

# The Anti-Samuelson

BY MARC LINDER

## Microeconomics:

VOLUME TWO

BASIC PROBLEMS OF THE CAPITALIST ECONOMY

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**URIZEN BOOKS / NEW YORK**  
Original from  
UNIVERSITY OF MICHIGAN

HB  
119  
S23  
L74  
1977  
v. 2

**Library of Congress Cataloging in Publication Data**

Linder, Marc.  
Anti-Samuelson.

Bibliography.  
Includes index.

1. Samuelson, Paul Anthony, 1915- Economics.  
I. Sensat, Julius, 1947- joint author. II. Title.  
HB119.S25L5 330 76-20796  
ISBN 0-916354-16-4 (v. 2)  
ISBN 0-916354-17-2 (v. 2) pbk.

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Manufactured in the United States of America

## Chapter 27 "Underdevelopment" (S's Chapter 38)

The word "underdeveloped" I do not understand differently from the words "conquered" or "subjugated," that is, as a participium perfecti passivi.—Günter Anders, "Imperialismus und Kampf dagegen," in *Das Argument*, XI, No. 1-2 (April, 1969), 2, n.1.

This is doubtless the most ahistorical chapter of the book, and as such also the most misleading. It allows S to develop his apologetic powers to the fullest: aside from a few perfunctory remarks concerning the by now widely proclaimed poverty in the "underdeveloped" nations, S furnishes no insight into the depth of the problem or of the hopelessness of any capitalist solution. He promises that "all the economic principles we have learned can now be brought to bear" on this issue (765); however, not only do these "principles" provide no solution to the problem of "underdevelopment," but the reality behind those "principles" created the "problem" itself.

### THE CONCEPT OF "UNDERDEVELOPMENT"

This section represents the distillation of the ahistorical approach that permeates the rest of the chapter.

As S we have before us a "formal" definition which does not help explain the phenomenon under review: "Writers used to speak of 'backward' nations, which naturally irri-

tated the people of those lands. To avoid offense the United Nations sometimes uses the roundabout expression 'developing' nation" (8th ed., p. 741; in the 9th ed. "underdeveloped" becomes "less developed" [765]).

Were the "people" "irritated" because: (1) Backward was an incorrect term to apply to their countries? (2) It was correct but they did not like the term because they were ashamed of the reality it characterized? (3) Their nations were at one time more advanced than the present day "forward" nations and the process that made the former "advance" caused the others not only to stagnate, but to fall behind the level of material progress they had once achieved?

Does the UN always try to avoid "offending" people? If the term "developing" is merely a circumlocution, doesn't it mean the same as backward? Don't the "irritated" people realize that the "offense" has not been removed?

Who were the writers who used to speak of backward nations? When did they write? Was there always backwardness? No answers are to be found in S.

S provides us with a two-part definition which he has apparently synthesized from "alternative" ones, a "simple" aspect and an "optimistic" one. According to the first part, underdevelopment means low real per capita income in relation to high per capita income; the second part relates to the ability to raise the level of income.

The definition is unclear on its own grounds: for example, does "capable of substantial improvement in its income level" refer to absolute or relative income level? If it is merely an absolute increase accompanied by an equal or even a greater increase in the countries with higher income levels, then this means that the differential remains constant or even expands. As it turns out, S himself later admits (768 f.) that this differential is widening. Since S's definition provides us with but a single criterion for judging underdevelopment, S would have to admit that the countries in question are not "underdeveloped" in the sense that they do not "seem" to be able make up ground relatively. If on the other hand S merely means an ability to

increase income in absolute terms, regardless of the gap between the high- and the low-income nations, then his own definition would condemn these countries to a perpetual state of underdevelopment since their income level would always be lower. In either case, the definition, even on these formal grounds, provides us with no relevant criteria for explaining the origin or development or future of "underdevelopment." Either the country is not underdeveloped but permanently "backward," or it is permanently underdeveloped—not a very enlightening working hypothesis.

In case anyone caught on to this piece of doublethink, S then offers his only historical insight: underdevelopment exists in all countries since perfectibility is impossible: "Even the so-called 'advanced' countries were once underdeveloped by our definition and had to go through *the* process of development" (766 f.—our emphasis). S's radical mockery of the "advanced" nations only serves to divert attention from his underlying ahistorical approach. To begin with: What is the process of development? Were we too harsh in asserting that S has provided us with only one criterion of underdevelopment? Apparently not, since he directs us to table 38-1 which "gives a picture of the relative stages of development of different countries" (766). This table purports to group countries by "level of economic development" (767). What are its classifications? "Highly developed," "intermediate," and "less developed." It does not even present adequate cutoff criteria. All we are told is that all A group countries are above \$1,800; the cutoff between B and C is not given. This chart does not show any stages of development whatsoever, let alone *the* process of development. All it presents is a pre-scientific ordering of some nations according to one statistical criterion. What lends this classification the status of *the* process of development?

If any stages are to be shown, then some time series would have to be used. Let us do this for S. In the eighth edition we find that Bulgaria, Rumania, Yugoslavia, and Cuba all moved up from C (their rank in the seventh edi-

tion) to B, and that Czechoslovakia and the USSR moved up from B to A. Thus of a total of ten socialist countries listed, six, or more than half, moved up. Of the eighty-seven capitalist nations listed in B and C in the seventh edition, only four moved up: Lebanon and Libya from C to B, and Japan and Israel from B to A, whereas two other countries, Brazil and Malaysia, moved back from B to C. This would indicate that even according to S's standards, the socialist countries are "developing" quite well, whereas as the capitalist countries are not developing at all.

Let us leave this relatively uninteresting table and return to the underlying ahistorical approach. S claims that "even" the present-day A countries had to go through *the* process of development. What is this supposed to mean? According to the extremely limited standards we have been given, it can only mean that at some time the leading countries, such as U.S., Britain, France, etc., were C-type countries and subsequently made their way to the head of the class. Either this is correct, in which case the former C-type countries must have displaced the then A-type countries, or, this is not correct, in which case they were never underdeveloped in the sense understood by S. If the first is true, then the upward movement of some countries is linked with the downward movement of others, a causal connection which would wreak havoc with the bourgeois conception of harmony. If the latter case turns out to be true, then there is no such thing as *the* process of development and one can draw no analogy between the situation of the so-called underdeveloped countries today and the situation of today's A countries two hundred years ago.

To answer these questions let us examine the findings of Simon Kuznets, who also posed the question of the " 'earlier situation of the more developed countries' with which the present state of the underdeveloped countries should be compared":

We may then ask whether an earlier comparable situation of the more developed countries, i.e., essentially of Western and Northern Europe and of their offshoots in North America and

Oceania, means a period when they were underdeveloped, i.e., lagged behind the then leading economies; when their backwardness relative to the leaders was as marked as that of the underdeveloped countries today; when their per capita incomes were as low and material deprivation and misery were as widespread as in the latter. . . .

Posed in this fashion, the question has little meaning for the young, relatively "empty" countries peopled by the Western Europeans and their descendants. In the very early history of the United States, Canada, Australia, and New Zealand, the groups involved were small bands of pioneers, voluntary and involuntary; and many of the early settlers may have suffered material deprivation comparable with that in the underdeveloped countries today. But these troubles were the penalty of pioneering, not of economic backwardness; and the comparison is irrelevant. At no time after these early pioneering days had passed and the settled groups had begun to be significantly large did these countries lag much behind the economic leaders.<sup>1</sup>

So then with respect to the younger advanced capitalist nations, at least, this evidence points to the second of the two cases postulated by us above: namely, that they were not underdeveloped in any sense comparable to that status now "enjoyed" by the B and C nations. But we still do not know whether any *causal* connection exists between these concurrent upward and downward movements; that is to say, we do not know whether the blooming of the original advanced capitalist countries was based on or contributed to the decline of the then advanced countries of the East, etc.

This is as far as S's approach can take us—all his quantitative criterion can show is the relative levels of per capita income at any given time. It cannot provide any explanation of why certain countries are moving up while others are moving down; it does not even pose the question of a possible causal connection between the two.

What is the reason for using one, or even several quantitative characteristics to "define" underdevelopment? We are not denying that the fact that France's per capita income is x-times higher than that of the Ivory Coast is

significant—on the contrary, this *could* be an important indicator of the material well-being of their respective inhabitants. But the concentration on such a statistic creates an insurmountable barrier to an understanding of the social and historical causes of this income differential. Such statistics merely point to the symptoms of underdevelopment; and the fact that they are then assigned a central function means in effect that causality is being thrown out the window.

The emphasis on statistics goes hand in hand with the view of underdevelopment as a condition rather than as a historical process. By denying the existence of a process specific to the so-called underdeveloped countries of today, S's theory must also lead to false practical recommendations as to how that "condition" may be abolished.

And finally, S's approach makes it impossible to see any "developmental" difference between socialist and capitalist societies; to imply that the reason for the difference in per capita income in the GDR and Cuba is the same as that of the U.S. and Costa Rica contradicts historical reality.

## HISTORICAL ORIGINS OF UNDERDEVELOPMENT

Underdevelopment, as defined quantitatively by bourgeois economists does not have a very long history; it arose with the development of capitalism in Western Europe and the absorption of the non-European areas in the world market, at first by violent means and then by more traditional market procedures.

Although at earlier stages in history differences in the levels of material production attained by various societies or "civilizations" have existed, the point is that by and large these societies had little or no contact with one another—the development of one stood in little relation to the development of the other. This means that the causes of development or lack of development in any of these societies lay within themselves.

## METHODOLOGICAL EXCURSUS

Even here we must recognize that undifferentiated talk about development leads nowhere. Although this would seem self-evident for the past, it does not deter S from classifying Nepal and Yemen along with Formosa and Ceylon. If I know that GNP rose by  $x$  percent in the first two countries and by  $y$  percent in the latter two, have I learned anything significant about their development? One set of countries appears to be an isolated remnant of a direct exploitative society, whereas the other set represents a group of countries with a history of colonial-imperialist exploitation now involved in a process of domestic capitalism. To treat them as undifferentiated in development only serves to mask the essential differences between radically different modes of production.

But more important, this approach blurs the essential distinction between development in capitalist societies and in all other modes of production. Whereas in all previous societies production was oriented at satisfying concrete needs—whether of the immediate producers or of the exploiting master classes, as in slavery or feudalism—and was thus limited by the range of use values desired, in capitalism the bounds of use-value production are broken—production is regulated by the production of value, and more specifically of surplus value. “Development” is now subject to very different laws from those which regulated use-value production in previous societies.

Marxism does not deny the great advance capitalism represents in this respect—that is, that production could now be carried out on a scale inconceivable in any previous mode of production. But the point here is that for the first time “development” meant progress toward creation of something other than the greatest amount of use values consonant with the needs of the whole society and/or of its social classes (constrained of course by the development of the forces of production); for now development was guided and characterized by the accumulation of capital and the production of the greatest amount of value embodied in

profit. Increasing GNPs accompanied by declining rates of profit are not a sign of progress in capitalism, although increasing rates of profit accompanied by reductions of output can be.

It becomes clear then that development under capitalism must be understood as a process quite unlike development under feudalism or slavery. One law of development common to capitalism and all preceding modes of production refers to a contradiction involving the impossibility of the continual coexistence of the relations of production and the forces of production; at some point the incompatibility results in the destruction of the mode of production. This does not necessarily lead directly to the formation of a new mode of production—a long period of disintegration, stagnation, and dissolution may ensue. This is not a universal law of contradiction which as it were finds embodiment in empirical cases; but it is a process which has been common to all transitions from one mode of production to another, although the concrete mechanism has been different in each case.

Stagnation, dissolution, etc., cannot be viewed as contrary to or somehow as the absence of development; all it means is that development can no longer take place *within* this particular mode of production—whether and how a transition will take place to a new mode of production depends on historical circumstances which are not inherent in either mode of production.

This line of reasoning leads us back to S's understanding of underdevelopment. In Chapter 37 he had a field day with writers who allegedly "tried to read into economic history a linear progression through inevitable stages" (750); he himself took no stand on the matter at all—he never bothered to inform the reader whether such stages of historical development ever existed, how they came about, etc. But now S himself, in his attempt to measure development by GNP without any explanations, has fallen victim to the "linear progression" thesis. With S progress means only progress toward capitalism ("mixed economy"). Not only does he refuse to comment on the existence of

prior modes of production, his whole approach implies that there can be only quantitative differences between societies—the size of their per capita incomes, etc.

Let us resume the discussion of the historical origin of contemporary capitalist “underdevelopment.” The decisive turning point here corresponded to the penetration of non-European nations by European merchant capital. This was a transition period in Europe: feudalism was dissolving, trade was developing, peasants were being forced off the land and into the developing cities, small capitalist enterprises were emerging, and capital was beginning to be accumulated by a class of traders. The interest of the merchant capitalists in the non-European areas lay in the huge profits and the cheaper raw materials which could lower production costs of manufactured goods in Europe (this was particularly important for the period in which merchant capital was directing its interest to direct production).

Merchant capital acted as a catalyst in the development of industrial capitalism, for it accompanied the process of the separation of the laborers from their means of production and thus from their means of subsistence; money capital enabled capitalists at this point to reunite the laborers and the means of production by buying them—that is, pay wages and buy machines and raw materials. This process of the separation of the workers from their means of production and subsistence was part of the process of disintegration of feudalism; the accumulation of money in the hands of traders helped accelerate this process of dissolution while the process itself enabled this accumulated money to become capital.<sup>1a</sup>

Under these circumstances the amount of accumulated merchant capital can be crucial to the way in which and the speed with which capitalism may assume control over industrial production. The large accumulation of merchant capital in Western Europe received a critical impetus from its operations abroad.

While all this was taking place the non-European nations were not napping; there too primitive accumulation of capital was taking place. Similar processes could be observed in

India, Japan, China, the Middle East, and Eastern Europe. Although certain factors inhibited the development of capitalism in some of these areas, they were not insuperable.<sup>1b</sup>

In some respects the penetration of Western European merchant capital into the non-European areas was similar to its domestical role: it tended to contribute to the disintegration of the dominant self-sufficient rural communities, thus opening the way to primitive accumulation, separation of the immediate producers from their means of production and subsistence, etc. However, in these countries industrial capitalism did not develop out of this constellation of events. The reason is to be sought in the magnitude of the surplus product (we believe this term to be correct because the societies involved were not capitalist in nature) extracted from the countries as well as in the concrete form forced on the structure of their economies by the invading Western capitalists.

The qualitative structural changes wrought by colonial policy in the non-European areas stemmed in large part from the one-sided interest in contact: the initiative was taken by the European countries in an effort to find raw materials and a market for their manufactures; to this end it sought an "open door" for its exports and a closed door for colonial exports of manufactures.

The influence of colonialism on development in the non-European world has been harshly judged by contemporary left-liberal bourgeois economists. Their line of reasoning is usually embedded in a thesis characterizing foreign investments in the colonies as enclaves, meaning that these parts of the economy were essentially unrelated to the native development, that they were a foreign body which did not initiate the same "spread effects of dynamic growth" known in advanced capitalist countries.

We may accept this thesis insofar as it indicates that an element of capitalism existed in a hypertrophied form in an otherwise weakly developed capitalist country. But as we have seen, it is false to assert that this hypertrophied raw materials and food export sector stood in no organic con-

nection to the rest of the economy; in fact, precisely this penetration caused the inhibition of the incipient elements of capitalism in these countries and forced a permanent structure of so-called underdevelopment upon them.

We may see the germ of truth in the enclave theory in the circumstance that the export sector was oriented at the needs of the development of capitalism in the Western European nations. This can be depicted symbolically with the use of the formulas for the circuit of capital development by Marx.<sup>1c</sup> If we call money capital M; commodity capital C; productive capital P; and money capital and commodity capital containing newly created surplus value M' and C' respectively, then we can formulate capitalist production as follows:

$$M - C \dots P \dots C' - M'$$

This means that industrial capital is advanced in the form of money capital in order to buy means of production and labor power; there then follows a period of production during which a surplus value is produced which exists from the process of production in the form of commodity capital and is then sold (realized), leading to the retransformation into money capital—but this time of a greater value. With respect to our subject here, a part of the surplus value from this process is severed from its original self-expanding “flow” and channeled from the advanced capitalist country to the colony. Using lower-case letters here to designate a capital which has been severed from its original process and set into a new circuit of its own, we may describe the circuit of capital in the hypertrophied export branches of the colonies as follows:

$$m - c \dots p \dots c'$$

The reader will notice that this circuit is not complete as was the circuit of capital in the metropolis.

And it cannot be complete. This is grounded in the fact that the c' created in the developing countries with respect both to

its magnitude and to its use value structure is out of all proportion to the internal reproduction process of the developing countries and cannot find here an equivalent, a circumstance which also makes the transformation of  $c'$  to  $m'$  and hence the process  $c'-m'$  impossible. Since however  $c'$  is directed to the needs of the metropolises, it can find its equivalent only in the metropolises and must necessarily be realized in the circuit of capital of the metropolises.<sup>2</sup>

We see then that the enclave theory must be taken with a grain of salt, for although it does correctly point to the hypertrophied foreign-dominated export sectors, it does not emphasize the destructive effects which colonial penetration had on the rest of the local economy.<sup>2b</sup>

We have seen that today's "underdeveloped" nations do not conform either to the notions propagated about them by the older theories of backwardness or by the more "modern" theories of "underdevelopment": for as we now know these countries are neither "primitive" economies left behind in the wake of capitalist civilization nor merely "less-developed" capitalist countries on their way to the top. In large part these countries, with certain historical-local modifications, were undergoing the same incipient transformation associated with the rise of merchant capital and primitive accumulation in Western Europe. This process was interrupted by the penetration of foreign capital which foisted upon them a participation in the international division of labor which gave a crucial impetus to Western capitalist development and permanently blocked capitalist industrialization in large parts of the world, and the non-European countries thus thrust onto the world market "found themselves in the twilight of feudalism and capitalism enduring the worst features of both worlds, and the entire impact of imperialist subjugation to boot." "They existed under capitalism, yet there was no accumulation of capital. They lost their time-honored means of livelihood, their arts and crafts, yet there was no modern industry to provide new ones in their place."<sup>3</sup>

Such evidence is ignored only by apologists like S be-

cause it directly contradicts his theories of comparative advantage and harmony.<sup>3a</sup>

We can now close this brief section on the origins of contemporary "underdevelopment" having learned that present-day conditions in world capitalism are in no sense analogous to those at the beginning of capitalist industrialization in Europe.

The qualitative differences between the possibilities for capitalist industrialization or development then and now may be outlined as follows: Western Europe, in contrast to the countries of the "Third" World today, was not: (1) economically dependent on any other country; (2) characterized by hypertrophied sectors tied to foreign markets and penetrated by foreign capital; (3) subject to stagnation or development in accordance with world market conditions with respect to a single raw material or agricultural commodity; (4) subjected to external financial obligations; (5) confronted with any foreign competition to its nascent industry; (6) dependent on foreign means of production for its expanded reproduction; and (7) economically withered, deformed, or unbalanced, but rather integrated and autocentric.<sup>3b</sup>

It is essential to understand these differences, for it is the neglect and intentional masking of these conditions that lie at the base of bourgeois theories of underdevelopment; but even more importantly, these theories of underdevelopment serve as a justification of the various developmental programs which the U.S., other national capitals, and the international organizations like the IMF and IBRD have been trying with varying degrees of success to foist upon the "Third" World countries.

## THE ASSUMPTION OF A SOCIETYLESS "THIRD" WORLD

Instead of presenting useful criteria for understanding the process under study, S invents a typical "underdeveloped" person, said to be a farmer or peasant untouched by civili-

zation: "Neither the discipline of markets nor the deliberations of planning commissions mean much to you" (766).

Subjectively speaking this would hold true for almost every capitalist economic agent (including S)—for how many people understand the laws of capitalism? Its only sense then can be objective—that they are not affected by the market since they are not living in a "money economy." This not only contradicts S's imputing to them an "income" in money terms, but more importantly, it distorts the process of underdevelopment as we have seen it, since the peasant economies were influenced (i.e., destroyed) by foreign capitalist penetration.<sup>3c</sup>

Just as in Western Europe, capital had to create a proletariat and a market; this was done in large part by expropriating the land of the peasants who had been only peripherally involved in the sphere of commodity circulation. The methods used could be violent or "peaceful" ones like taxes, rent, interest, construction of railways, etc. Peasants forced to become wage laborers, now had to buy their means of subsistence on the market.

There may of course be some "people"—although hardly in India or Nigeria—in the jungle or desert whom capitalist penetration has passed by, but these are exceptions, and to imply that they are the rule only shows that S himself "knows little of science, but much of folklore" (766).

### **"THE URGENCY OF THE PROBLEM"—NAMELY, TO PROPAGATE ANTI-COMMUNISM AND TO CARICATURE ANTI-IMPERIALISM**

The urgency has to be proved because "there have always been differences between rich and poor" (766), even though the differences that arose are a product of capitalism. That is why S must introduce this factor on an empirical level, having implicitly denied the theoretical reasons for the polarization of wealth and poverty in the "free" world.

The next reason cited for the urgency of the problem is

the "ideological struggle"; finally mention is made of struggle in this best of all possible worlds, but, alas, it seems to be but a struggle for minds and hearts.

With each new edition the motivations of the "free world" become purer and the chances of capitalism's success greater. Thus whereas in the 7th edition the "communists" were still regarding "the underdeveloped regions as our Achilles' heel" (739), by the 8th edition the battle seems to have turned more in "our" favor and "both sides regard the underdeveloped regions as being torn between following the pattern of the mixed economy or following the pattern of socialism" (744—apparently these countries will be privileged insofar as they will be permitted to skip over several hundred years of the premixed economy "pattern.")

On the other hand, the "communists" still seem to be more insistent since they "ceaselessly agitate" and discourse on the polarization of wealth and poverty; but we are not told whether it is as a result of this "agitation" or of self-agitation that people in these countries "are today acutely aware of their poverty and its contrasts with rich lands" (770—perhaps all the people are communists).

Suddenly S realizes that perhaps things are not so bad after all, since extreme poverty may make people incapable of revolution; but, unfortunately this is not foolproof, so "nonetheless, to turn our backs on the problem of development is to court future disaster" (769). Now the intent of this section is becoming somewhat more transparent. If we could get away with letting these countries rot, then they would be okay; unfortunately, however, there is a chance that they might make "communist" revolutions, which for some as yet unelucidated reason would be disastrous for "us."

The thrust of the section is directed against any serious understanding of the worldwide anticolonial and anti-imperialist struggle which has assumed a particularly sharp and successful character since World War II. The reason for the sudden interest in development is not explained; all we hear is that they no longer "accept their relative poverty as the divine will of Allah."

S tells us that "Altruism and political motivation aside, advanced economies have a selfish interest in growth of underdeveloped nations to provide markets for international trade" (5th edition, pp. 779 f.). There then follows a discussion of whether or not growth would increase our exports. Naturally S comes to the conclusion that development would be good for "us." There is a conflict here—a conflict among various capital groups in the advanced capitalist countries. To the extent that growth means a type of industrialization which would eliminate "Third" World dependence on imports of manufactured commodities (i.e., largely consumption items of Department II), this would evoke different responses from different capitals. The exporters of these commodities would of course oppose such "growth"; the producers of the means of production necessary for the production of such commodities would of course support such growth.<sup>3d</sup> But at some point both types of capitals would cease to be interested in such growth once these countries become strong enough to produce their own manufactured items and also begin to invade the markets of the advanced capitalist countries. They would also oppose such growth if it means the end of their direct investment opportunities.

But S is interested in a "more complicated" issue—namely that "we" do not want trade "for the sole purpose of increasing our mere dollar sales"; no, "rational self-interest makes us want other nations to develop so we can *import* from them goods that we can less economically produce at home" (5th ed., p. 780). Of even more interest is S's supplementary explanation: "our main selfish economic reason for wanting development abroad rests on *our desire to have foreign economies grow up which display those differences in comparative advantage that our earlier chapters have shown to be the sole basis for fruitful international exchange*" (ibid.).

This is not an unambiguous statement inasmuch as S made some confusing remarks on this subject earlier (696); there he said that more "benefit" derived from trade with countries of the tropics or Far East whose economies were very different from that of the U.S. than from trade with

other advanced capitalist countries with similar economic structures; at the same time, however, he “modified” this dictum to the extent that the underdeveloped nations had so little “purchasing power” that they were really poor customers, whereas most trade took place with the similarly structured economies. So where does that leave us with respect to “growth”? Apparently what S has in mind is the best of both worlds; these countries continue to produce raw materials, but they must somehow get more purchasing power so that they can become better customers.

That this is his motive appears to flow from his closing remark to the effect that “we must admit that the developing countries may not wish to concentrate on the industries that will be of greatest interest to the advanced countries; hence we face a real possible clash of interests” (5th ed., p. 780).<sup>3e</sup>

The next of S’s additional points of “urgency” bears the title “Need to avert slump by economic imperialism?” S does not think much of this argument because it emphasizes exports, whereas he has already proved that what “we” want is imports. Nevertheless he summarizes “the Lenin theory of economic imperialism”—as he himself phrases it so precisely—“crudely”:

Wealthy capitalistic nations always face at home a worsening oversaving crisis. To keep their profits from falling and to stave off ever-increasing depression crises, they must dump goods abroad. Solely for this selfish reason do they seem to favor development of backward countries. In actual fact, they will end up enslaving the native peoples in bonds of “colonialism,” probably even starting wars among themselves in their rivalry for colonies [5th ed., p. 781].

Commenting on this, S asserts that during the Great Depression “some economists might have been frankly troubled for an answer to the neo-Marxian theory of imperialism,” but that with the advent of a modern arsenal of Keynesian programs “there is never any need to create domestic purchasing power by foreign trade” in order to “fight unemployment” (ibid.).

To return to the “crudely” summarized theory: In the first place, it is so crude that it resembles no theory that anyone ever devised. In part it makes no sense whatever, and in part it is taken not from Lenin—but from Keynes. It was Keynes, not Lenin, who spoke of oversaving crises: “the primary evil is a propensity to save in conditions of full employment more than the equivalent of the capital which is required, thus preventing full employment. . . .”<sup>4</sup> Nor did Lenin ever speak of any crises that are “always worsening”; in fact he emphasized that no crisis is impossible to exit from as long as the working class offers no resistance; more important is the fact that the assertion S imputes to Lenin is based on a misunderstanding of Marx’s theory of the industrial cycle.

Dumping results from a monopoly position on the home market which allows a capitalist to lower his prices in enemy markets; in “backward” countries dumping would not be necessary because there would be no local competition forcing the foreign capitalists to lower their prices; they would be monopolists there too and could charge the same high prices they do at home. Furthermore, Lenin’s theory of imperialism is not concerned with unemployment as a factor of economic crisis which the capitalists must at all costs eliminate. It may turn out to be a political necessity in order to forestall revolution, but a huge reserve army was always a healthy sign.

And, finally, this “crude summary” neglects what Lenin saw as the chief aspect of imperialism—capital export.

None of this bothers S who is sure that “it would be fruitless . . . to study the interplay of political and economic motives and tedious to try to draw up the detailed balance sheet of historical help and harm by advanced nations to underdeveloped ones” (ibid.).

#### THE ALLEGEDLY NEW CONCEPTS OF BOURGEOIS DEVELOPMENT THEORY

S himself delivers his own judgment when he characterizes this section as “a montage of the most important notions

developed in the recent literature" (772). What could be more shabby than to grab a few "notions" that have been floating about for centuries, claim them as achievements of "the recent literature" and impute to them the status of "special features" added to the above growth models? But then again perhaps S is only being consistent, since his emphasis rests on "the economic determinants of production," which do not exist anyway.

### "PRECONDITIONS FOR GROWTH"—OR CAPITAL-ACCUMULATION EQUALS DEVELOPMENT

First we are told that "economic development" is "primarily the outcome of the last few centuries of Western history" (722). Now of course all one has to do is define development according to the alleged "six basic trends of economic development" (746) in the advanced capitalist countries and, presto, economic development is restricted to this period. Does S really want to deny the existence of economic development in, say, China prior to the "industrial revolution" in the "West"? This is how S presents the origins of economic development: After "warfare diminished" in some "lucky places" "a surplus over subsistence became possible." Obviously this was a momentous moment in human history, so how does S explain its significance? "And usually wealth was so unequally divided among the aristocratic landowners and the bulk of the populace that the rich were able to abstain from consumption and to funnel savings into capital formation. Economic development could now take place" (772). Finally S makes clear what he has been hinting at all along.

To begin with, he plays fast and loose with chronology, in line with his promise to "abandon strict chronology to stress the important economic principle that the take-off serves to dramatize" (773). The development of a surplus beyond subsistence belongs to the Neolithic age. Then all of a sudden we get "aristocratic landowners," presumably of the "Western" variety since that is where economic development originated a "few centuries" ago.

In point of fact, the creation of reserves, abstaining from their consumption, creating means of production, etc., all preceded the existence of "aristocratic landowners" and capitalism. Thus, the creation of means of production is not the same as capital formation.

At this point, "economic development" could take place. In other words, for S economic development is apparently synonymous with, and/or has as its precondition, capital formation. He may, of course, say this, but if he defines capital formation to mean the making of means of production, then economic development has been taking place for thousands of years in various modes of production. .

There is a rational kernel to S's statement: namely, that with the bursting through of the barriers of use-value-producing modes of production, capitalism did open the way to the qualitatively new kind of development or increase of the forces of production, which S doubtless means. But in that case he would have to specify the characteristics of the capitalist mode of production which made this possible. But S cannot do this, because given his supra historical concept of capital formation he has "aristocratic landowners," presumable feudal lords, "funneling savings [!] into capital formation."<sup>4a</sup>

S asserts that the "notions" mentioned in this section were "developed in the recent literature." The concept of surplus in economic theory first arose among the mercantilists to characterize a positive foreign balance of payments. It was further used by the French physiocrats approximately 150 years later to characterize the unique productivity of agriculture. Smith and Ricardo extended the discussion in part as a polemic against the historically obsolete waste of the feudal mode of production, but also positively as the part of the product which had to accrue to the capitalist in order to produce on an even larger scale.

During the post-Ricardian era, at about the time Marx was writing *Capital*, the concept of surplus began to go out of style, partly because once the battle against feudalism had been won capitalism itself began to create waste on an unprecedented scale, and it had no desire to leave itself

open to the criticism of the potentially dangerous concept of surplus. Secondly, with the general rise of subjectivism (marginal utility, etc.) an objective concept like surplus was not likely to find a warm reception and was thus easily replaced by such individual notions as savings and investment; unlike surplus, which the classical bourgeois authors still saw as originating in the process of production, savings and investment, allegedly rooted in personal decision, could conceal their social derivation.<sup>4b</sup>

### SOCIAL OVERHEAD CAPITAL

This concept dates back at least to Adam Smith:

The third and last duty of the sovereign or commonwealth is that of erecting and maintaining those public institutions and those public works, which, though they may be in the highest degree advantageous to a great society, are, however, of such a nature, that the profit could never repay the expence to any individual or small number of individuals, and which it therefore cannot be expected that any individual or small number of individuals should erect or maintain. The performance of this duty requires too very different degrees of expence in the different periods of society.<sup>5</sup>

Let us take a look at the phenomenon of social overhead capital in the context of its alleged creator: Paul Rosenstein-Rodan. He suggested the importance of the phenomenon in the course of offering "an alternative way of industrialization" to that of "the 'Russian model' " for Eastern and Southeastern Europe.<sup>6</sup>

Rosenstein-Rodan sees the main problems with the "Russian model" in its slowness, since it forgoes foreign investment; this leads to "unnecessary sacrifice." But equally important to him is the existence of "appropriate natural resources in the area" which would no longer be available to the international division of labor. Basically his plan recommended building up this part of Europe along lines described by certain current plans: namely "light industries in overpopulated areas," since "even for the purposes of an expanding world economy, the existing heavy

industries in the U.S.A., Great Britain, Germany, France and Switzerland could certainly supply all the needs of the international depressed areas."<sup>7</sup> And again, similarly, the exports of these newly industrialized areas will have "to be foreseen and planned in such a way as to minimize the burden of necessary adjustment of economic resources in the creditor countries."<sup>8</sup> Thus in some sense Rosenstein-Rodan is a forerunner of contemporary neocolonial plans. But he goes even further, for he envisions an Eastern European Industrial Trust in which the great imperialist powers would presumably invest, and that their investments would go into social overhead capital or infrastructure, not normally an investment opportunity.

The new aspect of this author's proposal is his adoption of the "Russian model's" approach of planning; for his interest in social overhead capital is directly related to his belief that, "The existing institutions of international and national investment do not take advantage of external economies. There is no incentive within their framework for many investments which are profitable in terms of 'social marginal net product,' but do not appear profitable in terms of 'private marginal net product.'" <sup>9</sup>

It still must be explained under what conditions the individual capitals would have to be interested in investments that are not directly profitable for them. But since Rosenstein-Rodan proceeds from the fiction of a capitalist society dealing only with use values and/or with the satisfaction of consumption, he cannot explain the contradictory relations between the state and the needs of capital's self-expansion.

On the other hand it is not precise to claim, as S does, that external economies benefit everyone and should therefore be financed from taxes: S says for example that "a railroad can benefit all industry" (773). Perhaps, but usually the peasants and small producers in the areas "opened up" by the railroads find their existence destroyed. Perhaps this is historically "progressive" in the U.S. where large-scale industry did eventually arrive; but in cases like India, etc., where these people have been waiting in "disguised un-

employment" for more than a hundred years for the social benefits of the railroads, it is pure demagoguery even to imply the existence of a "marginal social net product" which is to be "maximized."<sup>9a</sup>

## THE POSSIBILITIES FOR CAPITALIST DEVELOPMENT IN THE "THIRD" WORLD

In order to support the thesis that total social planning does not compare to the "mixed economy" and that it is useless to build up industry before agriculture has become dominant, S once again invokes the "law" of comparative advantages: "The whole theory of comparative advantage . . . suggested that growth within a region does *not* best take place in balance" (774). He universalizes a pattern of development that emerged in a *few* countries with *one particular* mode of production at *one particular* time in its history. That this pattern is perhaps not possible for the nonadvanced capitalist nations, or that even if it were it may be inferior to other developmental methods is a possibility S does not even entertain.

The practical consequences of enforcing the "law" of comparative advantage in the past have been outlined by Myrdal:

Underlying the grand strategy of free international trade, especially in the latter half of the nineteenth century and into the 1920s as well, was the static theory of comparative advantage. Instead of being viewed as exploitation of poor and underdeveloped colonies in the interest of rich countries—which it was in part, though only in part—colonial policy of the laissez-faire variety was rationalized on the ground of mutual advantage. If the South Asian resource endowment made the region peculiarly suitable for plantations and extractive industries, while Europe's resources made it the "natural" center for manufacturing, what could be more mutually advantageous than an exchange of raw materials or agricultural products for manufactured commodities? Specialization along these lines would seem to make economic sense. Yet it was convenient to ignore

the fact that the export sectors of the South Asian economies were not run or controlled by or for the local inhabitants and that much of the benefits that should in theory accrue to South Asia went to Europeans.<sup>10</sup>

S, apparently fearing that his advice was a bit too strong, modifies it: "If coffee demand and supply are volatile, and if *future* comparative advantage may lie in certain manufactures, a country like Brazil may be well advised to interfere with the market tendency to specialize in coffee production. But prudent diversification and truly balanced growth are by no means the same" (774). First we get the recommendation, and then this "prudent diversification" concession hedged in with "ifs" and "mays," as if this were a hypothetical situation restricted to a large country with a relatively large industry anyway.

What exacerbates the problem is that such primary products, as opposed to manufactured commodities, are the main generators of money incomes in large parts of the "Third" World; this means that these cash crops must find a market abroad.<sup>10a</sup> Despite its enforced adherence to the "law" of comparative advantages the "Third" World's share of world trade has continued to decline during the post-World War II period, partly because that primary products as a percentage of all world exports have fallen from 54.0 percent in 1953-54 to 41.6 percent in 1965-66.<sup>11</sup> This drop in part reflects the economization on the use of raw materials in the productive processes in the advanced capitalist nations as well as the inroads made by synthetic materials. S of course would like to bring in "the budgetary laws of Engel" to explain this downward movement. But, as the IMF-IBRD study points out, "there is one major exception to this relationship" which focuses on the basis of the problem: "The exception is that very poor consumers and poor countries will normally spend a large proportion of any increase in real income on food rather than on industrial goods and services; and at the extreme, an increase in real income at the lowest level may even lead to a more than proportionate increase in the food component of total expenditure."<sup>12</sup>

S's pooh-poohing of industrialization attempts assumes two forms. On the one hand, he appeals to imperialist antinationalist stereotypes by suggesting that it is "vanity" that causes each country to want its own airline and steel mill (774). The second prong of his attack has a more scientific ring. Here he advises one not to "jump to the conclusion: Industrialization is *cause* rather than *effect* of affluence" (ibid.). And although at one point he admits that regions where agricultural productivity exceeds industrial productivity are the exceptions, a little later he argues that "it simply is not true that the greatest productivity advances of the last century have been in industry rather than agriculture. . ." (775).

No one has claimed that industrialization processes have no prerequisites. Neither has anyone denied that agricultural productivity has increased. The point is to explain why this is so. When S speaks of Holland and Denmark he gives the impression that agriculture and industry are two totally separate spheres. But, in fact, a productive agriculture presupposes a certain level of industrial development.

The fact that smaller capitalist countries like Denmark were able to use their agricultural exports to help build a domestic industry is no proof that this "strategy" is tenable today for the countries of the "Third" World. Although in the abstract it is possible for a "developing" nation to use agricultural exports as a means of involving itself in the international division of labor, and thus of providing itself with the Department I commodities it requires for a program of industrialization, it is precisely the present situation of the capitalist underdeveloped nations, in contrast to, say, that of Denmark in the last century, that obstructs such a strategy.

The absolute level of agricultural productivity is low in most underdeveloped capitalist countries, in large part due to the semifeudal social relations in their agricultural sector. Thus in order to remove this barrier to increased agricultural productivity, some sort of social "revolution" must take place.

What are the possibilities? The common call is for land

reform. Even S speaks of it. The point is the eminently political one of what social forces will support land-reform programs. Certain economists have dealt with the concrete factors at work here, chief among them is Gunnar Myrdal. As he notes, "the power in most underdeveloped countries is monopolized by political elite groups within a tiny upper class whose short-term interests are generally not in line with honestly and effectively carrying out the progressive reforms."<sup>13</sup>

Ruling out an uprising of the masses, Myrdal comes to the following conclusion:

It would under these conditions seem to be preferable to make a deliberate policy choice in favor of capitalist farming by allowing and encouraging the progressive entrepreneurs among the group of peasant landlords and privileged tenants to reap the full rewards of their strivings. This might encourage more such farmers to act in the same way and, in particular, to give up relying on sharecropping.<sup>14</sup>

But he admits that the prospects are "far from bright" given opposition from above and below; the "rural underclass," is unlikely to be sophisticated enough to see their interest in spreading progressive entrepreneurship among the landowners, particularly since that would imply turning sharecroppers into employed workers, which many of them would consider socially degrading.<sup>15</sup>

S can always turn to land reform; after all, "as the Communists well know, the situation is explosive, and agitation for land reform signifies a ground swell of public sentiment not long to be denied" (778). He fails to explain how these shifty Communists can want both land reform and "collectivization." The consequences of land reform depend on the social forces bringing it about. Paul Baran points out that unless accompanied by capital accumulation and industrialization, agrarian reform (under nonsocialist conditions) is apt to retard rather than advance a country's economic development.<sup>16</sup>

The key issue is industrialization. According to Baran, in the advanced capitalist countries the agrarian revolution was followed by an "agrarian counter-revolution" which

capitalized agriculture.<sup>16a</sup> but as we have seen, it is precisely this key factor of industrialization that S wants to deny.

Of course S is willing to admit "the germ of truth in the argument for pushing industrialization in order to speed development" (775). He adds that "fortunately, there is often much 'disguised unemployment' in rural areas," which means that the industrial labor force can rise without causing a drop of output in the agricultural sector (8th ed., p. 750). Obviously S has not understood the problem of industrialization in the "underdeveloped" nations. Even before the penetration by foreign capital, processes of transition from a feudal to a capitalist mode of production had been underway in non-European areas. This penetration on the one hand reinforced this process of transition insofar as it accelerated the dissolution of the villages with their use-value- or small-commodity-production-oriented peasants and artisans. This of course led to the rise of a huge reserve army which could and had to be used by the foreign capitalists in their mines, plantations, railroads, etc.

This, however, was only one side of the development; for on the other hand there were conscious, forceful efforts on the part of the foreign capitalists supported by their governments to prevent the rise of domestic industries. The whole point in destroying an existing system was to gain a labor force and to eliminate local competition. This eventually led to the contradictory economic system known as capitalist underdevelopment. For the foreign capitalists were interested in the destruction of the stagnating old system insofar as it represented competition and barred access to a large "pool" of cheap labor; but they were not interested in its total destruction because this would have undermined their alliance with the domestic ruling class and might have cleared the way for the sort of capitalist revolution experienced in Europe. Thus the foreign capitalists were interested in the preservation of the older system insofar as it continued to stagnate without stimulating the creation of capitalism.<sup>16b</sup>

S does not appear to understand that there were still objective forces at work in these countries "pushing" toward capitalist industrialization despite the successful suppres-

sion by the foreign capitalists. Their existence has been testified to repeatedly during periods in which the pressures of foreign control have been relaxed or severed, leading to incipient industrialization on a scale never experienced during the periods of intensive foreign domination.<sup>16c</sup>

Thus at the end of the discussion on industrialization versus agriculture, S has provided no clear answers since he has posed no questions: the "theory" he propounds in Chapters 34 and 35 already informed us that nature has equipped the underdeveloped nations to do what they are presently doing. But since the social forces necessary for a thoroughgoing "classical" capitalist industrial revolution are not present, and since the only forces that could put an end to "underdevelopment" are "ruthless" communist ones, S winds up putting his faith in the "patterns" spontaneously created by "supply and demand . . . in the old days of relatively free enterprise" (774).

#### CAPITAL ACCUMULATION AND SOCIAL CLASSES

At this point it is necessary to examine the basic concepts of the bourgeois theory of underdevelopment. S opens with the general bourgeois theory of underdevelopment:

To break out of a vicious circle of poverty and underdevelopment, capital formation is needed. But starving peasants cannot be expected to take much thought of the future. In past ages inequality of landownership probably helped solve the problem of social thrift, but in a ruthless way. Collectivist economies like China, North Korea, and Russia can by fiat impose the same ruthless abstention from current consumption [775].

Let us analyze this passage carefully. Given S's definitions, the first statement is tautological; since he has covertly defined poverty and underdevelopment as characteristic of certain societies trapped in the transition from feudalism to capitalism, it is obvious that what is lacking, at least on the surface, is the main characteristic of capitalism—the production of and accumulation of surplus value. The next sentence consists of two related but separate sociohistorical

distortions: i.e., that starving peasants are the relevant social class hindering capital formation, and that whatever class bore this role in the past did so by taking "much thought of the future."

Let us begin with the latter one. Even on the basis of S's "models" and theories, it must be clear that capital formation takes place on the basis of individual decisions by capitalists looking after their own profits.

In fact the whole bourgeois theory of external economies, etc., shows that the "success" of capitalism rested upon the individual capitalist's disregard of both the present as well as the future of the global conditions of capital formation.<sup>16d</sup>

The fact that the state does not take the requisite measures today in the "Third" World is related to the social composition of the societies upon which these states rest; for these states represent the interests of the semifeudal landowners and/or comprador bourgeoisie, the local allies of the foreign capitalists. This coalition is not interested in fostering the growth of "classical" capitalism.<sup>16e</sup>

This leads us to the first of the two misrepresentations in the sentence under question—namely that "starving peasants" are the relevant agents of capital formation. The starving peasants by and large do not own their land; they rent it from landowners. In general, the relation is semifeudal, since the peasants are not capitalist farmers extracting surplus value from their own workers, but rather are running (sub-) subsistence "operations." S confuses things by saying that at some time in the past "inequality of landownership" solved the "problem of thrift," albeit in a "ruthless" manner. We assume this to mean that after expropriations and concentration of landownership the new large landowners assumed the burden of abstaining from current consumption, as it were, since the now "dispossessed" were no longer in a position to do so. This is borne out by S's allegation (772) that the apparently ever-present "aristocratic landowners" could now "funnel savings into capital formation."

But it is not in the nature of feudal lords to abstain from consumption. Not only did they not "funnel savings into

capital formation," but they were being worn down by the usurers they had turned to in order to maintain their way of life at a time when the limits of exploiting serfs had already been reached.

Not only does S give this false interpretation, but he also asserts that inequality of landownership is no longer prevalent (772, 775); hence the mass of starving peasants as the main agents of the economy. Although comparable statistics are not very accurate, at least one attempt has been made to estimate the distribution of agricultural land in various countries.<sup>17</sup> It indicates that the degree of inequality is extremely high (higher in general than similar statistics for income distribution) in the "Third" World countries and also very high for many advanced capitalist nations (including the country without a feudal past—the U.S.). So much for S's theory.

Finally we come to S's admission that communist countries apparently are able to foster capital accumulation. (We must deal with this matter as S presents it—that is to say, speak of capital formation in socialist countries. However, that this is not a mere terminological point. The process of capital formation and the process of building the requisite industrial structure in order to create a society directed at satisfying needs are two essentially different social processes. The superficial validity of the theories of convergence which seek to equate the two processes stems from the inability to understand the specific historical conditions under which the socialist societies have arisen.) Here S does not pursue the matter further; but in the final passage of this chapter in the 7th edition, now deleted, he tries his best to prove that socialism is not inevitable for the "backward" countries: "A totalitarian state has certain advantages but also certain disadvantages for a backward country impatient to make progress. Socialism may or may not be desired for its own sake, but there is nothing in the historical experience of development which makes its choice mandatory or necessarily desirable for a nation eager to develop" (755).

After noting that feudal "capital formation" and communist "capital formation" were possible albeit ruthless, he

asks: "Why cannot free economies do the same? Why cannot they use the fiscal measures discussed throughout this book to curb consumption and stimulate investment? An important reason lies in the realm of political science. Some of the developed countries are able to impose progressive income taxes and find that the taxes do get paid. In much of the world, this is probably not possible. . . . People simply will not cooperate" (775).

This may well be the most confused ahistorical passage in the entire book; at the same time it shows S's total inability to grasp the real origins of the "mixed" economy.

We know that what S depicts as feudal capital formation was in fact the bloody primitive accumulation process leading to the development of capitalism, the origin of the glorious free economy. The so-called mixed economy is the result of specific features of capitalism in decline: the ability of the working class to win certain economic concessions; the falling rate of profit which necessitates state intervention to redistribute income in favor of the capitalist class; the rise of socialist societies and anti-imperialist struggles.

At this point we must backtrack. S has spoken of a "vicious circle" without having defined it. This theory charges that low per capita income leads to low rates of current investment, which in turn lead to low growth rates; given the common bourgeois notion of Malthusian population growth, all this combines to stagnation. From this flow the policy recommendations of "breaking through the vicious circle" via foreign investment and "aid" along with the fostering of the growth of income inequality domestically to encourage investment.

Our critique must begin at the alleged causal link between low per capita income and low rates of investment. This is based on the fiction of the existence of a starving peasant society and/or the implicit refusal to tax the feudal-mercantile classes.

Paul Baran has contributed to the demolishing of these myths with his theory of potential surplus, which he defines as "the difference between the output that *could* be produced in a given natural and technological environment

with the help of employable productive resources, and what might be regarded as essential consumption.”<sup>18</sup>

Baran classifies the main categories of potential economic surplus as follows: (1) excess consumption; (2) output lost through the existence of unproductive workers; (3) output lost as a result of irrational and wasteful organization of the productive apparatus; output lost as a result of unemployment caused by the anarchy of capitalist production.<sup>18a</sup>

Applied to the present “underdeveloped” countries, these categories demonstrate that the link between low income and low rates of investment is not a necessary one, but rather is determined by the social relations peculiar to them. In these areas the potential economic surplus is appropriated by landowners, usurers, merchants, foreign capital, and the reactionary states representing these interests.

For the most part these classes do not reinvest this surplus productively; it is either consumed or used to expand unproductive activities or invested in the “First” World. The point of course is how this surplus can be productively used. On the one hand bourgeois economics uses as its point of departure the fiction of little or no “savings”; on the other hand, a certain irony arises when it applies its other axiom, that savings/investment represent abstention from current consumption. The synthesis of these two statements leads to the conclusion that either no investment can take place because the starving peasants are too poor, or that investment can take place only by lowering consumption levels even further. Since the real source of possible investment is concealed, it is then taken for granted that “development” is not possible in a “humane” way without the intervention of foreign capital in its manifold forms.

In a final passage S discovers a third way, as it were, between taxation and coercion: favoring projects which will funnel income to firms and groups “*that can be counted on to do heavy investment*” (775). But this does not solve the problem at hand, for it consists in establishing the preconditions for capitalism, whereas here we are already talking about “projects” without explaining how they are supposed to

come into existence. It does not help much that once capitalism has developed, capital accumulation will have its source in "corporations." The problem then reduces to whether there are sufficient capitalist forces within the country to defeat the alliance of reactionary forces.<sup>18b</sup>

To the extent that this "strategy" succeeds, however, the ruling class must be prepared for the inevitable "social unrest"; for this development is nothing but a roundabout way of describing a global increase in the rate of surplus value which expresses itself in a "deteriorating" distribution of income.<sup>18c</sup>

## OVERPOPULATION AND UNEMPLOYMENT

The kind of ahistoricism which predominates in this section is the modern resurrection of Malthus: "Indeed, as writers since Malthus have warned, unbridled increase in numbers is likely to invoke the law of diminishing returns. . ." (776). Now as S has already informed us, Malthus is allegedly of value only for the underdeveloped countries (31-32) since he did not see the coming of the industrial revolution and increasing returns (737). But rather than focusing on restraining the universal sexual instinct in the "underdeveloped" countries, S ought to ask why the increasing returns common to "dynamic economic development" have not materialized in these countries (773).

It is again necessary to point out that there is no "correlation" between population density and poverty.<sup>18d</sup> There is no such phenomenon as overpopulation in general. Malthus tried to establish both factors, human copulation and plant growth, in his ratio as processes of nature. As long as we are talking about a commodity-producing society with wage labor, it is clear that workers have no immediate relation to the means of subsistence whatsoever; the whole essence of capitalism consists in their being separated from the means of production and hence from the means of subsistence which forces them to work for capitalists in order to be able to maintain a relation at all to the means of subsistence. (The existence of unemployment and the burning of ag-

ricultural commodities side by side is only the most striking example.)

What we then have to determine is the "social mediation through which the individual relates to the means to his reproduction and creates them" or, in other words, to the conditions of production.<sup>18e</sup> Bourgeois economists are of course not ignorant of the existence of enormous unemployment in these areas; the type of unemployment they have come to emphasize S calls here the "disguised" variety. S does not define the term, merely referring to people who do "almost nothing" because there is nothing for them to do, and who therefore live with their "kinfolk" until the next "boom" comes "sweeping them into productive city jobs" (777). He also indicates that "the same phenomenon" "is met in advanced countries" (ibid.).

The phenomenon was first developed for "advanced" countries by Joan Robinson during the depression of the 1930s "to describe the adoption of inferior occupations by dismissed workers."<sup>19</sup>

Although the notion of disguised unemployment, even in its "Western setting," remains open to criticism on account of its obvious reliance on marginal productivity, it does point to the undeniably large "service sector" in underdeveloped countries, whereby personal services (in the feudal sense) and state administrative "services" predominate. Given marginal productivity theory's indifference to social relations and thus to modes of production, these "disguised" unemployed are remunerated and, hence, must be productive. However, as one writer expressed it: "Certainly, for a region such as Latin America, an increase in the number of beauty parlors or nightclubs or the size of the police force or activities that come under the heading of services, whatever their contribution to the joy or sorrow of one or another segment of the population may be, cannot represent economic growth."<sup>20</sup>

Connected to this basic failure to understand the peculiar structure of underdevelopment is the bourgeois confusion of the "release," or setting free, of workers in capitalism as the result of increased productivity associated with a rising

organic composition of capital and the “excessing” of population in a stagnating economy.

In the latter case there is no economic mechanism to absorb the surplus workers. Here we can see very clearly that “overpopulation” is a relative phenomenon—it can only be related to a specific society at a specific point in its development. The peculiar feature of “overpopulation” in capitalism consists in the fact that for the first time it results from the development of the productive power of labor—an increased productivity which can no longer be utilized within the framework of capitalist productive relations.<sup>20a</sup>

Russia has shown us that one country’s overpopulation may be another’s underpopulation. Before the Revolution Russia was the textbook example of overpopulation, whereas the socialist development subsequently made it possible to productively utilize an even greater number of workers.<sup>20b</sup>

