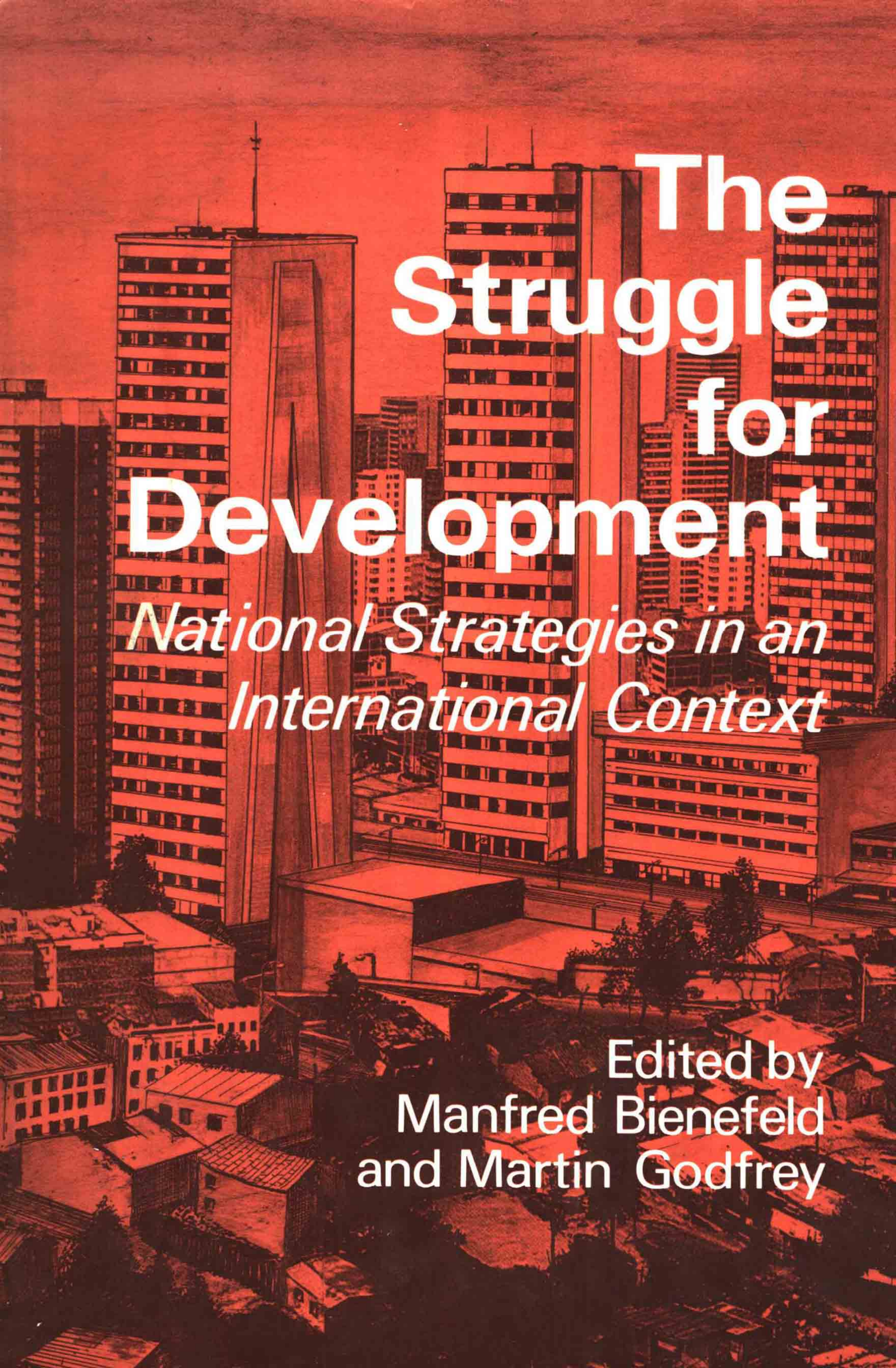

The Struggle for Development

National Strategies in an International Context

Edited by
Manfred Bienefeld
and Martin Godfrey

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MANFRED BIENEFELD and MARTIN GODFREY

Institute of Development Studies, University of Sussex

1807 1982

JOHN WILEY & SONS LIMITED

Chichester · New York · Brisbane · Toronto · Singapore

Library of Congress Cataloging in Publication Data:
Main entry under title
The Struggle for development

Includes indexes.
1. Underdeveloped areas—Economic policy.
2. International economic relations. I. Bienefeld, M. A. II. Godfrey, Martin.
HC59.7.S874 338.9'009172'4 81-19821

ISBN 0 471 10152 4 AACR2

British Library Cataloguing in Publication Data:
The Struggle for development.
1. Underdeveloped areas—Economic conditions.
I. Bienefeld, M. II. Godfrey, M.
330.9172'4 HC59.7

ISBN 0 471 10152 4

Typeset by Activity, Salisbury, Wilts
and printed in The United States of America

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The Struggle for Development:
National Strategies in an International Context
Edited by M. Bienefeld and M. Godfrey

Introduction

MANFRED BIENEFELD and MARTIN GODFREY

The central question addressed by this volume is: 'What are the prospects of development in the currently less developed economies and to what extent do these prospects depend on the effective implementation of national development strategies which take cognizance of the dominant trends in the international economy?' More specifically we are interested in the circumstances under which these economies could achieve a full-fledged industrialization, or other form of development, which would allow them to: develop their forces of production progressively; eventually mount a genuine competitive challenge to existing producers in various areas of production; and gradually spread the benefits of this development to the broad mass of their population.

In discussing the determination of the limits on this process for such economies the emphasis of this volume is on the relative weight to be given to external and internal variables, on the identification of possibly significant differences between nationally and internationally 'rational' choices, and on the interaction between these various spheres. Differences in opinion about the relative importance to be attached to each of these derive in part from different analytical perceptions of how variables are connected within a social system, and in part from differences in the concrete cases which are used as the basis for judgements. This volume does not attempt to develop a particular perspective but rather attempts to sharpen our understanding of these differences by bringing a variety of analytical perspectives to bear upon these issues with reference to selected country cases, in order to document the interaction between analytical perception and material circumstance and in order to improve our understanding of just how and why different theoretical approaches diverge on these issues. The basic premise of our approach is that the various theoretical approaches which do exist are not mutually exclusive, totally distinct spheres, but are rather deeply intertwined and have many common points of reference. That does not, of course, imply that their conclusions may not be utterly incompatible or different in terms of the interests they serve in the first instance. But unfortunately the nature, or fervour, of any set of conclusions does not validate an analysis, as is all too evident when one looks at the range of strategic choices which can be espoused from a Marxist or neo-classical perspective, each claiming to represent the interests of the population as a whole.

Analytical Perceptions

As far as analytical perceptions are concerned, the possibility of a conflicting rationality between the national and the international spheres was denied by the longstanding view, largely derived from classical and neo-classical trade theory, that integration into the international capitalist system is always beneficial for any national economy, developed or less developed. This view was first challenged by economists like List and Carey, looking at the world from the point of view of nation states like Germany and the United States seeking to industrialize in a world where British producers dominated the markets for manufactures. The post-Second World War challenge came initially from the development economists of the 1950s. Singer, Prebisch, Lewis, Mandelbaum, Rosenstein-Rodan and Nurkse, among others, were important in this respect in their prescription of disengagement from the international capitalist system—at least to the extent of planned, capitalist, import-substituting industrialization behind a tariff or quota wall. The crux of their argument was that the developing countries had a set of characteristics which in the modern world would not allow them to achieve full employment in the context of an open market. Once that was admitted one had established the case for a new discipline called 'development economies'. This discipline concerned itself with the ways and means by which the resources thus left idle could be mobilized.

Parts of their theories survive more or less intact among more recent dependency and underdevelopment theorists. For instance, the Emmanuel—Amin theory of unequal exchange could be regarded as a restatement in Marxist language of the Prebisch–Singer–Lewis analysis of the differing effects of productivity increases at centre and periphery arising from the differing degrees of competition in their product and labour markets. But, unlike the later dependency school, most development economists operated with a Harrod—Domar type of growth model and looked favourably on foreign investment and aid as a means of easing the capital constraint, since it would increase capital goods imports, improve the balance of payments, reduce inflationary pressures and transfer technology. In effect capital was understood as physical machinery, or even as finance, but not as a social relation embodying certain central and certain internationally defined objectives.

Nurkse anticipated some ambiguities from the use of foreign capital, although he did not raise these to the level of elaborating conflicting objectives. Nevertheless he was one of the few early development economists to anticipate the dependency emphasis on problems arising from non-trade contracts between central and peripheral countries. He pointed to the international demonstration effect arising from the spread of knowledge in underdeveloped countries of the consumption standards of rich countries. Drawing a parallel with Duesenberry's work on the interdependence of individual consumption functions, Nurkse suggested that 'the presence or the mere knowledge of new goods and new methods of consumption tends to raise the general propensity to consume' and that 'the temptation to copy American consumption patterns tends to limit the supply of investible funds by inhibiting the willingness to save'. There is an obvious affinity here with the later emphasis on consumption patterns of, say Sunkel or Furtado, but there *is* a difference. Nurkse was still operating within a Harrod–Domar framework and thus emphasizing the demonstration effect only on the rate of saving and hence on the rate of growth. He recognised that disengagement from the international economy was logically implied by his analysis but regarded this as a 'defeatist solution', preferring to try to raise the rate of saving by a compulsory savings scheme, backed up by foreign investment and aid.

It is not, perhaps, surprising that the development economists who seem to get closest to the dependency position and who lay the foundations for defining a specific, and separate, national rationality for capital are those who question the Harrod–Domar emphasis on capital as the sole constraint and emphasize rather the inadequacy of the inducement to invest. For example, Myrdal (whose 'circular-causation' challenge to equilibrium economics is an unacknowledged influence on dependency and 'uneven development' theory) drew attention to the fact that the need for capital in underdeveloped countries

> does not represent an effective demand in the capital market. Rather, if there were no exchange controls and if, at the same time, there were no elements in their national development policies securing high profits for capital—i.e. if the forces in the capital market were given unhampered play—capitalists in underdeveloped countries would be exporting capital. (Myrdal, 1957:53)

If the problem is seen to be on the side of the inducement to invest rather than of the supply of capital, then the logic of inviting an inflow of *foreign* capital is called into question, because capital is no longer a homogeneous concept responding to an undifferentiated global logic. Hirschman (1971:227) posed this question more explicitly: 'Could the inflow of foreign capital stunt what might otherwise be vigorous local development of the so-called missing or scarce factors of production?' His view was that it could—sometimes in an absolute sense, for instance through the foreign takeover of local banks or businesses, more often in relation to what might have happened in the absence of the foreign investment. His evidence for this was the fact that during wars, depressions, national expropriations and international sanctions, the domestic supply of entrepreneurs, managers, technology and saving seems to be 'far more elastic than is ever suspected under business-as-usual conditions'. His conclusion that 'a policy of selective liquidation and withdrawal of foreign private investment' would be in the best interests of Latin America would be endorsed by most dependency authors.

Where members of the dependency school part company from 'global law of value' Marxism and from development economists (often their earlier selves) is in their rejection of an undifferentiated conception of the 'historically progressive' role of capitalism, or of modernization theory and in their emphasis on the nation state, but not in isolation, rather set in the context of the global evolution of capitalism. From the development economists they differed further because of their incorporation of a strong historical dimension into their analysis; their endogenization of the state as 'the crucial battleground between the different social groups' (Sunkel, 1979:29); and their use of a dialectical rather than an equilibrium mode of analysis. This difference in approach is reflected in the different set of questions addressed by them. The most important of these questions, assumed away by 'modernization' development economists and by many orthodox Marxists, is one of those raised by this volume: 'What are the special obstacles which peripheral status, or relative technological backwardness, places in the way of the generation of a cumulative' dynamic nationally focused process of capitalist accumulation?*

The typical dependency answer to this question is, as already indicated, a gloomy one. None is more gloomy than Gunder Frank, perhaps unfortunately the author who has come to symbolize the dependency approach for readers outside Latin America. As Booth has pointed out (Oxaal *et al*, 1975) Frank's analysis is less mechanistic and metropole-oriented than is usually supposed, emphasizing 'the impregnation of the satellite's domestic economy with the same capitalist structure and its fundamental contradictions' as more important than 'the drain of economic surplus' from satellite to metropolis with which he is usually associated (Frank, 1967:10). However, he remains strongly insistent on the impossibility of capitalist development at the periphery:

> the economic basis of a developmentalist national bourgeois class ... has been entirely eliminated or prevented from forming at all, thus precluding further or future development under capitalism ... short of socialist revolution, (Frank, 1978:10)

While critical of Frank, most of the more radical dependency authors share his scepticism about the prospects for capitalist development at the periphery. For

*The question was never perhaps directly addressed at this level of generality by the *dependentistas*. Much of their work was geographically localized and historically circumscribed, but this is the general question implicit in that work.

example, Dos Santos (1973) would put more emphasis than does Frank on the elements within a nation which determine the effects of international situations upon national reality and on the assimilation of the national bourgeoisie by foreign capital in the role of 'dominated dominators' and less on the surplus drain. He also emphasizes the inability of peripheral societies to develop a capital goods sector as a defining characteristic. However, he would agree that capitalist development or at least '*autonomous*' capitalist development is not possible and that a socialist path offers the only escape for peripheral societies.

Similar conclusions are reached via a different route by those who analyse the plight of the periphery largely in terms of 'unequal exchange'. Thus Amin (1978) describes his 'peripheral model', based on low-wage exports and (in the consequent absence of an internal mass market) on the production of luxury goods for internal demand, with 'new' mechanisms of domination by transnational corporations superimposed; and regards it as a 'dead end' with no possibility of transition to a 'self-centred' system based on production of mass-consumption and capital goods. He sees self-reliance, therefore, as a necessary strategy for transition to socialism. Marini (1972:14) extends a similar analysis to 'subimperialism' ('the form which dependent capitalism assumes upon reaching the stage of monopolies and finance capital') in Brazil. In this case the low-wage exports are of manufactured goods and the state takes an increasingly important role (in conjunction with foreign capital), but the whole system is crucially dependent on the superexploitation of labour. The successful pursuit of wage demands by urban and rural workers would 'close all exits for capitalist develoment in Brazil'.

Perhaps the gloomiest vision belongs to the 'marginality' writers within the dependency school, such as Quijano (1974) and Nun (1969). In their view, the new 'hegemonic' monopolistic sectors are grafted on to, but not integrated with, the Latin American production matrix, bringing it permanently to the verge of breakdown. They suggest that competitive and monopoly capitalism are crucially different from each other, as far as labour absorption possibilities are concerned. Under competitive capitalism, technical change causes a fall in product price, which leads to a rise in demand for the product, which leads in turn to a rise in the demand for labour. Under monopoly capitalism, on the other hand, technical change does not result in a fall in price but partly in an increase in profits, partly in an increase in wages, which encourages stagnation in the demand for labour. Moreover, the fact that the labour force in the hegemonic sector is a non-competing group breaks the link with wage determination. So surplus population, on this analysis, is not a reserve but an excluded (and permanently excluded) labour force. This 'marginalized' labour force or 'marginal mass' is a *non-functional* surplus population—over and above what is necessary to perform a Marxian industrial-reserve-army role. This is a profoundly pessimistic, even catastrophic, vision, not only questioning the employment-generating performance of peripheral capitalism, but also denying its capacity to create a socially and politically viable mode of production.

The Caribbean dependency school is on the whole less pessimistic about the possibilities of capitalist development, as long as the plantation economy model is replaced by a localized or 'people's' capitalism which is able to improve a national focus on accumulation. A notable exception is Thomas (1974) who points to the divergence in the economic rationality of the colonial power and that of the colony so that colonialism led to a separation of the pattern and growth of domestic resource use from the pattern and growth of domestic demand; and to divergence between domestic demand and the needs of the broad mass of the population. Even in the case of the most successful small capitalist econmies at the periphery, he sees no real possibility of development 'beyond misleading rises in per capita income or indeed of even sustaining such advances on a long-term basis... unless a comprehensive socialist strategy is developed' (Thomas, 1974:106). He recognizes, however, in 'some of the larger economies' the possibility of a national capitalist development of productive forces as a genuine alternative to socialism.

Perhaps the most complex member of the dependency school, so critical in his more recent writing of most of its conclusions as almost to place himself outside it, is Cardoso. Like other *dependentistas*, he emphasizes the absence of capital goods and national financial sectors, the partial and slow import of technology and penetration by foreign enterprises as characteristics of dependency, which he defines as the situation 'when the accumulation and expansion of capital cannot find its essential dynamic component within the systems' (Cardoso and Faletto, 1979:xx). However, he sees the relationship between national and international forces as forming a

> complex whole whose structural links are not based on mere external forms of exploitation and coercion, but are rooted in coincidences of interests between local dominant classes and international ones and, on the other side, are challenged by local dominated groups and classes. (Cardoso and Faletto, 1979:xvi)

Most important in the context of this volume, he therefore refuses to place theoretical limits on national capitalist development at the periphery. He sees dependent capitalism as capable of growth and of transforming social relations of production, although not of resolving the employment and poverty problems of the majority of the population. He insists, however, on the need to analyse particular situations rather than to develop general theories:

> We do not try to place theoretical limits on the probable course of future events. These will depend, not on academic predictions, but on collective action guided by political wills that make work what is structurally barely possible. (Cardoso and Faletto:175)

Sharing some of Cardoso's views but not his aversion to grand theory is the most influential 'Marxist' critic of the dependency approach, Bill Warren. Warren turns Frankism on its head and suggests on the basis of 'empirical observations' that

> the prospects for successful capitalist development implying industrialization, of a significant number of major underdeveloped countries are quite good; that substantial progress in capitalist industrialisation has already been achieved; that the period since the Second World War has been marked by a major upsurge in capitalist social relations and productive forces (especially industrialization) in the Third World; that in so far as there are obstacles to this development, they originate not in current imperialist-Third World relationships, but almost entirely from the internal contradictions of the Third World itself; that the imperialist countries' policies and their overall impact on the Third World actually favour its industrialisation; and that the ties of dependence binding the Third World to the imperialist countries have been, and are being, markedly loosened, with the consequence that the distribution of power within the capitalist world is becoming less uneven. (Warren, 1973:3)

Among the 'internal contradictions' of underdeveloped countries which cause 'serious problems' for their capitalist industrialization, Warren emphasizes, along with agricultural stagnation, excessive urbanization and growing unemployment, the ' "premature" spread of socialism prior to the development of industrial capitalism' (Warren, 1973:42).

Meanwhile a neo-classical backlash against the interventionist–protectionist approach to development and industrialization has denied any validity to the 'special subject' of development economics. The new conventional wisdom, found first in its purest form in Little, Scitovsky and Scott (1970) and underlying most recent IMF and World Bank diagnoses of 'what is wrong with country X', asserts the applicability of equilibrium economics and centres on the evils of protectionism, which violates the principle of comparative advantage and gives rise to distortions in domestic factor and product markets. 'Getting factor prices right' is the central policy prescription of this school, which usually means reducing the price of labour, raising that of capital and reducing the price of domestic currency in terms of foreign currencies, along with a reduction in tariff rates to a low and uniform level and a removal of quantitative import restrictions. In its more sophisticated version, that of McKinnon (1973), an increase in the price of capital, as part of a package of monetary, fiscal and trade liberalization policies, is seen as opening up investment opportunities in 'fragmented economies', previously hidden by indivisibilities in the pre-capitalist sector.

These are the debates which provide the context for this book's discussion—a discussion which does not set out to establish or to defend a particular argument, or to justify a particular strategy. It sets out to illustrate how different theoretical approaches dealing with different concrete situations confront the problem of reconciling the internal and the external, the national and the international as well as the economic and the political spheres of reality.

The unifying theme of the book is the focus on these questions, rather than on the development of a common approach to them. The various theoretical approaches to development must ultimately confront a common and a concrete problem, namely that of accelerating the development of the material forces of production in today's developing countries in a manner which is socially and politically beneficial to their populations, and especially to the poorest 60 per cent.

The only purpose in studying these processes of social change is to allow them to be influenced and shaped by people as social and political beings. Furthermore it is because political intervention in the social process continues to be primarily determined at a national level, that this must occupy a central position in our analysis. At the same time the global system of material production and reproduction has now reached such a degree of international complexity through ownership, commodity trade and technological and financial links, that in so far as these political processes are determined, influenced or constrained by the form of the material process of production, the possibility of formulating or implementing a nationally defined set of policies is effectively constrained. The task of development studies is to define the extent and the significance of such constraints arising from different types and degrees of economic links with the external world.

If the discussions which follow convey a message it is that an answer to such a question can be given only in the particular since it depends crucially on three sets of conditions: the physical and material circumstances of the country, including the size, resources, location and climate; the social and political situation, including the way in which productive ends are served and controlled, incomes are distributed and non-consumed resources are allocated, and the form of state, the political process, and the ideological perceptions of its population; and finally the nature of international economic and political circumstances and their changes over time.

The case studies which follow are selected to cover a wide range of illustrative cases, including some where the conflict between a national or an international rationality has been virtually negligible over much of the 1970s (Ireland, Costa Rica); to others where capitalist development, with extensive state involvement, has created the strongest basis for an effective national bourgeois strategy (Japan, South Korea, Brazil); to yet others where a similar market-oriented strategy led by a much weaker state, holds out little promise of creating such a possibility in the foreseeable future (Kenya, India). At the other end of the spectrum there are cases which have chosen to pursue a broadly socialist strategy, providing for less room for the private ownership of productive assets. Their degree of material success has varied largely with their capacity to mobilize their people politically, and thence economically. They too have had to take continuing risks in deciding first what levels and degrees of involvement with the international economy they could accept or forgo, and to pay a price for misjudging their capacity to sustain any particular set of links without compromising the fundamental elements of their national policies.

But the issue which provides the critical background to these discussions concerns the trends at the interntional level in the availability of finance and markets to different types of economies. In this repect it may well be the case that the experience of the 1970s will be a bad guide to the 1980s because these conditions may well change significantly. Already many developing countries have suffered major reverses in their real levels of consumption per head; in many real wages have fallen dramatically and GDP growth has simply come to mean increasing production for export in a desperate and often futile bid to close a widening trade gap.

In the coming decade the question of whether or not a nation has built a substantial nationally based economic and political structure may come to be of the greatest significance, because the choice will often polarize into one where a shrinking minority may try to defend its old standards of living by an increasingly repressive exploitation of the few internationally saleable commodities over which they have control, or in which they may be moved to a more 'self-reliant' and nationally-oriented strategy by the realities of the international market but at the cost of a significant reduction in the living standards of those in the modern sector.

In short, whatever lessons one may draw from the experience analysed in the following chapters, it must be recognized that these reflect the 1970s and not the 1980s. These are likely to provide a much harsher environment where the need for national strategies will increase dramatically as far as the poorest 60 per cent are concerned, but where at the same time the possibility of such national strategies is likely to decline—if necessary through armed intervention if recent signals are to be believed.

It seems to us as a result at least unwise and probably disastrous to extrapolate certain excessively optimistic interpretations of the experience of certain developing countries in the 1970s into the 1980s, and to put central emphasis on export promotion drives. Even though a very few might still have this option, their numbers are currently shrinking, and some who think they have already succeeded via this role may well face a rude awakening in the coming decade. In the final analysis capitalism's ability to disperse material benefits to the spatial and social fringes of society is centrally related to its capacity to create conditions of full employment, and it is just that capacity which has been called into question in the 1970s and which is most unlikely to be restored in the 1980s, Japan, South Korea and Singapore serving merely as the exceptions which prove the rule.

Under these circumstances an effective national policy is one which is able to integrate the internationally competitive part of its economy into the international market in a manner which does not impede politically or economically its capacity simultaneously to create a national economic context which allows the full mobilization of all remaining productive resources according to the principles of comparative advantage, as nationally applied. Since such a process will have an impact on the pattern of imports it must be combined with a degree of trade management which effectively recognizes the current and prospective impossibility of achieving full employment on the theoretically optimal basis of achieving international competitive states for all available resources. Under these circumstances the importance of effective and strong state control over central parts of the material base of the economy, including finance and industry, emerges as a critical requirement for the formulation of such policies. The only exceptions are a few, very small economies which can exploit locational and other advantages to a sufficient degree. Such a strategy is necessarily precarious and extremely 'dependent'; it may nevertheless objectively be the best available option.

Of course such national and state control may be a necessary but not a sufficient condition for the pursuit of a policy to serve the long-term interests of its population. That will finally depend on the political situation and on the extent to which choices made at the political level can be effectively implemented at the material base of the society.

Country Cases

In effect, the relevance of this book's chapters to these debates rests not in any appeal to ideological first principles, nor in an exploration of the inner logic of the competing theories, nor in the marshalling of cross-sectional data from a wide range of countries. The attempt, rather, is to learn from the historical experience of political economies of various types at different stages in their industrialization process, against the background of the evolving international context. To try to derive generalizable conclusions from such case studies is, we recognize, to cross a methodological minefield, but to reach such conclusions without an analysis of country experience and prospects is even more dangerous.

Before considering the recent experiences of different types of developing countries, the chapters which follow give some thought to the way in which these issues presented themselves in an earlier and essentially different historical context. Hence the chapter on *Britain's* early industrialization provides an introduction to and summary of the extensive and often heated debate about the relative importance of foreign trade in Britain's rapid growth from the mid-eighteenth century. It illustrates rightly the importance both of Britain's access to global markets, as a means of releasing bottlenecks, and of freeing the rhythm of expansion from its otherwise inexorable links with agricultural growth, as the physiocrats so eloquently demonstrated. It also provided a stimulus for investment and for a relatively greater degree of specialization than would otherwise have been possible.

At the same time it places these things firmly in perspective by emphasizing that for Britain these things were factors which ecouraged and stimulated a nationally based process of growth and investment. The state, having established a unified market and a liberal domestic investment climate, having provided an infrastructure in transport and finance, and having established various central industries, especially in textiles, through extremely nationalistic and protectionist measures, soon found itself in a position where its technological capabilities no longer required such assistance, a point of which it was finally convinced when the industrialization of the newly independent United States, made possible by its new and widely used freedom to protect its industries, created a boom in Great Britain, and not the disaster so widely feared and predicted.

The implication which arises from this should warn against the common pedantic discussions of whether the industrialization of Britain was caused by its access to external markets, or in a slightly amended version whether Britain's imperial dominance consisted of access to markets, or capital export as some other specific objective. But such questions are aimed at unreasonable straw men for the real issue is to consider the extent to which the external environment provided a complement and a stimulus to the internal process of accumulation, so that imperialism refers to an unequal relationship in which a dominant power can manipulate (to a degree) the terms of a relationship to suit its ever-changing and politically defined requirements. In this sense Britain's ability to gain access to raw material imports, to markets and to finance by virtue of its growing maritime dominance emerges clearly enough.

But Thomson's chapter also points to the undeniable fact that these advantages are seized by a process which is nationally based and which is in turn transformed by this connection. It also emphasizes the limits imposed on Britain's use of that advantage, and suggests that in this sense 'the nature of Britain's industrialisation... was unique and thus provides little basis for direct comparison's for currently industrializing countries because Britain's problem in its relationship with the external world at that time was the exact opposite of that facing underdeveloped countries today. If theirs derives from the extent to which they lag *behind* already industrialized nations, Britain's lay in the extent to which it was *ahead* of other economies, so that the limited extent of external technological development eventually constrained the growth of the British economy. In sharp contrast later industrializers are faced with a bewildering array of technologies the relative capital intensity of which fosters the generation of surplus labour, which is less readily eased by the possibility of massive permanent emigration like that from Britain and Europe in the nineteenth century although international labour flows have increased in the past decade. The really crucial difference however, is rightly emphasized by Thomson, which is that Britain's problem in overseas trade lay in the high price and limited availability of *imports*, whereas underdeveloped countries today face enormous difficulty in developing internationally competitive *exports*,