

Reviews

The Political Economy of Underdevelopment by Tamas Szentes,
Akademiai Kiado, Budapest, 1971.

The phenomena of the 'underdeveloped' world cannot be fully understood without disclosing the phenomena of the 'developed' world, and indeed, the interpretation of 'underdevelopment' itself is greatly dependent on the evaluation of the development of the advanced countries. The laws of motion of 'underdevelopment' are much more widely and deeply rooted than the actual sphere of 'underdevelopment' in a given place and at a given time. Therefore, the interpretation of 'underdevelopment' must necessarily include a *historical* and *external* element which is organically inherent not only in 'underdevelopment' but also in 'development'. (p.15, emphasis in original)

This review does not attempt to give a definitive interpretation of the work of Tamas Szentes and the summary given cannot do justice to the complexity and depth of his analysis. But it is to be hoped that it will promote a wider awareness of this very important book, which, although difficult to obtain, is the first serious and comprehensive attempt (apart from the earlier work of Paul Baran) to develop a genuine political economy of underdevelopment. It provides an essential background to current controversies on underdevelopment and imperialism, as well as an analytical framework within which both individual country studies and the examination of specific problems (industrialization, foreign aid, etc.) can be made.

The book is divided into two parts. The first presents a critique of the basic bourgeois theories of 'underdevelopment'. The author does not attempt to give an exhaustive account of individual theories nor a history of the development of economic thought. He is concerned with showing why certain theories cannot offer a comprehensive and acceptable theory of 'underdevelopment' although he acknowledges that some of their explanations for certain partial problems do have some usefulness. In part two he presents an examination of 'the causes, substance and the laws of motion of underdevelopment' and it is with this analysis that we are here concerned.

Szentes begins with an analysis of colonialism, i.e. the specific manifestation of the world-wide expansion of the already developed capitalist mode of production:

... the socio-economic state of the developing countries is not merely 'economic underdevelopment', not just a sign of their not having participated in development, of their having fallen behind in progress, but it is the product of a *specific development*, which is most closely connected with, moreover derived from, the development of capitalist world economy.' (p 132)

The international division of labour established during the colonial period has undergone substantial changes, especially since World War 2. The leadership of the developed capitalist world has moved from the UK to the USA. The scientific-technical revolution has, among other things, diminished the significance of underdeveloped countries as a source of traditional raw materials. Increased state intervention, the development of monopoly capitalism and increased economic co-operation between advanced capitalist countries have widened the opportunities for investment both within and between these countries. The LDCs (less developed countries) have experienced an increasingly severe foreign exchange constraint, aggravated by domestic population pressures and unfavourable export markets. Finally, the pattern of capital exports to the LDCs has undergone substantial changes – specifically, with the scientific-technological revolution, advanced economies have relaxed their monopoly over processing industry and technology and have been prepared to see a certain kind of industrial development in LDCs. The present state of the LDCs '... bears not only the marks and consequences of the international division of labour which materialized in the colonial system, but it also reflects the detrimental effects of the recent changes in this division of labour.' (p 141)

Colonialism

The main characteristics of colonialism were complete dependence, direct economic dependence on foreign capital with some independence in the direction and structure of external trade. Foreign capital distorted the economic structure of the colony and built into it the elements of the capitalist mode of production. But it did not attempt the capitalist transformation of the economy and society as a whole and it also prevented the development of the local force (national capital) which could have carried out such a transformation. The result was thus a disintegrated (dualistic) economic and social structure with domestic capital, if it existed, playing the role of 'comprador' capital, that is, subservient to foreign interests.

The gaining of political independence made possible changes in economic relations. The most fundamental has been the changed character of political power and the disappearance of the most open, direct form of dependence. But where no attempt is made to gain genuine economic independence, dependence on other foreign sources of capital will develop a neo-colonial relationship involving military-political dependence as well.

Szentes thus analyses two aspects of underdevelopment: the external, international aspect which, from the historical point of view, is the primary aspect, and the internal aspect which, from the point of view of future development, is increasingly important:

It is self-evident that the movement of the world economy and of international politics will continue to exert a great influence on the internal life and external relations of the developing countries, but the direction and intensity of this influence will depend *to a decisive measure* on the progress of the internal changes, the results of the transformation of the inherited structure.' (p 163, emphasis in original)

The main qualitative features of LDCs are thus: economic dependence on foreign capitalist powers, and a systematic income drain by foreign capital and other channels whose elimination calls for changes in the world economy. Secondly, their economies are 'disintegrated', that is, there is little or no interrelationship between the different productive sectors of the economy, such integration as does exist lying in the direction of the international economy; the resultant deformed economic structures being reflected in complex internal social structures, existing pre-capitalist and capitalist social relations.

External Dependence

Szentes analyses the following forms of dependence: *a)* direct economic dependence (key positions in the economy controlled by foreign monopoly capital); *b)* trade dependence, subdivided into 'relational dependence' (dependence in trade relations on a few advanced capitalist countries, resulting from direct economic dependence and colonialism), and, secondly, the overall dependence of the entire economy on cyclical changes in the capitalist world market – this latter dependence has its roots deep in the structure of the economy and is more difficult to abolish than relational dependence; *c)* financial dependence (foreign control of the banking and credit system, LDC dependence on advanced capitalist countries in foreign exchange matters and increasing dependence on loans and grants from these countries, which Szentes believes is becoming rapidly more important) and, *d)* technical dependence (the importation of foreign technology and experts, teachers, etc.).

Arising from the various dependency relationships is the drain of income and other losses from the LDCs. This takes a direct form (capital export on direct investment and the export of loan capital), estimated to amount to perhaps \$3,500-4,000 million annually, and an indirect form, arising through foreign trade and financial and monetary relations. He identifies these major indirect forms of income loss: *a)* the imminent inequality of exchange (the problem of exchange of unequal quantities of labour); *b)* the secular deterioration in the terms of trade and the unequal distribution of the benefits arising from technical progress; *c)* the system of transfer prices as operated by multinational corporations; *d)* the mechanism of manipulated and monopoly prices arising from the inequalities between advanced economies and LDCs; *e)* the income loss connected with the export trade and foreign orientation (net balance of shipping freights, insurance and other services); *f)* the income loss sustained through the mechan-

ism of foreign exchange and banking systems. The total outflow is estimated at \$15,500 million, compared to an annual inflow during the 1960s of approximately \$10,000 million. Szentes concludes:

This summary of the results doubtless dispels first of all the illusion that the gap between the advanced and the underdeveloped countries can be substantially narrowed down by simply increasing (or even multiplying) the amount of aid and/or by widening the market of the traditional export products of the underdeveloped countries. As long as the influx of material and intellectual resources into the underdeveloped countries is connected with an increasing outflow of resources, which follows from the spontaneous mechanism of the capitalist world economy and the structural characteristics of the underdeveloped countries, and as long as in consequence of all this the unequal distribution of the dynamic factors of growth (science, technology and the industries closely related to them) is maintained (and even increased), there is no hope of narrowing the gap, nor even of preventing its further widening.' (pp 227-8)

There is no immediate and simple solution to this problem but the possibilities for change do exist, from both internal and external efforts. The internal solution is structural in nature (and therefore political); and the international solution is political (and therefore also structural). Szentes argues that while international changes are necessary to eliminate underdevelopment completely, the survival of dependence and the mechanism of income drain is to a large extent a function of the internal structure as well: '... the internal structure of the underdeveloped countries is not only the product of the penetration of external, international forces, but ... this structure, once it has become established, will itself provide a basis for maintaining this penetration.' (pp 229-30)

Internal Dependency and Class Structure

The distorted economic structure of the LDC gives rise to a similarly distorted class structure. The penetration of western capitalist forces interrupted the natural course of the LDC's development and the patterns of change were thus determined by external forces. The transformation was not complete, however. The old did not completely disappear and the new was built not on the flattened ruins but among the remnants of the old. Modern capitalist relations became associated with more traditional conditions. But foreign capital only came into conflict with pre-capitalist remnants when they happened to fall directly within the sphere of its activity, while the growth of a national bourgeoisie was impeded and, for a variety of reasons, did not regard the struggle against pre-capitalist social remnants as its main task. Neither external nor internal capitalist forces were interested in the complete elimination of pre-capitalist formations. The co-existence of the latter with foreign monopoly capital gives rise to the distorted and heterogenous social structure.

Szentes notes that the dividing lines between social classes and strata are less distinct in LDCs than in the West and that class consciousness is influenced and offset by various forms of social consciousness (traditional religion, tribal origins, etc.). He evaluates and rejects a number of different conceptions of class and is especially critical of the concept of an urban labour aristocracy. He also argues that the rapidly growing political elite will not become a new, independent

social class. Any social group that does not own the means of production will in the long run lose its political power and thus the elite will either merge with the bourgeoisie of a developing capitalist society or will dissolve in the process of socialist development.

The main social classes are:

the proletariat, because of labour migration often difficult to distinguish in practice from

the peasantry, a social group containing a range of different interests and contradictory elements;

the bourgeoisie, distinguishing between the *national bourgeoisie* (which has independent local capital and supports national and democratic tendencies) and the *comprador bourgeoisie* (aligned to foreign capital and opposed to the above tendencies). The following sub-strata of the bourgeoisie can usually be found in LDCs: (i) the commercial bourgeoisie, (ii) the agrarian bourgeoisie, (iii) the industrial bourgeoisie, (iv) the financial and bank bourgeoisie. These different strata assume different degrees of importance in different economies. For example, the more backward the economy and the greater the impact of colonialism, the more the local bourgeoisie is confined to the fields of trade and agriculture;

feudal landlords and other leading strata of the pre-capitalist society.

The power and importance of the various social classes depends on a large number of factors, and with the gradual transformation of the economy they must adjust themselves to new relations.

Overcoming Dependency

In the final chapter of the book, Szentes examines the prospects for overcoming underdevelopment. The international solution can only be provided by the collapse of capitalism in the advanced countries, but this does not imply that nothing can be done about liquidating underdevelopment prior to the collapse of capitalism: 'Though underdevelopment is an international product, development policy still has a basically national framework.' (p 293) The elimination of underdevelopment within the national economy is an extremely complex task, involving the breaking of the monopolistic position of foreign capital and the transformation of the distorted structure of the economy and society via agricultural development, industrialization, state planning, etc.

Massive state intervention in the economy is a precondition for the liquidation of underdevelopment. This presumes state capitalism, that is, the restriction and regulation of economic spontaneity arising from the existence of private capital, the primary task being the development of productive forces and creation of an integrated national economy. State capitalism has no definite character and may develop along a number of different lines — towards some other form of capitalism or towards socialism — determined by the internal socio-political development and the class power relations of each individual country within the framework set by international political and economic relations.

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