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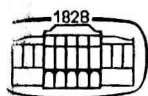


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TAMÁS SZENTES

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## PREFACE TO THE FIRST EDITION

The first part of this book is in essence a critical survey of the various explanations of "underdevelopment." The inclusion of this part seemed to be appropriate as it offered the author the opportunity of introducing his own views on the subject in confrontation with those just discussed. It also appeared to him useful and necessary for two further considerations, both of them backed up by his own personal experiences in Tanzania.

The *first* is connected with the fact that certain development and growth theories of Western origin so fashionable in developing countries, and especially the implicit assumptions and orthodox economic principles underlying them, have exercised such a great influence even on the most progressive-minded (and socialist-oriented) people, students, teachers and policy-makers with a training background based on these theories, that a different idea can hardly assert itself unless it is clearly confronted with the former in respect of at least such fundamental questions as these: "What is the historical cause and real nature of underdevelopment?" and "What is the way out of underdevelopment?"

It is only by demanding unambiguous and logical answers to these questions from all those explaining "underdevelopment" and offering their advice on its liquidation that it is possible to see clearly into the various theories and show where the practical advice offered by them would lead to. This seems to be the best way of testing the relevance of the various ideas and also of helping the students to select from among them and reconcile thereby the content of their studies with their own, inherited or gained, experiences of colonialism. The critical investigation of theories may also help to make policy-makers aware of the contradiction between their accepting progressive aims and applying at the same time orthodox economic principles.

When two years ago the author started his teaching activity at the University College, Dar es Salaam, he was surprised and distressed at the same time to experience how much his students using standard Western textbooks of economics were inclined to keep repeating the abstract formulas and sterile definitions of these books when discussing even such economic and social phenomena of their own country as were directly perceptible to them. Many of them gave evidence not only of their incapability of a historical approach but also of having doubts—due to the influence of these textbooks—even about their own empirical experiences or



the lingering memories of their parents and the older generations. This was all the more surprising since even at that time, or in fact right from the beginning, a great number of progressive-minded teachers were also teaching at the University College, Dar es Salaam, who made every effort to counteract the spirit of these textbooks and aimed at introducing a historical, empiric and progressive approach to the subject. It seems, however, that in teaching even at the university level, the written word commands a much greater effect than the spoken one.

Almost parallel with this phenomenon there was—and still is—another just as striking as the former: the “peaceful co-existence”, in principle as well as in practice, of the sharp condemnation of colonialism and the easy acceptance of a type of economics from which the implicit justification or apology of the latter follows.

The *second* consideration and experience is related to the usefulness of dialogue and argument between colleagues of different outlooks and convictions. The University of Dar es Salaam has ensured, on account of its widely international teaching staff, an exceptional opportunity for the exchange of opinions and for debates often heated enough among teachers and researchers with different training backgrounds, political and theoretical-ideological views and experiences. The author thinks that all who have enjoyed this atmosphere in Dar es Salaam will agree with him that an open confrontation of views helps not only to clear up the positions and promote thereby mutual understanding, but also serves to ensure practical cooperation and overcome preconceived ideas. It is usually not the sharpness of criticism but the “conspiracy of silence” that impedes co-operation.

These considerations encouraged the author to take the risk, and perhaps even incur the charge of immodesty, of starting arguments with otherwise highly distinguished and meritorious authors in the critical survey of the first part of his book, hoping, of course, that the reaction of his readers would be determined by the convincing power, or weakness, of his arguments rather than by their biased attitude to the Marxist view.

As far as the main part of his book is concerned, the author's dilemma is this: to what extent has he succeeded in contributing considerably new or more elements to those of the same idea that have already been outlined in a great many Marxist and other progressive works: e.g. to the “simple” and often proved thesis that present-day underdevelopment is the outcome of the international development of capitalism and thus inseparable from it. Though he could not possibly omit, especially after the critical survey, discussing again this question even ascribing to it a special significance, the author tried, on the one hand, to analyse the external, international and at the same time historical factors in a novel aspect as reflected in recent developments and changes, and, on the other hand, to use the analysis of these basic interrelationships only as a starting point and basis for a more

detailed examination of the internal mechanism of the "system of underdevelopment". This very starting point and basis enabled and allowed him to draw, in the analysis of this mechanism and structure, on certain partial results of the theories criticized before.

The examination of this mechanism and the trends arising from it go well beyond the sphere of political economy and open into the field of economic policy, demonstrating that the divergencies in the method and approach of analysis result in essential differences between individual ideas on long-term economic policy.

The chapters dealing with economic policy are of a rather limited size in relation to the total volume of the book and especially to the complex character of the problems involved. In addition, they may give the impression that the author has concentrated too much in the long-run on the historical perspective. He hopes, however, that even by this short summarization of his conclusions he will be able to convince most of his readers that rational economic action aimed at overcoming underdevelopment—together with its "tactical", short-term and micro-elements—presupposes the working out of a long-term "strategy" based on the results of a comprehensive analysis.

On the one hand, the author's prepossession suggests that the organic and comprehensive analysis of the external and internal factors and some of its details, as well as a few of the conclusions for a long-term economic policy, constitute some new contributions to the literature of underdevelopment, on the other hand, the author's fear prompts him to think that this very "new" will justly provide a target for criticism and attack.

The author would also like to take advantage of the Preface to acknowledge gratefully his debt to those who, in one way or another, have made it possible for this book to appear. Thus he is indebted to those in particular who, by their suggestions and critical comments on the manuscript of this book or the previous ones constituting its antecedents, offered him invaluable help: Professor J. Bognár, the late Professor I. Vajda, Professors A. Mátyás, J. Nyilas, M. Simai, G. Göncöl and F. Molnár, and other colleagues in Budapest; and also Professor Svendsen, Dr. Seidman and Dr. Arrighi and all those colleagues in Dar es Salaam, the discussion and debates with whom stimulated him to make corrections of, and additions to, the manuscript.

The author is also grateful to his home university in Budapest and the University of Dar es Salaam in particular for making it possible for him to stay in Tanzania for several years, a benefit which has ensured him not only the completion of his work and the very informative confrontation of its hypotheses with a concrete case but has also offered immeasurable inspiration to his research on the practical questions of development policy.

Dar es Salaam, November 1969

*Tamás Szentes*

## PREFACE TO THE FOURTH EDITION

When completing the first version of this book I kept in mind the aim of giving into the hands of my African colleagues and students (at that time I was staying in Tanzania) a comprehensive work, a sort of manual which sheds some light on the fundamental differences between the conventional Western approach to the problems of developing countries and the Marxist one, and which by polemizing with the most typical representatives of the former explains—on the basis of the Marxist literature and my own research—“underdevelopment” as the complex product of a certain historical process. The title of the book also indicates this polemy, the confrontation with the “purely economic” approaches. It points to the purposefully underlined relationship between political economy as a whole and its “chapter” concerning the developing countries, i.e. the indivisibility of political economy and its applicability to the Third World, too. Just like the “underdevelopment” of the periphery of international capitalism cannot be explained *per se*, outside the context of the development of the international system of capitalism, the political economy of underdevelopment cannot exist but only as an organic part of the total body of Marxist political economy.

For various reasons, (the date of closing the manuscript of the first edition in 1969, the aim and considerations of the polemy, etc.), the book has focussed much more on the role of colonialism and the dominance of the monopoly capital of the centre in the rise of the “system of underdevelopment” (or more precisely of a peripheral capitalist subsystem), on the type of the international division of labour as embodied in the latter, and the peculiar structure of underdeveloped economies and the mechanism stemming from it, than on the shifts in the investment pattern of international monopolies and the emerging new—I would call neo-colonial—system of the international division of labour.

Even apart from the fact that it would certainly be too early to speak about the operation of a new system of the international division of labour of capitalism, since certain signs show its emergence only, while the developing countries are still functioning mostly as primary producers, a book of this type, intending to reveal the roots and spontaneous tendencies of “underdevelopment” as a subsystem, has obviously to put the emphasis on the former questions.

During the seventies, however, a great many and controversial changes took place in international economic relations, including, besides price explosions and monetary disturbances, a world economic crisis which reflects both the disequilibria stemming from the "colonial" pattern of the international division of labour and the anarchistic nature of the redeployment process run by the transnational corporations. A new idea has also emerged and gained acceptance internationally, namely to establish a New International Economic Order, which, by the various principles, claims, and suggested measures it involves, is certainly challenging not only government representatives, diplomats and UN officers, but also scholars interested in development problems and international economic co-operation.

This is the reason why I added an Appendix to the third edition with the aim of summing up briefly the most important changes and new phenomena as well as my views on them. Since then the scope of new events and issues has, of course, further widened, new documents with new statistical data have appeared, etc. However, to expand the Appendix accordingly did not seem feasible, even apart from the concomitant shortcoming and awkwardness caused by the presentation of a complementary analysis outside the inner structure of the book, separating thereby interrelated issues.

In this fourth edition I have incorporated new chapters in the relevant parts of the book, or filled out the given chapters with new findings and fresh statistics and reinvestigated in the light of new facts, new phenomena, new statistical data and new research results, all the basic relations and trends analysed before as well as the tendencies of the changes. This fourth edition is, therefore, a fully revised and further enlarged edition, without an Appendix.

I have no reason, however, to change my views and main theses on the roots, nature and reproduction mechanism of "underdevelopment". On the contrary. Despite the many recent changes in both the international economy and the economy of developing countries, the basic causes, inherent tendencies, consequences and laws of motion of the "underdevelopment" of the dependent periphery of the world capitalist economy have, unfortunately, remained unaltered.

And so I can only repeat what I said in the Preface to the third edition: I wish I could have put all the statements and conclusions into past tense, that the whole diagnosis given in the book were already outdated and the shameful phenomenon called "underdevelopment" were nothing but a topic of past history!

*TAMÁS SZENTES*



**PART ONE**

**THE THEORIES OF "UNDERDEVELOPMENT"  
A CRITICAL APPROACH**



## INTRODUCTION

There are numerous theories of "economic underdevelopment" available. In non-Marxist economic literature they are often referred to as "theories of development" as distinct from the "theories of growth".

No objection can be raised against this terminological distinction as long as it merely reflects the now general *de facto* practice which "honours" the ex-colonial and semi-colonial, dependent countries by attributing to them the euphemistic or polite epithet "developing". (It is, of course, rather strange to use the phrase "developing countries" when this term refers precisely to the *least developing part* of the world economy. Therefore, it would perhaps be much more appropriate to use the phrase "countries mostly in need of development".) In so far, however, as it is the consequence of the theoretical, or perhaps more exactly, ideological consideration which exempts the advanced capitalist countries from the need for "development" involving structural and organizational changes, it is the implicit manifestation of orthodox apologetics. It is true, nevertheless, that this negation implies an affirmative statement in the other direction, i.e. the acknowledgment of the need for structural-organizational changes in the countries that have not yet developed.<sup>1</sup> On the other hand, this distinction of "development" involving structural changes (in relation to the countries not yet developed) from the "growth" (supposed to be continuous and quantitative) of the countries already developed is, or more exactly would be, a more or less true terminological expression of those theories which postulate as a precondition for the transition to "self-sustained growth" some sort of "big push", "take-off" or "critical minimum effort".<sup>2</sup> It is ironical, however, that it is often the very advocates or even authors of such theories who use another terminology.<sup>3</sup>

<sup>1</sup> A. O. Hirschman, among others, has adopted this distinction on the grounds that the structural and organizational changes that turn the traditional economy into a modern one, are no longer necessary in the case of advanced industrial countries.

Similarly, A. Bonné holds the view that economic growth is "a self-induced process of economic expansion" characterized, under given and unchanged institutional conditions, by changes in terms of economic parameters, i.e. by quantitative changes, while "economic development" presupposes a "conscious and active promotion", i.e. institutional changes. (See A. Bonné: *Studies in Economic Development*. London, 1957.)

<sup>2</sup> See below.

<sup>3</sup> The title of Leibenstein's book is *Economic Backwardness and Economic Growth*, and that of Rostow's: *The Stages of Economic Growth*. (Their theories will be dealt with later.)



Professor Jorgenson differentiates between the theories of “development” and “growth” on the grounds that “in the theory of development emphasis is laid on the balance between capital accumulation and the growth of population, each adjusting to the other. In the theory of growth the balance between investment and saving is all-important and the growth of population is treated as constant or shunted aside as a qualification to the main argument”.<sup>4</sup> This explanation, however, is already based on a definite, clearly outlined theory which connects “underdevelopment” with the problem of “population pressure” and “capital shortage”. Although, as we shall see later, this view is shared by many, we cannot regard it as general and even less predominant. On the other hand, the terminological inconsistency can be observed in this case, too.

Any distinction between the theories of “development” and “growth” can at best only be accepted for practical reasons (just like the terms “backward”, “less developed”, “developing” which are used to designate the ex-colonial and semi-colonial countries), however, by no means, as a scientific distinction.

The terminological distinction on a *semantic* basis is unacceptable, because development always and everywhere involves and presupposes the dialectic of quantitative and qualitative changes, of evolution and revolution. And even if a purely quantitative “growth” can be observed in a given place and at a given time within the framework of the existing structure or system, it is not only the consequence of a previous qualitative change but it also inevitably paves the way for a new one. On the other hand, even if the spheres of quantitative and qualitative changes can be distinguished in *space* within a given period, their separation can be justified only if these spheres represent perfectly separate *closed systems*. If this is not the case, if they are connected with each other, or if they are just parts of a superior, synthetic process, their separation makes it simply impossible to understand them, as the quantitative changes taking place in the one sphere affect the qualitative changes taking place in the other, and *vice versa*.

No doubt, the terminological distinction according to *subject* or sometimes *methodology*—as in the case with Jorgenson—has some practical advantages. The theories related to the “underdeveloped” countries can, in fact, be distinguished to some extent from those related to the advanced capitalist or socialist countries. Political economy or “pure” economics is certainly concerned with different *problems* in the case of the “underdeveloped” countries. Consequently, the methods applied will also

<sup>4</sup> Quoted by F. Paukert in *The Place of the Traditional Sector in Economic Development. Lectures on Economic Development*. International Institute for Labour Studies. Geneva, 1962, p. 43.