa reserves irresistible. After all, in a country with a very limited taxation base these funds could arguably be treated as tax revenue and used by the government for development purposes. There were some historical precedents. In the Soviet Union rich peasants had been soaked to pay for industrialization.

At the same time, Lewis advanced his notion that industrial development in countries like the Gold Coast could be financed by an inflationary expansion of credit. This was a particularly appealing doctrine because it

seemed to suggest that it would be possible for a social democracy, with state led development planning, to achieve "take off" without the violence and social upheaval that had marked such transitions in the state socialist economies of eastern Europe. What is more, the theory seemed to suggest that results could be achieved within decades rather than centuries. The Lewis theory made development seem an endogenous process, one which did not necessarily require the injection of large amounts of capital and yet at the same time fostered capitalist entrepreneurial individualism (although Lewis, as a Fabianist and supporter of the British Labour Party, had no special objections to state capitalism). The acceptance of the Lewis model of development was in some measure due to the political exigencies that the nascent post-colonial states were then facing.

The Lewis model of development had some considerable merits. Among these was the fact that it was both based on a broad historical perspective and took into account many of the specifics of the colonial economic problems. In other words it addressed the problems of the colonial economies in terms of their functioning within the world economy. Even so, the model had a number of major faults. Principal among these was the fact that Lewis was not analytically interested in the "stagnant agricultural" sector. His interest extended only so far as the plantation economy and production for export.

Lewis' lack of interest in the subsistence economy is noticeable, "the subsistence sector is by difference all that part of the economy which is not using reproducible capital" (Lewis 1954:147). Lewis did not investigate the characteristics of the traditional subsistence economies. Writing in 1949 Lewis averred that:

> Nothing can be done unless the farmers can be brought to accept new ideas - new methods, new tools, new breeds, *new social groupings*. [my emphasis] (Lewis 1949:81) . . .
>
> and . . .
>
> Trying to alter the habits of peasants in settled areas is a formidable task; it is easier to make and enforce rules where new areas are being brought under cultivation for the first time in land settlement schemes (Lewis 1949:96).

Although it must be acknowledged that subsistence economies fall wholly or partly outside the money system and hence are difficult to analyze, fruitfully, in terms of conventional economic theory.

Nevertheless these traditional subsistence economies were the predominant mode in the societies that Lewis was interested in. Traditional economies have been intensively studied by anthropologists. Generally these economies produce only small surpluses which, despite their smallness of size, are extensively exchanged. At the same time many of the traditional economies have developed non-capitalist forms of accumulation, hoarding

(prestige goods), conspicuous consumption and even destruction (potlatch). Many also have important non-capitalist economic institutions such as bride price and dowry. Many of the exchange processes take place through the medium of the kinship system with its extensively ramified kin networks and their potential for the redistribution of surpluses is very great. It is noticeable that when Lewis discusses the question of the gap between capitalist wages and subsistence earnings in underdeveloped societies and although he mentions a number of possible explanations for his gap (Lewis 1954:150), no consideration is given to the extent to which the gap is created by the power of the traditional exchange system to extract a proportion of the capitalist wage from the capitalist sector of the economy and absorb it into the subsistence sector. In other words the wage costs in a capitalist sector existing side by side with a traditional sector will inevitably exceed the simple nuclear family reproduction costs unless rigidly controlled by a supreme authority (as for example under apartheid in South Africa).

Lewis saw the traditional economies of the underdeveloped countries purely in terms of their realization of the capitalist dynamic, i.e., as "stagnant" and "backward." At the same time Lewis pinned his hopes on the rise of a class of capitalist entrepreneurs. The Lewis model of the two sector

economy, while formally impeccable, overlooks the fact that individuals may not be unequivocally located in either one sector of the other. This error is compounded by the assumption that the traditional economy is not only "stagnant" but *passive*. Lewis ignored the ability of the traditional economy to decapitalize the capitalist sector and to store up wealth in non-productive forms or simply consume it.

This latter obstacle to capitalist development was well known in the colonial period, although not phrased in the terms I have used. A great deal of the literature of the late colonial period makes reference to the necessity for overcoming custom, breaking the stranglehold of the kinship system. Modernization in this context meant the fostering of individualism and colonial officials frequently referred to the kinship system as destructive of individual enterprise. Indeed, part of the basis of the cooperative movement was its attempt to turn to advantage the communalistic, sharing, characteristics of the traditional economy and use them as a basis for participation in the cash economy as discussed in chapter two.

Chapter 5

Economic theory and development studies

I.

In 1991 the *Journal* of the Royal Economic Institute completed 100 years of publication. To celebrate the occasion the editor invited some contributors to the *Journal* to write a piece on what they thought economics would be like during the next 100 years. Twenty two economists[1] responded to the editor's invitation and of these only a few were reckless enough to make any attempt to describe their vision of economics at the end of the next century. Most restricted their gaze to the next few decades and in particular to the first decade of the next century. While most of the contributions are short in length they are nonetheless very interesting, both individually and as a collection. The editor's commission called for speculation and thus encouraged a certain freedom of expression. As a result contributors were encouraged to put forward for publication views and opinions that might not otherwise have found their way

into print. What makes the collection of essays interesting though, is perhaps an unintended consequence of the editor's commission. In expressing their views on the future many of the authors assume that the near future will in some counterfactual sense be a more correct version of the present. Unavoidably then, these authors give, in a rather detailed way, their view of what is most wrong with the present. Thus the essays give a collective impression of what some of the most eminent economists believe to be critically wrong with economic theory today.

Needless to say there were some contributors who felt the chief defect with the economic profession was that not enough was being done in their line of specialization and that people persisted in wasting time doing other things. I shall pass over these without comment. What is more interesting are the contributors who expressly identified what they considered major problems and defects in contemporary economic theory. The range of faults identified goes from the broad and superficial issue of the relevance of the profession and its responsiveness to social needs to the theoretically specific. It is these latter theoretical problems that I wish to discuss here.

The consistent thread that runs through those contributions which place theoretical interests at their

core is the concern that neoclassical economic theory seems to have reached certain limits (Galbraith 1991, Hahn 1991, Morishima 1991). Some contributors consider that as a result of this no interesting work is likely to emerge from this theory framework in the foreseeable future (Hahn 1991, Morishima, 1991). Although the different authors have different views as to what these limits are and choose very different ways to describe, them what is at issue is confidence in the ability of the interlinked concepts of utilitarianism, rationality, markets and methodological individualism to produce productive insights rather than contradictions and confusion.

The problems may be stated quite simply. Taking the key issue of rationality first. Rationality has always been a central assumption in neoclassical economics since Jevons in 1871. As Eatwell describes it, the neo-classical approach to economics "reduces all economic activity to a single principle - the competitive resolution of individual attempts to maximize utility subject to the constraints of technology and environment" (Eatwell 1982:v). The principle collapses of course if it can be formally shown that there are many situations where there is no single choice which leads to an unambiguous maximization of utility.

Following from the development of games theory by von Neumann and Morgernstern in the 1940's and the publication of the *Theory of Games and Economic Behaviour* in 1994 it became possible to subject rationality itself to analysis, to develop an analytic of rationality. A version of this has been incorporated into economics under the heading of rational choice theory. Rational choice analysis has produced some very mixed results when measured against the expectations held by the earliest proponents of the merger of games theory with economics. The primary expectation was that the application of rational choice analysis would definitively establish the rational choice for any given situation and that the very rationality of the choice would compel all rational individuals to accept the choice. An ambition that suggests a Kantian view of natural law and a utopia of reason. The principal problems that have arisen are of two kinds. The first and possibly lesser is that some at least of the problems the rational agent is supposed to solve have turned out to be not computable, or at least not computable in finite time. The second is that the application of rational choice theory to many classes of problems does not produce single and unambiguous answers. Rather the solutions turn out to be both position and time dependent. It does not seem to be possible to generate solutions that are independent of time, space and an observer (c.f., Mannheim 1929).

The irony is that the development of the analytic of rationality, which was supposed to cement the market paradigm firmly in place at the centre of economic theory and policy making, has instead led to extreme doubt among economic theorists about the rationality of the paradigm itself. The problem is that unless real world solutions can be generated for the behaviour of agents then the market concept itself begins to assume phantasmagorical dimensions. After all an efficient market is only the outcome of the rational choices of well-informed agents and if we can no longer assume that agents are either well informed or able to make unambiguously rational choices then we are left with not so much the pure market but rather the incomplete market, which is to say the socially institutionalized market.

For some of those who view the spectre of a Lazarus like resurrection of a classical political economy with distaste, there is the belief that the solution to these problems is to be found in the development of an experimental economics where agent's choices are empirically investigated by means of experiments and sociological analysis. By these means they hope that the scientific character of neoclassical economics will be preserved and the subject will be able again to generate real world solutions. For those of us with a knowledge of cultural diversities and an appreciation of the

tendency for human subjectivities to proliferate such a prospect seems very unlikely.

II.

Why should a theoretical tizz among economists be of any more than passing interest to development studies specialists with their feet firmly planted in the eminently practical problems of development? Why should we not simply applaud the economists rediscovery of social reality? There are two reasons why the matter should not be left without comment. The first is that the theoretical problems that have surfaced in economics are not in fact restricted to economics alone. I shall have more to say about this in the last part of this chapter. The second reason is that the version of economics that has dominated the international institutions since the 1920's has centered on the problematic concepts of freedom, markets, currency stability, individual choice and rationality. It is this kind of economics that became institutionalized in the new international development organization formed in the late 1940's and it is this kind of economics which has

been associated with a set of theoretical claims that has been influential in policy making and has affected the lives of millions of people.

The modern relationship between economics and the international institutions begins with the Treaty of Versailles, the payment of war reparations and the formation of the League of Nations. Without specifying the exact amount the Treaty of Versailles held Germany morally responsible for all civilian damages and losses in the victor countries. Following a series of conferences in 1920 and 1921 the German liability was fixed at 132,000,000,000 gold marks to be paid in annual installments of 2,000,000,000 marks plus an amount equal to 26% of Germany's annual exports. Germany's default brought the occupation of the Ruhr in 1923 by French and Belgian troops in order to collect reparations by force. Dispossessed of this economically important area, Germany was unable to make reparations payments and each attempt to convert marks into foreign currency drove down their value. The result was the disastrous inflation of 1923 when the mark became almost worthless. Renewed international discussions resulted in 1924 in the Dawes plan which recommended that the actual transfer of reparations be conditional on the stability of German exchange. A transfer committee of international constitution was set up for the management of the war reparations transfers. The policy of the Dawes plan and

the management of the transfer committee were dominated by US personnel and their technical insistence on Germany having 'balanced budgets' and a return to the pre-war gold standard. US European economic policy drew on contemporary US economic theory, especially the work of Irving Fisher, professor of economics at Yale, and his commodity theory of money with a rigid tie to the gold standard and an identification of currency stability as a necessary condition for economic growth (Fisher 1920).

In 1929 the Dawes Plan was succeeded by the Young Plan and the creation of the Bank of International Settlements to coordinate and oversee the payment of war reparations in gold bullion by Germany to the Allied countries and to technically facilitate inter-bank transfers between national central banks. The Bank was capitalized by the subscriptions of national central banks and its personnel were drawn from the staff of the Financial Committee of the League of Nations and banking and bureaucrat circles. Although officially non-political, the Bank quickly came to take positions on the political and economic problems of the day. For instance, although the ability of the debtor countries to make the reparation payments depended to some extent on the rebuilding and recovery of their economies, the Bank took the view that the primary requirement was for a stable currency. From the creditor countries point of view the dominating policy requirements were for the establishment in the debtor

countries of a stable currency and a stable political regime that would manage the economy so as to meet the schedule of war reparations payments.[2]

In a parallel development to these events in the early 1920's the League of Nations established a Financial Committee with a support staff of officials and bureaucrats. Many of the personnel were drawn from central banks and national treasuries. A few were recent economics graduates. Of those that were technically trained in economics their theoretical background was solidly that of Jevons, Walras and Wicksell - the three historically most important figures in the establishment of neoclassical economics (Jacobsson 1979:47-61). In August 1922 the League agreed to investigate and report on Austria. Austria was the subject of the first country report prepared in 1925 by the Financial Committee and this was followed soon after by a report on Hungary. Per Jacobsson, a member of the report team and later both economic advisor to the Bank for International Settlements and Director of the IMF gives the following account of the country reports:

> The essential guarantee that could be given the creditors was that the plans, which the Financial Committee had drafted, really were put into practice. This demanded a detailed knowledge of the specific country's external and internal conditions, before the Committee could work out a tenable plan; it was also necessary that the government of the country had been wholly and fully convinced about the

> suitability of the plan which had been made, because only if this happened could one be sure that the government would decisively reduce to practice what had been planned . . . During the work, it proved to be particularly important that a continuous contact was established, on the one side with the Financial Committee and on the other side with the Ministers of Finance and Central Bank Governors, who were regularly present at the Committees meetings (Jacobsson 1979:50).

The report on Austria was greatly influenced by the views of prominent Austrian economist bureaucrats trained in the Austrian version of neoclassical economics with its emphasis on methodological individualism, property rights, market mechanisms and a strong attachment to individual freedom and class stability (Streissler 1990:163-6). In the 1920's Austria had some rather unusual characteristics. Formerly the centre of the Austro-Hungarian Empire its status had been reduced to that of a small country with a largely rural population and scant industrial development. Unsurprisingly the major concern of Austrian economists at the time was economic development. The Austrian school of neo-classical economics was socially conservative, anti-Marxist and individualist in its orientation (Boehm 1990, Streissler 1983, 1990). Schumpeter's theory of economic development and growth, first published in 1912, both encapsulated these Austrian prejudices and seemed to specially fit the Austrian post-war situation. Schumpeter's theory depicted the passing of the old regime as a consequence of the dynamic growth process and

yet maintained old individualist values by glorifying the entrepreneur as a Nietzchean superman buccaneering his way in a creative gale of destruction through the freedom of the market. A version of the utilitarian paradigm that has obvious affinities with social Darwinism. This is Marx turned on his head. In the Schumpeterian scheme of things entrepreneurs can properly fulfill their historic destiny only in a market that rests on a stable currency. Without this essential currency stability market rationality collapses and the role of the creative entrepreneur vanishes to be replaced by parasitic opportunism and social degeneracy.

The Financial Committee of the League of Nations recommended a policy of currency stabilization and business development for Austria. The assumption was that what was best for Austria was what best brought Austria into the position of being able to make war reparations payments. This is possibly the first modern example of a country agreeing that the best interests of its citizens, its national interest, would be served by giving first priority to meeting its international financial obligations. What is unique about the Austrian situation is this identification of national interest with what in fact were the interests of bankers and the theoretical predilections of economist bureaucrats. What is perhaps most striking about the mix of policies that were pursued at this time is the pre-eminent position

given to currency stability. Neoclassical economic theory makes no assumptions about time. In the model form it is timeless. Perhaps what was at stake here was the attempt to make reality itself timeless so as to conform more closely to the model.

During the 1920's and 1930's this intertwined development of banking orthodoxies, market theory and a small cadre of economist bureaucrats came to dominate the international institutions. This achievement of dominance was in part due to a wide spread identification of banking and economics with modernity and its rationality. Influential books of the time identified currency stability with order and progress and inflation with cultural barbarism and the descent to brute force and social chaos. All this was more than just a reaction to the post World War I currency problems and inflations. What was at stake was increasingly identified as the choice between barbarism and rationality, between a Spenglerian decline of the West or a clean modernity, between chaos and anarchy or order and stability and the freedom of business to do business. In the words of an influential economic theorist of the time the "degenerative processes" under-way in European society have led to "people . . . turning their backs on economic reason and [thus] ruining that economic system which reason and experience prove to be more able to ensure economic well-being than any previous one," an economic

system which provided "the maximum of political, civic and spiritual liberties" (Röpke 1942:238).[3] We have been accustomed to think of Hayek's opposition to socialism and Marxism in the late 1930's as being a lone dissident position. In fact it corresponded with a trans-Atlantic mix of doom and gloom economic theorizing and a set of banking orthodoxies that always opposed the British Keynesian concepts of social welfare and the public good and never occupied the mainstream of economic theory proper as it was understood in the British and American academic journals.

As discussed in Chapter one, the development impulse originated in certain technical discoveries in the fields of human nutrition, medical science and land productivity studies in the 1920's and 1930's. These discoveries were given political force by the adoption of social welfare policies by imperial governments in the late 1930's. The culmination of this process was the passing of the Colonial Development and Welfare Act by the British Parliament in 1940. After World War II new international institutions were established on a much larger scale than those associated with the League of Nations. In the immediate post World War II period the role and status of the new institutions, the IMF, IBRD, FAO, etc, was the subject of intense scrutiny and debate in the Economic and Social Council of the newly established United Nations. Despite a strong case put forward by some of

the less developed countries the controversy about the role and place of the new international institutions in post war development was settled in favour of the old orthodoxies of putting the international obligations of debt servicing first and deriving from this the need for currency stability and the identification of the political institutions and values needed to achieve this with modernity, stability, freedom and democracy. What Hahn in his contribution to the centenary number of the *Economic Journal* assumes to be the recent trend of:

> economists abandoning attempts to understand the central question of our subject, namely: how do de-centralized choices interact and perhaps get coordinated in favour of a theory according to which an economy is to be understood as the outcome of the maximization of a representative agent's utility over an infinite future. Apart from purely theoretical objections it is clear that this sort of thing heralds the decadence of endeavour just as clearly as Trajan's column heralded the decadence of Rome. It is the last twitch and gasp of a dying method. It rescues rational choice by ignoring every one of the questions pressing for attention. Moreover, those who pursue this line defend it on the grounds that it 'fits the data.' Nothing could illustrate better that the habits of proof and argument are gone (Hahn 1991:49).

The kind of economic theory that Hahn is talking about was formed and taken into the nascent international financial institutions in the 1920's and continues as orthodoxy to the present day (e.g., Balassa 1983, 1991). The institutionalization of this theoretical package

should be understood not so much in terms of its intellectual achievements but more in terms of its ideological attachments. Since the 1960's libertarian economic theory gained a substantial following in mainstream academic economic theory and although initially enjoying great vogue some of the underlying assumptions have only recently been subjected to extended critical scrutiny and analysis and their shortcomings and limitations exposed. What must be remembered, though, is that these theories have inspired policy making for more than seventy years and as such have had profound effects on the lives of millions of people.

The prospective abandonment of libertarian economic theories is an event of considerable intellectual and institutional significance. Although the institutionalization of professional economics has revolved around the use of these theories it is unlikely that they will disappear with any great rapidity. Institutions do not change easily, especially when essentially ideological points are to be surrendered. Any changes are likely to take place over decades both for reasons of intellectual inertia and because the theoretical alternatives are compromising of the stability and status of the institutions themselves.

III. Unorthodox economic theory and growth

Among the prospective developments that are favoured by the economists writing for the Royal Economic Institute's *Journal* centenary volume is the development of a socio-logical and psychological economics. As sociologists and anthropologists we are already there, so to speak, and it seems less than likely that economists can make any interesting contributions in these fields, having spent the last 60 or 100 years neglecting or opposing any attempt to introduce these factors into economics proper. Another option favoured by some contributors is to have an experimental economics. An experimental economics would determine in the laboratory in an experimental way the actual 'rational' choices of individuals and thus hopefully overcome the theoretical problem of being unable to determine them in the abstract. This also seems most unpromising, not least because the experiments would have to be repeated in many different contexts and take into account different cultural assumptions in order to turn up anything very realistic.

A more interesting option from the point of view of development studies is institutional economics. The historical origins of institutional economics are

somewhat disparate and range from the pre-neoclassical 19th century German school of institutionalists, through Veblen to the American economist Charles Ayres. Common to this strand is an interest in history and an emphasis on an evolutionary *telos*. According to this view economic life is dominated by social institutions and these institutions are more or less continuously evolving towards the adoption of more complex technology and the achievement of greater efficiency (Ayres 1962). More recently, the post(?)-modern institutionalists, of whom Douglass C. North is the best known, have abandoned the Hegelian evolutionary perspective and enlightenment program of their Weberian forebears, no longer assuming that a progressive evolutionary tendency towards efficiency can be guaranteed.

Contemporary institutional economics is by no means fully developed. Nevertheless it possesses many features that make it interesting and potentially very useful in the development studies context. North begins his most recent book on institutional economics by stating that:

> History matters, it matters not just because we can learn from the past, but because the present and the future are connected to the past by the continuity of society's institutions
>
> [and]
>
> Institutions are the rules of the game in society. The performance of economies over time is affected by the kinds of institutions

> they have and their interaction (North 1991:v).

North makes no necessary assumption of progress. It is possible for any given society to historically evolve a set of institutions and organizations such that the result is economic stagnation or decline. On the other hand it is possible for a society to move towards economic growth and dynamism. History may lead to either convergence or divergence of economic institutions. What is at issue for North is the attempt to analytically define the conditions under which a combination of institutions will function more efficiently rather than less efficiently. There is no assumption that the simple creation of a free market will in and or itself bring about an efficient result. In fact North assumes that there cannot possibly be a "free market."

Contemporary institutional economics has grown out of historical studies of the moving frontier. North's own work started with a study of the development of the oil industry in mid-western USA in the 19th and early 20th centuries. In the course of this work North developed the notion that the basis of the existence of the firm as an institution lay in its ability to exact a transaction cost. This ability changes over time and the history of business in any particular area, polity, market and product can be understood as the history of changes in

this ability to exact transaction costs. Therefore the analysis of this moving frontier of economic activity must be conducted in relation to the specifics of time, place and circumstance.

Because institutional economics begins with a recognition of cultural variation and proceeds to analyse what is situationally specific it has obvious relevance to development studies. Because it emphasizes the institutions behind the markets and refuses to give the market an absolute character it allows for the possibility of an analytic of exploitation. By recognizing the institutional base for economic transactions we are able to analytically approach the existence of institutionalized exploitation through the concept of coerced or forced exchange.

Neoclassical economic theory does not, of course, accommodate the Marxian concept of surplus value within its model framework. Although attempts have been made within economics to discredit the concept altogether, exploitation, as a human fact, continues to assert its presence. Exploitation, like altruism is a fact of life in all societies (Ryan 1991). Any economic theory that enables the analyst to begin to come to grips with this is in a position to make a real contribution. The economic theory that has dominated development studies has resulted in policies which attempt to forcibly

remould reality into the shape of the paradigm (cf., Bruner 1983). As such these policies have undertones that are suggestive of doctrines of discipline and punishment in their surrealistic attempts to defeat both reality and time (Haberler 1983). Characteristically the failure of these utopian attempts leads to a renewed search for greater purity and a quasi-religious castigation of the subjects of the plans for their failure to contain their birth rate, develop modern political institutions, conform to market disciplines and entrepreneurialise at the required rate.

An unusual and interesting approach to an understanding of institutionalized exploitation is provided by Bhaduri's analysis of the relations between landless labourers, share croppers, large farmers and money lenders in village India. Bhaduri suggests that the economic exchanges between these groups have, as a significant component, elements of force and coercion (Bhaduri 1983, 1991). What is significant about Bhaduri's analysis of economic relations in rural India is that the exploitation turns not so much on surplus value but rather on institutionalized coerced and forced exchange relations. New analytic possibilities are opened up by this approach including the analysis of stagnation and decapitalisation as dynamic processes rather than as peculiar deformations of the market paradigm. An approach of this kind has obvious

advantages over those prevalent in neoclassical economics and its spin-offs such as social cost benefit analysis. The assumption of the primacy of the market paradigm in effect entails an argument involving only one historical counterfactual in the growth equation. Either you have a market or you do not and your place in history is marked accordingly. The adoption of an analytic of exploitation enables us to develop arguments involving multiple counterfactuals. Realistic rather than utopian proposals for and arguments about social change involve these kinds of considerations (Hawthorn 1991). The policy question may then turn on more than the issue of trying to fit reality to the model.

IV. Economic theory and the concept of exploitation

In 1960 Piero Sraffa published the *Production of Commodities by Means of Commodities*, a small book of ninety-six paragraphs. Sraffa's book attracted and continues to generate controversy. The book offers a sustained critique of contemporary neoclassical economic theory because it puts forward a comprehensive and powerful analysis of economic fundamentals without at any

point having recourse to market assumptions and agent rationality. As such it appears to offer the possibility of a revival of classical political economy as an alternative to neoclassical economic analysis and has accordingly generated a substantial body of secondary literature (Pasinetti 1980, Potier 1991).

Sraffian theory offers several prospects for development studies. As mentioned above the core of Sraffian theory does not depend on market assumptions and hence suggests possibilities for the analysis of economic relations in societies that have none or very limited market institutions (e.g., Gregory, 1982). Sraffian theory explores the relations between commodities, labour, and the use of commodities for the production of commodities and it establishes some fundamental finite solidary relationships between these elements (Sraffa 1960:3-21). In its simplest form it models the relationships in simple agricultural economies where the prevalent economic relation is that between the production of subsistence goods and their consumption by the labour that produced them. Using this framework and taking the Green Revolution in Bangla Desh as an example, Sraffian economics would straightforwardly predict that the introduction of higher yield varieties of the staple rice would lower the subsistence cost of production, reducing the subsistence wage in dollar terms for the great mass of agricultural labour and this in turn would

lead to the enrichment of a few and the impoverishment of many (Shiva 1989).

The theory of economic growth has never been central to neoclassical economic theory. In the late nineteenth century Marshallian canon, growth was simply the slow and incremental outcome of small increases at the level of the firm. In his famous 1937 mathematical model of the economic growth process von Neumann rejected neoclassical economics in favour of a model of a slave society and a concept of surplus value similar to that of Marx (Punzo 1989). In the von Neumann scheme an economy lifts itself by its boot straps along a growth curve where the fundamental relationships are those between commodities themselves and the rate of exploitation of labour (cf. Samuelson 1989). Some economists have seized on these aspects of Sraffian theory and the von Neumann equations as providing support for the revival of a Marxian political economy (Pasinetti 1980). A substantial literature re-examines the problem of the labour theory of value and the so-called transformation problem from this point of view (e.g., Schefold 1980, 1989). It is a matter of logic that, from a formal point of view, for a bounded economy to grow it is necessary to postulate a rate of exploitation (cf., Ryan 1991). From the viewpoint of development studies, however, what is at issue is not the depersonalised abstraction of exploitation within the growth equation, but rather the historical and

sociological instanciation of exploitation itself. In other words what is at issue is the relationship of the model to reality. Far more interesting than the revival of the Marxian concept of surplus value in capitalist economies is the analysis of the concrete instanciation of exploitation within the institutions of coerced and forced exchange in the many non-capitalist economies, with their burgeoning numbers of people who live in subsistence systems largely outside the ambit of capitalism.

V. Mathematics, economic theory and ontology

However much Sraffian theory may model underlying funda-mental economic relationships it clearly does not model many real world events. The precise character of the kinds of understanding that is conveyed by Sraffian theory, and indeed the von Neumann growth equations, is a matter for controversy in economics and is not yet well understood (Sen 1989). Perhaps the key to the problem lies in the understanding of the relationship between these admittedly very complex but essentially linear theoretical formulations on the one hand and the

turbulent, non-linear com-plexities of real world economies. The growth models that are implied in Sraffian theory and the von Neumann equations exist in a space having the characteristics of Euclidean geometry (cf., Samuelson 1989). Although both carry the implication of events unfolding through time in an irreversible way with biological rather than mechanistic implications, nevertheless these models correspond to a microscopic, indeed atomic, rendering of the fundamental economic elements placed within a simplified geometric space.

Chaos theory has done much to upset the privileged status of these kinds of models (Samuelson 1990). Just as chaos theory tells us that we cannot assume that if we were given enough data then we could predict the weather using the laws of thermodynamics (von Neumann did in fact make just this assertion), neither can we assume that we can predict the behaviour of an economy using Sraffian or any other similar fundamentals. This does not mean that either the laws of thermodynamics of Sraffian fundamentals are in some sense false. In fact chaos theory enables us to comprehend precisely what the essentialism of these models consists of. Everyday reality, sociological and economic, has many chaotic or contingent features and events. Sraffian models and indeed other business cycle models such as the Hansen-Samuelson and Lundberg-Metzler are linear, and in order

to bring the model closer to the turbulence of reality require the postulation of external shocks. The conceptualization of events, circumstances and causes in the social sciences has always owed much to eighteenth century mechanics and the nineteenth century statistical dynamics of Fourier. These are the foundations of Comtean positivism. Recent developments in a variety of mathematical, physical and biological fields now suggest that models of this kind are not sufficient for an understanding of real events unfolding through time.

The problem of linearity and mathematicization of social science data was presciently discussed by C.W. Kilmister in 1978 (Kilmister 1978). In the *Theory of Games and Economic Behaviour* von Neumann and Morgernstern set out clearly what they understand to be "the basic problems confronting anyone bold enough to apply mathematics in the social sciences" (Kilmister 1978:176). Yet, as Kilmister says, "in the field of particular interest [to von Neumann and Morgernstern], economics, it is almost as if it had never been written" (Kilmister 1978:176). Kilmister begins by considering the basic von Neumann and Morgernstern point that the point of mathematicization lies not merely in the attempt to formally treat empirical data, but rather in the discovery of new mathematical methods and approaches that when applied in a particular instance add to our

understanding of the phenomenal world, as for example in the famous case of Newton and calculus:

> "Newton's creation of a rational discipline of mechanics" involved at a crucial stage the discovery of calculus. It was no straightforward application of a mathematical tool ready-made beforehand, but the development of mechanics and calculus hand-in-hand (Kilmister 1978:176).

Kilmister continues by giving a brief discussion and mathematical treatment of the concept of equilibrium in the century old Marshallian concept of supply and demand curves and observes that under changing market conditions, given Marshallian assumptions, then quantity and prices will, *contra* Marshall, increasingly diverge from the equilibrium point. From this exercise Kilmister draws a critical philosophical point:

> von Neumann and Morgernstern were critical, by implication, of the attempted application of calculus, the tool fashioned in the image of mechanics, to quite different phenomena. Yet it is surely not calculus *per se* which is at issue . . . The distinction, and it is a crucial one for my argument, is between criticism of *method* and *ontology* [author's emphasis]. We do not wish to deny the usefulness of calculus for solving some particular mathematical problem . . . But it is quite another matter to assume that the concepts used in calculus would be equally appropriate to incorporate into the basic formulation of an economic rather than a mechanical theory. This is what I mean by the ontological criticism (Kilmister 1978:179).

The significance of the ontological criticism follows from the mutual interdependence of theory and observation. Kilmister makes the point that an economic theory can be:

> usefully thought of as consisting of thoughts, sentences written or spoken, observations of the economy or manipulations of it. That is an economic theory is a union of all these things and not a pure calculating tool which exists in our minds and which we then apply to the economy. We can try to ensure that we do think in this way by substituting for the "thought" in the theory the observations of the economy which gave rise to it. This substitution is difficult, which is why it is important, because the observational thing derives meaning only by virtue of being part of the whole theory (Kilmister 1978:180).

Accordingly the "thought" in the *Theory of Games and Economic Behaviour* is the "idea of a *game* of strategy, while the observational thing is that of a conflict situation between two 'persons' (firms, corporations) in an exchange economy" (Kilmister 1978:180). Given this structure von Neumann and Morgernstern investigated a range of two, three and four person game strategies, but the possibility arises in three and four more person games of creating outcomes whose determination is attributable to strategies agreed to by coalitions of players and is outside the structure of play of the game itself. Following the ontological point, if the mathematical objects in the von Neumann and Morgernstern theory are to have observational things, what then should

we expect these things to be in the mathematical sense? Kilmister argues that precisely this question arises in respect of the neoclassical notion of utility in economics:

> Utility started as the property of commodities which cause them to be bought by a purchaser who seeks to enjoy their utility by consumption. In the neo-classical picture of the housewife maximising utility in filling her shopping basket it is clear that utilities are some sort of numbers. The concept lives on; it is fundamental to two person games in [*The Theory of Games and Economic Behaviour*] and throughout [von Neumann and Morgernstern] insist on a numerical estimate of advantage and disadvantage, i.e., a numerical utility for two person games . . . [and] they analyse other games, by coalitions, in terms of two-person games (Kilmister 1978:181).

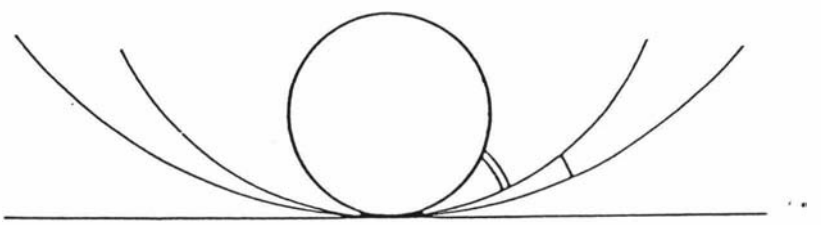
Such an approach by von Neumann and Morgernstern, Kilmister argues, gives a necessarily numerical character to the concept of utility. But it would be a mistake to assume that the field of real numbers adequately conveys the ontological status of the utility concept. The numerical character of utility as a "thing" should not be assumed to correspond to that of the set of real numbers. Kilmister suggests that:

> Such unthinking assumptions are not confined to economics, but mirror a development in mathematics itself . . . [we freely use] the real number field . . . So ubiquitous is this field that we tend to regard it as part of nature, instead of as an artefact. But, like so much else, it is part of the Greek contribution to our culture.

> The measure of the Greek's achievement was the construction of the real numbers as a new, Archimedean ordered field . . . The uniqueness of this determination of the reals has had a great psychological effect; but in the last decade, non-standard number systems have radically altered the picture. A non-standard system can be thought of as the reals augmented and filled in by infinite numbers and their reciprocals, the infinitesmals. The ordering can no longer be Archimedean, for the characteristic of an infinitesimal is that no number of copies of it will make it finite, but it is a total ordering (Kilmister 1978:181-2).

Such quantities are to be found in the physical (geometrical) world and Kilmister refers to the example of the comparizon of the "size" of the "horn-shaped angles" between a family of touching circles (Kilmister 1978:182):

Figure 1



After Kilmister (1978: Fig. 5)

Kilmister points out that the von Neumann and Morgernstern argument for real numerical utilities "rests on probabilities being real numbers," but points out that the von Neumann and Morgernstern axioms "could be satisfied if both utilities and probabilities were non-standard" (Kilmister 1978:183). Accordingly Kilmister's position is that:

> I aim to break the psychological barrier produced by the long hegemony of the real number field in mathematics, because my interpretation of the ontological aspect of the [von Neumann and Morgernstern] *critique* [of the application of mathematics to the social sciences] is that new developments are likely to take place by use of mathematical structures different from real numbers (Kilmister 1978:183).

Two aspects of Kilmister's critique may be singled out for special mention. The first is the Kilmister's refined version of the ontological criticism. The standard version of neoclassical economic theory carries certain assumptions as to the ontic status of its "observations." For example the standard Marshallian supply and demand curves do not, when modelled in a time sequence, produce equilibrium prices but rather show pronounced instabilities. In order to make the models behave in a more realistic manner a considerable number of more or less *ad hoc* secular assumptions have to be

added. In their standard text book form there is a considerable tension between economic models and the socioeconomic reality fundamentals they are believed to encapsulate. The second feature of note in Kilmister's discussion is his mention of those recent developments in mathematics which, he believes, may provide assistance for overcoming the ontological criticism. These recently developed (1978) non-linear branches of mathematics offer, according to Kilmister, the possibility of concepts with ontological referents that better correspond with socioeconomic realities. In this context Kilmister gives a brief discussion René Thom's concept of *catastrophe* but leaves the question open as to whether the defects of the models based on this kind of approach "arise from the specific equations chosen, or are they intrinsic?" (Kilmister 1978:185). More recently the application of chaos theory to economic questions has aroused considerable interest, but Kilmister's question still stands.

Chaos theory is of interest precisely because it enables us to grasp some of the formal characteristics of complex systems that show irregular perturbations derived from their endogenous features. Prigogine, in his study *From Being to Becoming,* suggests that classical science was based on the discovery of simple linear models of a microscopic character and that only now have we discovered that these microscopic models achieve their

simplicity by suppressing the dimension of time. According to Prigogine the time orientation of processes is a key feature of the "macro-world" (Prigogine 1980:xiii) of chaotic events. Chaos theory raises many questions about the limits to knowledge and suggests that in many cases determinate forms of knowledge are simply not possible. The implications of this conclusion have been well taken by some economists (Brody 1989, 1990, Samuelson 1990, Hahn, 1991) and it is for these reasons that they suggest that economics is likely to lose its pretentious predictions and assertions of control and design for the simple reason that they do not stand up to these new understandings. In consequence, they suggest, economics will become more historically and sociologically oriented.

One serious attempt to apply the lessons of chaos theory to economics is Richard Goodwin's *Chaotic Economic Dynamics*. This is an interesting, though seriously flawed work. Using aggregative examples Goodwin produces some non-linear dynamic models that attempt a simulation of some of the cyclical aspects of the modern national economy. To generate these models Goodwin uses the neoclassical macroeconomic framework, adds to it Schumpeter's concept of the wealth creating entrepreneur and then reads this into the Lotka-Volterra predator/prey model with the entrepreneur as the prey and the workers as the predator. Workers exploit entrepreneurs. However

much this might seem to be true for Cambridge in 1988 it is not true for landless labourers in Gujarat (Punalekar 1988). It does not seem to occur to Goodwin that these relationships might be reversed without affecting the modelled result. However the telling lesson of Goodwin's demonstrations is the fact that even if the simulations presented were factually descriptive then their modelled historical cyclical complexity is such that we would not be able to identify the points of correspondence between the model and reality and to determine the point in time where the model corresponds to reality. The classic chaos theory result.

VI. Recent economic theory and economic development

In the 1980's mainstream economic theory reasserted an influence over development economics and the development policies of the international institutions. The demise of Keynesianism, the rise of neo-liberal policies and rational choice theory excited the attention of the policy makers and theorists of growth. In 1987 W. Max Corden contributed an article on "The Relevance for Developing Countries of Recent Developments in Macro-economic Theory" to the World Bank *Research Observer*

(Corden 1987:171-88). This was the theoretical part of a 1980's World Bank project on "macroeconomic policies, crises and long-term growth in developing countries" (Corden 1978:185). In the course of this article Corden discusses the "rational expectations revolution" and its application to a modified Keynesian form of macroeconomics. The rational expectations literature places "great emphasis on the effects of 'systematic' (and hence, in principle, predictable) government policies" (Corden 1987:177). From this point of view, according to Corden, "macroeconomic policy and events can be seen as the outcome of a game played between two or more large actors" (Corden 1987:183). In assessing the effect of the rational expectations revolution on development economics Corden gives consideration to a number of inter-linked questions such as "are there Keynesian effects in developing countries?" (Corden 1987:174), "are policies systematic in developing countries" (Corden1987:177), "are governments benign?" (Corden 1987:177), and the problem of real wage rigidities in relation to government growth policies (Corden 1987:181-2). From this discussion Corden draws some rather cautious conclusions about which a cynical observer might suggest that they express the limitations of economic theory rather than its relevance:

> 1. A crucial question concerns the extent to which there are *nominal* (author's emphasis) rigidities in developing countries . . .

2. The rational expectations approach raises interesting issues about the reaction of private agents to government behaviour. The extent to which private behaviour in developing countries suggests evidence of "rationality" in response to policy changes needs to be considered.

3. It is relevant to ask to what extent policies in various developing countries are systematic or can ever be so.

4. The political dimensions of macroeconomic policies need to be investigated to explain the effects that pressure groups have on government policies. . .

5. The expectations of governments need to be analyzed. Are they rational? . . .

8. Game theory models may be useful for analyzing macroeconomic behaviour in some developing countries, but if interest groups are not well organized such models are not really relevant. Interaction through the political process may be more important than through the market place (Corden 1987:184-5).[4]

In 1993, at the World Bank's Annual Conference on Development Economics, I.G. Patel (development economist and former director of the London School of Economics) delivered the keynote address on the "Limits of the Current Consensus on Development" (Patel 1994:9-17). Patel defined the consensus in the following terms:

- a shift away from planning to policy orientation
- a shift from discretionary government intervention to greater acceptance of market forces
- a shift from controls and administered prices to transparent fiscal incentives and disincentives

- a shift from public to private ownership of the means of production
- a shift from increasing public investment toward some privatization and lower taxation
- encouragement of competition in all markets and a hospitable attitude towards direct foreign investment are now seen to be essential for economic efficiency (Patel 1994:9).

In the discussion that follows Patel draws attention to the limits of this consensus and warns against three dangers: "oversimplification, excess optimism and the neglect of a number of important questions that are beyond economic policy yet at the same time are crucial for growth and the eradication of poverty" (Patel 1994:10). But the real thrust of the volume is to be found not in Patel's anodyne prescriptions but rather in the arguments about economic regress, or un-growth, a new topic for the World Bank. Since the latter part of the 1980's and the collapse and failure of a number of African states, and the partial collapse of some Eastern ex-Soviet states the phrase "civil society" has increasingly entered economic development discussions. The significance of the phrase is that it is a tacit recognition that economic prescriptions of the kind dispensed by the international institutions require the support of social institutions if they are to function even slightly as intended. In other words the sociologi-

cal context of economic institutions is essential to their economic functions. Hence the attempt to explain economic regress by Barro and Lee consists of a *Clarkian* (see Chapter four above) style correlation of numerous countries GDP per capita with a range of social institutions and social policies. The crudity of the attempt is underscored by the authors' conclusion that war and terms of trade are insignificant as explanatory variables and hence are discounted from their analysis (Barro and Lee 1994:267-97). But perhaps the real point of the discussion, in the World Bank forum context, is that the sociological point, that social institutions support economic life, gets a 180° spin and becomes instead the basis of a policy prescription. The adoption, if government and people have the will, of the correct mix of social policies which support the recommended economic policies will guarantee their success. Politics as destiny. As Hart remarks, these are "precisely the ideas that have shaped World Bank and International Monetary Fund policy toward Africa since the Berg Report in 1981" (Hart 1994:302). Hart in her comments on the Barro and Lee paper, concludes that there is a "need for a much more nuanced understanding of how institutions that exercise power enter into economic processes" (Hart 1994:301-2). Did we need fifty years of development economics to get to this point?

It is by no means clear what the economic fundamentals really are nor do we really understand, in any definitive sense, what might constitute the optimum social matrix for economic growth to take place. Economists do not have the equivalent of the physicists' laws of thermodynamics. There are many reasons for this, pre-eminent among which must be the fact that we, as participant observers, have a fundamentally different relationship to the human realities of economics than we do to particles of matter. To use a different analogy an economy is the product of the action of a very large number of weak forces. When it comes under the influence of a very strong force it is said to be sick. Even so the introduction of sociological analysis into economics will not necessarily set matters to rights. The introduction of political and sociological problems into economics is likely to lead to an increase in uncertainty, a tendency towards the "fuzzy logic" of historical explanations, or perhaps the plausible narratives of literary analysis, rather than the converse, the precision of "social engineering." An understanding of the nuances leads to nuanced answers and a shrinking of technical hubris. Sociology and anthropology have their own post-modern problems, not dissimilar to those of economics. Problems that include the loss of a sense of objective and conceptual certainty and the collapse of theories of social engineering and emancipatory progress.

If all of this makes us much more cautious then this may be no bad thing. The demise of large scale social engineering, even when conducted at arm's length in the World Bank and IMF "clean hands" style, should be welcomed with the same enthusiasm that is given to the demise of the absolutist state. Personally I can face a future where increased understanding is accompanied by greater empirical uncertainty with equanimity. At the very least I can reassert the fundamental human dimensions of want, need, exploit, immiserate and pauperize. This is what development studies started with in the 1930's and now it can go on.

Chapter 6

Soviet Russian Development Theory

> I believe that the time is drawing near, when it will be possible to suggest a systematic investigation of the future. And you must not judge the practicability of this enterprise by the failure of the past. So far nothing has been attempted, so far no first-class mind has ever focused itself upon these issues; but suppose the laws of social and political development, for example, were given as many brains, were given as much attention, criticism and discussion as we have given the laws of chemical combinations in the last fifty years, what might we not expect? (H.G.Wells, *The Discovery of the Future*, an address to the Royal Society, London, 1913.)

I. The origins of the planning debates of 1921 - 1928

After the 1917 revolution the Russian economy went through a protracted period of reconstruction. During the first few years of Soviet rule the government

administered a war-time command economy. As a result of chaotic war-time conditions, forced requisitions and peasant hoarding, agricultural production for the market fell drastically during this early period and many Soviet administered areas suffered severe food shortages and in some cases famine conditions. In 1922 the New Economic Program (NEP) was introduced to stimulate agricultural production. The NEP encouraged the revival and growth of small scale commodity production and marketing of consumer goods for the peasantry. By meeting the peasant demand for consumer goods in this way, it was hoped that peasant hoarding of agricultural produce would diminish and agricultural production be generally stimulated. The NEP was successful in achieving these aims.

The NEP was intended by the Soviet administration only as a temporary device to solve the food supply problems experienced in the urban industrial sector of the economy during this crisis period. The precedence given to market relations by the NEP was not intended to be a permanent feature of the Soviet economy. Rather it was envisaged from the start that the Soviet economy would become fully socialized. Although there were some initial doubts as to whether it was possible to "build socialism in one country" that were resolved in the early 1920's, and even greater uncertainty as to the exact designed characteristics of a future socialist economy, the general features of the Marxist Leninist socialist

economy of the future were widely understood during this period in the following terms:

(a) The economy would be *autarchic*, that is it would be both confined within the state (building socialism within one country) and directed and controlled by the state. Over time the part of the economy directed and controlled by the state would expand and push existing market relations to the margins before eliminating them altogether along with any remaining vestiges of feudal relations of production.

(b) The socialist economy of the future would be more efficient than a capitalist economy because it would be less wasteful. The efficiencies would be achieved by the elimination of capitalist boom and bust cycles, by the rationally planned use of publicly owned resources and by the elimination of wasteful luxury consumption. Hence the socialist economy would, in the long run, be inherently more successful than a capitalist economy in meeting people's consumption needs.

(c) In the long run the socialist economy would fully meet people's consumption needs, which were assumed to be finite. In contrast it was thought that the capitalist economies would never reach the stage of meeting mass consumption needs because of their inherently exploitative character.

(d) The building of socialism within one country and the success of the socialized economy in exceeding the productivity of, and overtaking the output of, the capitalist economies would set the stage for the global expansion of socialism and the replacement of capitalism by the more advanced socialist system.

Between 1922 and 1930 the role of economic planning in bringing about the economic growth and development of a socialist economy was widely debated in Communist Party circles and discussed in a specialized literature. After 1928 and the promulgation of the first of the five year plans the debate was more or less settled and in broad terms Soviet planning theory and methods remained essentially the same until the dissolution of the USSR, with the exception of the development of some relatively minor emendations to the calculation of the value of goods in the 1960's.

Soviet planning literature from the 1920's is of considerable theoretical and technical significance, but with a few exceptions (the work of Preobrazhensky and Feldman), remains largely unknown today both within and outside of the former USSR. Preobrazhensky's argument for socialist industrialization has been widely discussed since its publication and Feldman's econometric model of the growth economy was discussed by Domar in the 1950's

(Domar 1957:223-261)[1]. The Soviet growth and planning literature as a whole was surveyed and discussed by Spulber in 1964 (Spulber 1964a, 1964b) and a narrowly focused account of the industrialization debate can be found in Erlich (1960). The discussions of Domar and Spulber are seriously flawed. Both evaluated the Russian literature from the point of view of neoclassical economic theory (in Domar's case influenced by Keynesianism, in Spulber's case influenced by Samuelson and Leontief) and selected for their approval those parts of the literature that either began with neoclassical assumptions or anticipated later developments in neoclassical economics, while failing to comprehend some theoretical conclusions that did not fit with contemporary 1950's conceptions of economic growth and planning. Erlich (1967) gives a detailed account of the Preobrazhensky position on industrialization and some details of the controversy about the peasantry but, strangely, neglects to mention the all important debate on the central concepts of the theory and methodology of planning. Possibly Domar, Spulber and Erlich's neglect to the debate about the theory of planning is due to the fact that in the 1950's and 1960's planning was largely taken for granted as a feature of modernity and the then new mathematical formalisations of input/output analysis seemed set by the 1960's to reduce planning to questions of technique rather than fundamental theory.[2]

Some fundamental theoretical issues arising from the problem of planning national economic development were discussed in the Soviet planning debates of the 1920's and some parts of these discussions retain theoretical relevance for any consideration of growth theories in general and their application in the context of third world development. In the attempt to devise the basis for a socialist economy that would both exceed and supplant capitalist economies Soviet planning literature encompassed two complex controversies during the period under discussion. These were respectively: the correct balance and relationship between the city and the country on the one hand; and the correct balance between the past and the future on the other and I propose to discuss each of these in turn. The issue of the correct conceptualization of and management of the relationship between the rural sector and the urban sector of the developing economy remains problematic to the present day. Equally problematic is the question of the nature of the planning process itself, whether it should be based on an "act of national will" or directed towards the rationalized evolution of the economy. And, perhaps what is more important, what should we understand the "growth factor" to be? The Soviet debates of this period come closer to providing a theoretical account of this "growth factor" than any others since.

II. Planning and the agriculture/industry axis

Classical Marxism depicted the economy as evolving through stages from feudalism to capitalism and then to socialism with each stage being an evolutionary advance on the preceding stage. Classically, socialism was depicted as the outcome of class war arising from the contradictions of capitalist production and the exploitation of the industrial working class. At the time of the revolution the Russian economy was characterized by its backwardness in terms of the Marxian historical stages of development. Peasant agriculture, with near feudal modes of production was the dominant sector of the Russian economy and the industrial and urban sectors were relatively undeveloped. The existence of food shortages and famine in the cities in the period immediately following the revolution gave a sharp focus to the question of the correct relationship between the city and the country for the future development of socialism. The introduction of the NEP, while solving the immediate problem of urban food supplies, merely served to underline the extent to which peasant production was dominated and driven by market relations. The efflorescence of market relations among the peasantry was

thought to be inimical to the building of socialism and indicative of the evolutionarily backward character of the peasantry as a class.

Leninist class 'vanguardism' took the view that socialism could only be built by and evolve out of the industrial working class. Vanguardism suggested that the only appropriate course for an evolving socialist state was to invest in capital goods industries and build an industrial infrastructure, with its associated working class, and that this state led industrial development should dominate the agricultural sector. The ensuing Soviet Russian planning debate revolved around the selection of the best strategy for the accomplishment of this end.

Significant early contributors to the debate were E. Preobrazhensky and N. Bukharin with their jointly authored text on communism *The ABC of Communism* (1919) (English edition 1922) followed by Bukharin's *Economics of the Transition Process* (Bukharin 1920) and Preobrazhensky's lectures on rapid industrialization that were published as articles in *Vestnik Kommunisticheskoi Akademii* in 1924 and in book form as *The New Economics* in 1926 (Preobrazhensky 1965).

In *The New Economics* Preobrazhensky advanced some novel ideas about "primitive socialist accumulation" and

the necessity for rapid industrialization. Given the aim of building socialism in one country, and given the necessity of an autarchic development towards this end, then what was required, Preobrazhensky argued, was the rapid expansion of the socialist part of the economy, the advanced proletarianised heavy industrial sector now owned by the state, as against the peasant dominated agricultural sector. The Russian economy, according to Preobrazhensky, consisted of three parts: an agricultural sector that, with the elimination of the landed gentry, was dominated by small peasant producers; a relatively backward and small capitalist industrial sector, but flourishing under the NEP and organized, as was agriculture, in terms of market relations; and the newly emerging state dominated socialist sector. What was at issue was the strategic importance of expanding the socialist sector at the expense of the non-socialist sectors. Just as capitalism had begun with a period of primitive capitalist accumulation then, Preobrazhensky argued, socialism could be built out of a period of "primitive socialist accumulation":

> the period of primitive socialist accumulation is the most critical period in the life of the socialist state after the end of the civil war . . . How to pass as quickly as possible through this period, how to reach as quickly as possible the moment when the socialist system will develop all its natural advantages over capitalism, is a question of life and death for the socialist state . . . to count only upon accumulation within the socialist field would mean jeopardizing the very

> existence of the socialist economy . . . the idea that [a] socialist economy can develop . . . on its own, without touching the resources of petty-bourgeois (including peasant) economy is undoubtedly a reactionary petty-bourgeois utopia. The task of the socialist state consists here not in taking from the petty bourgeois producers less than capitalism took, but in taking *more* [my emphasis] *from the still larger* [author's emphasis] incomes which will be secured to the petty producer by the rationalization of the whole economy, including petty production, on the basis of industrializing the country and intensifying agriculture (Preobrazhensky 1965:89).

In placing primary emphasis on state planned, directed and owned industrialization, Preobrazhensky joined a group (which included Trotsky[3]) who became known as 'super-industrialisers'. Preobrazhensky's unique contribution to the group was to add to the emphasis on industrialization the argument that the costs of this industrialization process should be paid for largely out of agricultural surpluses extracted from the peasantry. His justification for this was his assertion that this would not only be the only certain way to build socialism, but also would lead, in time, to a more than proportionate growth in agricultural income as agriculture enjoyed the effects of this industrialization in its turn.

Preobrazhensky's ideas provoked a vigorous polemic and foremost among his detractors was his former co-author Bukharin who published lengthy criticisms of Preobrazhensky's *New Economics* in *Pravda* in 1926 and

longer and more detailed criticisms in 1928 (Bukharin 1964). Bukharin's criticisms effectively presented a defense of agriculture as a productive force, but not a defense of the peasantry as a class. According to Bukharin it was all very well for Preobrazhensky to invoke a "law" of primitive socialist accumulation but, in doing so, Preobrazhensky had mistaken politics for economics. According to Bukharin, the economy rests on fundamental laws of value, be they socialist or capitalist and any accumulative process is the product of the outcome of the operation of whatever law of value happens to hold for that particular mode of production. Bukharin argued that for any given system the "law of accumulation" depends on the underlying "law of value" for that system (Bukharin 1964:28).

What was at issue here was the contention on the part of Preobrazhensky that the "law of primitive socialist accumulation," when applied by the state for the creation of a socialist sector, would, because of the actual superiority of socialism, have system forming properties to the extent that the values inherent in the economic system would follow suit accordingly. Bukharin, on the other hand argued that whatever political policies were adopted and pursued nothing would alter the fact that:

> If any branch of production systematically fails to receive back the expenses of production plus a certain additional amount

> corresponding to a part of surplus labor and capable of serving as a source of expanded reproduction, then it either stagnates or regresses . . . To think that the growth of a planned economy means the possibility (on that dear old basis of withering away of the law of value) of acting any way one pleases amounts to failure to understand the ABC of economic science (Bukharin 1964:261).

The 'super-industrialists', in advocating an industrialization to the limits of the 'technically possible' were simply ignoring the underlying economic fundamentals according to Bukharin:

> Thanks to the initiative of E.A. Preobrazhenskii, the ideologists of Trotskyism imagine that the law of socialist accumulation is bound more and more to violate the law of value, which is the law of equilibrium of commodity production (Bukharin 1964:260).

Fundamentally, Bukharin argued, there were inescapable economic realities which Soviet planning could not ignore. These realities were to be found in "the law of equilibrium of commodity production." For Bukharin, following orthodox Marshallian influenced economic opinion, the economy existed in a 'state of balance,' an equilibrium state. Bukharin argued that this was a fundamental characteristic of all economies irrespective of their Marxian stage of development. Possibly influenced by his earlier training in neoclassical economics, Bukharin perceived this as the quintessentially rational point where Marxian class conflict theory met the everyday reality of accounting

balances. To this conception of the nature of economic reality Bukharin added the concept of a "moving equilibrium" of growth, a logical extension of the concept of balance.

The idea of a "moving equilibrium" had been part of the science of *tectology,* the Bolshevik philosopher of science Bogdanov's pioneering version of general systems theory. Between 1904 and 1929 Bogdanov published two utopian novels about systematically rational communist utopias and extensive philosophical texts on what he termed *tectology,* a general systems theory and a precursor of cybernetics. Within these novels and schemes Bogdanov advanced the notion of a science of organization, which included the notion of iterative mechanisms, the concept of goal seeking, feedback and moving equilibrium. Bogdanov's ideas were extremely influential among Soviet economists and planners in the 1920's (Stites 1984:5).

According to Bukharin:

> The maximum continued rate of growth will be experienced when industry will advance on the basis of rapidly growing agriculture. It is precisely then that industry will achieve record achievements of its development. But this assumes the possibility of rapid real accumulation in agriculture, hence by no means the Trotskyite policy. The period of transition unveils a new era in the relationship between the city and the village, an era which marks the end of the systematic

> lag of the village, the "idiocy of village life," which lays the foundation of the course aimed at the abolition of the polarity between the city and the village, which turns industry itself "face to the village" and which industrializes agriculture, leading it out of the historical wings onto the stage of economic history. Consequently, the Trotskyites do not understand the fact that the development of industry depends on the development of agriculture (Bukharin 1964:260).

Bukharin argued that in opting for the maximal development of industry at the expense of agriculture, Preobrazhensky and the Trotskyites were making the development stage mistake of placing the agriculture of the new USSR behind that of 'old Russia,' whereas what was required was to bring agriculture up to the stage level of development of agriculture in the USA, which was, according to Bukharin "realizing the most rapid development of agriculture and progress of productive forces in general within the limits of capitalism" (Bukharin 1964:260). What was required, then, was an even more "close association with the decisive masses of the peasantry" (Bukharin 1964:260). Bukharin envisioned a future where agriculture, after meeting the subsistence needs of the population would expand to earn export credits, which would in turn be used to purchase the necessary machinery for industrialization, the first products of which would be used to industrialize agriculture. Implicit in this conceptualization was the notion of a balanced circular flow, an equilibrium

growth. In these respects Bukharin's notions anticipated the conventional economic growth theories of the 1950's and 1960's.

III. Genetic versus teleological planning

The search for a theory and methodology for the planning and building of a socialist future generated further intense controversy among Soviet economists and led to the publication of a number of growth models. Some of these anticipated later developments in input-output analysis. An early contributor to planning theory was A.A. Bogdanov mentioned in Section II above. Bogdanov was much inspired by the futuristic stories of H.G.Wells and the vision of a future society built on the insights of scientific rationalism. A rational science created by a new kind of man. In the decade preceding the Communist revolution Bogdanov published both widely read science fiction novels on this theme and formulated his version of a general systems theory, *Tectologiya*, which included the notion of feedback and encompassed the insight that systemic purpose, or teleology, was a function of the level and kind of feedback and complexity

of the system under consideration [Bogdanov anticipated a similar conclusion reached by the Yale school of cyberneticists and stated in the paper "Behaviour, Purpose and Teleology" (Rosenblueth, Wiener and Turner 1943:18-24)]. In 1921 Bogdanov proposed a system of planning which Belykh described in the following manner:

> The core of [Bogdanov's] approach was the idea of chain links between the branches of the economy. The existence of such links, including feed backs, determines certain proportions in the economy. The possible expansion of production of some product will, for example, depend on the most scarce input factor . . . The starting point of Bogdanov's planning procedure was the calculation of the final requirements of the population. To meet them, consumer goods must be produced and this means the use of producer goods. Their production, in turn, demands other producer goods. Thus, the elaboration of the plan is an iterative procedure (Belykh 1989:428).

L.M. Kritsman in 1921 and 1922 published a book and articles that expanded on Bogdanov's planning methodology. Kritsman developed Bogdanov's iterative process for a three sector economy (state socialist products, domestic capitalist products and imported products) and formulated the task of planning as follows:

> to determine the size of the economic branches such that they will be able to develop without disturbances, producing the maximum possible under existing resources (Kritsman 1921 cited by Belykh 1989:428).

The iterative planning procedures developed by Bogdanov and Kritsman were a considerable advance over Quesnay's national economic table and Marx's concept of a two sector economy and were the basis of the innovative efforts to refine the planning process by Groman, Bazarov and other Gosplan planners in the later 1920's.

Another significant contribution to the early planning literature was made by G.A. Feldman. Feldman's aim was to make a contribution to the theory of growth rates by formulating a growth model from which a plan might then be derived. Feldman argued that in determining the rate of growth as a function of the structure of the economy:

> it would be futile to attempt to establish a direct dependence of the rates of growth in question on [say] relationships between rural and urban industry . . . or to take a clearly absurd example, between the country's river and sea transportation (Feldman 1964:174).

In other words, while the economy contains many structural features, the indices of which are related to economic growth, in the sense that when growth takes place they undergo more or less regular change, this does not mean, however, that planned constructive changes in many structural features intended to improve their functioning will, necessarily, *produce* growth in the economy as a whole. For the modeling of the growth dynamic Feldman took as his starting point Marx's two

sector model of the economy in terms of producer goods and consumer goods and explored in a formal model some of the implications of the setting of growth rates based on these classical Marxian assumptions.

Feldman attempted to model the necessary relations between investment, rate of growth of total capital, the capital coefficient (the ratio of output to capital), and the rate of growth of each sector's product. In Feldman's model the crucial variable is the allocation of investment between the producer and the consumer goods sectors. Feldman calculates, in the abstract, the consequences of varying the allocation of investment and shows that, in order to achieve the desired future growth rates over the long run, and corresponding increases in consumption, it is necessary to select appropriate allocations of investment, and corresponding growth rates in the short run. In other words, growth is an iterative process and what is at issue, in Feldman's model, is not so much absolute increases in capital but rather the continuing improvement over time in the utilization of the increased capital stock. Growth involves the continuing improvement in the utilization of capital, not just the accumulation of capital. Feldman's formalized model was rediscovered by Domar in the 1950's and in one interpretation may be made to yield a concept of growth very similar to the 'warranted' or 'equilibrium growth' of the Keynesian growth theorists Domar and Harrod (Domar

1956). It should be noted, however, that Feldman's technicist model, axiomatically based and mathematically formalized, with political considerations held to the margin ["Having thus calculated a whole series of variants of the possible development of the productive forces and of production, one could decide on a selection of one of them *depending on particular political premises* (my emphasis) (Feldman 1964:488)], well fits the stylistic canons of conventional neoclassical economics from the 1950's onwards. Feldman's model does not appear to have made a large impact on the thinking of the Soviet growth theorists at the time. Perhaps this was partly due to its formal and hence somewhat unreal character that made it seem an extreme example of the 'genetic' style of planning.

The controversy over genetic versus teleological planning arose out of the practice of the Gosplan organization (the state planning organization) to release what it termed annual control figures for the Soviet economy during the 1920's. These annual 'balances', which at first consisted merely of projections, some production targets, and agricultural forecasts for the coming year, were successively expanded into larger and more detailed documents that formed the basis for the first five year plan. After 1925, successive documents included projections that were known as 'maximal variants' and it was around the interpretation of these

figures that an important debate on the theoretical basis of social planning took place (Gosplan 1925, 1926, 1928).

One of the foremost proponents of 'plan or teleological maximalism' was the Gosplan economist and planner S.G. Strumilin who put the case in the following terms:

> Under the Soviet regime, the point of planning is precisely to concentrate the will and efforts of the workers and the economists on certain selected objectives . . . the main point in planning is not foresight but the selection of tasks and instruction on how to achieve them (Strumilin 1964:455).

In an influential defense of teleological maximalism published in 1926 Sharov puts the case thus:

> The teleological "military" conception of the plan is this; there is a given situation, there are given objective factors; these objective factors are approached by a subjective will which seeks to alter them for subjective purposes. This subjective will takes the given objective factors as the point of departure and, with respect to their solution, projects goals which suit its purpose.
>
> This is how the plan originates. Until a subject appears which has its own goals, i.e., seeks to alter objective factors, and has the will to alter them, there is no plan (Sharov 1964:380).

For the teleological maximalists the problem with genetic planning is simply that:

> No examination of given objective factors, even the most painstaking, no elucidation of their historic trends in the past, even the most correct, no determination of the laws of their development, even the most exact, no forecast of their future deviations, even the most accurate can constitute a plan. Control figures, conjunctural economic prognoses, and hypothetical balances of the national economy are sometimes very useful for planning, but they are in no wise plans, and to circulate them as such, even under the designation "genetic," is to offer not the genuine product but an imitation (Sharov 1964:380).

In general those who supported teleological maximalism supported the 'super-industrialisers' policy of industrialization to the limits of the technically possible. Planning was seen by the teleological maximalists as a conscious act of will, an act of will towards socialism. To plan on a genetic basis is to formulate a future based on the trends of the past, which would, at worst, be a capitulation to capitalism:

> If all our planning consisted of foreseeing what is objectively inevitable, independently of anybody's will (which is the case with the spontaneous development of the capitalist countries), then we should really have been forced to base ourselves on purely scientific forecasts. But in that case it would have been impossible to talk about planning (Strumilin 1964:454).

The teleological maximalists gave pre-eminence to the classic socialist doctrine that under socialism "man makes himself." That the building of the future is the outcome of acts of will that begin with the rejection and overthrow of the conditions of the present. Logically, they argued, the building of a socialist future in the one country (without the benefit of the support of world revolution) required these acts of will to bring about the required changes in objective conditions.

Planners of the genetic persuasion objected to teleological maximalism on a number of grounds. None of them denied that all planning contains a teleological or iterative element, where the future is built on and out of the decisions of the present. What was at issue, however, was the balance to be struck between the genetic and the teleological and, for some, the pragmatic irrationality of teleological planning. A leading member of the genetic school, V.G. Groman quoted Lenin "one cannot give orders to the economy" (Groman 1964:361) and that the creation of the future is only possible on the condition that (quoting Bukharin) "one sees the whole at all times, that one understands the interrelationships and interdependence of its parts" (Groman 1964:362). Groman went on to assert that:

> That the teleological and genetic viewpoints must be organically connected and the primacy belongs to the genetic.

[and that]

> *Scientific* (my emphasis) socialism as distinct from utopian socialism, developed the idea that genetic development of society must create the forces capable of securing both the power and the will to transform society in a certain direction, when political power is captured and one intends to start immediately the deliberate transformation of society, then the method and forms of such transformation are dictated by the objective conditions of the society and the *hidden* (my emphasis) objective tendencies of its development (Groman 1964:362).

In other words, the "genetic" evolution of capitalist society had brought it to the point where class conflict had caused a proletarian revolution and brought into being a "will to socialism," but the application of this "will" and the future transformation of society would proceed through the application of rational science and the discovery of the economy's tendencies expressed in terms of "empirical laws."

Kondratieff, another prominent contributor to the debate on the side of the geneticists, derided what he called the pretensions of the plan maximalists, pointing out what he considered to be the ambiguous relationship in practice between plan forecasts and plan targets, and arguing that the productive role of agriculture in future growth had been seriously underestimated (Kondratieff 1964:438-51).

Bazarov (who shared an exile from Tsarist Russia with his Bolshevik colleague Bogdanov), while acknowledging that the basic task of perspective planning "entails the need to combine the genetic and the teleological methods in the search for the optimum course of development" averred that was at issue were two questions: (a) the relationship between the genetic and the teleological, and (b) "what is meant by the optimum course of development" (Bazarov 1964:365). According to Bazarov the answer to the first question is very simple:

> The more fully a given branch of the economy is encompassed by the direct operational influence of the state, the more markedly does the field for teleological constructs broaden at the expense of genetic prognosis (Bazarov 1964:366).

On the other hand for agriculture what is involved is perhaps less than a plan and more in the nature of a forecast:

> Agriculture, parceled into more than 20 million small independent units and, in its commodity production, oriented in large part to exports, is the sphere in which genetic inquiry plays the predominant role . . . the development of agriculture is [only partly] . . . predetermined by the [consumption] requirements of the state sector. For the rest, the program for agriculture should be based on objective study of historically manifested regularities of internal growth and trends in world market (Bazarov 1964:366).

Having settled the balance between the teleological and the genetic, Bazarov went on to define the question of optimum growth by arguing that development should follow a "smooth" path and that "the economy must be a harmonious, organic whole — a maximally stable system of mobile equilibrium . . . at any point in the transition" and that the "emergence of temporary growth disproportions resulting in crises . . . is not to be tolerated with planned reconstruction" (Bazarov 1964:367). Having satisfied these requirements of smoothness of growth and proportionality of growth, the planner is then able to choose the maximum growth rate compatible with the smooth and orderly growth of the economy.

During the course of these debates the issue of rationality was frequently invoked by the discussants. The genetic planners saw their views as expressive of exemplary scientific rationalism, reflective of both a cool and cautious empiricism and a suitable respect for the natural order of things. At the basis of their criticism of the plan maximalists, the teleological planners, was the assertion that the thinking of the plan maximalists was utopian rather than scientific and hence irrational. But even so, Bazarov had to concede that the genetic approach to planning also entailed "irrational" decisions:

> From the standpoint of rational principles of reconstruction, obsolete enterprises should merely live their days out; they do not merit sizable investments of capital, for the small increase in the volume of output and the even smaller rise in the level of productive forces are being purchased in this case at the high price of relatively great expenditures. But we shall obviously be unable to avoid "irrational" expenditures of this kind (Bazarov 1964:375).

Bazarov went on to claim that while these kinds of "irrational" expenditures would be required during the period of reconstruction of the economy, they would not be a permanent feature of the socialist future, and in any case they were an "irrationality" demanded by the higher rational principle of proportionality of parts, the *harmonious* development of the economy perceived (following Bogdanov) as an organic whole.

To some extent the resolution of these theoretical problems and the debate about planning the growth economy was pre-empted by the fact that the practical execution of the kinds of planning envisaged by both sides required the collection of enormous amounts of empirical data. In fact the depth of technical knowledge of the operations of the economy, the collection of basic statistics, and of course, the norms of value for work practices and labour values was seriously deficient and in many cases non-existent.

To some extent the problem of "irrationalism" in planning remained an unresolved issue in the debates. Partly this was because the participants believed in the 'super' rationality of socialism and hence saw the "irrational" as something that would simply wither away in the face of a future designed and built from new, post-capitalist, 'super' rational knowledge.[4] Partly the problems remained unresolved because the kind of macro-planning that was envisaged during this period presupposes a level of accurate social and economic information that was simply not available at the time. Detailed planning of economic outputs requires appropriately detailed information and the collection of the required statistics implies the coordinated collection of normalized data from many thousands of diffused sources, the existence of detailed records, trained record keepers, and the coordinated collection and analysis of the resulting information. At the beginning of the 1920's these simply did not exist in Soviet Russia. By the end of the decade, while great advances had been made, there was still considerable empirical uncertainty about many features of the economy and society. Soviet planners continued to refine data collection for several decades.

But planning poses a knowledge problem that goes beyond the relatively simple problem of the bureaucratic production and coordination of appropriate statistics

that seems to have been barely glimpsed at the time. This was the baffling problem of "unknown magnitudes," briefly discussed by L.L. Lorwin and A.F. Hendricks in a study of Soviet planning for the US National Planning Board and published in 1935. The example refers to a tractor factory:

> What would be the ratable capacity under Russian conditions of maintenance? What would be the spoilage due to faulty raw materials or poor labour? How effective would peasants be in handling machinery — one tenth? one quarter? one half? two thirds as efficient as the American standard? How long would it take to train them? How rapidly would the efficiency of the individual advance? What would the average labor efficiency be; in other words, what rate of labour turnover would occur? No one can answer such questions with precision; but the answers will be pitched higher, it is believed that the cooperation of the workers can be counted upon (Lorwin and Hendricks 1935:369-70, quoted by Spulber 1964a:149).

Planning involves building a hypothetical future out of the past. A counterfactual future where things are otherwise than what they would have been. But to do so implies a knowledge of how things are in perhaps a more complete sense than is humanly possible. Most Soviet planners believed, in accordance with the canons of scientific rationality of the period, that the kinds of macro events that they were interested in could be understood as the large scale aggregation of micro fundamentals and that an understanding of the relations of the fundamentals would be sufficient for the

explication of macro events. In other words there was an assumption that the behaviour of large aggregate events could be fully explained in terms of the fundamental properties of the individual 'atoms.' This cannot be assumed. As was discussed in the previous chapter, large scale economic events may exhibit significant discontinuities through time and show the characteristics of chaotic systems, a factor that raises the knowledge problem in planning to a higher order of magnitude.

To some extent, the problem of planning can be conceived as a boundary problem. The closer and tighter the boundary between the planned and the environment in which it is embedded is drawn the more likely that the planner will be able to know, and control, the elements of the plan. It is noticeable that in the economic planning of the World Bank and other international institutions the sociological and the political are frequently held to the margins of the plan or pushed beyond the boundary altogether. Although for economists, the unknowable and the unplannable is conveniently dismissed as outside the bounds of technical knowledge, in fact its elimination is, in itself, a form of irrationalism.

In 1928 Stalin began to take the series of decisions that led to the Soviet adoption of plan maximalism and the teleology of heavy industrialization and the

beginning of the collectivization of agriculture, the transformation of peasant small holdings into an industrial agricultural system. Many of the participants, especially those who supported an alliance with the peasantry and an expansion of peasant agriculture were later identified as 'right wing deviationists' or 'wreckers' and purged, exiled or liquidated in the 1930's. Even so, the decision to make development a teleological 'act of will,' dependent on the concerted transformation of relationships that went far beyond the merely economic and deeply into the sociological was probably technically correct and did in fact lead to intensive economic growth. To some extent the resulting growth of the Soviet economy does support the presuppositions of the teleological planners and later phenomena such as the Stakhanovite worker's movement suggest that to plan on the basis of a qualitative systemic transformation is realistic.[5] Although it may be that the success of such systemic transformations are dependent on a pre-existing level of economic coordination within society which both enables the transformation and supports the bureaucratic coordination of the necessary level of authoritarian coercion.

IV. Soviet planning and third world dependency

The planning of the Soviet economy became progressively more refined in its methods and procedures during the 1930's, but no further debate took place on planning theory until the late 1950's when new and more refined methods for calculating shadow prices were introduced. These new methods to some extent revived the early 1920's input-output approaches to plan 'balance' and their mathematical formalisations earned their authors Nobel prizes in economics in 1974 and 1978.

During the 1920's and 1930's, before the development era and the rise of the development impulse, there was little or no interest in the Soviet Union in the problems of "backward countries" as such, except insofar as they impinged on the diplomatic and foreign affairs of the Soviet Union. More generally the problems of the backward countries were subsumed within the general programs of the Socialist International and the generic program of world wide socialism. Instead, and especially in the first decade of the Soviet Union's existence, the focus of attention was on the "advanced countries" and the attempt to transform the Soviet Union from a backward country into an advanced country. Following the rise of the development impulse the problems of the

underdeveloped countries began, for the first time, to receive the specific attention of Soviet social theorists.

Since before World War II Soviet development theory held the view that the under-development of the third world was a product of colonial rule (Roberts 1977:353-72). According to this view colonialism itself was considered as arising from a crisis in the capitalist system, the over-supply of capital. It was the export of this capital that led to the imperial exploitation of colonial resources and labour (Lenin 1917). Since before colonial independence and decolonisation, the argument continued, the relations of neo-colonialism and neo-imperialism were set in place by international capitalism to create a special form of capitalism, the capitalism of the periphery. And it is this process of exploitation and peripheral capitalism that has kept the former colonies dependent and under-developed. Since the late 1940's the Soviet view has been that the under-developed countries will remain under-developed and dependent so long as they remain within the world capitalist system, which was, according to this view, a system of unequal relations, relations of exploitation (Shchetinin 1986, Popov 1984, Sledzevsky 1986, Aleshina 1987).

When the first major discussion of economic development took place after the Second World War on the

Economic and Social Council of the United Nations it was proposed that the United Nations should take an active role in promoting and financing economic development and that the remit for the International Bank for Reconstruction and Development (now the World Bank) should be extended beyond western Europe. This initially attracted the support of many of the delegates present at the discussion. However it was the US advocacy of the 1948 *Truman Point Four Plan* that really brought matters to a head. The Soviet delegate to the Council argued that to "base a programme of economic assistance on world market conditions would serve only the interests of the capitalist monopolies" and that "the colonial policies of the United Kingdom, France and the United States of America lay at the root of the *under-development* (my emphasis) which prevailed in those areas." According to the Soviet delegate the statements of the US delegate "reflected a mentality which envisaged the permanent dependence of the under-developed countries on the more highly developed countries which were, in fact, responsible for under-development" (United Nations, 9th Session, 1949:398-9). Accordingly the USSR declined to join the International Bank for Reconstruction and Development on the grounds that the primary purpose of the Bank was to export capital and capitalism and thus reinforce the post-war domination of the global economy by the USA.

From this Soviet point of view, the relations of the Soviet Union with the under-developed (i.e., "newly free") countries fell, in principle, into the three separate categories of material aid, humanitarian aid and economic cooperation (Yablochkov 1983, Gavrilov 1983). Material aid was mostly confined to that given for the support of national liberation movements "a natural ally in the struggle against all forms of exploitation and aggression" (Maksimova 1979:150). Humanitarian aid was offered "to the poorest countries . . . to help them fight hunger, disease and natural disasters" (Maksimova 1979:157). And finally there was the development of:

> mutually advantageous cooperation . . . [the] general economic premises for [which are] . . . the mutual complementarity of . . . economies, the existence of ample natural resources and the possibility of their exchanging for fuels and raw materials (at various stages of processing) which are in short supply at home, the existence of potentials for producing goods required by partner countries, the developing countries' interest in buying Soviet industrial equipment and borrowing Soviet experience in building up vital modern industries, methods of planning, administration, the training of personnel, etc. (Maksimova 1979:157).

Western aid programs, from the Soviet point of view were viewed as a "peculiar form of capital export" (Baskin 1985:13), a special version of capitalist economic relations that was intended to maintain the under-development countries in a state of dependency and provide the advanced countries with a supply of cheap raw

materials, cheap labour and markets for manufactured goods. Aid was, although "complicated and contradictory," a "major instrument of neo-colonialist expansion and exploitation of the newly independent states" (Baskin 1985:175).

The orthodox Soviet view of the problems faced by the under developed countries and their solution was put succinctly by Shilin and Cheema:

> All of the newly independent states are faced with a prime task of overcoming economic backwardness and achieving economic independence. Industrialization provides the solution. Fast economic and social progress, attainment of full employment, and elimination of poverty are possible only on the basis of industrialization . . . The developing countries are faced with a dilemma: either to create an up-to-date industrialized economy or continue to be dependent on and exploited by the neocolonialists (Shilin and Cheema 1978:13).

Shilin and Cheema continue their discussion by defining four types of industrialization: capitalist; colonialist; socialist; and mixed industrialization (Shilin and Cheema 1987:14). Citing Lenin's theory of socialist industrialization ["socialism can only be based on large scale machine industry which is capable of transforming agriculture as well" (Shilin and Cheema 1987:14)], they go on to restate the orthodoxy of socialist industrialization in terms of the following features:

> The *first* fundamental, feature of socialist industrialization is the accelerated development of heavy industry.
>
> The *second* feature, which continues and expands the first, is the identification of the major components of industrialization (power engineering, metallurgy, machine-building) and the concentration of resources on their development.
>
> The *third* feature, which is a dialectic continuation of the first two, is the setting up of the foundation of an economy capable of implementing expanded reproduction chiefly on a national basis.
>
> The *fourth* feature is the large scale development of consumer goods industries on the basis of progress in key industries.
>
> The *fifth* feature is extensive mechanization of transport construction, agriculture and the other sectors of the economy.
>
> The *sixth* feature of socialist industrialization is the sources of funds which are quite different from those of capitalist industrialization. They are: the mobilization of inner resources, economic accumulation, profit of state enterprises and banks, part of surplus-product created in farming, trade revenues, domestic loans, etc.
>
> The *seventh* feature is the further improvement of the working people's living standards accompanying the progress of socialist industrialization (Shilin and Cheema 1987:14-15).

The state is the chief instrument for the achievement of such a program of development by industrialization. According to this view the role of the state is of primary importance in the less developed countries. In the contemporary newly free countries state participation in the economy can assume either of two forms: direct

participation through the creation of public enterprises and indirect participation through the regulation of private business.

Shilin and Cheema also distinguish between underdeveloped countries of socialist orientation and of capitalist orientation. In the later countries "nationalization and investment activity undertaken by the state extend only to low-profit and loss-making enterprises which do not interest the private capital of the country"(Shilin and Cheema 1987:45), whereas:

> In the countries of socialist orientation, nationalization as an effective method to form the public sector is carried out on a more extensive and sweeping scale. Aimed at taking hold of the key industries of the national economy, nationalization serves the purpose of forcing out not only foreign but also big indigenous capital, in other words, it has an anti-capitalist character . . .
>
> The public sector facilitates development and even extension of the new forms of production relations . . . the intervention of the public sector in the national economy acquires an increasingly socialist character [which] as the public sector expands and develops . . . impart[s] a socialist nature to the process of industrialization [and leads to] the manage[ment] of the economy in a planned way (Shilin and Cheema 1987:45-6).

During the course of their discussion Shilin and Cheema issue some warnings on the necessity for taking into account the actual stage of development of the

underdeveloped country and the problem of the political dominance of the national elite of the bourgeois classes. But they end their study on a hopeful note:

> Today more than twenty developing states have chosen a socialist path. These states are not identical. There are differences and peculiarities in the level of their development and their socio-economic structures. However they do have basic, underlying features in common. In these countries the more active transforming role is played by the public sector, which serves as the economic base for their non-capitalist development (Shilin and Cheema 1987:156).

Such developments, if linked with the institution of the New International Economic Order (NIEO) "will help to quickly overcome the economic backwardness of developing countries, transform their social structures and change the position of these countries in the world economy" (Shilin and Cheema 1987:155).

V. The Berg Report

In 1981 the World Bank published the report *Accelerated Development in Sub-Saharan Africa*. This report was produced in response to a deepening of the

African economic crises and contained a set of policy recommendations for African governments. These recommendations were intended to halt the African economic decline and restart the development process. The policy recommendations were summarized in the report in the following terms:

> Increased incentives for agricultural production permit an expansion of production with minimal investment and at low foreign exchange cost;
>
> Reallocation of spending for essential maintenance and recurrent costs allows existing capacity to be used more effectively and increases growth with minimal investments;
>
> Slower growth of government expenditure and higher private (including parastatal) savings result in more domestic savings and a higher investment/GDP ratio; and
>
> Increased incentives for exports enable export growth to increase and imports to grow faster, for a given amount of aid (World Bank 1981:122).

As always the World Bank attention was on the economic indicators and socio-political considerations were kept to the margin. Although the narrow purpose of these reforms was to improve the ability of African countries to meet loan repayments and hence to attract further loans for development purposes, the recommendations also reflected to some extent the then new 'neo-conservative' trend in economics with their emphasis on an enhanced role for the capitalist entrepreneur and a diminished

role for the state in the economy. But to a large extent the recommendations were simply another instance of a view held by the World Bank since its inception,[6] that only the growth of a 'natural' capitalist individualism will bring about the economic development of the less developed countries and their transformation into social democracies.[7]

The African crises of the late 1970's and 1980's also attracted the attention of Soviet scholars. The confrontation of African and other third world economic crises with Soviet economic development theories provides an insight into the intellectual turmoil preceding the arrival of *perestroika* and enables us to identify a key part of the relationship between socialism and capitalism at the end of the 20th century.

VI. Soviet development theory and the development crises of the 1970's and 1980's

The nature and extent of the third world economic crises of the 1970's and 1980's gave Soviet scholars pause for thought and publications that appeared in the

last few years of Soviet rule reflect the reappraisal of the theory of dependent capitalism in the third world. In addition the nature and character of the socialist state in the "newly free" countries was called into question. In a 1987 article, *Africa's Difficult Path to Progress*, Y. Osipov and Y. Cherkasov (1987:183-95) outline their version of the problems facing African countries. The first part of their article consists of a description of African economic problems and the role of the international agencies (World Bank, IMF, ADB, FAO) and trans-national corporations in Africa and concludes that "there is no question that responsibility for the worsening economic situation in Africa belongs to imperialism" (Osipov and Cherkasov 1987:189). The second part of the article describes the development policies and models used in Africa. According to the authors, development in Africa "was based on programmes of limited modernization which were copied from the lightly re-touched models of the West's economic evolution"(p189) and typically ignored the specific conditions pertaining in African societies and concentrated only on the quantitative indicators of development. This meant a nearly exclusive emphasis on the import of capital and the stimulation of market relations by means of state policy. Following this "neo-Keynesian doctrine" the state encouraged "the propensity to save among well-off social groups with the aim of then transferring the monetary surplus into physical capital"(p189). This

policy, the authors say, has failed for a number of reasons including: the fact that the amounts of capital involved are usually not enough to overcome contemporary investment and technological barriers; that the bourgeoisie are drawn to conspicuous consumption rather than saving and a shortage of foreign currency. The most important economic development policy, import substitution industrialization, has not succeeded because of stagnation of effective demand coupled with a cruel exploitation of the peasantry by the state. The existence of isolated centres of development coupled with the decline in the production of commercial grains led to the dislocation of the whole process of social reproduction and the migration of millions of the "declasse" to the cities. This process of dislocation is:

> shown in the inability of the modern sector to absorb the growth in labour resources; in the disintegration and stagnation of the internal market which is one of the decisive elements in the productive use of capital; in the growing disproportions between social formations, the historically unparallel [sic] pauperization, and the squandering of national resources in the parasitic upper reaches of society (Osipov and Cherkasov 1987:190).

The third part of the Osipov and Cherkasov article discusses the attempts on the part of African countries and others to found a new international economic order as

exemplified by the Lagos Plan of Action. This, however, is dismissed with the comment that:

> the critique of the models of peripheral modernization that [the Lagos Plan] contains has proved markedly stronger than the practical recommendations that have been made. . .. [and that] . . . the Lagos Plan is not sufficiently underpinned by the complex of financial and economic transformations that are essential if the main directions of the self-sufficiency strategy are to be realized (Osipov and Cherkasov 1987:192).

Osipov and Cherkasov conclude their discussion with a critical analysis of the main social and political characteristics of African countries. The authors argue that, given the nature of African societies and their "multi-structural" economies, there are limits to the relatively independent activities of the state. These limits are to be found in the social relations that underpin the state and the economy. In the "pro-bourgeois" states of Africa:

> the top layers of the bureaucracy combine under their control administrative power in society and ownership of a significant part of the means of production, and form a bloc together with neocomprador capital and also the exploiting elements who dominate preindustrial types of labour (Osipov and Cherkasov 1987:193).

In short the bureaucracy combines the function of regulation with exploitation. Even where an African state is pro-socialist in its orientation there are still

difficulties, "the absence of . . . forms of bourgeois relations in no way guarantees the conditions identical to revolutionary transformations"(p194). In all cases the traditional (subsistence) economy is "profoundly atomised," the material base is weak and the state sector is simply not strong enough to bring about change. Therefore the revolutionary potential may suffer erosion in consequence of political instability and the socialism of the state may become simply rhetorical (Osipov and Cherkasov 1987:194 and Osipov 1981).

Typically, during the "development decades" Soviet writers on the third world and development emphasized the intimate and intricate character of the relations between the state and civil society, the role of the state in capitalist development and the role of capitalism in forming and defining the polity of the state. Although these processes were seen as historically determined and subject to Marxian analysis it became clear to some, at least, Soviet writers that the specific historical dynamic of many third world states could not be found in the Marxist canon. This led many Soviet writers to question the role of socialism in the "newly free" countries.

For example, N. Simoniya in *State Consolidation and Political Differentiation in the Countries of the East* (Simoniya 1984) argues that whereas in the West:

> capitalist social elements emerged and proceeded to grind down the residues of feudalism . . . the modern developing countries have inherited a more complicated multi-structural . . . mechanism consisting of . . . three components: the national capitalist structure, colonial and archaic structures (Simoniya 1984:180).

Simoniya proceeds to define the problem in the following terms:

> Thus the problems of modernization and national and state integration of the newly independent countries have two aspects, as distinct from Europe's historical past. Accordingly, the governments of these countries have to solve a diune task: on the one hand, transformation of the colonial structures and their integration within the framework of the national economy, and on the other, "enveloping" the archaic structures, their gradual modernization and involvement into the orbit of the modern mode of production. Hence the special significance of the state in the modern countries of the East. The state is called upon to play an active formative and creative role at practically all levels of society: the economic basis (including its function as a direct agent of production relations), the national, ethnic, and social structures, the entire system of the political superstructure (including the building of its own civil and military apparatus), and the ideological level (the formation and inculcation of the ideology of the whole state) (Simoniya 1984:180).

Although a national liberation movement and revolution is an essential first step towards national integration, its very success proceeds to unleash the "centrifugal tendencies" present in a society that consists of the

modern, the colonial and the traditional with most of the capitalist elements to be found purely within the modern sector. From Simoniya's point of view the problem becomes not the modernization of the traditional within the framework of the modern nation state, which was essentially the European problem, but rather the more complex task of modernization while creating the nation state:

> The chief difficulty and key problem lay in the incompatibility of the real (i.e., multi-structural or "combined") society and the officially declared framework of national and state community (official or legal state). In most countries of Europe, bourgeois states were the result of the natural historical process of the emergence and development of the elements of a future civic society already in the depths of the dying feudal formation and of its further shaping during the early capitalist phase. With the completion of this phase, the framework of the real and civic society on the whole coincide. In other words the majority of the population of real society constitute at the same time the bulk of civic society and consider themselves first and foremost, citizens of the given state structure, whereas their membership in narrower local communities and groups receded into the background, in some cases disappearing completely (Simoniya 1984:181).

The modern third world state emerged "from the top" either as a result of triumphant national liberation movements or through deals concluded with the colonial powers and these arrangements are insufficient "for ensuring the stable and effective activity of a truly modern state" (Simoniya 1984:181). Simoniya goes on to

make the radical suggestion that what in fact was needed was a *bonapartist* state, a "lower form of bourgeois statehood . . . with different methods and forms of centralization, with a greater share of the traditional authoritarian rule, more familiar in its external manifestations to the bulk of population"(Simoniya 1984:182).[8]

But this gives rise to a paradox, Simoniya argues. The paradox is that:

> both the weakness and the relative strength of the official state were conditioned by identical causes - the generally fragmented structure of society, absence of a well-formed civic society or at least of a significant and strong national structure which might directly form the basis of the state (Simoniya 1984:182).

Accordingly the state in developing countries has to find a "formula" which combines the tasks of modernization, preventing disintegration, attaining economic independence, "filling the sovereignty of the national state with genuine content" (Simoniya 1984:182) and developing a national culture. Undertaking all these tasks yet at the same time remaining above them. According to Simoniya the attempt on these tasks by the modern third world state will most likely fail or at least invoke the solution of attempting to centralize the superstructure in the form of an overarching bureaucracy,

an authoritarianism which may become overt or remain coeval with a form of parliamentarism and a political life directed from above (Simoniya 1984:183).

Other authors began to question the role of capitalism. A number of contributors to a discussion published as *Prospects for Capitalism in the Developing World* (Various 1986) raise questions about the theoretical implications of the failure of capitalism in parts of the developing world. G. Mirsky, summarizing the controversy, defined on the one hand the long standing Soviet view of the under-developed countries as undergoing a transformation to "a dependent form of capitalism, a client of imperialism" and the opposing view which argues that capitalism cannot become a "system-forming" factor in the developing countries (Various 1986:182). According to this latter argument a number of factors will prevent capitalism from becoming the dominant mode of production in African countries. Among these factors are, firstly, the inability of capitalism to "digest" the traditional sector of the economy, to solve the employment problem, to involve the mass of the population in modern production, to create an adequate internal market and to implement social reforms. A second factor is the role of the state. In the modern developing country the state apparatus is inevitably going to grow because only the state in most cases can organize modern large-scale production by marshaling

financial resources that the private sector cannot match. This bureaucratic growth will in turn inhibit the potential of capitalism to form the social structure of the newly free countries. A third factor inhibiting the growth of capitalism is that the local bourgeoisie is unproductive and not infrequently downright parasitic, and does not possess either the sources of accumulation that the Western bourgeoisie had in its time, nor the experience, traditions and "taste" for industrial enterprise (Various 1986:182).

A number of authors, L. Reisner, V. Yashkin and G. Sheinis, contributors to the discussion, develop the view that the basis for the development of capitalism in many of the under-developed countries is becoming relatively more narrow and that, although some capitalist development is taking place at the margins of their economies, capitalism *per se* is incapable of playing the role of the "system forming factor." Yashkin argues that the integrating capacity of capital, its system forming capacity is small in newly free countries, "capitalism not so much 'assimilates' the traditional economic structures as adapts them or itself to them"(Various 1986:184). The basis for the spread of capitalist relations is relatively narrow. Yashkin concludes that these problems cannot be understood in terms of the traditional Marxian formula of a "crisis in capitalism" at a particular historical stage of its development. The

main barrier in the way of a capitalist transformation of the developing countries is what Sheinis describes as the "almost mathematically quantifiable impossibility for private capitalism in the majority of Afro-Asian countries to absorb pre-capitalist structures in the foreseeable future" (Various 1986:189). The subjugation of the profoundly atomized traditional economies by the state economy and the absorption of the population into a modern workforce pose a challenge of unprecedented scope and character not only in its economic aspects, the restructuring of the economy while ensuring economic growth, but also in its social aspects, ensuring the physical survival of millions of people during this transition.[9] Accordingly Sheinis suggests that the *bonapartist* state which can now be found in many parts of the developing world may prove to be very durable. Sheinis summarizes the main features of the developing world *neo-Bonapartist* state in the following terms:

> A strong state fulfilling some of the functions which in Europe were carried out by civil society;
>
> weak economic and social counterweights to the power of the state which represents not only a totality of interests but also its own interests;
>
> forcible unification of various sides of social and ideological life (often in a religious form);
>
> economic inefficiency, squandering of the limited resources for prestige and other parasitic goals;

> the consolidation of social inequalities on a new basis;
>
> growing rigidity, ossification of social structures that impede progressive social evolution (Various 1987:191).

The history of capitalism in Western Europe includes stages of small scale household production of commodities on a mass basis. Doubt is expressed at the possibility for such stages, which made such contributions to the building of modern capitalist civic society, including the creation of a mass labour force, to be successfully repeated in the developing countries and to coexist with contemporary forms of capitalist market production.

> The apparent inability of capitalism, within a foreseeable future, to involve small production in the general process of development testifies to its limited potential in transforming the developing world and to its lack of historical perspective (Pokatayeva - Various 1987:196).

In another context V. Sheinis and A. Elyanov argue that the number of people whose physical existence, labour and way of life, are determined by traditional and semi-traditional forms of social production is growing in the developing world and in the majority of countries comprising it. These traditional spheres of production provide the subsistence to hundreds of millions of people and will not be replaced by anything else for a long period of time (Sheinis and Elyanov 1984:145).

Medovoi, in a 1984 discussion of the Indian economy (Medovoi 1984), makes interesting and related points about the backwardness of Indian agriculture, suggesting that this backwardness should be understood as a dynamic process inherent to the dual character of agrarian relations and the rural economy. Medovoi argues that the bulk of rural production is produced within a small holder and tenant farmer subsistence system by a peasantry "isolated from the general process of capitalist evolution"(Medovoi 1984:97). According to Medovoi:

> The surplus product is still realized, i.e., turned into its marketable form, for the most part not by the producer himself but by members of the village bourgeoisie: the landlords, money-lenders and merchants, who gradually merge into a single social type personifying the development of agrarian capitalism. In these circumstances the purpose of production for millions of small holders becomes their personal consumption, which is barely sufficient to reproduce the working force . . . At the level of the peasant or tenant small holders, no attempt is made to consider the cost proportions in determining the individual expenditure on the production of farm produce, nor their relationship to the socially-necessary labour, which finds its expression in prices on the national market (Medovoi 1984:97).

Under these circumstances profits do not operate as regulators of production within the agrarian sector of the Indian economy. Land rents rather than profits regulate village production. But rents in this context

differ from rents in a capitalist context because rents do not form the excess over profits, instead profits can only appear in the form of excess over rents:

> Since the village elite is able to control production and appropriates, irrespective of the cost of production, a considerable part of the surplus, and often the necessary, product of the small peasants and tenants, it quite often receives the greater part of its income not in the form of profits, but in the form of pre-capitalist rent or interest on loans . . . The incomes extracted from the peasant and tenant holdings are pre-capitalist in type and source, but in their size they, as a rule, greatly exceed the amount of profits received from capitalist-type farms (Medovoi 1984:99).

Such a process of accumulation, based on pre-capitalist structures, and providing higher rates of return than those available in co-existing capitalist agriculture, ensures that these "backward socio-economic forms" attract and drain off the accumulation being formed by the movement of industrial capital into developing countries. Traditional subsistence based economies not only hinder modernization through their conservatism, but also impede the accumulation of capital as a whole. They do this because a higher rate of profit is frequently derived from using a pre-capitalist form of exploitation (i.e., rent, usury, debt bondage, forced or coerced exchange). This peculiar movement of capital, its *decapitalisation*, strongly affects the rate and scale of national accumulation. Medovoi takes the view that this *decapitalisation* process will continue in third world

economies until the traditional sector of these multi-structural economies is subordinated to the state sector (Medovoi 1983:100-101). The difficulty of making the very large and atomized traditional sector subordinate to the state sector should not be underestimated. Nor should the problem be conceptualized as susceptible to management through the use of economic instruments which are widely used in the developing countries. The incorporation of the traditional sectors within the state and capitalist sectors of the economies of the developing countries will require the institutionalization within civil society of a set of functioning imperatives for such matters as minimum wages, minimum health standards, regulatory laws and market protection policies that in turn depend upon the effectiveness of the state apparatus. These simply do not exist except in the most rudimentary form in most developing countries as illustrated by the recent attempts to establish regulatory authorities for environmental management in many African and Melanesian countries has shown. Most Soviet scholars, participating in the discussions during the 1980's, seem to have believed that this process will take many decades and, even in the absence of counter-acting forces, may not be entirely peaceful.

VII. The state and development

Soviet development theory, although cast in a Marxist-Leninist mould, developed several nuances that were not usually to be found in its academic western equivalents. Principal among these was the idea that the development of a modern third world nation state was conditional on the nature and character of the state of society and the societies within the state, the character of civil society and its relationship with the nation creating superordinate state. The emphasis on the still evolving historical character of the third world state also meant that modernization was seen by many Soviet scholars as a process, not a condition. Given this orientation, many Soviet scholars expressed from the beginning considerable scepticism for the idea of the third world *socialist* state, discounting the associated 'liberationist' movements as gestural.

Although the lineages of the many third world national liberation movements are varied and complex many are derived in some measure from the anti-imperialist movements originating in the imperial centres and in specifically British instances from anti-imperialist and anti-colonialist labour socialism. More distant is the French revolution of 1789. Perhaps a common trend in all

the diverse strands of nationalism is their underlying Hegelianism — the notion that the dynamo of history is to be found in the instabilities and directional force of the master/slave relationship. Within this simple framework the liberation process consists, simply, of the native slave overcoming the colonial master. Consequently liberation movements were founded on the notion of the common identity of a plurality of natives with a shared consciousness of oppression against a singular master. Liberation is understood purely in terms of this dyad and no, or little, thought is given to its aftermath. What should the relationship between freed slaves be? In contrast Soviet development theory made no assumptions about a Rousseauian 'natural society' of 'natural men' being created by, for example, the colonial creation of a cooperative or the grant of independence and instead foresaw the post-colonial potential for endemic conflict between the state and its putative citizens and their pre-capitalist groups.

Soviet scholars tended to avoid some of the simplifying assumptions made by many western development theorists. For example the assumption that the post-colonial state would simply be a continuation of the colonial state in its essence, performing many of the same functions. An impossibility given that a form of democratic politics now intruded into what was formerly authoritarian in character. Soviet scholars typically

made no cosy assumptions about the democratic autonomy of cooperatives within the "newly free" state nor were they inclined to view the colonial and post-colonial attempts to build a national identity as anything more than the impossibility of a state attempting to create itself from above, a peculiar form of authoritarianism that forms part of the bureaucratic agenda of most third world states today and is perhaps the most enduring pathetic fallacy of the colonial period.

Nevertheless the state remained central to the Soviet view of development. Inescapably so, as Elyanov and Sheinis put it:

> Many researchers point at the national state as the central element in the mechanism, called upon to organize progressive social development. In any case there is so far no other force in the developing countries capable of making society an integral whole and securing a place for it in the world system. In many developing countries economic and social progress has been determined mostly by state activity. Moreover, it was a guarantor of physical survival of millions of people in many instances, when both traditional mechanisms of production and redistribution and the enclaves of the market economy proved powerless. From the point of view of material distribution, this social function of the state competes to a certain extent not only with capitalist but also with primary accumulation. Apparently, the state will remain one of the principal inner motive forces of socio-economic development (Elyanov and Sheinis 1987:323).

But even the pursuit of more limited policies such as those directed towards the satisfaction of basic needs runs into unavoidable problems associated the nature and character of the late twentieth century state:

> In principle, close attention to the basic needs of the majority of the population, if it is not just confined to declarations, can provide both economic and social development with a broader foundation and reduce their chief drawbacks, the localized character and involvement of only the select. At a certain point this policy no longer contributes to social progress. The idea of satisfying a certain set of basic needs in the first place is sometimes interpreted in the developing countries in an extremely primitive way. The volume of resources that can be spent on satisfying basic needs thanks to redistribution is not so large. The output of goods other than essentials can hardly be cut considerably, and imports cannot be reduced to zero, to say nothing of production accumulation and development of export ties.
>
> Besides, it is difficult to devise a model of socio-economic mechanism dovetailing the structure of production with the allegedly rationalizes consumption structure. In antagonistic societies, mass enthusiasm aroused sometimes by slogans of equality and "common goals" can compensate for material and other privations for sometime. But enthusiasm passes, and the crucible of social excitement produces far from progressive (and sometimes stable) socio-political structures (Elyanov and Sheinis 1987:318).

The state in most developing countries was imposed from above by the imperial authorities of the colonial period. The example of Papua discussed above in Chapter two clearly illustrates the nature and character of this

imposition and the extent to which the state is created through the authoritarian exercise of power. In the run up to independence the colonial state becomes the focus of attention of various groups seeking power and influence in the name of the "nation," the "people," "democracy" and "freedom." The conventional rhetoric of liberation. But the introduction of politics into the colonial and post-colonial state means that the state becomes the product of the social environment it is trying to modernize. As the self-proclaimed herald of national interests the state advances its own specific goals that inevitably, because of the disuniting character of practical politics, come to be partisan with respect to its own population, not national.

The intensification of *dirigisme* in the late colonial period in the pursuit of national development goals, and frequently under the stimulus of the United Nations Committee on Decolonisation scrutiny, meant that *dirigisme* and its associated authoritarianism was continued and extended without question into the post-independence period. Such a transition was easily made because in many cases the groups exercising state power in the inherited bureaucracy and personifying state ownership were, and are, able to exercise high levels of decision making autonomy. Elyanov and Sheinis suggest that this is due to the synergistic combination of traditional "oriental despotism" and transplanted

bureaucratic aspirations typical of modern developed societies (Elyanov and Sheinis 1987:324). Such groups in power, however, have the potential to exploit on a scale not formerly possible through the use of modern technology and organization. As Elyanov and Sheinis remark:

> the first thing the modern technological civilization was represented by in many developing countries was methods of mass homicide. "Khmer Rouge" methods, usually in a different ideological garb, less ostentatious and on a smaller scale could be observed in some other developing states . . . Central African Republic . . . in Chad . . . Uganda, Haiti and other countries (Elyanov and Sheinis 1987:324).

Accordingly, in developing countries, the state exercises an "excessive freedom of action" for which there is no counter-balance. And the special stability of authoritarian regimes is underpinned by the specific relationship between economy and politics in the developing countries:

> Theoretically, the effectiveness of state management, since it assumes responsibility for economic development, can be assessed through the functioning of the economic mechanism. But the feedback is very slow and quite often distorted. The state can be ruining the economy for quite a long time, as was the case in Indonesia, Burma and many African countries, without feeling the need to correct its course, because the "check" is carried through the socio-political sphere, in which the state has additional survival resources (Elyanov and Sheinis 1987:325).

The principal economic mechanisms which developing countries find themselves subject to are usually external (World Bank, IMF, ADB, donor aid programs, bilateral aid and financial arrangements and currency exchange arrangements) and their arrival at a time of financial crisis is often seen by the citizenry as a retrogressive attempt to re-impose a form of colonial sovereignty over the country in question. But to some extent the occurrence of such economic "crises" is merely a result of the relative absence of "economic mechanisms" within the economy of the developing country. What prospects are there for the development of such mechanisms, which are to be found in the large and more or less integrated markets of developed countries, in the economies of the developing world with its large and growing subsistence sectors, atomistic social structures and authoritarian nationalisms?

During the 1980's some Soviet scholars began to investigate the proposition that the character of capitalism may not be absolute. The development decades, 1950 - 1980, were a test case for capitalism in the sense that much international effort was expended to incorporate most of the new nation states within the ambit of the world market economy and in many cases to create and instil within them, as part of the development process, market mechanisms and capitalist entrepreneurs.

It was an article of faith of Marxist-Leninist theory and many other versions of socialism that capitalism is an irresistible modernizing force, an omnivorous, self-sustaining 'germ' that is capable of infecting any body politic and reducing all opposition to an adjunct, or appendage, of the system of social relations that follows in its train. But by the 1980's Soviet development theorists had formed the pessimistic view that capitalism was unlikely to fulfill its "historic task" in many of the developing countries of the world.

According to this view it is suggested that the newly free countries are developing new and variant forms of states that can only be compared in an approximate way with historical examples and furthermore that the attainment of socialism by these states is uncertain. This abandonment of the dependency theory of under-development, a long time staple, represents a significant shift in Soviet thinking about development during this period.

Now much broader concerns are being raised about the future course of world history and the possible existence of modern forms of states that have no equivalent in history. Until recently Soviet Marxist-Leninist theory assumed that the spread of capitalism and its collapse because of internal contradictions would usher in the age of socialism. Given the scale of the African economic

crises and their partial response to World Bank and IMF medicines, given the failure of capitalism to perform as a system forming factor, there is now some doubt that the course to socialism is known and clearly defined.

VIII. Teleology and development theory

Much more has changed in the Soviet Union than scholarly versions of social theory. But these changes in social theory point to some of the intellectual turmoil that preceded and produced *perestroika*. The Soviet Union was founded, in the civil society sense, on a particular conception of its role in the history in the modern state, on a philosophy of history which represented the socialist state as the end point. It was the loss of this sense of historical progression and its ends that underlay some of the social changes and attempts at reform that were a feature of the 1980's. The failure of the utopian program, inscribed into the foundations of the Soviet state, marks a moment of profound narrative change for any society because it marks not just the failure of the plan, but of the grand plan, the design of history itself, of which the

administrators' plan is merely a part. The feature that I wish to emphasize is the failure of the utopian program, which was central to the idea of the Soviet Union. What some have referred to as the lies and deceits characteristic of a totalitarian system (Frank 1991:41-2) should more properly be seen as the lies and deceits produced by the failure of a utopia. How did the utopia fail? This question returns us to the teleological plan maximalism of the 1920's. Utopias presuppose a sense of direction, a beginning, a transition and a utopian end. In so doing they give a *telos* to the present and support the idea that the present, when rationally organized, will tend towards a future prefigured in the *telos* of the present. The Soviet utopia assumed that while within the Soviet state the future had arrived (the modernist war cry - the future is now), externally an inexorable tendency, the engine of history, would make the rest of the world the same. When this failed to happen over some seventy years, the failure destroyed the ethical basis of the Soviet state by shattering the utopian present.

Soviet Russian social theory is an interesting subject for study, notwithstanding its somewhat hermetic character, because some of the underlying general characteristics of twentieth century western social theory are well represented within it. Soviet theory, drawing on its limited range of sources, illustrates the

genetic tendency towards the recursive, the cyclic revision of the "classics," a refreshment of theory through a cycle of historical reinterpretation of "basic" concepts. The recursive theoretical cycle has been a leading, though often unremarked characteristic of Western sociology (Hawthorn 1987). Soviet theory demonstrates that social theory provides not so much "proofs" in the Aristotelian sense, but rather metaphors within the context of a narrative, which in turn has an arrow of direction in time. The cycle of failure and renewal, the rise and fall and rise again of ideas, derives from the fact that all social theory carries an inherent tendentialism, subscribing to explicit or implicit utopias (for an analysis of the critical relationship between social theory, ideology and utopia see Ricoeur 1986, cf., Hansen 1985).

The marginality of development studies in Western social theory, its secondary character, is in some measure due to the fact that its commitment to a tendentialism is not masked and disguised in a narrative of the present. Its directional properties are part of its reason for being. Although the extent to which the more 'detached' mainstream social theories are directional is often less than obvious, they are nevertheless intended to contribute to the rational constructivism of the modern period, which is itself a form of utopia, a utopian idea (cf., Ricoeur 1986). The

separation of social theory from ideology may depend, in part, on the masking of the directional, or utopian element in social theory. (Left wing social theory traditionally counterpoises itself against "conservative" ideologies.) The property of directionality is definitive of the genre of social theory. After the Enlightenment, in the modern period, the idea of a social theory without a directional property is a nonsense. Social theory is intended to directly make a future or to lead us to a future by the un-masking, and hence un-making of a present. Theory stands in opposition to ideology. But so also are utopias, the vision of which holds the promise of the un-making of the present through the creation of a better present, a counterfactual world, in the future. Understanding the human world seems indissolubly linked with the desire to change at least some part of it, even if the utopias we seek are built out of recollection and reminiscence (Ricoeur 1986:Chap 10).[10] The idea of development studies and the idea of a growth theory intended in its applications to better the lives of millions of people are ideas that are clearly supported by the modern technical and moral knowledge of the twentieth century and are in turn supported by an optimism for the endless expansion of technique. But such optimisms only serve to disguise the gap between the instrumentalities of technique and the reflective narrative character of social theory.

Even though western social theory presents a much more variegated face than Soviet social theory, the Euro-centered condition of post-modernity embraces the same failure of utopia (justice and affluence for all?) and adds to this a seeming exhaustion of the potential for acts of moral and political resistance. For more than a century socialist and sometimes libertarian utopias have sustained and inspired western social theory. Now they seem unattainable by either Marxian means or through the rationalist dream of participatory democracy. Without a utopian goal there is no ethical base within a rationalist theory for evaluating action. The most distinctive feature of the European post-modernist condition is the attack on rationalism.

For how long will we be without utopias? How should we understand these phenomena both temporally and spatially? Temporally speaking there are parallels between now and 100 years ago. In the 1880's and 1890's the scholarly journal *The 19th Century* published the thought pieces of the times on the issues of the day, the problems of nationalism, imperialism, colonialism, socialism and similar monsters and the leading ethical question, the ruling duties of the master races. One definitive answer to these issues was provided by the publication of Hobson's *Imperialism* in 1906, the point of origin for all 20th century dependency theories. Spatially there is no lack of moral and political acts of

resistance once we move out of the context of western European affluence. Utopias flourish in South Asia (Punalekar 1988), in Latin America in the more muted form of *basismo* [11] (Lehmann 1990), where people still pursue the dream of living without hunger, having clothing and shelter and a society offering more than the brute facts of existence and a sense of imminent catastrophe.

Is it possible to conceive of social theory without utopias? Does the vision of a utopia underlie every attempt to secure an ethical base for social theory?

Social theory without utopias suggests irrationalism. While irrationalism was part of the eighteenth century quadrangle, reason - enlightenment/irrationality - emotion (Pagliaro 1972:xvii), and has since taken many forms, often with an anti-modernist theme, it is not my intention here to discuss the complex history of irrationality within the enlightenment (see for example Rosen 1972). More appropriate for our contemporary interests, breaking with the enlightenment and by implication abandoning the program for a 'critical theory,' are anti-totalitarian irrationalists such as V.V. Rozanov and Leon Shestov.

Rozanov attacked progressivism, rejected Hegelian history and celebrated the "untimeliness" of his own thought, his inability to understand current affairs and

the *zeitgeist* (Rozanov 1978, Poggioli 1962:71, 98-9). Shestov produced a critical analysis of the relationship between knowledge and power and the modern potential for violent rationality (Shestov 1966, 1975). We may locate within the same anti-totalitarian tradition Levinas' ethical philosophy of alterity (Levinas 1979). Irrationalism suggests that there is an intellectual future beyond both critical theory and Nietzschean nihilism because it makes two claims. The first is that the universe is not ruled by, nor can be understood in terms of, Aristotelian syllogisms. The second is that the ultimate defeat of the rational and totalitarian state is to be found in the absolute value of the irrational individual. It is not possible to liquidate half a person.

Of course irrationalism takes us from the linear assertions and mechanistic simplicities of the social theory of the last 100 years and towards a universe of chaos and contingency (cf., Dendrinos and Somis 1990:16).

Chapter 7

The Sociology of Growth

I. Development as the growth of individualism

The first issue of the new *Journal of Economic Development and Cultural Change* was published in 1952 and opened with a guest editorial contributed by Alexander J. Morin. Coming only a few years after the arrival of the development impulse in the US, Morin's *ex cathedra* remarks are an indication of the then current state of knowledge about development among those US academics who came to the subject from disciplines other than economics. The editorial conveys well the flavour of the mix of 1950's *role* and *status* sociology, the scholarly search for historical growth factors in statistical trends, phobic anti-communism, Cold War geo-political struggle, implicit social Darwinism, incipient

modernization theory and a touching faith in the progressive rationality of social science.

The first two paragraphs of Morin's editorial echo the perplexity experienced by the US delegate to the UN when he failed, in 1948, to elicit from the experts a clear theory of development for presentation to the UN Economic and Social Council (discussed above in Chapter three). Morin's words retain today the same force that they had when first published:

> There is no theory which deals with the problems of economic development and cultural change and which is generally satisfactory to social scientists. The considerable attention that has been devoted to such problems in recent years, therefore, has resulted in disparate insights which illuminate individual trees in a forest whose size, shape and nature has remained obscure. Because of the absence of a theoretical framework, discussions in this area generally do not arrive at any consensus; they remain presentations of individual viewpoints or at best they produce long lists of "important" but unranked factors.
>
> Further, even a casual glance at the existing literature reveals not only the absence of a satisfactory theory, but also the absence of agreement as to which of the many problems apparent to the observer are important for study. The research worker seeking pathways leading to an adequate theory finds no blazed trails, but instead a veritable jungle of vicious circles, obstacles to change, and necessary (but never sufficient) preconditions for economic growth (Morin 1952:3).

Morin continues his editorial by emphasizing the importance of the study of the underdeveloped countries whose problems are "urgent" (Morin 1952:3) and by suggesting that what was required was a concentration on the study of rapid changes rather than slow growth. The underdeveloped countries, Morin averred, will solve their problems by the "selective imitation and adaptation" of the innovations of the West and the problem of economic growth in the "presently underdeveloped areas therefore can be viewed as one involving the transmittal of culture rather than simply one of local innovation"(Morin 1952:4).

Discussing the role of capital in development Morin stated that the shortage of capital in the underdeveloped countries "has been over-emphasized . . . real savings . . . occur in all known societies . . . they are difficult to measure . . . but there is reason to believe that study would show very substantial real savings going on in those countries considered underdeveloped" (Morin 1952:5). Morin further argues that rapid economic development takes place:

> where a social group . . . achieves effective control of the capital - and income-allocating devices of the economy, and is committed to use them . . . in such a way as to increase the physical output of the economy as a whole . . . [and where this has happened] . . . it has been organized and led by a relatively small, self-conscious social group using control of economic growth as a means of

> achieving and maintaining power and status in the society (Morin 1952:5).

Historically, such groups have included merchants, manufacturers and the Communist Party of the Soviet Union. But what they all have in common is their "*role as leaders of innovation* (my emphasis)". Social change is an outcome of "the competition of . . . functional groups in their efforts to *achieve* (my emphasis) the common aspirations of their members" (Morin 1952:5). It is likely, Morin believes, that such groups who wrest control of the state and economic resources by self-conscious effort, will win by their use of "more efficient economic and social tools," by being better "able to utilize advanced and objective techniques of manipulating their environment" (Morin 1952:5). Rapid growth requires a particular sort of leadership and a population with an appropriate set of social values. Quoting Marion Levy, Morin suggests the following as the key values:

> Rationalism (the use of critical scientific standards), universalistic criteria of choice (based on function and performance rather than status), and functional specificity in relationships (in which rights and obligations are clearly defined) (Morin 1952:6).

These values are, according to Morin, the attributes of industrialized and urban society and grow out of "the specializations required typically by factory techniques

of production, rather than out of rural work relationships typical of underdeveloped areas" (Morin 1952:6). Hence the factory is required to create the self-conscious innovating leadership which, in turn, requires the factory to create the economic growth that sustains and supports the self-conscious and innovating leadership in power. Hence industrialization is required for development. Morin concludes his editorial with a warning note on the need to determine precisely which values and ideologies aid or hinder the developmental process:

> In recent years native populations have often aspired to economic progress and united behind a leadership . . . without having the "ascetic" values necessary to rapid accumulation and investment of capital. The causal sequence between mass disturbances and aspirations, and the existence of a suitable leadership group with a suitable ideology is by no means clear (Morin 1952:7).

Although couched in anti-communist terms, Morin's views, which were widely shared among the contributors to the first fifteen years of the new *Journal*, shared with Soviet industrialization theory discussed in chapter six, the key assumption of the modernizing transformation of society and its members through industrialization. Out of this process a new, modern type of man (development theory was, of course, androcentric during this period) would emerge who would simultaneously be created by, and create, economic growth. But what was at issue at the

time was not the theoretical similarities of US and Soviet modernization theory, but their differences. The new *Journal* proceeded for the next three decades to mine the anti-communist theme and publish the jeremiads of the Cold War warriors. The argument advanced here is that the theory of modernization owed its characteristic shape and content, its definition, to an anti-communism.

II. Tradition and modernization

Bert F. Hoselitz (soon to become editor of the *Journal*) contributed *The Appeal of Communism to the People's of Underdeveloped Areas*, the leading article of the first issue of the *Journal* (Hoselitz 1952:8-21). Hoselitz began by noting the confusion surrounding the term development, but then proceeded to cut away the confusion by stating:

> I shall assume that economic development, especially if it involves industrialization, implies a rapid, and in a sense, revolutionary process which, if it is to take root in a society, must penetrate widely and deeply and hence affects the social structural and cultural facets of a society. In other words, economic development consists not merely in a change of production techniques, but also, in

> the last resort, in a reorientation of social norms and values (Hoselitz 1952:8)

Hoselitz was critical of the view that what the underdeveloped countries were most in need of was simply capital. As discussed in chapter three, this view originated in the basic needs approach to development in the 1940's and was strongly endorsed by the Indian delegate (D.R. Gadgil) to the UN Economic and Social Council (ECOSOC) during the 1947-48 debates on development (the relationship between investment, growth and capital was also part of the IBRD orthodoxy, although for different reasons). The emphasis on capital, Hoselitz claimed, is "well-intentioned but . . . ill-informed" (Hoselitz 1952:8). Hoselitz doubted that the mere provision of capital to the underdeveloped countries is sufficient to effect the development transformations desired and suggests instead that the really formidable obstacle is "the obstinacy with which people hold to traditional values, even in the face of a rapidly changing technology and economic organization" (Hoselitz 1952:9), and it is "these non-economic 'factors' . . . which appear to exercise a strong negative and positive influence on the attainment of economic betterment" (Hoselitz 1952:10).

According to Hoselitz, when technological and economic innovations are introduced into a 'backward'

society, what is of critical importance is "who carries the main burden in the process of innovation . . . [for] economic development requires the formation of a social group which constitutes the spear-head of different kinds of innovations" (Hoselitz 1952:10). But the central problem, according to Hoselitz, is that in the underdeveloped countries, wealth, political power and education are concentrated in the hands of the wrong group who actually impede economic development. Hence, the incipient middle class, including the intelligentsia, are forced either to accommodate themselves with those in power or "suffer being pushed into positions of harsh antagonism to that group" (Hoselitz 1952:11). It is for this reason that "intellectuals often attain positions of leadership among the discontented, the unprivileged, the poor; hence the appeal the communist ideology exerts on intellectuals in underdeveloped countries" (Hoselitz 1952:11). Such a cleavage into "mutually opposing camps," according to Hoselitz, unfortunately diminishes "the possibility of evolutionary development towards higher levels of living." The mere existence of the communist revolution, which is seen by "many enlightened people as the only alternative to the maintenance of the existing class structure . . . makes them reluctant to advocate rapid and decisive innovations" (Hoselitz 1952:11).

Hoselitz identifies the "many development plans . . . [that] give a high priority to the establishment of steel mills and other forms of heavy industry" as another obstacle to development and is dismissive of the implied Soviet model in the following terms:

> We may either regard the wish for a steel mill as a childish, *irrational* desire which only merits ridicule. But we may also regard it as a symbolic expression of the wish for industrialization, and of the implicit acknowledgment of the fact that little is known about the priorities and time sequence of such a process . . . here the obstacle to fruitful development is founded on defective knowledge and consequent inability to make *rational* workable plans (Hoselitz 1952:11).

Hoselitz also identifies scarcity of resources, scarcity of skilled labour, shortage of agricultural land and lack of coordination as obstacles to development. Quoting Marx against the countryside, Hoselitz suggests that the expansion of agriculture may be unfortunate because of its association with the maintenance of traditional (anti-progressive) values, whereas development requires their destruction (Hoselitz 1952:15). What is required for development are people who are prepared to learn "modern techniques," who are prepared to acquire "new skills and new work methods" (Hoselitz 1952:16).

Hoselitz continues his discussion with some remarks on the dangers of using *Point Four* aid programs to

"spread American 'know-how' around the world," admonishes the US administration for diplomatic clumsiness and concludes that ethnocentrism is another obstacle to development (Hoselitz 1952:20-1).

Hoselitz continued to work these themes for many years. Drawing upon Parsons, Hoselitz wrote many epiphanies for American values around the theme of the cultural aspects of development; "achievement . . . has become the characteristic norm for assigning economic objects in an advanced society" (Hoselitz [1953a] 1960:31); "the movement of the progressive societies . . . from status to contract" (Hoselitz 1953a:33); that cities "exhibit a spirit different from that of the countryside . . . they are the main force and the chief locus for the introduction of new ideas and new ways of doing things" (Hoselitz [1953b] 1960:163).

Hoselitz was an early proponent of the *role* of the *entrepreneur* in economic development and cultural change. An early critic of the World Bank, Hoselitz, citing Kindleberger (Kindleberger 1952:391-2), argues that the World Bank reports to that date had a static approach to development, that they were "essays in comparative statics" (Hoselitz 1955:55) and that they were prepared on the ethnocentric assumption that what was required for the development of the underdeveloped countries was the adoption of western social structures and political

institutions. Against this, Hoselitz asserts that what is at issue is not the institution as such, but rather the flourishing of the entrepreneur, a kind of person who is some extent always at war with institutions. Such people bring about the institutionalization of the new modernizing values, but are, in a Nietzschean sense, above institutions.

In this context Hoselitz advances Schumpeter's theory of entrepreneurialism with the claim that it is the only theory, apart from Marxian theories, to explain capitalism and modernity in terms of social behaviour and relate this to economic changes. Parson's theory of social interaction, with its concept of the 'deviant individual' is used to locate the Schumpeterian entrepreneur within 1950's US orthodox sociology (Hoselitz [1955] 1960:57-9). Hoselitz concludes that:

> A society on a low level of economic development is, therefore, one in which productivity is low because division of labor is little developed, in which the objectives of economic activity are more commonly the maintenance or strengthening of status relations, in which social and geographic mobility is low, and in which the hard cake of custom determines the manner, and often the effects, of economic performance. An economically highly developed society, in contrast, is characterized by a complex division of social labor, a relatively open social structure in which caste barriers are absent and class barriers not insurmountable, in which social roles and gains from economic activity are distributed essentially on the basis of achievement, and in which, therefore,

> innovation, the search for and exploitation of profitable market situations, and the ruthless pursuit of self-interest without regard to the welfare of others is fully sanctioned (Hoselitz [1955] 1960:58-60).

According to this view, the emergence of the important new forms of economic activity required for the social transformation process is associated with socially deviant behaviour. Such behaviour is typically associated with those whom Robert Park describes as "culturally marginal individuals" (Hoselitz 1960:66) and who are, according to this view, better able to innovate in societies that are relatively less authoritarian and hierarchical (Hoselitz 1960:37-8, 72-3). From this point of view the problem that stood in the way of the underdeveloped countries' social transformation was their attachment to traditional authoritarian and hierarchical social structures. In this context the late colonial state with its commitment to the social transformation was seen as a modernizing, anti-traditional force, committed to the demolition of caste and other cultural barriers which acted as a brake on the development of a deviant individualism and its adoption of entrepreneurial values.

And yet, paradoxically, approval of the *dirigiste* and authoritarian character of the late colonial state, and the assumption of an identity between the aims of the state and the common good of its constituent citizens was

also shared between Soviet and US authors during the period under discussion. But the full realization of these ideas and their enshrinement in modernization theory as the rational choices of individuals operating purely in terms of their self-interest (as free agents), the full anti-communist definition of development, did not come until a decade later with the theories of Lerner and McClelland. Until this time the theoretical differences between the different approaches to development remained confused, at least on the US side. The Lerner and McClelland theory of modernization articulated the difference between communist development and western development. The major point of difference being that although both US and Soviet development thinking rested on teleological assumptions and metaphors, the theorization of the teleology was at the level of system (Soviet) and at the level of individual purpose (US). Even so, the difference between US and Soviet thinking about development remained, in many respects, relatively small.

III. Anti-Communism and development

Morris Watnick (1952:22-36) contributed, *The Appeal of Communism to the Peoples of Underdeveloped Areas*, the second article in the first issue of the new *Journal*. Watnick began by sounding the warning that the Truman *Point Four* plan was a late entry into the race for the hearts and minds of people in the underdeveloped countries, coming a "generation" after the 1920 Communist International:

> which flung out the challenge of revolution to the peoples of colonial and dependent countries . . . and it is a moot question whether we can overcome the disadvantage by acquiring the radically new appreciation of the human stakes involved necessary to meet the challenge of the Communist appeal to the peoples of these areas (Watnick 1952:22).

It is a fact, according to Watnick, that Communist parties exist and have a wide appeal to the peoples of underdeveloped countries and it is the purpose of his paper to "suggest some of the sociological factors which have made that appeal so effective" (Watnick 1952:22). Watnick offered a sketch of what he considered to be the underlying features of the problem: at the same time that these "archaic societies" have been propelled to independence by events, "anti-imperialist theorists" have been successful in inspiring their anti-Western nationalisms; in the "backward regions" of the world "the political and economic predominance of western Europe is being successfully challenged by forces . . . traceable

to the forced absorption of these societies into the stream of world history", the internal cohesiveness of these societies has been broken by the impact of western money economies and the change to plantation production, which has made them "peculiarly subject to the cyclical fluctuations of the world market" (Watnick 1952:22-3). History is on the march and hence, Watnick argues, anti-imperialist nationalism should cause no surprise, even if its effects are usually exaggerated by those who believe themselves to have personally suffered from them:

> The native movements represent a mass collective gesture of rejection of a system of imposed economic and social controls which is compelled by historical circumstances to take the form of a nationalist movement of liberation from foreign rule . . . [and] the two-dimensional direction of native resentment lends itself ideally to Communist appeal for the simple reason that Communists can successfully portray Soviet Russia both as a symbol of resistance to political imperialism imposed from without as well as a model of self-directed and rapid industrialization undertaken from within (Watnick 1952:23-4).

The appeal of communism is not, however, to the peasants, but rather, to "indigenous professional and intellectual groups" and it is identified less with peasant grievances, but rather, with the "more generalized, highly conscious and sharply oriented outlook of the native intelligentsia" (Watnick 1952:25). It is these intellectual and professional groups who act as a filter for and transmitter of Communism to the

peasant masses, whose loyalties are still mostly held by the old traditional village systems within which they mostly live. Disaffected peasants, according to Watnick, are capable of not more than "spontaneous outbursts against individual landowners" in contrast to the intelligentsia led, communist inspired, nationalist movements.

The intelligentsia in the underdeveloped countries are the products of the "formal schooling and intellectual stimulus provided by the West." Considered as a problem, the intelligentsia are a legacy of imperialism which "condemned large sections [of them] to a form of *declasse* (author's emphasis) existence from the beginnings of its career" (Watnick 1952:26). Watnick concludes that:

> The challenge which confronts the West in its efforts to deny the underdeveloped areas . . . to the Communist appeal [had] two distinct elements. The [first] is . . . the problem of depriving the Communists of their actual and potential "mass base" by an adequate program of technical aid and economic reform designed to remove the blight of poverty and exploitation . . . The other and more imponderable aspect of this twofold challenge requires the development of an ethos and system of values which can compete successfully with the attraction exercised by Communism . . . To date, there is little evidence that the West is prepared to meet either of these challenges on terms commensurate with its gravity (Watnick 1952:36).

Similar themes underlie other contributions to the first volume of the *Journal*. Kenneth A. Bohr (1952:87-109) wrote on *Steel Industries in Underdeveloped Countries* and Jerome B. Cohen commented first on the implicit socialism of Professor D.R. Gadgil's (former Indian delegate to the United Nations, contributor to the World Bank's first report on the development of underdeveloped countries [UN. 1948.B.4] and economic advisor to the Indian Government) critical comments on India's first Five Year Plan (Gadgil 1952:57-72) and concluded his *Problems of Economic Development in India* with the comment that:

> The West has possibly five more years of grace left to help India help itself. If, by the time of the next general elections, there has not been a material betterment in the economic position of the people of India, an extreme leftist coalition may defeat the Congress Party and possibly bring India into the Soviet orbit (Cohen 1952:208).

A conceptual problem faced by many US academics contributing to the debate about development was the evident success of the Soviet model of rapid autarchic development. This led to a certain measure of ambivalence on the part of some writers, which is exemplified by Bronfenbrenner's summary of his article *The Appeal of Confiscation in Economic Development*:

> The appeal of confiscation in financing development is not "pure propaganda" . . . it must be taken seriously . . . The issue is . .

> . whether it brings the pragmatic results desired, namely economic development without sacrifice to the scale of living of the mass of the population. It [is] . . . our contention that confiscation has done so, is doing so, and will continue to do so, by shifting income to development investment from capitalist's consumption, from transfer abroad, and from "unproductive investment" like luxury housing. Therein lies the appeal of confiscation, although it is argued persuasively on the other side in developed countries that these accomplishments require totalitarian dictatorship for their realization and that development is not worth this price (Bronfenbrenner 1954:201).

Even so, Bronfenbrenner believes that the forces acting for development in the underdeveloped countries are such that he comes to the "defeatist conclusion" and anticipates that there will be an "increasing appeal of confiscation in economic growth, until the bulk of world development is financed by state expropriation of the property share of the national income" (Bronfenbrenner 1954:218).

But the theme of standing in relatively weak opposition to a strong and vigorous Communist offensive was a consistent sub-text in many of the contributions to the first ten years of the *Journal*'s existence: *The Requirements of an Effective Point Four Program* (Perloff 1952:215), *Labour Relations in an Underdeveloped Economy* (Rottenberg 1953:259-60), *The Role of a Social Science Advisor to a STEM Mission* (McNamara 1953:391), *The Intellectuals, Public Opinion, and Economic Development*

(Shils 1957:55-62), *Aid for Economic Development and the Objectives of United States Foreign Economic Policy* (Behrman 1955:55-67), *The Role of Cottage and Small Scale Industries in Asian Economic Development* (Herman 1956:369), *Individualism and the Role of the State in Economic Growth* (Eckstein 1957:81), *Receptivity to Communist Fomented Agitation in Guatemala* (Newbold 1957:338-361), to list only a few from the first five volumes.

All this is of a piece with the burgeoning US anti-communist studies in the wider fields of geo-politics, ideology and history, and the rise to power and influence of the Cold War intellectuals. The economic development of the underdeveloped countries takes its place as merely a part of the global policy of containment. Harold Lasswell, writing in 1951 (*The World Revolution in our Time: A Framework for Basic policy Research*), is in no doubt that "our epoch is a time of revolutionary change on a global scale" (Lasswell 1965:29) but, to him, Soviet communism is merely a parochial version of Marxism, which in turn, is merely a peculiar distortion of what should be understood as the "permanent revolution of modernizing intellectuals" (Lasswell 1965:80-94), whose chief characteristic is that they subscribe to a universalizing rationality. By these means, Lasswell marries US Cold War policy with the *supreme* value of rationality by arguing that US policy, in its pursuit of future

outcomes, is superior because it is more rational in its pursuit of values and hence realizes more fully the character of the epoch than any other system:

> [What] are the characteristics of rational thought [?] Rational thinking takes the consequences of its own exercise into account. Among the factors molding the future are interpretations of the future . . . we proceed rationally when we operate with a clear conception of our possible effect on the shape of things to come. . . . the function of policy is to achieve goal values . . . [and] we are in favour of societies in which the rule is individual merit (Lasswell 1965:35).

Such a view pre-figures the interest in rational choice theory of the 1970's and Lasswell cites the founding texts, John von Neumann and Oskar Morgenstern *Theory of Games and Economic Behaviour* (1947) and Norbert Wiener *Cybernetics* (1948). It is worth recalling in this context that Wiener had co-authored with Rosenblueth and Bigelow in 1943 a paper that argued that goal-seeking, teleological behaviour, was simply a property of any complex mechanism operating with a feed back loop (Rosenblueth, Wiener and Bigelow 1943).

But the appeal to the canon of rationality to justify the truth of rationality leads to paradoxical results and is not, in itself, sufficient to justify global policy. So what then is the greater telos for anti-communism? For Lasswell (1964-93) this is to be found in a Hegelian "search for human dignity." However, the permanent

revolution of modernizing intellectuals, which led to the balancing institutions of liberal society in England and the USA, did so because in these countries:

> the paths to power, wealth, respect, and other values were sufficiently open to intellectuals to render it unnecessary to rely upon affiliation with a revolutionary party to advance their fortunes. Opportunities for skill and enlightenment were made relatively abundant as educational institutions multiplied and as industrial investment provided jobs . . . [But] in Russia, a non-industrial country, significant components of the intellectual classes, frustrated by lack of opportunity, turned to revolutionary violence with ultimate success (Lasswell 1964:87).

In the underdeveloped countries:

> The perspectives of native intellectuals vary in response to changing combinations of predisposing and environing factors that combine to mold new social classes . . . Educational establishments are typically perceived as symptoms of modernization; it is not unusual for emerging bodies politic to insist on extending advanced educational opportunity at a rate far in excess of the capacity of official or private sectors to absorb personnel. The accelerated and unbalanced production of new-style intellectuals creates a disaffected element that is strongly disposed to demand prompt and radical means of revolutionizing the community in ways that assure them of respected, potent, and secure careers (Lasswell 1964:89).

But Lasswell suggests that intellectuals do not constitute a class, rather they remain individuals, and indeed, in a sense, it is their 'individualism' that

constitutes them as a group. Lasswell argues that this is a defining condition of modernity. Individualism, with its dislike of caste and its rejection of the elitism of the *ancien regime*, enshrines values that both create modern technology and are supported by modern technology. In this sense, individualism is constitutive of modernity. And in this sense Lasswell anticipates the arguments of Kojève and Bell that western civilization is close to the end of history, that the end state of history is one where societies of unrestrained, emancipated, 'free' *individuals* live with their material consumption needs fully satisfied. Although no existing society fully realizes this, according to this view all societies tend towards this end state. The development of the underdeveloped countries must, according to this Cold War ideology of 'freedom,' recognize this and plan accordingly to support the transfer of appropriate institutions that will hasten the developing countries towards this end state, rather than down the 'blind alley' of one or another totalitarianisms.

But the end state had not yet arrived. Although as a nation it was thought that the US most fully realized this trend, in the sense that more of its institutions supported and encouraged a futuristic individualism than were to be found in any other society, progress towards this goal requires the active engagement of politicized individuals and the support of appropriate institutions.

What was at issue, then, was the recognition of these trends in the underdeveloped countries and their encouragement through a development process that encouraged 'free' individualism rather than the 'totalitarianism' of the 'group mind.'

But what could not be assumed was that the underdeveloped countries would, in some simple sense, replicate the historical experience and political institutions of the US. This historical passage, which was not an evolution in Lasswell's philosophically refined account, would be a specific result of the growth of individualism in the special circumstances of the existing institutions and resources of each particular underdeveloped country. Here, as Hoselitz warns us, the analyst must take care to avoid the trap of ethnocentrism, the assumption that the underdeveloped countries would simply follow US patterns of modernization and political institutions (Hoselitz 1952:19-21).

IV.

Individualism institutionalized as entrepreneurialism

The sociological construct most fitted to carry the Western world towards its end state, the end of history, was the concept of the *entrepreneur*. The goal-seeking behaviour, the sense of purpose, the will of such a 'free' individual, in the context of the institutions that support him, gives a teleology to his society, a tendentialism that, unless actively opposed by one or another form of totalitarianism or elitism, will 'drive' the society to progress towards the developmental end of economic growth.

Liebenstein, writing one of the first texts on the economic development of underdeveloped countries, published in 1957, defined entrepreneurship in the following terms:

> Entrepreneurship is a quality that inheres in some members of the population . . . At any time some will enter the entrepreneurial group through the acquisition of the appropriate capacities and desires . . . a combination of innate ability, training, motivation, and access to opportunities . . . Access to opportunities depends on the social and economic position of a person as well as on the extent of social and economic mobility (Liebenstein 1957:121,123).

In the absence of social and economic mobility, Liebenstein argued, entrepreneurship would be associated

with the upper income groups. But, the argument continues:

> Fertility rates in the upper income groups are so low that upper income groups often do not replace themselves . . . Hence, on the basis of fixed groupings determined by birth, we would expect the proportion of the population having access to opportunities conducive to the development of entrepreneurship to decline in time. If the proportion of people having access to such opportunities is to rise, it must be because of the existence of some social and economic mobility. But the *growth* (author's emphasis) of social and economic mobility depends . . . on the extent of economic expansion, that is, on the rate of per capita income growth (Liebenstein 1957:123).

Liebenstein concludes his brief discussion (25 pages) of entrepreneurship and related growth factors with the comment that these matters are:

> more elusive than those usually dealt with in economics, yet such matters as the creation and spread of knowledge, the tendency to innovate, the acquisition of skills, and the development of entrepreneurial perceptiveness may well be at the very heart of our problem (Liebenstein 1957:143).

Liebenstein's relatively restrained discussion of entrepreneurship was soon followed by the work of Lerner (1958) and McClelland (1961) on the relationship between personal goals, achievement, entrepreneurship and modernization. Lerner and McClelland provided theories that related the centrality of the 'free' individual with

a social teleology, promoting a form of voluntarism that conformed with the tendentialism of the more rarefied 'end of history' metatheories. At the same time these theories, by privileging the individual and his choices, rendered an aspect of sociological conceptual reality congruent with the utilitarian premises of rational choice theory and an axiomatic economics. The strategic significance of these theories, as a primary bulwark against communism, as the sociological/economic articulation of an anti-communism, cannot be underestimated and versions of them appeared and reappeared, in both the popular and the technical literature of development, for the next three decades.

David Lerner's *The Passing of Traditional Society* (dedicated to his mother — "For my mother . . . who moved from traditional ways to a modern style with dignity and grace") is introduced by the prominent US psychologist, scholar, critic and author, David Riesman. Riesman had in 1954 published a collection of essays entitled *Individualism Reconsidered* (Riesman 1954), a paean of praise for the values of the American liberal intellectual at mid-century. Included in this collection was a piece *The Nylon War*, first written in 1951 and subsequently reprinted many times (Riesman 1954:509). *The Nylon War* takes the form of a fantasy whereby the CIA and the Pentagon decide to eliminate the stockpiling of over-ordered goods for the US Armed Forces by airlifting

the surplus goods and parachuting them into the USSR for the benefit of consumer goods starved Soviet citizens. In the fantasy this is denounced by the Soviet government, but because of the wave of consumer desire unleashed in the Soviet population and its resistance to political suppression, the Soviet government is forced to respond by switching the Soviet economy towards the production of consumer goods. From this a 'consumer goods' war develops and the Russian economy is rapidly over-stretched as it fails to match the quality and quantity of US output, which the Russian citizens now demand, and in this way, the story suggests, the Cold War is brought to an end by the sabotage of the inefficient Soviet economy and the defeat of Communist propaganda. At the basis of Riesman's story is the widely shared fantasy that consumer goods, by their very existence are creative of demand, and that this demand entails the unleashing of individual desire and that the search for the satisfaction of this desire is the foundation of democratic politics. A transition of this kind is at the root of the transition "from traditional ways to a modern style," the transition from being a "history-less people" (to use Lasswell's phrase) to the embrace of progress and modernity. But what was important, according to Riesman, was that the transition should be from the "pre-literate state" to the modern and not from the "pre-literate" to the "illiterate state" (Riesman 1958:14-15) which leads to the triumph of communism and totalitarianism. What is

required, to make the transition from the traditional to the modern, Riesman argues, are "dreams that inspire not only new wants but new solutions," but, Riesman adds, to avoid "violent gestures toward modernity . . . what seems required . . . is an allopathic rationing of dreams, enough to spark the religion of progress, of advance, without inciting a riot" (Riesman 1958:10).

Stevenson, commenting in 1988 on Lerner's theory of modernization remarked that:

> The pieces of the development process [Lerner] sketched out were straightforward and direct, so obvious that the theory seemed beyond question . . . it is hard to overestimate the importance of Lerner's book . . . it shaped a generation of thought . . . Lerner was . . . precise in his definition of development . . . he used the word to mean stable democracy and defended it as the heart of "modernity." As was characteristic of American social science research at the time, Lerner focused on individuals rather than the social, political, and economic system in which they lived. Lerner saw individuals as the key to social change. To change society, people must change. To create a modern (stable) society, men and women must be modern (Stevenson 1988:19-21).

Lerner concludes his study of modernization with a summary presentation of his argument:

> Cash is an essential solvent in modern life and the achievement of rising per capita income distribution is a major objective of modern societies. [The Middle East] economies, long caught in the vicious circle of poverty cannot easily break through into

> the modern industrial system of expanding production of goods and services. This reflects no inherent and inevitable distaste for *the good things of life* (my emphasis) among Middle Eastern peoples. It reflects rather the difficult process . . . of stimulating desires and providing means to satisfy them where neither desires nor facilities have previously existed . . . once a start is made, the reciprocity between desires and facilities tends to operate in the Middle East as elsewhere.
>
> The problem of stimulating productivity, many economists and other professional observers agree, is basically "psychological" . . .
>
> In the Middle East . . . what is required . . . to "motivate" the isolated and illiterate peasants and tribesmen . . . is to provide them with clues as to what the better things of life might be (Lerner 1958:410-11).

Lerner suggests that mass communications media are the most appropriate means for providing people "with clues as to what the better things of life might be." In suggesting this, Lerner is basically supporting the point of view that most social phenomena are aggregatively complex and are not the product of design but rather the unintended collective consequences of the actions of individuals. The only appropriate organizing principle is that of markets, which, in the words of the Chicago economist F.H. Knight, are essential because:

> general replacement of the free-market organized by a predominance of centralized political control will mean the destruction of democracy and freedom and the establishment of a totalitarian social order. This seems as certain as any political prediction can be . .

> . What is essential to freedom is the preservation of the open market in the major part of the field, as the only possible method for the setting of basic standards of values and efficiency and providing an incentive for improvement (Knight 1946:453).

Such a view assumes that the social systems of a 'free society' have a spontaneous character that arises from the purposive behaviour of individuals. But such a view returns us to the questions of system, purpose and teleology. Questions that arose in the context of the discussion of collective social planning in chapter seven. The essential difference is that in this case the teleology, or counterfactual, is located at the level of the individual rather than the system. The point here is that, while individualism may be against planning, its relationship as a theory to the future is, in principle, not different. It is still a consideration of how things might be, in the future, if they were otherwise than they are now in the present, a consideration of counter-factuals in relation to a *telos*. There is nothing to suggest that either the systemic problem of "unknowability" is avoided by embracing individualism, nor, indeed, that individualism does not automatically entail large (though unelaborated) assumptions of systematicity.

Indeed, from this point of view, the anti-communist assumptions about the nature of capitalism share many

features with the communist view of capitalism: that capitalism is a system forming factor; that, provided the legal system recognizes individual property rights and that social differences, or castes, are not established in law nor sanctioned by custom, that commercial transactions are possible and markets are unregulated, then the individual pursuit of self interest will lead to the spontaneous growth of a capitalist system. From the US point of view this process is viewed as emancipatory. An emancipation that, when fully realized, brings the society to an end point of history in the dual sense that no further emancipations are conceivable or necessary and that all human needs will be supplied by the material success following from the growth of capitalist individualism. Such a point of view implicitly adopts the premise that 'capitalism' is the logical, inevitable, end point, because of its universality, and its assumed ability to succeed in meeting all human needs, for all time.

Within the context of growth and development, the expectation that capitalism will act as a global system-forming factor for all time now seems, at the very least, improbable, and on the basis of recent evidence (the virtual collapse of Mozambique, Angola and Somalia, to name the most extreme examples), impossible. We now see the early development decades as *optimistic* precisely because we can now perceive the improbability of the

universal success of capitalism. Even given the most favourable assumptions for capitalist growth and development, there is no likelihood that any but a few of the poorest nations will be able to trade their way up through the product cycle and that their millions of citizens will enjoy a significantly improved standard of living for centuries to come.

V.

Some comments on planning and modernization theory

Although much of modernization theory during the 1950's and 1960's fell within Boudon's definition of secondary studies (Boudon 1969) in the sense that it offered conclusions drawn from ethnographies and monographic studies, it is evident from the above discussion that at the same time modernization theory was a secondary theory, in the sense that it drew from and was supported by geopolitical schemes and certain Hegelian philosophies of the 'concept' and 'time'. Some recent restatements of neo-Hegelianism have included Daniel Bell's discovery of the "end of ideology",

Marcuse's announcement of the end of history in *One Dimensional Man.* More directly inspired by Kojève's influential reading of Hegel, and examples of contemporary neo-Hegelianism, are Fukyama's *The End of History* (1989) and *The End of History and the Last Man* (1991) and Darby's *The Feast* (1982, 1990). The works of Fukuyama and Darby forcefully restate the Kojève reading of Hegel (but are themselves devoid of the subtle irony which permeates the Kojève *oeuvre*). In Darby's version, history is that grandest of all schemes, the "work" for all time and "madness is everything which can find no role to play in the drama of history and which makes no contribution to the 'end of history'" (Darby 1990:112). In this scheme what is irrational is against history, history being the history of the progressive expansion of the rational.

A deflation of high minded Hegelianism is to be found in the work of Berlin [compare Gray, the only big idea is that there are no Big Ideas, there is no central point nor even the possibility of one (Gray 1995:17)].

More specifically, and in relation to modernization theory and development studies, the modernization theorists of growth do not appear to have conceded the possibility that conformity to the higher rationalism of history in their schemes might be productive of irrationalism at lower theoretical levels. Accordingly

the theory of planning and the rationality of planning remained undiscussed in this period.

The activity of planning was thought of as merely the administrative implementation of the principles of modernization theory. In other words theory and the activity of theorizing was confined to the adaptation of existing social science ideas to the development purposes and context with planning being seen as an essentially administrative low level technical function. Apthorpe discusses the extent to which the planning and administrative functions were frequently conflated in practice and coined the term "planistration" to describe this fusion within the late colonial and early post independence states (Apthorpe 1976:21-57. Under the positivistic conceptions of the time, rural societies or peasant societies were considered to be economically underdeveloped, "planistrators" attributed this to social rather than economic reasons, and planned change was conceptualized as a kind of confrontation that Apthorpe describes as between a "type of society at the receiving end (a peasant society, receiving an input) and an output at the giving end *thought of as being without any institutionalization at all* (my emphasis), in the real sense" (Apthorpe 1976:25). In other words, the planners operated from some sort of technical 'hyper space', wisely guiding the affairs of more earth bound ("political") individuals. But for a discussion of some

of the technical and theoretical problems inherent in this conception of the planning process we have to turn to an earlier period.

As mentioned above in Chapter three some critical observations on the planning process had been made in the course of the debates between the Austrian school (Mises, Hayek) and the New Dealers and socialists of the 1930's (Lange). Much of this debate had revolved around the technical feasibility of a socialist planned state functioning without markets or market type mechanisms and surrogates. Little was said in the debate on the theory and mechanisms of planning as such. Rather the dispute tended to focus on the 'economic' facts as they were understood from the respective theoretical positions of the disputants. To some extent the debate was resolved at that time in the socialists' favour by Lange's confident assertion that the then new computing machines would solve the enormous computational problems implied by state planning of the economy, an assertion that led many decidedly non-socialist US economists to envisage a role for bureaucratic planning in the US economic future as discussed in chapter three.

But other currents also supported a role for planning in the US economy. An early exponent of US planning was Lewis Lorwin. Lorwin's comments on some of the Soviet planning problems (the problem of absolute values) are

discussed in Chapter six above. In 1943 Lorwin published *Postwar Plans of the United Nations*, which described in some detail the kinds of national and project plans adopted by a wide range of nations such as New Zealand, Australia, Yugoslavia, Denmark, the United Kingdom, Belgium and Ireland. The purpose of the book was largely descriptive, aiming to reinforce the point with US readers that the US was not first among those nations to adopt what Lorwin saw as the logical progressivism of plans and planning (Lorwin 1943). This book was followed by a more ambitious attempt to outline the theoretical and methodological basis for planning (Lorwin 1945). The foreword to Lorwin's 1945 publication *Time for Planning; a social-economic theory and program for the twentieth century*. Hedges' citation of H.G. Wells 1913 speech to the Royal Institution of London, *The Discovery of the Future*, is quoted as the foreword to Chapter six above.

Lorwin and others at the time saw planning as an extension of Taylorism or scientific management. In other words, national planning is no more than the extension of the idea of the rational planning, in accord with scientific management principles, of the business corporation. Lorwin was one of the founding directors of The National Economic and Social Planning Association established in 1934. Another founding director was M.H. Hedges, Director of Research for the Brotherhood of

Electrical Workers, who contributed the foreword to Lorwin's 1945 book. According to Hedges:

> The early Board of Trustees resisted the temptation and proposal to remove the word "planning" from its masthead. With customary American individualism, they refused to take the position that planning belonged to Russia alone. We believed then, as we believe now, that the American republic arose out to the planning technique (Hedges 1945:xi).

Hedges also suggested that planning should be understood as "a method of approach, a technique and an effort to adjust unchanging thinking to a rapidly changing scene" (Hedges 1945:xi). Lorwin's earlier contributions to planning stressed what were perceived as the scientific management aspects in the application of planning and the ability of planning to overcome the effects of depression (Lorwin 1935). In his later postwar publications Lorwin suggested that planning could solve the policy problems of the day. In the preface to his 1945 *Time for Planning* Lorwin asks and answers the question:

> How can democratic freedom, economic efficiency, and social welfare be welded together, under the new technical and intellectual conditions of the twentieth century, so as to do away with the two scourges — depressions and wars? And the answer to this question is sought in rational social guidance of economic activity, that is, in a change from both *laissez faire* and private monopoly to national and international democratic planning (Lorwin 1945:xiii).

In common with some US economists of the period, it was Lorwin's view that the technical progress of the past was the product of increasing levels of managerial development and organizational complexity along Taylorist lines. In the Soviet case Taylorism was borrowed to support national planning purposes. In the US case national planning was seen as a natural development of Taylorist principles:

> The growing massiveness of physical and technical resources, the expanding scale of human activities, and the rise of collective forms of thought and action destroy the efficiency of mechanisms built on the assumptions of an atomistic society and of "automatic" processes of economic adjustments through the free play of price and profit margins. The national furthering of technical advance calls for collective forethought and conscious social guidance. And that is the essence of planning (Lorwin 1945:3).

Lorwin adds that:

> The twentieth century is thus bringing us, on a new basis, a revival of the faith in the inherent harmony of technical progress and social welfare. The idea which can give this faith its practical potency is that of economic and social planning . . . The main problem is how planning is to be carried out and in what economic, political and social institutions it is to be embodied (Lorwin 1945:3).

Consistent with many of those who advocate planning as a natural extension of modernity and its trends,

Lorwin appeals to a rationalism of ends and means - "Planning . . . is a conscious effort to direct human energy for the purpose of securing a rationally desirable end" (Lorwin 1945:5). But what were these rationally desirable ends? In attempting to answer this question Lorwin touches on some of the theoretical problems of planning. Firstly Lorwin begins by acknowledging that:

> It matters little whether one takes the Marxist position and regards ideals as the outcome of technological changes and class struggles or whether one inclines to view them as the expression of psychic forces or of the national spirit. What is important here is that social ideals are not susceptible of proof. They are and must be in large measure matters of faith, and their content is usually epitomized in slogans that unify their followers largely because of the emotional appeal they make (Lorwin 1945:18).

What follows from this, according to Lorwin, is that national planning on the basis of a social ideal presents a dilemma. On the one hand:

> they give a long range direction . . . On the other hand, social ideals arouse strong differences of opinion and conflicts of interest. Thus while tending to provide clear guiding posts for action, they also generate friction which interferes with action and may start countermovements fatal to the achievement of a common national effort (Lorwin 1945:19).

Lorwin offers no direct solution to this problem except to suggest that US society had evolved towards an

organizational structure which demanded a suitably socialized individual for its functioning. In Lorwin's view, American individualism would have to give way to the functional requirements of the evolving modern corporations and, at a higher level still, the technical requirements of national planning. As Lorwin puts the matter:

> In this connection the American ideal may be defined as the classless democratic state in which individuals have equal opportunity to realize themselves. Individualism was the keynote in this ideal until recently because of the belief that every individual who had something worth realizing could succeed in doing so. The essence of the ideal is still the same but the individualistic note is giving way to emphasis on the fact that the individual can find his true worth only through social action and-operation (Lorwin 1945:26).

It is likely that Lorwin's thinking was influenced by the wartime production successes of large US industrial corporations such as, for example General Motors and the general rise to dominance during the immediate prewar period of business corporations such as IBM. These were commonly thought to provide the models for the future of the rational, planned organization with a personnel comprising large cadres of trained and socialized middle managers, clerical and sales staff. Lorwin's vision also fits with the extant schools of *role* and *status* sociology and the general evolutionary schematics of then nascent Parsonian structure-functionalism.

Perhaps the most sophisticated analysis of the problematics of planning is to be found in the work of the Polish economist Ferdynand Zweig. Exiled to London during World War II Zweig, stimulated by the exigencies of wartime planning and some of the same considerations as Lorwin regarding the evolution of modernity, wrote a critical work titled *The Planning of Free Societies* (Zweig 1942). In writing this work Zweig benefited from the advice of Hayek and was familiar with the controversies within economics about socialism and markets. Nevertheless Zweig appears to have been basically favourable to the concept of planning and the idea of achieving mass social benefits through planned economic growth. Zweig's views, in this regard, can be attributed to the fact that he basically conceived the necessary and desirable future not so much in terms of the actualisation of perceived economic fundamentals (in the Hayekian sense) but rather in terms of an economics subordinate to Hegelian history. From this point of view Zweig, in a rather more sophisticated way than Lorwin, understood the future in terms of a Hegelian progression towards an end point characterized in economic terms as an evolution towards higher levels of organization and the economic realization of technique and in political terms as progress towards the creation of democratic nation states of free individuals.

As do many other commentators at the time (including Lorwin), Zweig discusses the Tennessee Valley Authority (TVA) 'New Deal' project as an exemplary application of planning principles. But Zweig goes on to suggest that when such project planning approaches are translated into national terms some dangers arise:

> National planning, since it creates a living and separate economic body, is in itself a source of economic struggle between nations (Zweig 1942:107)

[and]

> Planning may therefore be regarded as a factor tending to nationalism or imperialism, because planning on a national scale must reinforce nationalism, while planning on an international scale may reinforce imperialism (Zweig 1942:112).

Accordingly, Zweig suggests that the smaller nations should arrange their escape from the drawbacks of planning by forming "large but closely knit" (Zweig 1942:112) federations.

Zweig goes on to identify a number of other problems inherent to the planning process that are not so easily resolved and in doing so Zweig provides some prescient points on the political philosophy of planning. The first point that Zweig discusses in this regard is the inherent authoritarian tendencies of planning:

> Every scheme of planning, if it works properly, must tend towards more authoritarian forms of government in this sense, that everyone must believe that what is undertaken by the planning authority in the field of distribution (and every step in the field of investment, production and exchange, has its parallel in the field of distribution) is in the general interest. As the general interest cannot be precisely defined, and the particular steps undertaken may always be questioned from this or that point of view, the government must enjoy a much higher personal authority, derived from the personal authority of the leader than in an unplanned society (Zweig 1942:234-5).

But even if the question of authority is resolved there still remains the question of the precise locus of the authority in the society in question:

> Planning as central control creates a new centre of power. It is unimaginable that the centre of political power should accept the existence of an independent economic power, which would be a substantial rival to its own power. However two alternatives are possible: the economic centre of power should master the political, or the reverse. In the former case we should have a technocratic or bureacratic regime in politics (economization of politics); in the second a political regime in economic life. The former case would be very harmful for the survival of democracy; the second might be to a certain extent harmful to the economy, because economic criteria, economic skill and competence might be disregarded.
>
> But, [Zweig adds], in reality the processes may overlap and interpenetrate each other. Expansion of economic bureaucracy in political life is inevitable, and the only question is to what degree this might happen. The same is true of the political regime in economic life,

> which to a certain extent is the outcome of planning.
>
> Planning brings about the serious and difficult problem of collaboration between two great centres of power. The traditional threefold division in political life (administration, legislature and judicature) may yield place to another division, that between the political and the economic centre of power. The problem can only be approached on the basis of a wide separation of functions of planning (Zweig 1942:235).

Traditional democracy, according to Zweig, is based on the assumption that there was no centre of economic power. Zweig suggests that when there is a centre or centres (monopolist, plutocratic) of economic power, then democracy quickly degenerates. But what is required in a planned democracy is the establishment of a "new system of interrelation between the two centres of power" (Zweig 1942"236). But here a new difficulty arises. This is the fact that the centre of economic power requires a longer period of stability than the centre of political power. Zweig argues that:

> A planned economy dependent on politics requires a more stable political structure. If, for example, every four or five years a new regime is expected under control of another party, which has different aims in view, and will adopt different methods, the functioning of planning may be endangered. Planning creates a need for stability in political life, as independence of the planned economy in relation to politics cannot be expected, the tendency from planning turns against party politics .. [and possibly towards a] Leviathan State (Zweig 1942:235-6).

Zweig discusses the implications of these problems and draws three points from them. Firstly, he suggests that every important question in economic life is also a question in political life. Secondly, the government is a power used for certain interests, not a function (an independent centre of function is interested in the extension of its sphere of power to cover the interests which it backs). And thirdly, a planned society must tend towards homogeneity of trends (Zweig 1942:236-7). Acknowledging the tendencies of planning towards dominance and possible exploitation, Zweig then considers the circumstance under which planning will be compatible with democracy. According to Zweig this is possible only on the basis of two assumptions. These are firstly, that planning will preserve democracy in the sense of equal opportunity for government (giving individuals an equal opportunity to participate in political life) and secondly, that the masses will have equal opportunity for education and hence an equal opportunity for all social classes to contribute to the cadre of informed technocrats or bureaucrats who contribute to and guide the planning process (Zweig 1942:237).

Nevertheless Zweig, in the conclusion to his book, acknowledges that there are certain unresolvable difficulties in fitting planning into an Hegelian framework. Returning to the theme of the fully planned

economy, the economy based on the national ideal to use Lorwin's terms:

> It can be taken for granted that this economy, after a certain period, perhaps shorter than we imagine, will destroy itself by originating movements inimical to its assumptions (Zweig 1942:263).

What is required, suggests Zweig, and abandoning many of his earlier technicist arguments for planning, is that planning "should be a work of art rather than one of logic or economic mathematics" (Zweig 1942:263). This comment is followed by a final paragraph that renders void much of the earlier argumentation in the book:

> The more we restrict our scope and the better we define our goals, the better will be the methods worked out and the more restricted the implications of planning in a non-economic sphere. The age of machinery has enforced on us a greater degree of rationalization, and planning only completes the work which the machine has started. But man and his activities can only reach a certain stage of *rationalization* [my emphasis]. Nature sets limits to his rationalism, and when the stage of rationalization in one sector is over-stepped, it is accompanied by dangerous counter-movements in other sectors (Zweig 1942:264).

Zweig recognizes here the simple face that the more restricted the scope of the plan the more likely that the planned outcome will eventuate. On the other hand, when the plan is extended to include socio-political considerations, there is a likelihood that the

application of plan rationality will produce irrational results.

Zweig's discussion of the problematics of planning (albeit fragmented and partial) seems to have been overlooked in the surging postwar development impulse. Certainly there is no recognition of these matters in the late colonial period when the various administrations were prompted by the British Government and the Colonial Office to first produce development plans. These matters were not part of the intellectual ambit of the "planistrators" of the time and as discussed in chapter one and two the authoritarian or *dirigiste* character of the late colonial and early independent period state seems to have passed without question except for a few "maverick" commentators (the most notable example of which was Peter Bauer).

An examination of the planning literature of the early period of development studies shows no improvement. Jan Tinbergen, a Nobel prize winner and prominent contributor to the development of econometric planning in the 1950's, treats planning as an activity based on a Colin Clarkian estimation of the facts of the matter, and the formulation of an econometric model, and the relegation of all other aspects of planning to, at best, questions of administrative technique which were not in themselves sufficiently interesting to warrant

methodological discussion and debate (Tinbergen 1953, 1956, 1957, 1958, 1962, 1968, 1984). Under the imprint of positive economics planning becomes atheoretical, a question of technique.

Similarly for Niculescu's 1958 survey of colonial planning, covering the pre-, inter- and postwar periods. Niculescu discusses planning as a matter of choice of policy and administrative machinery. Niculescu concludes his lengthy discussion by suggesting that:

> Among the most important contributions of international organizations in the field of planned development will be the sifting of the technical problems of development from the political and, in time, the de-politicizing of an increasing number of sectors (Niculescu 1958:186).

Dudley Seers, revisiting in 1979 what Lehmann describes as a substantial critique of development studies orthodoxies (Lehmann 1979:vii), adds nothing to his original few lines on planning which suggest that econometric based planning models designed to maximize growth may be "inappropriate" or "misleading" (Seers 1979:20-1).

The World Bank, through its Economic Development Institute, published a major study of planning by Albert Waterston in 1965, *Development Planning: Lessons of experience*. This study represented a summary statement

of the World Bank's experience of and understanding of planning at the time. Waterston was the World Bank's Advisor on Planning Organization and in the course of his more than 700 page tome and some 370 references manages to avoid theoretical discussion of the basis of planning. The history of planning is covered in less than a dozen pages with pre-war planning covered in three pages and two pages devoted to colonial planning, the remainder of the book being devoted to resolutely anti-theoretical descriptions of the various national planning bureaucracies. The problem of the calculation of values in a planned economy is not discussed and problems in relation to the implementation of plans are expected to be resolved by the fusion of planning and administration (Waterston 1965:332-68).

VI.

Some comments on non-growth theories

The rise of the development impulse and the associated political and institutional responses and ensuing research projects and inquiries formed the matrix

from which development studies sprang. Inevitably the new studies provoked some criticism as to its more basic premises.

As mentioned above an early and prominent critic was Peter Bauer. Bauer was one of the very few economists who expressed considerable misgivings in the 1950's and 1960's about the ability of neoclassical economic theory, conventionally applied, to solve development problems. Bauer was convinced that most of the conventional theories of development deployed in the 1950's and 1960's were simply mistaken, overly econometric, unmindful of political realities and, unconscionably, unrealistic, peddling a false hope (Bauer 1984 32-6). But the Bauer pessimism was not about growth as such, but rather about the kinds of theories then fashionable and their ability to "deliver the goods" within the promised time frame.

More relevant to the present discussion are those theories that fall into the category of non-growth theories. The most prominent of these in terms of influence and the volume of literature produced was dependency theory. Dependency theory was mentioned in Chapter three and Chapter six as a staple of Soviet Russian thinking on the topic of relations between the developed and the underdeveloped countries. In this sense the origins of dependency theory can be traced directly back, in one version, to the seminal works of

Hobson and Lenin on imperialism and the intellectual tradition of anti-imperialism and, in another version, to the popular Indian historio-graphical theme of the subordination of the native commercial activities of the colonial periphery to the imperial capitalism of the centre. However most supporters of dependency theory, in the context of development studies, tend to 'de-specify' its origins by emphasizing its re-invention among Latin American economists, including and especially Raul Prebisch and the early days of the United Nations Economic Commission for Latin America (ECLA) during the late 1940's, conveniently overlooking its mature existence in Soviet Russian thinking during the same period (cf. Blomstrom and Hettne 1984:42-78).

Partly this distortion might be ascribed to the fact that the version of dependency developed in the ECLA context attempted to adapt conventional economic theory to the proof of the basic dependency thesis - that the developed countries systematically un- or under-developed the poorer countries. This relationship of exploitation was thought to be the outcome of the relationship of a dominant centre with a weak periphery and that until this relationship was broken the periphery would remain, at best, relatively undeveloped and, at worst, absolutely undeveloped. Dependency theory, in its development studies mainstream academic version, nevertheless reflected a basic pessimism about the development and

growth process that owed much to the peripheralism of its protagonists and their empathizers. Dependency theory found considerable support among the technical intelligentsia in South America and particularly in Argentina, a nation that in the late nineteenth and early twentieth centuries had enjoyed periods of spectacular growth and a measure of economic parity with Australia, but had since fallen far behind its former equals in the growth stakes. In some versions, dependency theory may have served to explain the history of continuing non-growth. In this regard, in one version or another, dependency theory offered an explanation that claimed that the growth of the capitalism of the centre depended on the exploitation of the periphery and through the structure of this relationship systematically distorted the development of the periphery (Laclau 1971:19-38, Lall 1975:799-810, Palma 1981:20-78).

In this regard, dependency theory became a staple of anti-colonialism, providing the justification for the widely held view that colonialism had acted as a brake on development and continued to do so in economic spheres as neocolonialism well into the post-independence period of the former colonies and dependencies.

Possibly the most sophisticated sociological exposition of dependency theory is to be found in the work of Frantz Fanon. A comparison of Fanon's work with

that of modernization theorists writing for the *Journal Economic Development and Cultural Change* and the economists and econometricians associated with international agencies such as the World Bank makes interesting reading. Fanon's personal experience of race prejudice greatly influenced his thinking and he was acutely aware of the extent to which African culture was denigrated and despised by many Europeans during this period. In *Black Skin, White Masks* (1952) and *The Wretched of the Earth* (1961) Fanon attempted to raise the status of African and Caribbean culture by asserting its values in the face of the European assumption of superiority. In the course of these works Fanon developed the notion of the culture of the Third World. Until Fanon, the concept of the third world was simply an economic category with no cultural dimensions except that of being "backward", "swamped in ignorance" and fettered by "tradition". Fanon's writing gave the Third World a cultural existence and a political agenda. Fanon argued that the culture of the Third World was viable and modern and that politically it needed to be freed from the demoralizing and evil effects of colonialism in order to realize its full potential. According to Fanon, colonialism was a gigantic psychological destruction machine which destroyed those who were colonized by emphasizing their inferiority and by always insisting on the dividing line of race. Fanon also concluded (as did

Hobson) that colonialism was destructive of the best liberal values of European civilization.

Fanon developed his political theories in the two highly influential books mentioned above. In these works he drew on the Kojèveian reading of Hegel's concept of the master/slave relationship (Bulhan 1985:101-7). Following Hegel, Fanon argued that the consciousness of the master and the slave is always different. The master thinks of the slave or servant as an object, something that is there to do the bidding of the master. The consciousness of the master is a consciousness of self alone. But the consciousness of the slave is always greater than that of the master because the slave is aware not only of himself as a person, but also of the master as a person - how the master is thinking, what his moods are, etc. But the consciousness of the slave is not only a consciousness that includes two people, it also includes an awareness of the slave's status as slave. Fanon argued that this inequality of relationship gives the slave a greater consciousness of himself and the world than his master, who remains limited to a consciousness of himself and his power. According to Fanon, this consciousness of inequality on the part of the slave gives rise to a sense of grievance and, ultimately, to the possibility of a slave revolt and liberation from the tyranny of the master. Fanon argued that this was the situation of the colonized nations.

The consciousness of the colonized 'natives' is always greater than that their masters and the various wars of liberation taking place in the colonies during the time he was writing were evidence of this fact. Out of the 'native' experience of colonization a consciousness of national identity is formed and from this comes the drive for political liberation and independence.

According to Fanon colonial regimes were an active brake on the process of development and the overthrow of colonialism should be understood as an outcome of the operation of that Hegelian engine of history, the dynamics of the master/slave relationship. Accordingly, the overthrow of the political tyranny of colonialism and the removal of the pernicious and economically oppressive effects of racism would lead to a spontaneous efflorescence of 'indigenous' cultural values which in turn would lead to political self-determination and the removal of the 'brake' from the economic development of the former colony. In this form Fanon's views have been enormously influential of the rhetoric of liberation, both as a philosophy of consciousness and as a political and cultural theory for the Third World.

Towards the end of his life, however, Fanon voiced more pessimistic opinions. In 1960, after Algeria gained independence from the French, Fanon was appointed ambassador to Ghana and toured the West African

countries. During this time he made a study of the emerging elite in the newly independent African countries and incorporated this study into his book *The Wretched of the Earth* (1961). In his study Fanon formed the view that while the colonial settler bourgeoisie were parasitical, they were also productive. In contrast, the new elites of the independence period were not only parasitical, but also unproductive. According to Fanon, the emergent elites in the newly independent states exploit the peasantry, they live separated from and are contemptuous of the rural population and they wallow in luxury goods and invest their money abroad. Far from taking a positive role in the creation of national wealth, they are attracted towards the intermediary occupations of retailers, lawyers, civil servants, army officers and politicians. Fanon also argued that the new working class, the trade unions, were no better. In fact, he believed, the regime that takes over the state at the end of colonial rule is little better and sometimes worse that its predecessor. Accordingly the indigenous bourgeois national elite, emerging with independence, may subvert the economic development of the post-colonial state and even, perhaps, cause it to regress to a level of economic development lower than that achieved during the colonial period. These views were not, however, published until after Fanon's death and were perhaps never given the recognition they deserved by neither Fanon's critics nor his admirers

during the 1960's and 1970's. However similar views about the impossibility of development and the role of the elite in preventing development were held by some Soviet theorists in the 1970's and 1980's, as discussed in Chapter six above.

Fanon's work was widely discussed as an example of radical, progressive social theory during the 1950's and the 1960's, the "decade of development" (to some extent the discussion centered on Fanon's endorsement of revolutionary violence which I do not discuss here). However metropolitan interest in Fanon subsided abruptly following the end of the decolonisation process except in those few countries, such as South Africa, where white racist political regimes persisted and the theme of "black consciousness" against white racism continued to be relevant. Where black groups existed in an "oppressed" state, as small enclaves, within larger "white" democracies such as Australia, *Fanonism* was sometimes invoked by the few who sought a politics of "national liberation", but disregarded by the many who pursued more limited, and perhaps realistic, goals of social welfare improvements.

VII.

Non-dependency development pessimisms

Numerous forms of development pessimisms did not draw on dependency theories for their support. Pessimism about development is to be found in some anthropological writings, which are sometimes, in a fundamental way, anti-progressive, tending to see all cultural change as a regrettable regression from diversity to uniformity. To some extent this point of view is supported by the theoretical "perspectivism" of anthropology and the consequential, and not infrequent, romanticisation of village, tribal and nomadic perspectives by the "my people" identification of the fieldworker.

Other pessimisms may arise from the study of development projects and their frequent failure to provide either universal benefits or benefits for the most disadvantaged social groups (e.g., Bernstein 1990, Sender and Smith 1990). Particularly influential in this regard has been the work of Breman on the condition of landlessness and landless labourers in South Asia and the ensuing debate about capital, labour, rent, usury and debt bondage (some of these issues can be found in the work of Bhaduri discussed in chapter five above; see also Breman 1974, 1985; Bardhan 1984; Brass 1990).

However the most enduring strand of pessimism about 'big-scale' development and the possibility of national economic development is to be found in the literature that re-discovers the 'basic needs' approach to development. A contemporary example is to be found in the work of Robert Chambers. In the late 1970's Chambers and some others at the Institute of Development Studies at the University of Sussex appear to have re-discovered the problem of seasonal fluctuations (Chambers, Longhurst and Pacey 1981:xv). The volume of studies that followed from this re-discovery makes no mention of the pioneering studies undertaken in the 1930's and discussed in Chapter one above. This and similar studies has led Chambers to restate the basic needs argument that development has meaning and substance when it improves the life of the most poor and disadvantaged groups in society through giving them, at the very least, the basic necessities of life. In 1983 Chambers published a succinct account of his views in *Rural Development: putting the last first* (Chambers 1983). This widely read book and popular book which has been reprinted many times since expresses a fundamental pessimism about 'big scale' development ["Big simple solutions are tempting but full of risks" (Chambers 1983:217)], suggesting instead that "the soundest and best way forward is through innumerable small steps and tiny pushes" (Chambers 1983:217). However Chambers' "innumerable small steps and tiny

pushes" bear a close resemblance to the idea of the bottom-up concerted rural regional village subsistence system oriented "big push" advocated by the early adherents to a 'basic needs' approach to development discussed in Chapters one and three. The "policy reversals" advocated by Chambers also bear some resemblance to early visions of achieving economic development through the use of a trained army of specialists who would combine their specialism with an immense practicality and a commitment to "getting the job done." Thematically Chambers' work owes something to the "Buddhist economics" and "small is beautiful" ideas of E.F. Schumaker and a left-wing tradition of vague populism. Stripped of these attachments, however, Chambers concept of development from below, realized through the meritorious acts of an individual, bears close resemblance to another popular classic from an earlier era, Burdick and Lederer's *The Ugly American*, which although cast in an anti-Communist mould, also rails against the abstract or unreal character of planning, the 'bigness' of projects, their inhumaneness and potential for causing damage to people's lives.

Chapter 8

Comments and Conclusions

1.

This study has its roots in an essay written in 1987 on Soviet development theory in the 1980's. When reading the Russian literature on this topic, I was somewhat surprised to find that the doubt and scepticism about communism that underlay the burgeoning of *perestroika* were to be found in academic writing on growth and development for some ten years before the official arrival of *perestroika*. It was evident that some Soviet writers had begun to view the process of historical transition from capitalism to socialism as no longer inevitable for all societies. Indeed, the point was openly made, that even if such a transition was to take place it might not happen for centuries, for a period of time likely to extend so far into the future that it raised uncertainty as to the Marxian character of the

historical process. In support of their arguments some authors cited the fact that in many African countries, for example, the fastest growing part of the economy was the subsistence sector and that given the absolute growth of population, the subsistence sector was likely to be the dominant sector of the economy of many underdeveloped countries for as far as the future could be foreseen. Some more radically sceptical authors expressed the view that not only was the Marxian transformation to socialism in some doubt, but so also was the process of capitalist modernization, at least for many countries with very low income levels and very large subsistence sectors. In the view of these authors, for such countries, the transition from a backward, underdeveloped economy to a modern capitalist economy was also highly unlikely within the foreseeable future. What was clear from reading these authors was that there was, beyond the Marxian rhetoric and the well-worn clichés of dependency theory, a radical scepticism about the universalism of growth processes and the prospects for social transformation and economic growth.

This study grew from an absorption in the kinds of theoretical and historical problems suggested by such a sceptical point of view. It remains an intriguing fact that, in a century devoted to growth, very little exists in the fields of economics, politics and sociology, which can be construed as a mature theory of growth and no

single sociological study attempts to discuss the parameters of growth in a way that embraces the problems of growth. Instead what is usually offered is a schematic extension of existing theory.

A starting point for investigations was an examination of the kinds of growth theories that have enjoyed currency for various periods throughout the century. Although in social theory generally, raiding the classics for fresh insights and the production of historical revisionism's is popular, in development studies there appears to be little interest in such studies. Development studies, with its sights so resolutely set on the future, has little interest in the past and even less in that most *passé* of topics, the recent theoretical past. Few authors devote more than a small part of the first chapter of their textbook to a discussion of the history of development theory. But within development studies the reluctance to look backwards is not limited to theoretical issues. Since colonial times many development projects have been planned, implemented, enjoyed some or no success, and then declined into oblivion. It is, I believe, a common experience for an administration to re-plan a failed development scheme some ten years or more after its demise, not remembering its previous existence, nor the reasons for its failure. There is no institutional memory of development failure and it seems to this writer

that much might be gained from the study of such failures. For a discipline that is directed towards the creation of the future there is a marked reluctance to engage in dialogue with the past and a detailed discussion of the various theories in use for most of this century seemed long overdue.

Nevertheless a discussion of the history of development theories does raise some unusual problems. The historian is usually expected to offer no views as to which is the desirable or appropriate historical outcome of any particular set of events. Indeed, were he to do so, most practitioners would judge him as having gone beyond the limits of the discipline. But the writing of intellectual history is inevitably of a much more question begging kind than the writing of other kinds of histories. It is an inherent trait of theoretical practice that theories exist in a competitive universe and that any comparative survey should lead to a determination as to which theory is correct or most nearly correct. Understandably, most surveys of theoretical literature are cast in an authorial narrative that, tendentially, leads the reader to the author's conclusion as to which theory is most correct. Hence the revisionist character of much sociological writing on the founding fathers of the discipline. This did not seem to this writer, in this case, to be the most appropriate way of treating the problems of development studies and

growth theory. A simple positivism, the attempt to determine the facts of the case, has been one common approach to the problem of growth theory, but it has been, in many ways, singularly unproductive.

Other schematic options open to the author of a study of this kind include the adoption of either an Hegelian 'contemplative historicism,' or a Nietzschean/-Heideggerian 'radical historicism.' Theoretical historicism, of which Hegel is the leading exponent, identifies the task of science as the contemplation of the historical process - a process that has, according to this view, developed rationally, with a tendency towards an end state, which is identified with the end of history itself. From this point of view, the successive growth theories of the twentieth century might be construed as exemplificatory of the universal tendency of truth to replace error. But the evidence, as discussed in this study, strongly suggests that truth does not often replace error in any historically meaningful way in the growth theories of the twentieth century. Perhaps on a super rational scale, however, the twentieth century production of growth theories might be thought of as part of the universalizing tendency of modern society, as the intellectual efflorescence accompanying the development of world systems. This latter is essentially the Olympian point of view of 'world systems theory,' a view that makes a peculiar conflation of scientific positivism

with Hegelian rationalism to the detriment of both. Such a point of view does not overcome the Straussian objection "that progressivist historicism must be, *qua* complacent about the past, mistaken, while, *qua* diffident before the future, merely hypothetical" (Cropsey 1979:747). The distinction between retrograde and progressive elements can never be taken for granted and read in a simple way.

The leading exponents of radical (or "existentialist") historicism are Nietzsche and Heidegger. As a point of view radical historicism agrees with Hegelian historicism that man must be understood in the light of his history, but it denies that the historical process is fundamentally progressive or rational. Radical historicism holds the view that all values are relative, that our theoretical understandings are inevitably coloured by the values of the present and that any reading of history produces no more than contingent understandings. According to this point of view it is impossible to distinguish between progressive and retrograde elements:

> all principles of understanding and of action are historical, i.e., have no ground other than groundless human decision or fateful dispensation: science, far from being the only kind of genuine knowledge, is ultimately no more than one form among many of viewing the world, all these forms having the same dignity (Strauss 1971:1).

In its poststructuralist and postmodernist versions, radical historicism argues that the only theoretically supportable approach to an intellectual history of growth theories would lead to either a 'deconstructive' account or, alternatively, be productive of a 'subaltern' history, an anti-foundational history wherein the 'voices' of those hitherto silent are allowed to 'speak.' But either such approach seems doubly inappropriate in the case of growth theories. A postmodernist, or 'deconstructive,' account of development studies and growth theories, while deconstructing the grand narratives of progressive history, offers no better vision than a vaguely cultural and political pluralist future within the framework of a capitalistic 'globalized society' (cf. Apter 1987; Slater 1992). Moreover, and in regard to a 'subaltern' history (e.g., Chakrabarty 1991, Prakash 1990), the origins of development studies in the 1930's discoveries of 'basic needs' has ensured that the voices of the 'other' have always been heard and are never absent from the discipline (cf. Brass 1991, 1993; O'Hanlon and Washbrook 1992). To attempt a restatement of these fundamental facts, 'basic needs,' and to derive this restatement from a study of twentieth century growth theory is to restate well understood truth.

II.

Positivistic science argues that facts and values can be distinguished and that values have no place in science. In Weberian terms, a value free social science is not only possible, but indispensable. But a careful perusal of growth theories, in all their details, reveals that human values, often in the form of a hierarchy of needs, remain a deeply embedded and ineradicable aspect present at their conception. A careful survey of critiques of development theories suggests that in their basis, and in their practice, the point of return for the critique is the service the theory performs for, or against, human values [cf. Lal. D. commenting on Harberger's project planning methodologies (Lal 1987:193-202)].

And yet, the values that resurface time and again in development studies are those that restate the human dimensions of need, want, immiserisation, the vision of the good life and the altruistic stranger [e.g. van Schendel's discussion of altruism among landless paupers in Bangla Desh (van Schendel 1981 and Breman 1974, 1984)]. I think it likely that the values that such terms encapsulate can be found at one time or another in

all societies, sometimes in the most extreme situations (cf. Levinas 1979).

In this study I draw back from the universalizing claims of contemplative historicism. No attempt is made to put twentieth century growth theories into a framework that suggests a progress from error to truth and the study refrains from making comments and observations on this point.

But equally, I wish to claim that we can know a little more than a radical historicism might suggest or allow or that an essentially backward looking 'deconstruction' permits. I suggest that the existence of certain recurrent values, an efflorescence from the 'life world' of all humanity, demands intelligent discussion of their place in our knowledge and theories.

This study is based on the view that the key understanding for providing the context of a discussion of twentieth century growth theory is that growth theory combines both elements of science and the life world in a way that defines the study as political philosophy (in the Straussian sense) and hence demands that our understanding should be directed towards knowledge of the just and the good. Not the just and the good as understood in terms of a particular culture or historical

period. Not the just and the good as relativised by Nietzsche.

From this point of view growth theory is a special example of political philosophy in the Straussian sense. As such it entertains many technical questions about growth in general and the nature of historical processes in particular. But it departs from traditional Straussian preoccupations with the referencing of the relevance of the changing present to ancient eternals to instead address the relationship between the present and the future. In this sense growth theory is the political philosophy of counterfactuals, raising in a stark way, certain questions that have always been present in social science.

It is well known that many of the founding fathers of social science saw their science as contributing to the creation of socially engineered utopias. Such original visions may, under the influence of a Machian positivism, be suppressed to the point where their existence in social theory seems doubtful. In this form social theory, or sociology, might be described as having an analytical interest in discerning the future in the present. And such a view may be taken as just as indicative of anti-communist modernization theory; as it is of the theory of socialist revolution, or, in its

weaker form, some one or another of the many versions of dependency theory.

The relationship between social theory and utopias is an uneasy one. In the twentieth century much effort was expended to create a corpus of social science theory that effectively denied or repudiated the existence of utopias. Mid-century functionalism in anthropology and sociology attempted this and for a certain period of time a theorist such as Talcott Parsons was thought of as having taken sociology definitively away from its nineteenth century alchemical origins. More recently, holocaust and anti-totalitarian studies have suggested that modernity is responsible for some totalitarian visions, both fascist and socialist, of a utopian future. Suvin argues that the "denunciation of utopia" is incoherent (Suvin 1989:56-7) in that it holds that the pursuit of utopia must necessarily lead to the attempt at closure, the end of pluralism and the republic of the "same". Such an attitude is behind the contemporary deep distrust of utopian projects of a socialist or any other kind and the crisis of confidence in the planned society of the last decade. But we may, Suvin argues, following Ernst Bloch, distinguish between closed utopias and open utopias and that the:

> goal of utopia is in principle not a defined, localized or fixed humaneness but a not-as-yet manifest type of human relationships, a

> hominization in Engel's or Teilhard's sense. This is a "depth dimension (tiefenbeziehung) of the Onwards" (Bloch *Tubinger* 129); from which it follows that there can be no final, "classical" or canonic locus of utopianism (Suvin 1989:60).

III.

The impetus for making a study of this kind came from what seemed to me to be the occurrence of features that were part of the development process, the theorization, planning and execution of the future, but were only infrequently to be found in discussions of development theory. An examination of the fundamentals of project planning shows that the most important element in the process is to decide what is inside and outside the plan through the careful drawing of epistemological, technical and moral boundaries, such that the insoluble and the unmanageable, and sometimes the human residuals are excluded from the process (cf. Harberger 1987:153-4). The institutional and managerial need for the project planning process to produce definitive certainties guarantees the partiality and incompleteness of project planning. More generally, the lack of academic interest

in the history of development thinking and theorization and the turning away from the impressive history of development and growth planning failures all suggested to this writer that there was a class of theoretical problems involved that were difficult to conceptualize and not easily accommodated within conventional sociological theory.

As discussed in Chapter three, after World War II there was widespread agreement that the underdeveloped countries should be assisted to develop their economies and raise the living standards of their citizens. There were many who held that this was the most important and urgent task facing the postwar world. The founders of WHO and FAO and the architects of the aborted International Trade Organization were driven by a vision of a new world supported and sustained by a growth process. And yet when these visions became the subject of discussion and debate in the United Nations and its councils there was little agreement as to how, technically, these visions might be achieved. Although there might be agreement on a hierarchy of human needs there was no agreement on the hierarchy of means.

Throughout this period there were opposing camps who fought over the correct understanding of development problems and processes. Despite their wide divergences on many matters they agreed as to what was being fought

over. To put the matter simply, one big idea, modernization theory, opposed another big idea, Marxism and the protagonists were for more than three decades consumed with the notion that one or another was right and what was at issue was the ascendance of the one over the other. Actually no single big idea is adequate. Each is a scheme which in turn depends on other schemes.

The point that I wish to make here is that, in social science, theory is thought to ground description, to underpin it and to provide the rationale of the description itself. In this sense theory is part of knowledge and part of the knowledge process. But in the case of development and growth theory what seems to emerge is that the account of the history of theories is not reducible to theory itself, the underlying rationale of the theories is not to be found in the rationale of history itself. Nor, when one examines in detail the growth process and its theorization, the process seems to elude conventional social science theory and to suggest that the kinds of explanations attainable, due to their counterfactual basis and character, will always be small, never grand enough to stand beside the big ideas of the last two centuries of social theory.

IV.

The position of counterfactuals in development theory is further complicated by the fact that the human dimension cannot be excluded by *techne*. It does not seem likely that any amount of technologising will ever overcome this limitation. There are two aspects to this problem. The first is that the construction of the future is a boundary problem - control over variables ensures that the predicted result will eventuate, but the more expansive the boundaries the less likely the result. Other aspect is that the future, when it involves an individual or a group depends to some extent on the question of the *telos* of the individual or group. A matter understood by the Russian futurists and conceptualized in Bogdanov's *technologiya*. The combination of the human will, purpose and directed effort, combined with he boundary problem suggests that the actual dimensions of plausible worlds, of the counterfactual and hypothetical will always defy precise definition.

One aspect of this problem that has hitherto been overlooked is that the adoption of a common will, the joining together in a common purpose is in a sense another way to circumscribe the boundary. To draw in the

variables, to control the project and to limit the outcomes so as to approximate more closely the desired result. But the adoption of humanistic goals by development planners (or socialists, or liberals) and their application by means of rationalized schemes does not guarantee just and equitable results. An agreement over the hierarchy of ends does not necessarily entail an agreement over a hierarchy of means.

More generally, and following from this discussion of the interest of development studies in the planning and creation of the future, we may define three interlinked classes of problems that are of significance to broad based social theory. These are:

- The scope and power of rational explanation is in some doubt in those areas which involve human purpose, will and *telos*.

- The power and precision of social explanation may be increased by reducing its scope - the boundary problem.

- Questions of classical political philosophy, what is the just and the good, are foundational to social theory.

How should we address the future? The following can be said with some certainty:

- It is uncertain that the great mass of people will, in the future, continue to enjoy the economic wealth and prosperity enjoyed by some in the present.

- It is clear that must of the decolonisation and national liberation rhetoric was just that, rhetoric.

- It is likely that for very large numbers of people the prospects of development are receding rather than advancing.

- It is uncertain that one or another variety of capitalism will become the universal mode of economic and social relations.

- That the world trading arrangements of the 1950's to 1970's and their Cold War matrix which led to pronounced economic growth in some countries may not be generalisable.

- That growth plans and development schemes will fall far short of relieving the pauperization and

poverty of millions of people for a very long time to come.

- That questions of political philosophy are central to the issues of development and growth.

APPENDIX 1

(from Frankel 1938)

TABLE 43.—*Domestic Exports of each African Territory for Selected Years* 1907–35. £(000).(*j*)

	1907.	1909.	1913.	1924.	1928.	1929.	1930.	1931.	1932.	1933.	1934.	1935.
Gambia	280	391	633	856	1,113	783	878	517	400	506	394	376
Sierra Leone	676	760	1,370	1,510	1,609	1,319	1,046	816	878	754	832	1,536
Gold Coast	1,503	2,452	5,014	9,590	13,629	12,401	9,911	7,574	8,022	7,800	7,850	9,741
Nigeria	3,612	3,829	6,779	14,384	16,927	17,581	14,778	8,552	9,267	8,460	8,500	11,197
Total West Africa	7,070	7,782	13,824	26,340	33,278	32,084	26,613	17,259	18,567	17,520	17,576	22,370
Anglo-Egyptian Sudan	461	691	1,816	3,633	5,778	6,692	5,079	1,777	3,894	2,672	3,947	4,684
Somaliland	218	213	209	855	564	234	193a	150	121	146	137	137
Kenya	157	191	444	2,240	3,266	2,746	3,433	2,344	2,281	2,247	1,910	2,978
Uganda	140	218	564	3,897	3,393	4,275	2,060	1,978	2,223	3,463	3,774	3,631
Nyasaland	54	98	201	364	676	589	663	502	636	514	753	736
Tanganyika	629	636	1,778	2,611	3,873	3,722	2,636	1,645	2,190	2,543	2,646	3,445
Zanzibar	548(e)	402(e)	604	1,406	1,099	1,269	1,117	933	668	638	591	655
Total East Africa	2,197	2,523	5,016	14,606	18,631	19,532	15,071	9,329	12,035	12,225	13,758	16,256
Northern Rhodesia	96	81	195	406	784	819	769	989	2,436	3,589	4,400	4,668
Southern Rhodesia	2,319	2,806	3,297	5,120	6,576	6,609	5,634	4,437	5,339	5,906	7,502	8,077
Total Northern and Southern Rhodesia	2,415	2,887	3,492	5,526	7,360	7,428	6,403	5,426	7,775	9,495	11,902	12,745
Total all British territories excluding the Union of South Africa and South-West Africa	11,682	13,792	22,332	46,472	59,269	59,044	48,087	32,014	38,377	39,240	43,236	51,371
Union of South Africa	45,483	47,782	64,565	80,699	88,991	89,031	76,713	65,076	66,176	91,989	78,060	97,831
South-West Africa	81	1,104	3,515	2,851	3,296	3,524	2,550	1,339	1,041	1,347	1,099	2,473
Total all British Territories	57,248	61,678	90,412	130,022	151,576	151,599	127,350	98,429	105,594	132,576	122,397	151,775
French West Africa	3,174	4,397	5,000	7,649	9,232	9,396	8,841	5,661	5,022	5,404	7,052	9,432
French Equatorial Africa	739	698	1,468	514	1,208	1,223	1,594	1,078	1,548	1,678	2,182	2,351
Togo(*b*)	496	568	457	713	692	678	670	426	514	321	351	487
Cameroons(*b*)	793	772	1,105	785	1,280	1,370	1,100	715	933	929	948	1,338
Total French Colonies	5,002	6,231	8,028	9,659	12,412	12,667	12,205	7,878	7,617	8,332	10,533	13,608
Angola	961(*c*)	1,193	1,068	1,471	2,278	2,610	2,166	1,877	1,818	2,244	2,149	2,018
Mozambique	955	1,482	1,678	2,617(*d*)	3,181	3,089	2,682	1,989	1,863	1,814	1,820	1,758
Guinea	122(*e*)	93(*f*)	310	416(*i*)	400	458	362	289	343	...	198	...
Total Portuguese	2,038	2,768	3,056	4,504	5,860	6,157	5,210	4,155	4,024	4,058	4,167	3,771
Belgian Congo	2,340	2,224	2,190	4,970	7,017	8,250	8,634	6,773	5,145	5,529	7,806	9,045
Ruanda Urundi	...	...	...	...	103	76	61	40	50	99	221	291
Total all Non-British Territories	9,380	11,223	13,274	19,133(*h*)	25,392	27,150	26,110	18,846	16,834	18,018(*g*)	22,727	26,715(*g*)

(*a*) Domestic Exports plus total imports (including goods subsequently re-exported). In 1913 merchandise re-exported amounted to £386,000.
(*b*) The post-war rates have included in, of course, smaller than the pre-war.
(*c*) 1903 figures.
(*d*) 1926 figures.
(*e*) 1906 figures.
(*f*) 1908 figures.
(*g*) Excluding Guinea.
(*h*) Excluding Ruanda Urundi.
(*i*) Estimated.
(*j*) This table is based on the trade statistics given in the tables relating to individual territories, to which reference should be made for later figures and notes. (Cf. also "Note on African Statistics" in the Appendix.)

APPENDIX 2

(from Frankel 1938)

TABLE 49.—*Value (a) of Exports of Selected African Products, and as Percentage of Total Domestic Exports of Africa, 1913, 1929, 1935.* £(000).

	Total British Territories excluding the Union of South Africa.			Total all British Territories.			Total all Non-British Territories.			Total all Territories.			Percentage of Total Domestic Expo of Africa.		
	1913.	1929.	1935.	1913.	1929.	1935.	1913.	1929.	1935.	1913.	1929.	1935.	1913.	1929.	193
Gold	4,588	3,650	9,134	42,177	48,675	80,706	240	490	2,779	42,417	49,165	83,485	40·9	27·5	46·
Diamonds	2,669	2,149	1,536	14,716	14,223	4,513	20	1,394	1,315	14,736	15,617	5,828	14·2	8·7	3·
Copper	52	940	4,029	501	1,560	4,369	370	3,370	1,842	871	4,930	6,211	0·8	2·8	3·
Wool	(b)	175	120	5,715	14,696	9,636	(b)	(b)	60	5,715	14,696	9,696	5·5	8·2	5·
Maize and Maize Meal	105	760	408	189	3,585	3,399	(b)	385	229	189	3,970	3,628	0·2	2·2	2·
Cotton and Cotton Seed	895	10,077	7,271	895	10,237	7,300	29	1,193	1,661	924	11,430	8,961	0·9	6·4	5·
Palm Products	6,309	9,113	4,602	6,309	9,113	4,602	682	3,673	1,979	6,991	12,786	6,581	6·7	7·2	3·
Cocoa	3,006	12,010	6,788	3,006	12,010	6,788	253	1,381	1,251	3,259	13,391	8,039	3·1	7·5	4·
Rubber	598	221	82	598	221	82	2,399	130	...	2,997	351	82	2·9	0·2	0·
Ground Nuts	861	3,394	2,728	861	3,394	2,728	80	4,811	5,334	941	8,205	8,062	0·9	4·6	4·
Total	19,083	42,489	36,698	74,967	117,714	124,123	4,073	16,827	16,450	79,040	134,541	140,573	76·2	75·3	78·

(a) The statistics given in this table are approximate.
(b) Information not available.

APPENDIX 3

(from Gangulee 1939:16)

An Approximate Estimate showing the General Trend of Food Production in India*

Foodstuffs	1922–3 1923–4	1924–5 1925–6	1926–7 1927–8	1928–9 1929–30	1930–1 1931–2	1932–3 1933–4	1934–5 1935–6
CEREALS (millions of tons)							
Rice	31·0	30·9	29·0	31·6	32·6	31·0	29·0
Wheat	9·9	8·8	8·4	9·5	9·2	9·4	9·6
Jowar	5·8	6·0	6·5	6·9	6·6	6·3	6·3
Bajra	2·3	2·4	2·7	2·4	2·6	2·4	2·6
Maize	2·1	1·8	2·0	2·2	2·3	2·0	2·3
Barley	3·0	2·6	2·3	2·4	2·4	2·4	2·4
PULSE (millions of tons)							
Gram	4·9	4·0	3·6	2·9	3·6	3·6	3·8
SUGAR CANE (millions of tons)	3·2	2·8	3·3	2·7	3·6	4·8	5·5
OILSEEDS (thousands of tons)							
Linseed	498	451	377	351	396	391	404
Rapeseed and Mustard	1,179	1,065	922	1,002	1,006	992	928
Sesam	461	467	479	475	501	546	434
Groundnuts in shell (millions of tons)	1·2	1·6	2·1	2·6	2·5	3·2	2·0

* Figures for pulse other than gram, inferior millet, fruits, and vegetables are not available. I am indebted to the Imperial Council of Agricultural Research for supplying the data from which the table is composed.

Notes

Introduction

1. A.O. Lovejoy (1873-1962), historian of ideas and one of the founders of *The Journal of the History of Ideas*.

Chapter 1

1. The precursor to the development studies course currently offered by the University of Cambridge was the special course offered for junior colonial officials from 1928 onwards. The students formed an association and published at irregular intervals a magazine the contents of which bear frequent witness to the almost mystic regard with which the Lugard principles were held at the time (Cambridge University Colonial Service Club Magazine, 1-2, 1928/35).

Chapter 2

1. For a discussion of the development of dispute analysis the reader is referred to Harnett (1977) and Sack (1973:Chap 1).

2. A somewhat different version of this argument may be found in Bourdieu (1977:Chap 1).

3. Murray (1912, 1925). Murray held the office of Lieutenant Governor for the Trust Territory of Papua until 1944. Murray not only participated in the day

to day running of the colonial administration, but also exercised great influence over the intellectual culture of the colonial officials. Murray's imperial connections and ambitions are extensively documented in West's eulogistic biography (West 1968). See also Lett (1949:159, 164).

4. F.E. Williams notes on the "semese" festival written for the Resident Magistrate of the Gulf Division concludes: "The main difficulty I find in approaching any of these local ceremonies is my failure to get a good grasp of the workings of the spirit, clan, and family system" (Mitchell Library MSS 5/11, item 92, Misc. Orokolo Notes). See also Williams (1936:83 and Chap 7).

5. The Government Anthropologist, W.M. Strong, writing a chapter on "The Native Races" for the official publication *The Handbook for the Territory of Papua* (4th ed, 1927), stated that "The Papuan is very communistic ... they have chiefs, but the chiefs had very little power even before the arrival of the Europeans ... now the power of the Government village policeman often exceeds the power which the chiefs used to possess" (1927:45).

6. In 1978, while visiting Kerema, I was taken aside by a young expatriate Australian Provincial Government official and given a lecture on how I must not expect to find African style chiefs in Papuan villages. The continuing search for chiefs is also evident in Patrol Officers' training manual used at the Australian School of Pacific Administration (Australian School of Pacific Administration nd).

7. Williams' fieldwork notes, e.g., under the heading of clan names "I go through the old battle ... asking a man for his clan ... [who] will probably give in answer the outstanding totem of his clan, rather than his clan name ... there is commonly some beating about the bush by informants" (Mitchell Library MSS 511/92).

8. Landtman followed his 1927 study of the Kiwai (Landtman 1970) with a monograph on the origins of social inequality and used the Kiwai as an example of a society without inequalities: "the social equality of the Kiwai Papuans manifests itself the

more completely and convincingly as it implies not only the non-existence of any differentiation as regards social standing but also the non-existence of any division of labour and of any disparity regarding property" (Landtman 1938:5).

9. Papuans travelling outside Papua required a permit from the colonial administration which was not normally granted except in special cases.

10. For a discussion of the "odds of life" in another context see van Schendel (1981).

11. Williams' fieldwork notes record instances of alleged sorcerers being "pay-back" murdered for their crimes. See also Monckton (1927:42).

12. Division annual reports list the yearly number of persons charged with these offences. The number of acquittals was very small.

13. See Commonwealth of Australia, Commonwealth Archives Office file of correspondence between Lieutenant Governor Murray and the Prime Minister of Australia.

14. The usual factor list includes most or all of the following: availability of capital/access to credit, savings/investment ratios, access to markets, infrastructure, entrepreneurial culture (cf., Todaro 1989:506-8).

15. Harris, in his discussion of Papuan village agriculture, mentions the *Native Plantations Ordinance* of 1918 (Harris nd:133-4), but omits any mention of the Administration's desire for cooperative based village development. Harris and other authors (Benson 1955, 1956, Snowden nd) appear to have overlooked these early instances of cooperative development in Papua, their impact on the 'official mind' of the administration and the aspirations of the villagers.

16. Divided approximately equally between western and eastern Gulf. The total number of taxpayers, i.e.,

eligible males between the age of 16 and 36 years, was about 4000 during this period.

17. The *hiri* trade was of some economic significance to a small group of Motu villages in central Papua, but does not seem to have been of equal significance to their Gulf trading partners. During the period under discussion, the trade had largely collapsed, although there was a brief revival with the initiative passing to the Gulf people in the early 1930's (Williams 1931, Oram 1982:15, Dutton 1982).

18. A comprehensive account of Elema gardening practices in the 1920's and 1930's is given in Williams (1940). I found contemporary practices to be unchanged.

19. CAO — Australian Commonwealth Archives Office document numbering system.

20. A corollary to this was the view, which seems to have been widely held in the Papuan administration, that native agricultural production would be revolutionized by the introduction of steel tools. "If we can only get the natives steel implement minded, the work in their gardens will be halved in effort and probably doubled in production" (Resident Magistrate Vivian, GDAR 1938/39, see also Williams 1951:22). When administration patrols first reached the New Guinea highlands in the 1930's, glowing accounts were given of the highlander's gardening practices which, visually, appear to conform more closely with the European 'scientific' garden stereotype (Report of the Bamu-Purari Patrol, 1936/37, PNG series 447:2995). Similar views were expressed to me by expatriate administration officials in Kerema in 1978.

21. In 1940, faced with the threat of a Japanese invasion, the administration sent the Government Anthropologist, F.E. Williams, around the Gulf villages to collect information on native attitudes towards the administration. Williams noted, more than a decade after its demise, the universal opprobrium in which the rice growing scheme was held — too much work for too little return (CAO 33/196).

Chapter 3

1. FAO estimated that the amount of capital necessary would be somewhat smaller than that provided by the USA for the European Recovery (Marshall) Plan.

2. The various colonial treasuries were required to do all their foreign exchange dealings through the Bank of England. During the war the colonies built up large trade balances with the UK and after the war these were held by the Bank of England and not released as part of the British Government strategy for propping up the British pound and preventing a run and devaluation of the pound. The withholding of colonial credit balances became the subject of acrimonious discussion and was widely quoted as an instance of the imperial power acting to prevent or slow down colonial economic development. cf. "The financing of colonial development ... has not up to the present been a real strain upon British resources; nor have the colonies with one or two exceptions, received the large inputs which the orators have encouraged them to expect. Instead they have suffered from an acute shortage of the capital and goods that they must have if the development and welfare policy is to be translated from rhetoric into substance" (Hancock 1950:64, see also Robinson 1972).

Chapter 5

1. *The Economic Journal*, 101 (404), January 1991, contributors include William J. Baumol, Jagdish Bhagwati, James M. Buchanan, Partha Dasgupta, Peter C. Fishburn, Milton Friedman, John K. Galbraith, Frank Hahn, Jack Johnston, John A. Kay, E. Malinvaud, Michio Morishima, Andrew J. Oswald, John Pencavel, Charles R. Plott, Austin Robinson, Alvin E. Roth, Richard Schmalensee, Nicholas Stern, Joseph E. Stiglitz, Stephen J. Turnovsky and Jack Wiseman.

2. For an introduction to the large literature on war reparations and their relationship to the depression of the 1930's the reader is referred to Ziebura (1990).

3. Röpke made a small contribution to the late 1960's efflorescence of right wing economics in the USA with the publication of *Welfare, Freedom and Inflation* in 1964.

4. Omitted from this list is Corden's discussion of the neo-Ricardian theorem (6) and real wage rigidity (7) (Corden 1987:185).

Chapter 6

1. Feldman's growth model shares some features with von Neumann's famous growth equation which it anticipates. But, strangely, the recent revival of interest in the von Neumann model and the associated discussions make no mention of Feldman (Dore, Chakravarty and Goodwin 1989, Chakravarty 1989).

2. Again, surprisingly, there is no mention of the theoretical content of the Soviet debates in Bettelheim (1959), Dobb (1966, 1967).

3. Both Spulber (1964a, 1964b) and Erlich (1967) accept the traditional description of the participants as "right wing deviationists", "left wing deviationists", "wreckers", etc. To accept these descriptions leads to an historicising of the debate and tends to obscure the fundamental theoretical points under discussion. My account eschews any discussion of deviationism and the history of Trotskyism, the political positions of the protagonists as understood at the time and subsequently, in favour of a concentration on those points raised in the debates that shed some light on the theoretical basis of planning. Cox, who has made a specialism of the revival of Kritsman's theories on peasants and the peasant economy,

ignores Kritsman's contribution to the planning debates of the 1920's. Possibly the disregard, or perhaps avoidance of this subject, owes much to the common Western attitude that Soviet social science was, at best, a debased distortion of Marxism and as such, simply incommensurable with the achievements of Western social science. As one commentator puts it:

> Soviet social science is at an extremely low level of intellectual achievement and common honesty. Until very recently everything was decided at the top, by the political leaders. The task of the social scientist was to support the new top decisions, even if they reversed previous top decisions, and to criticize everybody at lower levels for not carrying them out. Since nearly all the interesting questions were controversial, and controversy was dangerous, virtually no interesting research was carried out. Moreover social science was under especially heavy censorship, and censors have to understand what they are reading. So they did not allow techniques to develop that they could not understand, and technique stagnated completely (Wiles 1967:263).

4. Many socialists of the period under discussion held the view that a socialized society, through its application of rational principles (of which planning was merely one exemplification), would both make use of existing technical knowledge in new and superior ways and produce superior forms of technical knowledge. In this way socialist society would be the result of the application of *rationalism* on a scale never before seen in history. Darby, in his revival of Kojève's reading of Hegel's end of history argument says "madness is everything which can find no role to play in the drama of history and which makes no contribution to the 'end of history' ... The end of history is ... the triumph of meaning" (Darby 1990:122). Is this the madness of rational*ism*?

5. Although the policy of heavy industrialization may have been appropriate for the development of the USSR in 1942 there is good evidence to suggest that other geopolitical and economic policies would have more suitable in the post World War II environment.

6. The origins of World Bank orthodoxy may be traced to the work of the Financial Committee of the League of Nations and the plan for the economic reconstruction of Austria in the mid 1920's. *Economic Situation of Austria*, LON C440910 M162 (1925) and *The Financial Reconstruction of Austria: General Survey and Principal Documents*, LON C568 M232 (1926).

7. See for example the World Bank contribution to the UN report *Methods of Financing the Economic Development of Under-Developed Countries* (UN 1949) and the IBRD report *The International Bank and the Worlds Need for More Production* (IBRD 1947).

8. This theme is further developed in Simoniya (1985).

9. Recent events strongly suggest that this consideration will apply to the current restructuring of the Soviet economy.

10. The relationship between social theory, ideology and utopia is complex and positional. It does not seem possible to make an absolute determination of the value of each.

11. *basismo* – social improvement through self-help, eschewing politics (Lehmann 1990).

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