The Crisis in Economic Development Theory

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As we enter the last decade of this century, one part of social science that was designed to specifically address itself to our plight is in disarray. I am referring to "Development Studies" in general although my remarks will be largely confined to the field of "Development Economics". Even this narrowing of the theme does not provide us with a neat definition of what the discipline is. One economist has resigned to circularly defining "Development Economics" as "what development economists do". In a recent survey of development theory Preston's states:

> *The fact is that Development Economics is a hootch pooch of theoretical and empirical work, of positive and normative matter not adequately separated out, and it does escape any accurate categorization*[1].

I will throughout the paper assume that Development Economics is like an elephant - hard to define but easy to recognize.

The choice of emphasis is a reflection of the privileged status of Development Economics in development studies. In addition, a critical review of development economists has the side benefit of illuminating what is going on in "development studies" in general.

Reports of the death of Development Economics may, as Thirwall argues[2], be premature yet there is something ominous about the persistence and the sources of the reports. The late Dudley Seers, a respected gadfly of the Development Establishment argued:

> *Development Economics in the conventional sense has therefore proved much less useful than was expected in the vigorous optimism of its youth. In some circumstances it may well have aggravated social problems if only by diverting attention from their real causes - indeed from the problems themselves.*
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> *There are reasons to doubt whether it will survive much longer, indeed whether it can be considered a subject at all*[3].

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1 P.W. Preston, *New Trends in Development Theory: Essays in Development and Social Theory*, London: Routledge and Kegan Paul, 1985.

2 A.P.Thirwall "In Praise of Development Economics" in Sense (ed.) *METU Studies in Development*, special Issue, Vol. 11 No. 1/2, 1984.

3 Dudley Seers, The birth, life and death of Development Economics" *Development and Change*, Vol. 10, 1979.

Hirshman, one of the "pioneers" of the discipline, sadly observes that "the old liveliness is no longer there". He notes that early on Development Economics had done much better than the object of its study but that now the gap was narrowing "not so much, unfortunately, because of a sudden spurt in economic development, but rather because the otherwise forward movement of our sub-discipline has notably slowed down"[4]. Streeten contrasts "the present atmosphere of gloom, boredom and indifference surrounding discussion of development problems" with the "intellectual pioneering" and "the exciting time of ferment" of the early days[5].

Not all economists view these funeral proceedings with gloom. Deepak Lal gleefully concludes that "the demise of development economists is likely to be conducive to the health of both the economics of developing countries and the economies of developing countries"[6]. And of course not all development economists have accepted that the game is over. For Lewis, "Development Economics is not at its most spectacular but is alive and well"[7]. In a spirited response Toye has challenged the attacks on Development Economics, declaring it live although perhaps not entirely well[8]. Killick has, in his turn, pronounced the imminent death of his adversaries and by implication, suggested a triumphant resuscitation of Development Economics.

Whatever the correct diagnosis is, the fact that the health and even survival of the discipline have been questioned at all should be cause for some serious reflection, at least among those that the particular discipline was supposed to serve.

The Rise

Development Economics occupied the pride of place in "development studies" for the simple and persuasive reason that however one defined development, "Economic Development" - understood as rising per capital incomes, industrialization and higher productivity - was a major component of the process. Hence the branch of "development studies" that seemed to directly address itself to this material aspect of "Development Studies"

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4 Albert Hirshman, "The Rise and Decline of Development Economics" in A. 'Hirshman *Essays in Trespassing: Economics to Politic and Beyond* (London: Cambridge University Press, 1981).

5 Paul Streeten, *Development Perspectives* (London: Macmillan, 1981).

6 Depaak Lal, *The Poverty of "Development Economics* (London: Hobark Paperback, Institute of Economic Affairs, 1983).

7 Arthur Lewis, "The State of Development Theory", *American Economic Review*, March 1984..

8 Toye, *Dilemmas of Development*, Oxford, Blackwell, 1987.

enjoyed enormous prestige and received substantial financial support from the nation, states and foreign aid donors.

For a while Development Economics appeared to have successfully carved out a niche for itself as a separate discipline[9]. American institutes were established in Europe to focus on "Development Studies". Mimetically and dutifully, similar institutes were established in Africa to concentrate on development studies, leading one to wonder, at least with the benefit of hindsight, what other departments and institutes in African universities were doing about the underdevelopment of their countries. Hundreds of students and planning officials were sent abroad to do "development studies", or to specialize at some stage or another in an aspect of that - political Development Economics, development administration etc. at specialized "Development Institutes" abroad.

Development Economics was a product of its times and the trajectory of its rise was determined by a concatenation of contingent factors that were historically unique. It was a child of a particular constellation of political, social, economic and emotional forces in the immediate World War II period. Part of the current sense of crisis of development stems from this eclectic genealogy of the discipline.

First, was the War effort and the post-War reconstruction and the evidence that capitalist states could plan production for a given objective be it war or reconstruction. The War had demonstrated "what could be achieved by the mobilization of resources once a nation was given an overriding national objective and a sense of priorities"[10]. There was also the political imperative of the reconstruction of a devastated Europe, especially of those areas that were vulnerable to the "communist threat". Not surprisingly, some of the earliest works on development, such as those of Rosenstein-Rodan were preoccupied with problems of the industrialization of Eastern Europe[11].

9 There were of course the "purists" who questioned the validity of "Development Economics" as any thing other than a sub-specialism of the positive science of economics. See for instance, Peter Bauer, *Dissent on Development* (London: Weidenfeld & Nicolson, 1971)I. Harry Johnson accused development economists for violating the most basic tenets of neoclassical economics and for providing intellectual sustenance to wild nationalistic proclivities for industrialization in complete defiance of comparative advantage doctrine which counselled otherwise. These writers are now seen as prescient precursors of the current neoclassical onslaught on Development Economics. See Harry Johnson, "A Word to the Third World: A Western Economists's Frank Advice", *Encounter*, Vol. 37 No, 1971.

10 G. Meier, "The Formative Years" in G. Meier and Dudley Seers, *Pioneers of Development* (Washington, D.C., 1984).

11 P.N. Rosenstein-Rodan,"Problems of Industrialization of Eastern and South-Eastern Europe", *Economic Journal*, Vol 53, 1943 reprinted in A. Agarwala and T. Singh (ed.) The Economic of Underdevelopment, Oxford University Press, 1963.

Second was the emergence of new nations who placed development and industrialization on their political agenda. Intent on deliberately telescoping processes that had taken centuries to evolve elsewhere into decades, the leaders of these new nations were desperately in need of theories, strategies and techniques that would facilitate the process of rapid transformation of their underdeveloped countries. Here too the fear that nations might be attracted to communism was to play a key role in raising the status of development studies in general and Development Economics in particular. The attraction of the socialist option had been enhanced by the Soviet industrialization drama and its clear suggestion that processes that had taken years to unfold in other countries could be telescoped into a decade through "planning". It suggested to those opposed to socialism that "non-communist" paths of transformation had to be developed to meet the Soviet challenge. Development Economics thus became part of the "cold war" arsenal against the threat of communism[12].

Third was the intellectual sustenance that Keynesianism gave to state intervention in a capitalist economy and the space it created for new ideas by dethroning neoclassical "monoeconomism" - the assumption that there was one universally applicable economic analysis.

Fourth was the need for "colonial planning". The colonial powers, forced to placate the increasingly militant nationalist forces, had begun to introduce "colonial development and welfare acts" which required some form of planning and which needed some theory on the process of change. This was to produce what Seers labelled as "Colonial Economics out of Political Expediency"[13].

Fifth was the mood of the times. The rise and fall of Development Economics may have nothing to with its success or failure in dealing with the problems of underdevelopment. It is often in some sense a reflection of "moods"[14] and ideological and theoretical shifts in the Metropolitan economies, shifts which are then projected in highly magnified form on to the canvas of underdevelopment for reasons that have nothing to do with

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12 One of the leading lights of Development Economics, Rowstow points out that the team of MIT social scientists working on communism and development problems were financed by the CIA. Rowstow thinks that it really should have been the State Department's business. W.W. Rostow, "Development: The Political Economy of the Marshallian Long Period", G. Meier and Dudley Seers *Pioneers in Development*, (Washington, D.C.: World Bank, 1988). For an interesting account of the role of development economists in Asian developing countries, their collaboration with the CIA, and their incredible political naivety, see George Rosen, *Western Economists and Eastern Societies* (John Hopkins, University Press, Baltimore, 1985).

13 Seers, op. cit..

14 Peter Ekeh "Development Theory and the African Predicament", *Africa Development* Vol XI No.4, 1986.

real processes in the poor countries. It is not mere coincidence that the high tide of Development Economics corresponded with the exquisitely ideological proclamation of the "End of Ideology". With the optimism and euphoria of independence, there came theories of development planning and modernization that were supposed to inform the social engineering necessary for the development of African societies. This was part of the intellectual self-satisfaction and complacency of Western social sciences in general which in turn reflected the broader socio-economic optimism of prosperity, full employment, trade liberalization etc.

The Fall

Development Economics brought on itself some of its current woes through (a) the intellectual roots which were closely linked to the post-War social democratic ideology of full employment in the cold war preemptive social engineering (b) its close, instrumentalist marriage to states and major international financial institutions; (c) its eclecticism; (d) its opportunistic forays into historical experience picking up examples here and there with no clear theoretical apparatus; (e) its uncertain or even tangential impact on real events and policy; and (f) its class boundedness by context and practice and "classlessness" by self-definition and self-delusion. Let me elaborate on these points.

Theoretical Roots

If, as Hirshman has argued, the emergence of Development Economics as a subdiscipline was facilitated by the fall from grace of neoclassical economics during the Depression and the rise of Keynesiasm, then there was the inherent danger and likelihood that its fall would depend more on the fate of Keynesian economics than on the lack of correspondence between the needs of the underdeveloping countries and its explanatory robustness. Development Economics could not luxuriate in the glory of Keynesianism without being accused during hard times of guilt by association. And so it is no coincidence that the rise of neoclassical economics in the developing countries which followed the triumph of monetarism and the crisis of the welfare state in the developed countries spelled trouble for Development Economics which was guilty of the Keynesian sin, if not by commission at least by intellectual association. Wrongly tracing the theoretical genealogy of Development Economics to Keynesianism, the neoclassical economists could establish the death or morbidity of Development Economics by merely pointing to the sad state of its progenitors. Never mind that, as we point out below, the analytical context of Development Economics and Keynesianism were totally different. If there was a link between Keynesianism and Development Economics, it was the critical approach that both shared towards neoclassical economics and the skepticism or delusion about the efficacy of the market in achieving certain macro goals, whether these be full employment or capital accumulation.

Although Keynesianism provided the intellectual rationale for the state interventionism of Development Economics, it was generally understood among development economists that the preoccupation with "demand management" was not appropriate for the underdeveloped countries where supply rather than inadequate demand was the major constraint[15]. Consequently, the analytical content of Keynesian economics had little to do with Development Economics. An important element of Keynesianism that was adopted was the Harrod view of the relationship between capital output ratio, investment and growth. However, even here the interpretation was strictly speaking un-Keynesian. Harrod had advanced his theory to bring out the "knife-edge" characteristic of capitalist accumulation. His fundamental equation was intended to determine the level of savings that was necessary given the desired level of investment and the capital-output ratio. Since in Keynesian economics investors and savers were not the same people, Says law did not hold and the establishment of an equilibrium was not an easy matter in capitalist economies and such an equilibrium would, in any case, be highly unstable. In the hands of development economists, the equation became a planning tool and was widely used to establish the level of capital accumulation entailed by a given growth target and technical relations. "Supply management" entailed increasing fixed capital formation and/or lowering the capital output-ratio. There were, of course some economists who stressed the Keynesian problem of aggregate demand. Nurkse argued from "the vicious circle" perspective that "the inducement to invest is limited by the size of the market". Various other "underconsumptionist" arguments tended to bring out the Keynesian concern for effective demand. However, the overwhelming number of development economists tended to think more about supply.

Here development economists allied itself with the early "supply siders" that were to later displace them as counsellors of international financial institutions. The early "supply siders" also criticized Keynesianism for its failure to address questions of productivity and capital formation. In this they agreed with Development Economics although for them the supply-side preoccupation applied equally to the developed economies. However, they attacked the developments economists as well as the Keynesians for having no microeconomic basis for their macroeconomic models of demand

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15 One should point out some exceptions here, Nurkse's preoccupation with "Balanced Growth" led to concerns about the demand side of the developmental equation. See R. Nurkse *Problems of Capital Formation in Underdeveloped countries*, Blackwell, 1953.

management or economic growth[16]. More specifically they argued that provided with proper incentives in a free market system, individual producers would respond in ways that would increase productivity and capital formation and yield the desired macroeconomic-results more efficiently and in less a costly way than the state-guided supply management of Development Economics[17].

Macroeconomic crises have a way of shifting attention to issues of efficient management of limited or dwindling resources. And so with the signs of the crisis in the sixties and its outbreak in the seventies, there was greater interest in microlevel analyses. This shift to microlevel analyses could not but further undermine Development Economics, with its penchant for macro-level analysis and state interventionism.

Neoclassical economists have had a field day in tendentiously reading any case of success as proof of the validity of their nostrums. Development economists, with so many ruins in their hands, seemed to accept the neoclassical tales of market success in as far places as South Korea, Malawi or Mali are concerned although they sometimes feel obliged to throw in a word or two about the role of the state, market failures and structural rigidities.

State centrism and Development Economics

By "state centrism" I am not referring to the fact that development economists tended to place so much faith in planning by the state, a point that the "new orthodoxy" harps on incessantly. Rather, I am referring to their perception that the main consumer of their ideas was the state and to the ease with which they embraced the state's self-image and the passive role assigned to the civil society that was to be the object of "development". The easy marriage to the state was reinforced first by the genuine popularity of the nationalist forces that took over the state and adopted "development" as their principal objective and the avuncular enthusiasm of Western liberalism in the "new states". One could contribute to "national development plans" without any qualms about the representativeness of the decision-makers and the legitimacy of their power and objectives. Development Economics swallowed the "developmentalist" ideology of state nationalism and conceived its task as largely that of giving a scientific and technical edge to the ideology of development and modernization.

One important aspect of this "state centrism" was its negative view of politics. Development Economics eschewed and even dreaded popular

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16 Peter Drucker, "Toward the Next Economics", Daniel Bell and Irving Kristol (ed.), *The Crisis in Economic Theory*. New York: Basic Books 1981.

17 P.T. Bauer, *Economic analysis and policy in underdeveloped countries*, Duke, 1957.

politics. This was not surprising. Development economists were essentially technocrats and as such their dream was simply the creation of political conditions which were necessary for development. They either wished away the state as an arena of political struggles or preferred to work with the convenient assumption of a neutral or benevolent state that produced consensual "national plans" or articulated "national objectives" which defined a social welfare function that could be used by the technocrats to weight the interpersonal and intertemporal distribution of incomes. To sustain this myth, Development Economics had to conceive the state in a particular way and had to attribute to the ruling classes paternalistic objectives.

Few development economists imagined that side by side with the central development planning ministry stood the Huntingtonian Leviathan ready to crush any demand that might complicate the definition of a social welfare function to be used by planners for weighting projects and priorities. And when they wake up to the presence of authoritarian rule, they tended to be supportive of it.

Development Economics was remarkably suspicious of popular classes who it evoked only in minatory terms to persuade policy-makers to listen to their counsel if they were not to be inundated by revolutionary masses. It viewed popular demands "the Revolution of Rising Expectations" as brakes on development since they tended to raise consumption (lower savings) thus slowing the pace of growth.

Eclecticism and Loss of Analytical Rigor

Development Economics sought to reconcile the specifically economic to the "non-economic" as defined by other disciplines so as to make development studies truly interdisciplinary. In the process something else happened.

Development Economics moved ahead by accretion of issues, assumptions and "theories". The field was a veritable free for all - from those who sought to improve the "N-Achievements" factor of the poor people, by examining the structure of their dreams, the toilet training of its entrepreneurs etc. to those who developed rigorous statistical and rather ahistorical theories of structural changes.

The problems here may be that despite its rejection of neoclassical views of the macroeconomy, Development Economics accepted the subjective theory of value that underpins neoclassical Economics. Once this was accepted, then there was virtually a limitless number of "theories" that one could derive from mutations of different cultural and psychological elements to explain the peculiar behaviour of the "backward peoples". Development Economics textbooks could list all these theories on an equal footing because it lacked any theoretical filter for sorting out the relevant and scientific from the irrelevant and unscientific.

To be fair to Development Economics some of the reference to other development disciplines deserved no more than a ritualistic mention of their existence (for example, how one's knowledge of the toilet training to be linked to accumulation). The attraction of these new theories is that they tended to problematize the people of the underdeveloped countries in a way that seems compatible with the large problematic of underdevelopment and to do so in a way that placed the fault on people rather than global systems.

Concentration on policy prescription compromised the historical-analytical rigour of Development Economics. As Meier reminds us, Development Economics did not arise as formal theoretical discipline but was "fashioned as a practical response to the needs of policymakers to advise governments on what should and should not be done to allow countries to emerge from chronic poverty"[18].

Leeson and Nixson, while not rejecting the notion that Development Economics involves itself in policy advise, criticize Development Economics for the

> *conflation of the historical-analytic with the policy-prescriptive, the intermingling of ought with is ...the emphasis on the desire for a better world to the detriment of the fuller understanding of the very imperfect reality*[19].

"Development theory", being "realistic" has rarely bothered to follow the many theoretical controversies which take place in mainstream economic theory. One example will illustrate my point. In the 1960-70's there raged what was known as the "capital theory controversy" that was to destroy a major theoretical tenet of neoclassical theory of income distribution and a whole range of growth models based on that theory. The neoclassical theory of distribution which was consciously advanced by Clark to answer the Marxists argues that one could derive the distribution of income entirely from the production function defined as:

$$Y = f(K,L)$$

where Y is output, K is capital and L is labour. Total differential of the equation would yield the marginal productivities of labour and capital which would be equal to the wage and profit rates respectively which would exhaust the national income. This distribution was determined entirely by

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18 G. Meier, "The Formative Years" in G. Meier (ed.), *Pioneers in Development* (World Bank: 1986).

19 Leeson and Nixson, "Development Economics and the State", in P.F. Leeson and M.M. Minoque (ed) *Perspectives on Development: Cross Disciplinary themes in Development* Manchester University Press, Manchester, 1988.

the technical relations of production. Recall K is physical capital. However, in the empirical studies carried out to establish the validity of the neoclassical theory of distribution, these different machines had to be aggregated into K and to do this one had to use prices of machines. However prices presupposed knowledge of profit rates, wages, interests etc which were supposed to be derived from the production function. The circularity of the reasoning was quite clear. In addition, the "reswitching" aspect of the debate undermined the theory that related the capital intensity of the choice of techniques to the wage-profit rate configuration by showing that a technique discarded as the profit rate declined could be chosen later at even lower profit rates.

These controversies appeared in only marginally, if at all, in Development Economics where neoclassical aggregate theories of distribution and choice of techniques were applied in their pristine forms. Questions raised evolved the realism of the assumptions and not the theoretical consistency of the models. Smart neoclassical economists quietly moved away from the neoclassical aggregate distribution models and sought refuge in general equilibrium models where presumably those problems did not arise. However, even here, the main problems that general equilibrium theories face never see the light of day in their application in developing countries.

For what is happening now is that neoclassical economists claim to receive support for their positions from the rigorous Arrow-Debreu general equilibrium models whose preoccupation was the establishment of the possibility of a decentralized economy but also the efficiency of such an economy. However, these models involve extremely rigorous assumptions that have little to do with the real world. Neoclassical economists do, of course, take into account the conditions necessary for assuming that the markets are efficient allocators of resources. A reading of general equilibrium theory clearly suggests that only the true believers in the Sunday school tales of supply and demand determination of resource allocation would believe that the current neoclassical policy thrust is sanctioned by its high theory. As Hahn notes:

> *...There are many accounts to be found to the proposition that a free trade equilibrium is* pareto optium *for the world as a whole. Very rarely do these textbooks spell out completely and precisely what is required to reach this result, in particular, absence of increasing returns to scale and a complete set of Arrow-Debreu markets. If these assumptions were stated and discussed, they might be less inclined to declare free trade "optimal". As it is, concentration on the case of two goods, for*

"expository reasons", leads them to forget that this device stops from discussing intemporal problems that is, at least, half the story[20].

One can glean the vulgarization of these theories in the IMF/World Bank *Finance and Development* articles where the most incredible claims are made in the name of neoclassical theory. It is for instance quite illogical to assume the functioning of the markets along neoclassical lines while at the same time calling for export orientation on the basis of "economies of scale" argument. The economies of scale and indivisibilities arguments wreak havoc on neoclassical models, and can only be taken lightly in the propaganda version that reaches the periphery and the nonspecialist public.

Intimidated by the mathematical rigour of models that are supposed to sanction the current wave of liberalization, development economists have made fatal and unnecessary concessions to their adversaries. Neoclassical economists take great pride in the fact that their apparatus can be used to "generalize" any economic formulation. Usually, in fact, almost always, this "generalization" involves gross trivialisation of the problematic. Thus the Lewis problem of capital accumulation under conditions of labour surplus is "generalized" by assuming away precisely the central institutional and structural characteristic of the Lewis economic model with its infinitely elastic supply curve for labour[21]; the Harrod knife-edge stability of capitalist accumulation is "generalized" away by assuming an infinitely and instantaneously variable capital/output ratio[22]; the Marxian problems of equilibrating the production of goods produced in two departments is simply conjured away by assuming that capital is malleable, or by assuming a one sector economy that produces a versatile good that serves both as consumption and capital goods.

Development Economics may have opened itself to this "generalization" (read trivialisation) by having inadvertently conceded that indeed the neoclassical case was the general one and that Development Economics was merely replacing certain neoclassical assumptions with more "realistic" ones that reflected underdevelopment. If Development theory eschewed abstract theorizing in favour of realism, it never really escaped the theoretical mould of neoclassical thinking about the economy. In many cases development theory involved the questioning of certain neoclassical assumptions on the basis of their "realism" but never did this questioning of certain assumptions

20 Frank Hahn, "General Equilibrium Theory" In D. Bell and T. Kristol (eds.), The Crisis in Economic Theory, Basic Books, New York, 1981.

21 D.W. Jorgensen, "The Development of a Dual Economy", *Economic Journal*, Vol. 71, 1961.

22 R. Solow, "A Contribution to the Theory of Economic Growth", *Quarterly Journal of Economics*, Vol. 70, 1956.

lead to full-fledged theoretical models. Development Economics never made the "epistemological break" from neoclassical economics and it is for this reason that it is so vulnerable to neoclassical attack. It is also for this reason that counterfactual attacks by neoclassical economists are sufficient to throw Development Economics in disarray. It is also this that makes development economists unable to resist the theoretical pretensions of the neoclassical technical onslaught. The neoclassical economists, having accepted "Monoeconomics" could freely transfer their technical skills to the underdeveloped countries and were able to run circles around the traditional development economists. Even more, they were able to bedazzle younger African economists and Central Bank officials with the finesse of their models.

Failure to Deal with Conjuncture

One remarkable thing about Development Economics is that it never developed a theory of cycles and crises in the underdeveloped countries. There are several explanations for this lacunae. One of these was that the models developed completely abstracted from the capitalist nature of the economies being studied. Reading some of the development literature, it is difficult to see whether authors were conscious that they were dealing with poor capitalist countries. Not surprisingly, some of the faith in planning as an instrument in facilitating rapid growth was based on the Soviet experience stripped of the socio-political context within which that experience had evolved and lived. It has been observed, for instance, that Nurkse's suggestion that the saving potential concealed in rural underemployment be mobilized for capital formation was only adopted in Maoist China! In addition the view was that the conjuncture in periphery economies would in any case be merely reflective of the conjuncture in the advanced countries, and to the extent that Keynesian Economics provided the necessary tools for crisis management, the growth and stability of advanced countries would manifest itself in steady growth in the periphery.

Critics of Development Economics have also tended to be completely oblivious of the notion of conjuncture. For orthodox economists, the present crisis of development is largely a reflection of "poor policy" and is not due to any inherent cyclical patterns of accumulation of the capitalist system at both the global and national levels. While grudgingly conceding that the current stagnation and decline in Africa is the outcome of the world-wide crisis of the system, orthodox economists insist on the role of poor policies. By implication "good policy" would eliminate the cyclical movements of capitalist accumulation.

The radical critique has suffered from its own preoccupation with stagnation in the periphery. Having failed to properly account for spurts of dynamism in the periphery, it has tended to view the current crisis as confirmation of its basically stagnationist view of capitalist accumulation - a comforting thought perhaps, but hardly enlightening.

Unclear Impact on Policy and Development

Looking back at Development Economics it is difficult to say exactly what it counselled developed countries to do. Was growth to be "balanced" or "unbalanced"? Was the choice of techniques to be surplus maximizing or employment and consumption maximizing? Were countries to go for the "Big Push" or were they to be satisfied with steady and incremental accumulation of capital? Were they to follow import substitution strategies or were they to be export oriented? Were they to carry out "comprehensive planning" or confine themselves to project or sector planning? Development Economics never decided on these "Leading Issues" to borrow from a title of a widely read collection of development studies[23]. Every leading economist counselled his/her own views and left it at that. It was from this veritable smidgen of "persuasive metaphors" that development planning and policy were to get their nourishment.

Development Economics was to be later bouyed by the high performance of the "Golden Age"'of capitalism, although in retrospect, it is not clear how much claim both Keynesian and Development Economics could lay to that growth during the "Golden Age". The simultaneity of high growth rates and the rise of Development Economics may have been fortuitous, although some champions of Development Economics are inclined to give all the credit to the discipline. The "Golden Age" could just as well have been a cyclical wave in a recurring "boom and bust" process, and Keynesianism merely gave intellectual armour to the prevailing optimism induced by upward movement of the cycle. Katouzian is more categorical on this:

> *The relatively smooth and buoyant socio and economic functioning of the West had little to do with the truth or falsehood of existing socio and economic theories. It was no evidence that these theories were "working"; it simply did not call upon them to explain any serious problems, or prescribe solutions to them . It left them to indulge in cultivating their back-gardens, to invent and then solve 'scientific puzzles'*[24].

The period of intensive development theorizing was also one of remarkable prosperity some of which trickled down to some parts of the Third World. Just as neoclassical economists now wrongly blame

23 G.Meier (ed) *Leading Issues in Development Economics*, Oxford University Press, 1984.

24 Homa Katouzian, *Ideology and Method in Economics*, New York: New York University Press, 1980.

development economists for the crisis in the underdeveloped countries, development economists wrongly claim then that their theories "worked" and were responsible for that prosperity. Therefore somehow they don't work now because of some unforeseen exogenous variables or because of mispecification of certain key variables in the model e.g. underestimation of the role of markets or because somehow some states have turned out not to be "developmental states" at all and therefore, are not likely to benefit from the wisdom of Development Economics.

It is of some historical and intellectual significance that the adoption of strategies that accompanied the boom - Keynesianism for the developed capitalist countries and import substitution industrialization for the underdeveloped countries - preceded their theorization. Hitler in Germany and the social democrats in Scandinavian countries were engaged in Keynesian-type pump-priming before Keynes general theory, and the Latin Americans had adopted ISI in the thirties and during the war in response to dramatic declines in access to foreign goods (as a result of declines in their export prices and the war), before the Prebisch and the CEPALIST could provide the strategy some intellectual respectability. The point here is that most of the strategies adopted were in the nature of things, and if Development Economics made them attractive and packageable, it did not account for them.

"Development Planning" was often part of the paraphernalia of nationhood like the national airlines and match factories It was probably because of its window dressing character that teams of advisors to planners could in all seriousness counsel "Planning without Facts" as an intellectually valid exercise. Development Economics became an industry or what *Time* was to term "growthmanship", practitioners of which received sumptuous consultancy fees for merely endorsing a government's plan before presentation to donors.

There has always been an "Alice-in-Wonderland" aura to the development planning process. A country adopts a GDP growth target that is to be achieved through the adoption of a particular "strategy" recommended by a visiting team of experts. Five years later the country shows it has attained the planned level of income but by following a path that was totally different from the one in the plan. The usual thing was merely to acknowledge the growth and to gloss over its mysterious relationship to the strategy.

In many cases, development economists were aware of the illusory exercises they were involved in and much was written about why "Visiting Economists Fail". In this, there was a complicity in the mythmaking for which Development Economics rightly deserves to be blamed.

Radical Contributions to the Rise and Demise of Development Economists

Radical critiques often accused Development Economics for its mispecification of the underdeveloped countries - both as historical entities and as outcomes and modes of production. The "Dependence School" attack on the "linear" Rostovian history that informed much of Development Economics was devastating[25]. Its restatement of the "structural" features of peripheral capitalism - high levels of monopoly, dependence on trade, surplus leakages etc, entered Development Economics and policy statements as it became part of the nationalist armour against the prevailing world economic order. However the dependence school set up its own downfall. Discarding the linear history of the Rostows, it set up a linear idealization of the historical accumulation path followed by the developed capitalist countries which it then proceeded to demonstrate cannot be attained by the underdeveloped countries. Consequently, it too failed to deal with the conjuncture, and as the Warrantees have zestfully pointed out it could not account for high levels of accumulation in some peripheral countries[26].

An indirect contribution by Marxists was the attack on Development Economics for its failure to adopt a "political economy approach" or, at least, to address those issues that were central to that approach i.e. the role of the state, class promotion and accumulation, imperialism etc. This critique also contributed to making development economists self-conscious of their instrumental and ideological role in the development process, in sharp contrast to their delusory self- perception as purveyors of a new scientific and neutral toolbox. And so, at least, perfunctorily Development Economics introduced aspects of political economy in their writing.

One major problem of the Marxist critique of Development Economics is that it tended to view the whole corpus of Development Economics as mere apologia and consequently possessing little scientific value. This critique completely overlooked the praxiological value of Development Economics

25 However one should point out here that the Dependence School chose its adversary wisely. For had it considered the work of such economic historians as Gershenkron and even Kuznets, it could not have scored as easy a victory as it did.

26 The work of Cardoso and Faletto stands out as an exception in this respect. It however seems to have had very little effect on African absorption of the Latin American "Dependencia" ideas. See F.H. Cardoso and E. Faletto, *Dependency and development in Latin America* (translated by Marjory M. Urquidi) (Berkeley:University of California Press, 1979). Cardoso's and Faletto's work was to appear 10 years after Gunder Franks *Development of Underdevelopment*, a reflection of the problems of access to Third World scholarship which are created by the peculiarities of undervaluing original ideas from the third world and preferring special repackaging by visiting scholars for consumption in the home market.

to the state in its management of the economy, and to the fact that if ruling classes needed the legitimating function of developmentalism, they also needed its techniques to inform policy. Development theory had to contain substantial doses of descriptive accuracy. And so a considerable amount of information was gathered by the development economist which was often ignored by radical scholars.

Marxists who confined themselves to the realm of "value" could not deal with the world of prices. This was the result of a tendency in certain circles to argue that a Marxist analysis should confine itself only to the "value" relationships, and that concern with price relations or the technical relationships was "economistic" and only dealing with "appearances". This, I believe, is a fundamental misreading of Marx. In fact, it means that only Vol. 1 of Marx is to be taken seriously because it is strictly speaking only in that volume that Marx argues in "Value" terms.

Marx's Political Economy worked at three interrelated levels, each of which dealt with a real aspect of the capitalist economic system. The "Value System" (Vol. I) indicated the social character of production and the class nature of exploitation. The "Technical System" (Vol. II) established the "input-output" relationships of production and the necessary conditions for dynamic and stable reproduction of the capitalist system, and the "Price System" (Vol. III) indicated how capitalist competition distributes the surplus among different capitals and established prices of production when, in equilibrium, an average profit rate is established. All these are real features of capitalism and deserve full treatment in any theory of accumulation. It means that political economists must understand such tools as input-output system, theories of pricing etc. if they are to make sense of capitalist accumulation and crises. Unfortunately, the tendency has been to "unpack" these elements, with the result that different things are emphasized by different authors. Some emphasize the "social relations", others the technical relations and still others the "dialectical" method.

Few Marxists felt it necessary to master, let alone teach such planning techniques as linear programming, cost benefit analysis, statistical analysis etc., or to understand conventional accounting systems. This was to backfire on Marxists who had expunged the more rigorous aspects of Economics from political economy. Consequently, younger researchers are skeptical of the intellectual and theoretical rigour of "political economy" and are more attracted to the "rigour" of neoclassical Economics.

There have been occasions when Marxists have had to contribute to policy especially in support of progressive states said to be following the "non-capitalist" road. The voluntary and enforced distancing from the state made Marxists singularly poor advisors when called upon to advise "radical" states. As advisers, most Marxists tended to extract the "rational kernel" of the Soviet industrialization experience, and to distill from that something that would be generally applicable to developing countries; or at least progressive ones. This could be the Feldman type argument for emphasis on capital goods, the Dobb argument for surplus maximizing choice of techniques, the Rweyemamu argument for emphasis on "Basic Industry"[27] or the Amin call for "delinking". But, removed from their proper socio-economical and historical context, these strategies could only produce disasters or veritable monsters[28].

However, the Marxist forays into policy-oriented pronouncements on development have tended to be sporadic and often far removed from the real arena of practice, not because of the intellectual unrealism of the advice but because of the uneasy relationship Marxists have had with the state. Should one counsel a bourgeois state and thus succumb to "reformism" or what Shivji has disparagingly referred to as "entrism", or should one watch the ruling classes ensnare themselves in unresolvable and ineluctably revolutionary contradictions regardless how much all this costs the masses in the short-run?.

New Orthodoxy

The "new orthodoxy" which has replaced Development Economics is based on the laissez-faire principle. Its Economics is neoclassical.

There is nothing new about the "new economics". In an atavistic celebration of laissez-faire capitalism, Lal proudly (and wrongly) traces its genealogy to Adam Smith. More accurately, however, it goes back to what Marx called "vulgar Economists" who founded the Marginalist School. Its emphasis is on microeconomics and the static allocation of given resources. Times couldn't be better for the new orthodoxy than this era of limited resources and sensitivity to allocative inefficiencies. Macroeconomic crises have a way of uncovering various forms of "inefficiencies" that may have been concealed by a high macroeconomic performance. However, as Marx and Schumpter argued, it is precisely those ***bêtes noir*** of neoclassical economics (state intervention, monopoly, increasing returns to scale, externalities etc.) that are sources of capitalist dynamism and its crises. Neoclassical economists only see these in their latter rôle.

The new economists have stepped into this vacuum with a flair and arrogant certainty of their policy clout, given its acceptance by the international financial institutions. It comes well-financed, computerized and

27 Justinian Rweyemamu, "The Formulation of an Industrial Strategy for Tanzania", *Africa Development*, Vol. VI, No. 1, 1981.

28 I know of only one book that specifically and seriously advanced strategies that addressed themselves to the peculiarities of Africa states attempting to follow progressive paths of accumulation and that was Clive Thomas, *Dependence and Transformation*. '(New York, Monthly Review Press).

literarily armed with all kinds of tools to arm-twist those policy-makers that may doubt its prescriptions and crushing those social groups that refuse to swallow its "shock treatment" nostrums. Pinochet's "Chicago Boys" are the most memorable example of this combination of dogma and arms. A state that does not heed its advice or accept its spuriously precise targets on appropriate levels of state expenditure, rate of devaluation etc. knows it will not receive money. The practitioners and the financiers of this "new economics" are absolutely convinced of its universal validity, and any opposition to it is blamed either on failure to grasp the putatively counter-intuitive subtleties of the theories behind them, or to selfish objection to rational advice by those groups that have earned "rents" from past and prevalent distortion, or simply to bad faith and/or lack of nerve.

Just as "Development Economics" had its "development institutes" the new orthodoxy has its research and consultancy networks. It too, like its predecessors, has its peripatetic advisors that occupy key posts in central banks and ministries of finance. Its preference is for technocrats and it has no qualms about calling for authoritarian rule. The following remark by Findlay is typical of this vice:

> *The internal autonomy of these "bureaucratic authoritarian" Leviathans has meant that they have been able to overcome internal resistance to "rational" economic policies, for example, such cases as the Brazilian stabilization of the mid-sixties, the withdrawal of price supports, for coffee producers, lowering of the minimum scale of direct foreign investment against the opposition of small business in Korea, and many other instances. Most important of all is some assurance to domestic and foreign firms that the outward orientation is a lasting commitment of the government that will not be eroded by domestic pressures in other direction such as is now occurring in Brazil under its first democratic presidency in more than 20 years. It is very difficult, if not impossible, to imagine a genuinely democratic regime that can insulate itself from domestic pressure groups to the extent necessary, even if the outward-looking strategy is to everyone's' best interest in the long-run*[29].

In a number of cases, the new orthodoxy insists that the minister of finance be trained in the arcane science of devaluations, austerity, stabilization, etc. if a country is to be recommended to financial institutions. "Political" ministers are deemed a definite nuisance. Its space is a "brave

29 Ronald Findlay, "Trade, Development, and the State" Gustav Ranin, and T. Paul Schultz, *The State of Development Economics: Progress and Perspectives* (London: Basil Blackwell, 1988) p. 93.

new world" of costly experiments and "shock treatments" administered by a new breed of economists who will, a million dead children later, only confess to minor statistical error.

The new orthodoxy is profoundly anti-nationalist, for, nationalism is the apogee of economic irrationality. National sovereignty is seen as an unfortunate aspect for the international system. In its populist variant, the demise of the state is seen as good for the nation.

To return to the main theme of the paper, Development Economics *qua* Development Economics has very little to say about the above not only because it has yielded too much ground but because it too functioned within the ambit of the International Financial Institution (IFI) and the state and having been crowded out by the new orthodoxy, it is quite simply unable to speak out as part of civil society. It has, of course, found temporary refuge in the UN system whose clout in national economies has declined dramatically with the ascendancy of the WB-IMF team.

The Case of Africa

Africa has always occupied a peculiar position in development theory. First, Africa did not attract as many economists as other parts of the Third World. And even those who worked in Africa, made their major contribution to Development Economics through models that were recognizably unrelated to African realities and specificities. Whereas in the fifties and sixties, the dominant theories worried about accumulation with "labour surplus" or agricultural transformation under archaic conditions of feudal farming, much of Africa was sparsely populated and often faced severe labour shortages. Agriculture was characterized by small peasant producers who owned their own piece of land and were subject to state marketing structures.

However, racism and colonialism did tend to make Africa fertile for a particular kind of apologetic theorizing, which sought to explain economic behaviour by reference to certain peculiar cultural quirks that underpined the irrationality of Africans, such as unfavourable climatic conditions, population pressure etc.

For the "labour reserve economy" there was the "backward- bending supply curve" hypothesis which postulated that the supply of native labour would diminish as wages increased so that the shape of the supply curve for labour was not upward slopping but backward bending. In more common parlance, the native worker was said to be a "target" worker who, if well paid would prematurely meet his/her target and withdraw from the labour market. In such a situation, an optimal combination of policies to induce the worker to supply his/her labour to the capitalist was one which included increasing the targets of the peasant (through higher taxes payable in species) while keeping wages low and foreclosing alternative sources of income. These measures would not only push the peasants towards the mines and settler agriculture, but they would reduce labour turnover by requiring longer sojourns in the "White" economy. The theory and the policy outcomes had a self- fulfilling quality to them. The package of measures did induce labour to migrate to the "white" economy even in situations of declining real wages. If the hypothesized supply curve of labour was backward bending, the achieved one was downward sloping.

For the "cash crop economies", the justification for low remuneration of peasant labour or produce was the "vent for surplus" theory which essentially portrayed the African peasant as chronically wallowing in unwanted "leisure". The advent of colonial rule and merchant capital was to relieve the peasant of this malaise by providing a "vent" for the potential surplus. Peasants would release both energy and surpluses at low levels of remuneration with no need for merchant capital to invest directly into agriculture. The dramatic increase in export crop production in such countries as Ghana, Senegal and Nigeria without proportional increases in population, significant reductions in output for domestic consumption or transformation of forces of production and the repatriation of large profits by merchant capital without any previous injection of capital into peasant production were considered sufficient proof for the validity of the theory. The theory did not, of course, have much historical validity.

Regardless of their validity as explanations of African behaviour, both these theoretical constructs contributed to, or rationalized, the view that one was dealing with a peasantry and working class from which one could continue to extract surpluses with as little investment as possible. To the extent that the *weltanschuang* informing these theoretical acrobatics - for this is what they really were - was racist, they fell into disfavour shortly before independence and definitely after independence. Underscoring the demise of this ideology was the publication of studies purporting to show that the African peasant's supply responses to price incentives were normal.

Nationalism and the attainment of independence undermined the moral basis of these theories. And a wave of studies emerged to demonstrate that Africans responded "rationally" to economic incentives.

Deprived of or freed from these essentially colonial theories of development, Development Economics never seems to have found it necessary to develop theories that would somehow capture the specificities of Africa. How would accumulation look like in societies that were very "open", had peasant-dominated agriculture and were "land surplus"? What would be the interaction between accumulation and environmental factors in a continent whose technical level of maestri of nature was extremely low? What would be the political content of economic policy given the peculiarities of the African liberation struggles and the colonial heritage? What form would the capitalist transformation take in Africa? Who wanted industrialization and why?

Briefly, the African experience remained untheorized in Development Economics.

The "Non-developmental" States

It may be interesting to note that with the current diminution of the sovereignty of African states vis-a-vis foreign powers, there is a new wave of theorizing which once again posits African irrationality as the source of the crisis. Although this irrationality is confined only to the ruling elites, while the peasants are bureaucratically stifled *homo economicus*, it resuscitates the Malthusian threat or concentrates on the poor quality of African soils and the unreliability of rainfall. This new thinking posits something known as a "development state" found most frequently in East Asia. In contrasts it raises the spectre of the "non-developmental state" prevalent in our parts of the world. The non-developmental state defies all reason and logic in its behaviour and is therefore a source of bemused bewilderment in some circles and of bitter disappointment to those who had so fervently counselled African states when they were apparently "developmental". Poorly veiled suggestions that foreign non-governmental and governmental agencies should somehow replace this state are made without fear of raising eyebrows.

My suspicion is that this view has probably the same origins as the views that sustained the "vent for surplus" and "backward-bending supply curve" theories as a rationalization of colonial practice. The theories of the "irrational" "non-developmental state" are designed to justify the increasing interference by foreign powers in the economic and political affairs of Africa and the search for "rational" bureaucratic authoritarian states.

The Future

Economics in Africa will have to address the problem of "development" to the extent that this is related to reflections and quests for solutions to the immense problems facing our future. Whether this will lead to the rebirth of "Development Economics" as a separate and autonomous discipline is a moot point.

There is a wide consensus that Development Economics has to adopt a "political economy approach", and there is a tendency in Africa to assume that such an approach is in some sense progressive. However, there is nothing intrinsically progressive about the "political economy approach" nor does it have any special methodological connotations. As Kautozain[30] argues, political economy would be used to all approaches to economic science which:

30 Op. cit.

- places a high priority on understanding and solving important and real economic problems in contrast to minute puzzles;
- recognizes the importance of other non-economic", social categories and theories, in their analysis of specific economic problems and makes an earnest effort to allow for such "variables" in their analyses and solutions;
- uses any set of techniques (including mathematics) which are appropriate for the problem in hand; but never allows any sets of techniques to dominate, much less determine the choice of the problem;
- always maintains the history of (the relevant) ideas and events as a background to their study - even though they may not necessarily spell this out on all occasions.

Quite obviously, "the political economy approach" can encompass a wide range of ideological positions. If for a while Marxists were the sole bearers of the mantle of classical political economy, then they have now been joined by whole new breed and range of schools. Indeed, today such approaches range from the classical one through Marx and Weber to the "New Right" whose "new political economy" explicates policy-making in terms of interest group pressures on the State, with the explicit or implicit hope that a bureaucratic-authoritarian regime will emerge to free the state from the instrumentalist exigencies of interest groups.

In Lieu of Conclusion

For as long as underdevelopment exists there will always be an intellectual, moral and political need to come to grips with it. And given the sensitivity of the social sciences to the political economic conjuncture, we should expect a return, even triumphant return, of Development Economics, calling for "planning" and greater state involvement in the economy. For, under a different conjuncture, nationalist "developmentalist" ideology can be expected to re-emerge. It will probably be less "etatist", given the emergence of indigenous capitalist class, but it will accord the state a higher role than is suggested by the current wave of "privatization".

What are some of the practical implications for training and research in Africa? My own view is that good training in Economics and the other social sciences, and greater specificity in the knowledge of our society not as "developmental" societies but as capitalist societies with their internal dynamics and external linkages is most useful. The approach will be "political economy" but if it is to have its classical meaning, and not the too often adopted "bad economics, bad political sociology and a little history" variant, then it will involve a rigorous deployment of economic tools to the study of socio-economic problems derived from real political economies with their inseparable social, economic, political instances.