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Jahangir, Nadim

School of Business, Independent University,Bangladesh

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BOOK REVIEW

Bagchi, Amiya Kumar. *The Political Economy of Underdevelopment* (London: The Cambridge University Press, Cambridge, 1982, pp. viii+280, Index. Hardcover £ 20, Paperback £ 7.50)

Nadim Jahangir
Independent University, Bangladesh
Noorjahan Parvez
Independent University, Bangladesh

Since Professor Amiya Kumar Bagchi's above mentioned book has been wonderfully written, we could not help checking our desire to review it once again although several expert scholars (such as Tussie, 1983; Byres, 1984; Herring, 1985 and Jain, 1999) of different countries had earlier reviewed it. Another ground of reviewing this book after so many years of its publication in 1982 is that even today the main theme of Professor Bagchi's work very much exists in the economic infrastructures of the Bangladesh economy. A lot of wealth is now in the hands of a tiny minority while an overwhelming majority of our population is suffering from exploitation, deprivation and poverty. Marginal farmers and wage earners are very many. Furthermore, we have been observing carefully that the disparity between the rich and the poor in Bangladesh has significantly escalated within the last decade. The upper classes have been conspicuously building their wealth, while most of the poor are not even able to feed themselves because of continuing price hike of essentials, to our profound regret. Hence, this review of Bagchi's book even after several reviews by several scholars in the past.

Dr. Amiya Kumar Bagchi, a renowned Indian Professor, is an eminent economist of the modern Cambridge tradition. Professor Bagchi's book which anchored its economic analysis based on the admission that society was divided into three classes: landlords, capitalists and wage earners is part of a growing current attempting to revive the traditions of political economy of underdevelopment along Marxist-Leninist axis. This book comprises nine chapters: 1) **Political economy and the study of social change in the Third World**, 2) **Methods of exploitation and the phenomenon of economic retardation**, 3) **Underdevelopment in Latin America: Historical roots**, 4) **Colonialism in Asia: Indonesia, India, China**, 5) **Growth and fluctuations in economically retarded societies**, 6) **Rural classes, land reforms and agrarian change**, 7) **Labor, Capital and the State**, 8) **Population growth and the quality of life in the Third World**, and 9) **Planning for Capitalism in the Third World**. It is a collective wealth of information on the

development problems of the countries in the Third World belt. This monumental treatise concentrates on the characterization of a state of economic underdevelopment or economic retardation and on the diagnosis of its causes. In the next chapter, an attempt has been made to provide an analytic summary of the process which keeps the Third World capitalist countries in a state of retardation. This helps in clarifying the principles used to select some particular historical developments for a somewhat detailed presentation. In the next two chapters, the author has presented certain aspects of historical development of societies in Latin America and Asia - societies which have been hybridized under the dual stress of the logic of evolution of its pre-existing social structure and of the buffetings of an evolving world capitalist system. Chapter-V has analyzed the typical modes of growth and fluctuations of the Third World countries under the influence of capitalist forces at a rather high level of abstraction. Behind these patterns of fluctuation and interaction lie the class configurations in towns and villages of the Third World. In VI and VII chapters, the author has provided an analysis of the class structures (particularly concentrating on the characteristics of the peasantry, the working class and the capitalist class of these countries), the class conflicts and the role of State in the underdeveloped countries. One of the themes of this book is the way in which the development of a particular class (most importantly the bourgeoisie) not only influences the character of income and power distribution within the country concerned but also determines the place of that society in the international hierarchy of capitalist countries. That, in its turn, influences the direction and magnitude of flows of resources (including people) between different countries. The perspective presented in the preceding seven chapters has been used to deal with two topics of current interest: population growth and environmental damage caused by economic growth. The ways in which predatory capitalism damages, the environment and the ills of capitalism and exploitation are foisted on to population growth as such form major themes in this chapter. Chapter-IX discusses what has been done in the name of economic planning in typical Third World countries. The actual processes through which the stated aims of planning have been subverted, and governmental policies have mostly ended up by strengthening the forces for inequality, retardation and dependence are described. This book has concentrated on the non-socialist Third World countries or on the non-socialist phase of the socialist countries of the Third World. A discussion of the experience of socialist countries such as: China or Vietnam would require a different focus. However, the literature on developments in socialist China has been signposted in 'A guide to further reading' that appears after Chapter-IX.

We fully agree with Tussie (1983) that Bagchi traces the history of underdevelopment from colonization to the present. His book is an endeavor to cover broad issues such as agrarian change, the role of State, population growth, environmental destruction, and planning in the light of the unequal relations of political economy. Professor Bagchi has emphasized in this book that economic development in the developing nations needs a thorough change in the socio-politico-economic

structures. Economic development should not be narrowly treated as the development of the stock of only the affluent capitalists since economic development is a social process where different groups of people—both capitalists and the working classes, take part in the development activities. His contention is that "**maximizing the surplus in the hands of the rich in the Third World**" should not be the way of maximizing the rate of economic growth.

Professor Bagchi focuses on the development experience of wealthy countries like Japan, North America, Australia, Western Europe, South Africa etc and of a large pool of poor countries characterized by a conglomerate of underdeveloped institutions and illiterate, ill-fed, ill-clad, mal-nourished and poverty-stricken people. The author has excellently described some of the historical origins of a sharp division between a tiny minority of rich persons owning a lion share of the means of production and a vast majority of extremely poor persons living in miserable conditions. He discusses pre-capitalist social formations, problems of different phases of capitalism in the Western Europe and the meaning of exploitation. He has broadly defined exploitation as the "**Process of extracting a surplus from the Third World countries by the ruling classes ... of capitalist countries...**" **(p. 15).** In his opinion, the colonies of European countries saw only the mercantile phase of capitalism. There was no clear succession of the stages of mercantile and industrial capitalism in the Third World countries.

Professor Bagchi's treatise shows that the division of the world into a small group of poor nations has been apparent to careful observers for a long time, the division of the poor nations between a very small group of affluent persons and the vast majority of very poor persons living continually on the brink of disaster is also apparent. However, there is no unanimity regarding the reasons for either the poverty of poor nations or the wretchedness of the ordinary people belonging to the group of poor nations. This book aims to elucidate some at least of the historical origins of these cleavages among peoples and nations, and also to discuss the typical ways in which inequalities among classes and peoples are maintained and propagated. The analysis in the book is not confined to the domain of economic variables alone. Men engage in producing or procuring goods and services in order to support themselves; however, the framework within which they engage in such activities is provided by the society and polity they live in. One particular way of viewing social organization is to regard it as consisting of several classes which are interconnected with one another, but which are in conflict in respect of the rules governing distribution of goods and services. For example, in a slave society, the interests of masters and slaves are in obvious conflict in normal times. It may be argued that man's unceasing quest for mastery over nature, which provides him with the resources for earning a livelihood, can be hampered or encouraged by a particular kind of social organization. This book has taken into account the social and political structure of the Third World countries in order to place them relative to the advanced capitalist countries with whom they have had many decades, if not centuries, of a relationship of dominance and subordination.

Dr. Bagchi has judiciously explained the causes and antecedents of "retardation" (i.e. underdevelopment) in the Third World countries. He has analyzed the social systems as a whole. He did not focus on output, price system, income, balance of payment and the like in isolation. He did not address any problem whatsoever in an isolated way, as many professional economists usually do. He tried very clearly to underline the Third World countries' internal socio-politico-economic structures which make them subservient to the developed countries.

Professor Bagchi has discussed in detail on the penetration of colonialism into Latin American and Asian countries. Thereafter, he has delved into the phenomena experienced by India. According to him, the period of 56 years from1757 to 1813 in India was a period of exploitation done by European merchants through the East India Company. This exploitation is very much evident from Bagchi's statement: **"part of the surplus realized through the trade and revenue system in Bengal was utilized to extend the British dominion over the rest of India ..." (pp. 80- 81).** The British rulers created a great havoc in the Indian economy by siphoning off at least 5 to 6 per cent of the GDP of India to Britain (P. 81). They laid out this amount during the period of Industrial revolution. During the period from1813 to 1858, the British Government employed European firms to run "free trade" in India and transform India into a producer of only raw materials for the industrialized countries of the West, namely Britain, in particular. India was deprived of the opportunity to have a leading manufacturing industry. India was compelled to remain an importer of cotton made goods from Britain and not to become an exporter.

India's unilateral dependence on Britain shifted to multilateral dependence on advanced capitalist countries from 1937 through 1956. Consumer goods industries were established in the first phase of import-substitution. But ultimately the market for durable consumer goods remained restricted because of weak social structures, mass illiteracy and poverty.

> **The State apparatus precariously balanced the interest of Landlords, monopoly capitalists, professional classes and collaborationist elements in the upper classes ... India had in effect made a transition from the demand-constrained stasis of colonial times to the multiply-constrained three legged race of a neocolonial, retarded society (p 94).**

Evidently, government policy was not progressive enough to release agriculture from the situation of semi-feudal bondage to set up a firm base for assured development and growth. The continual drain of surplus value from the Third World led to depression of domestic demand in the home market. The quantum of exportable products remained low. The private investors were in difficulties to build up manufacturing industries in the Third World countries.

Only in the countries of large populations, large markets and more developed indigenous class of capitalists did the import-substitution process succeed. But such investments in basic consumer goods could not widely reach the poor broad masses.

Again the markets for consumer goods contracted when the terms of exchange shifted from urban and fixed income groups to agriculture and rural income groups. Until the middle of the 1950s the early phase of import- substitution process lasted in India while it had continued in major Latin American countries like Brazil until the end of the 1940s. In the second phase of consumer industrial goods it is evident that there is more economy in the production of many durable goods such as scooters, cars and refrigerators in comparison to the production of light consumer goods. Highly skilled manpower and highly sophisticated technology were needed for them. In this situation, the very large transnational companies of Japan, America and Europe monopolized the production of such durables. The LDCs failed to compete with the advanced countries in the international market of durable goods. The Third World countries tried to industrialize through import-substitution process. As a sequel, they became more dependent on the developed capitalist countries. They did not follow the policy of Japan in the first phase of import-substitution nor did they ban the entry of foreign capital and foreign firms. In the wake of all these, they became more and more dependent, and precarious economic and social conditions followed in the Third World countries. In the late phase of import-substitution, restriction was imposed on the import of consumer goods or import was altogether eliminated and the demand for imports of intermediate goods and more sophisticated capital goods increased. The decline in agricultural production, import of food grains and export of raw materials led to balance of payments crises. The countries of the Third World belt adopted various controls including the control of foreign exchange, multiple exchange rates, quota restrictions, tariffs and subsidies on exports. On the other side, the advanced capitalist governments, neoclassical economists, the World Bank and the International Monetary Fund (IMF) continued urging the developing (underdeveloped) nations to support free trade and devalue their currencies for the correction of adverse balance of payments. In many countries of Latin America as well as in Turkey, no attempt was made to cure inflation and chronic balance of payments crises. Instead, those countries adopted the IMF policies of devaluation, restrictions on bank lending and curtailment of the government expenditure. All these checked the growth of the economy. This is obvious from Bagchi's statement:

> **Given the typically low elasticities of supply of exportables, and of demand for imports and the high propensity to import on the part of property owners, an unstable growth process is hard to avoid in retarded economies (pp 140-141)**

Professor Bagchi felt that development efforts of making some South-East Asian countries subcontractors for low-wage enclaves to convert capitalist goods into finished products for international markets would not be helpful to retarded societies. Nor would free trade and export oriented growth be of help to underdeveloped societies. He thought that development of economic structures, organizations, methods and techniques would foster an inward growth of the underdeveloped nations. This would develop internal

relations amongst different sectors and different occupational groups of the economy.

"The logic of capitalist exploitation and domination has hindered such a development so far" (P. 146). The colonialist conquerors of the Third World countries legalized slavery, restricted on the movement of people and alienated land from tribes. They legalized the use of land and labor like a commodity to be bought and sold in the market. They also created infrastructures for facilitating the diffusion and marketing of cash crops. For this purpose, they constructed railways, irrigation works, port facilities and so on in India, Indonesia and Egypt. All these they did to boost up the production of exportable cash crops. But the tragedy is that the government machinery helped the rich farms by providing them with credit and other infrastructure facilities. It is evident from the statement of the author how development to integrate the Third World agriculture into the network of international capitalism sharpened social contradictions and polarized the social classes in both urban and rural areas:

> **Thus the completion of the historic tasks of capitalism in Third World villages, while helping the capitalist classes to acquire a firmer grip over the economy, is also sowing the seeds of disintegration of the system, at least in the current form (P. 178).**

In its concluding chapter on Planning for Capitalism in the Third World, the author has made an excellent discussion on development strategies of India, Pakistan and Turkey. His discussion centers around State intervention in the economy and planning of overall development in the Third World countries. Different groups of thinkers mean this in different ways. Some people think that it means an intervention in support of private enterprises while others take it as an entry of the State into sectors where private enterprises fear to enter for lack of profit and experience. Another group of thinkers consider it to be the gradual elimination of private enterprises by collective action for social welfare. Professor Bagchi aptly concludes his discussion with the following words:

> **The use of planning in Third World countries to promote dependent capitalism may also be seen in the scramble for aid on the part of most countries apparently attempting to reach self-reliance, even though 'aid' generally inhibits efforts at gaining autonomy. Indeed, planning exercises are often carried out to make out a case for more aid from the World Bank and its soft interest affiliate IDA, the US Government and other members of the OECD. Planning aimed at reinforcing the capitalism in the Third World countries can only reinforce the tendency towards retardation... (P. 250)**

In summary, the book provides an easy-to-read overview of a reasonably complex subject area. We think we may safely remark that Professor A. K. Bagchi has made a laudable attempt in his book to pinpoint the crises within the discipline of development economics, and its techniques as well as strategies of development and growth. As reviewers, we feel that the development societies should note these approaches,

techniques and strategies for the purpose of their own development plans and activities. The conventional science of development economics needs to supplement its method of neoclassicism with some other radical approaches that ought to aim at thorough but basic changes in the social and economic structures of the poor underdeveloped countries. Development economists know it much better than the present reviewers that the economic conditions of the advanced capitalist countries are much different from those of the developing societies. Hence, they should not blindly follow the neoclassical models adopted by advanced countries. They should not be apologists of a decadent status quo controlled by a tiny minority of elites. The advanced capitalist countries have developed their industrial and monetary economics to a level at which consumption, investment and employment patterns and other variables may very well be predicted. On the other hand, the developing countries have still been including pre-capitalist feudal and even pastoral tribal economic and social formations that characterize anarchy of production and that belie all hypothetical predictions and assumptions of ***homoeconomicus.***

In the end, we would like to say that Bagchi's contribution is a heroic work which relates to class structure and the power, simultaneously political and economic, of dominant classes, in particular, as these greatly affect growth patterns and the consequences of economic change for subordinate classes. This work focuses on the societal economic surplus, and what happens to it (a function of both domestic class structure and mode of integration into the world economic system) as a primary determinant of aggregate growth and structural change. We strongly feel that this is, indeed, a most useful book for the economists and researchers of both underdeveloped and developed countries. This work is a positive addition to the stock of literature in the field of development economics. We see that this book contains a great deal of material that should be of great value to the researchers of development economics. This is, in our view, a valuable resource for anybody interested in a discussion on the current state of the political economy of underdevelopment. The presentation is even-handed and is not particularly partial to any one paradigm. 'A guide to further reading' and 'References' have added to the utility value of this work. This is a substantial contribution not only in this analysis of the development problems of the Third World in a broad historical and social perspective but also in its intellectual departure from the conventional economic theory of neo-classicism. Its strengths are far more compelling than any minor weakness, although we believe that incorporating further analyses, interpretations and conclusions based on the abundance of descriptive and real life materials could further strengthen this treatise. To be fair, finally, this book is endowed with many positive attributes. This work offers a critical perspective with exceptional clarity. It is an inspiring piece of literature rich in scholarship, rigor and relevance. We never argue that this book has covered all sides—all underdeveloped countries. We certainly agree with Herring (1984-85, p.745) that there exists a sophisticated literature and data-base for addressing analytically the questions of variance within the Third World and recent

changes in the global phenomenon of underdevelopment. Nevertheless, our point of view is that there is hardly any book that covers all sides—all issues—all questions. In our considered opinion, therefore, Professor Bagchi's book is a most important contribution to the existing stock of literature on underdevelopment. Readers from varied audiences--economists, development planners, academics, researchers and students will immensely benefit from this excellently written book of Professor A. K. Bagchi, who in our most humble opinion deserves a memorable award for his highly remarkable contribution in the context of economic growth and development in the SAARC nations, in particular in the Third World belt.

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