

Marxist Theories of Development: Development and Underdevelopment in Contemporary Capitalism

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Abstract

This paper aims to examine the Marxist theory of development critically. The limitation of various development theories in explaining the reasons for underdevelopment in the case of third-world countries creates the significance of the Marxist theory. The perspective provided by Marxists and other new Marxist approaches gives us a new way to examine the existence of both ‘development’ and ‘underdevelopment’ within the same capitalism.

Keywords: Marxist, development, underdevelopment, dependency, world-system.

Introduction

The idea of development has diverse and contested meanings. The trajectory of the idea of development reflects that it traversed a long and contested history shaped by empirical situations and the nature of epistemic positions. In such context, the Marxist theories help us understand the reasons related to the presence of ‘development’ and ‘underdevelopment’ within the same capitalism. Theories of underdevelopment are an important contribution of Marxism. Theories of underdevelopment are a significant contribution to the critical understanding of development as it locates itself in understanding the causes of underdevelopment. Different nuances provided by underdevelopment theories help us contest the existing meaning of development and relook into issues of underdevelopment.

Theories of underdevelopment or underdevelopment theories are not a single approach. Instead, they combine different methods, including classical Marxism, neo-Marxism, dependency theory, world-system theory, etc. (Harrison 1988: 62). These approaches deviate from the conventional understanding of development by emphasising the origin and ‘development of underdevelopment’. The debate within Marxism is associated with the underdevelopment theory (Harrison 1988: 62), and hence Marxist thoughts are significant to grasp the nuances of the underdevelopment theory.

Objective

This paper aims to critically examine Marxist theories of development and underdevelopment to grasp the reasons for the presence of ‘development’ and ‘underdevelopment’ within the same capitalist system.

Methodology

The Paper is based on secondary literature. The author critically engaged with text, articles, chapters etc.

to comprehend the reasons for the growth of ‘development’ and ‘underdevelopment’ within the same capitalist system.

Overview of Marxist Theories of Development

Marx and Engels's understanding of western capitalism provided a critical perspective to understand third-world development. The knowledge of third-world development is contributed significantly by Marxism. Therefore, we observe a tendency to relook the Marxian interpretation to understand the characteristics of third-world development. Marx's famous statement which states that the country which is industrially more developed shows the image of their own future to the less developed ones (Marx 1954: 19). It provides us with a linear stage and historical understanding of development. Despite the continuous use of Marxism to understand development, it needs to be mentioned that Marx and Engels's linear historical understanding has limitations. Its universal applicability needs to be questioned. However, the interpretation provided by the Marxian perspective significantly helps us to grasp the character of development and underdevelopment as observed in third-world societies.

Marx's understanding of different ‘modes of production’ and the transition to capitalism remains relevant even in the contemporary period. Marx nicely depicts the transformation that happens due to conflict in material productive forces of production and relations of production. He states:

“At a certain stage of development, the material productive forces of society come into conflict with the existing relations of production or- this merely expresses the same things in legal terms- with the property relations within the framework of which they have operated hitherto. From forms of development of the productive forces these relations turn into their fetters. Then begin an era of social revolution. The changes in the economic foundation lead sooner or later to the transformation of the whole immense superstructure.” (Marx 1970: 21)

He argues that pre-capitalism is characterized by different stages like ‘Asiatic’, ‘Ancient’ and ‘Feudal’. Marx further predicts the destruction of ‘capitalism’ and the emergence of ‘socialism’ (Marx 1954). As stated, debates prevail over the applicability of similar linear transition model to societies across the world in the contemporary period.

Marx argues that the distinct nature mode of production characterised by capitalism is associated with ‘surplus value’, which distinguishes the system from the pre-capitalist modes of production (Marx 1954). Marx nicely highlights the character of the paradox or contradiction inherent in the mode of production characterised by capitalism, which subsequently led to its destruction. For him, capitalism is characterised by the ownership of the ‘means of production’ by the bourgeoisie. But, there are non-ownership ‘means of production’ by the proletariat except their labour-power. The contradiction of capitalism is observed in the lower wages paid to the proletariat in comparison to the value of the commodities produced through their labour. This results in the generation of surplus-value, which constitutes the profit of the bourgeoisie (Marx 1954). Marx predicted that the contradictions of surplus-value generation would lead to the destruction of capitalism. The surplus value is the source of profit for the bourgeoisie class and is responsible for the exploitation of the proletariat. The non-ownership of means of production catalysed the exploitation of the proletariat within capitalism.

It is understood that the Marxian understanding is significant to grasp the character of exploitation and contradictions working in contemporary capitalism. Marxist perspective helps us understand the sources of profit and the sources of exploitation within capitalism as well. The main criticisms against Marxist understanding lie in its prediction of socialism, which did not come into reality. Yet Marxism

successfully provided a new perspective to comprehend the working of capitalism in the contemporary world. In the subsequent period, Neo-Marxism tries to adapt to the changing scenario by going beyond classical Marxism to understand the societies in the mid-twentieth century.

Neo-Marxism and Development

Some thinkers like Paul Baran, Paul Sweezy of 'Neo-Marxist School' used a modified version of Marxism to understand the world's situation from the middle part of the twentieth century. The critical works of Neo-Marxists help in the revival of Marxist thought from the middle part of the twentieth century. The perspective provided by Neo-Marxism helps us to comprehend the complexities of the twentieth century better. In his classic work 'The Political Economy of Growth' (1957), Baran argues that the capitalist system is now working as an obstacle for the growth and survival of the human race, contrary to its initial contribution to economic development. His book consists of two parts: the first part nicely presents the irrationalities and contradictions inherent in industrial capitalism. The second part reflects how these intrinsic contradictions in industrial capitalism resulted in economic stagnation in the third world (Baran 1957). He argues that the underdevelopment of the third world is created due to the capitalist development in the west. The colonisers are determined to take away their home's most significant gains that are possible from the host countries (Baran 1957: 274). Baran does not observe any possibility of going out of this situation by the third-world countries in the prevailing system. He asserts that socialist planning is a 'rational solution' and 'self-evident truth' that can produce the economic surplus necessary for a country to progress by restructuring the socio-economic institutions (Baran 1957: 119). Baran's critical examination of the reasons for underdevelopment in third-world countries also has limitations. One major problem with Baran's understanding is that his significant focus on the Soviet model fails to grasp the issues inherent in the Soviet model (Sutcliffe 1973: 96-97). Despite his limitation, Baran's work is significant to grasp the nature of contradictions in contemporary industrial capitalism that result in economic stagnation in the third world countries.

Another major Neo-Marxist work that tries to comprehend the exploitation in poor countries comes from Baran and Sweezy's work 'Monopoly Capital: An Essay on the American Economic and Social Order' (1968). They conclude that the domination of the economy of the world by a few companies, which are large, thereby resulting in the exploitation of the countries which are poorer. This was termed 'monopoly capitalism'; although it was seen rather than a single company, few companies play a dominant role in contemporary capitalism. To them; the problem linked to the fact that "a large scale enterprise producing a significant share of the output of an industry, or even several industries", are "able to control its prices, the volume of its production, and the types and amount of its investment" (Baran and Sweezy 1968: 6). This caused economic domination of poorer countries against their interest. For Baran and Sweezy, Monopoly capital creates income inequality and poverty.

Baran and Sweezy asserted that the government of these poor countries have concerns about the 'social problem' emerging due to 'monopoly capitalism'. But their intention to solve the social problems in their country does not get materialised. It is seen that the ideology of capitalism to have maximum profit inhabited the government in solving the issues associated with 'monopoly capitalism'. This is a major contradiction of capitalism where the government can not resist the onslaught of 'monopoly capitalism'. Even the government of the poorer countries can not intervene as some of them are corrupt and powerless states. Baran and Sweezy criticised monopoly capitalism as an inhuman system; they see the solutions of this system in socialist design. They argue that the development can occur in inferior

economics when they break ties with the world capitalist system (Baran and Sweezy 1968). Thus, capitalism does not provide solution to the irrationalities and contradictions that are part of the system. Many critics oppose the neo-Marxist understanding of development because it fails to provide a comprehensive account of capitalism's current workings. However, it tries to go beyond Marxism and provide a significant perspective on capitalism's workings, especially in societies after the middle part of the twentieth century, which cannot properly be explained with the classical Marxian understandings.

Development of ‘underdevelopment’: Dependency Theory

Dependency theory argues that the dependence of the states in the third-world on the advanced capitalist state shapes the underdevelopment in the former states. These theories, known as dependency theories, provided substantial criticism to the prevailing modernisation and Eurocentric understandings of development. Moreover, these theories and World System theories explain how ‘the development of underdevelopment’ in the peripheral states is associated with their dependence on western societies and the advantageous positions enjoyed by the latter. Theotonio Dos Santos discusses the historical aspect of dependency theory. He states that dependency is a historical condition resulting in the development of some specific countries by limiting the possibilities of causing development in the economies which are dependent. He states that the historical situation of the world economy is favourable for some countries at the cost of possibilities of development of subordinate economies (Santos 1971: 226)

Foster-Carter discusses different dimensions of the dependency theory when he argues how conflict of interest can be observed in the development process, that reflects how both development and underdevelopment are interconnected in nature. He emphasises the ‘development of underdevelopment’ as presented by Dependency theorists and reflects that socialism is the solution to the situation (Foster-Carter 1976: 174-175).

Despite the success in providing an alternative perspective to grasp the reasons for underdevelopment against the major narrative prevailing in the period of the 1960s, dependency theories can be criticised for emphasizing economic factors that focus less on social factors. Nevertheless, understanding the state's power dynamics in international development is a significant contribution of dependency theories.

‘Development of Underdevelopment’ and Andre Gunder Frank

One dominant theorist within the ‘Dependency theory’ is Andre Gunder Frank. He was a major theorist of articulating the ‘development of underdevelopment’ in the dependent relation present in capitalism. Frank nicely reflects the historical production of development and underdevelopment within the same capitalism due to economic relations between ‘satellite’ and ‘metropolitan’ countries. He argues:

“...historical research demonstrates that contemporary underdevelopment is in large part the historical product of past and continuing economic and other relations between the satellite underdeveloped and the now developed metropolitan countries. Furthermore, these relations are an essential part of the capitalist system of a world scale as a whole.” (Frank 1972: 3)

His contribution to comprehending the process of extraction of the surplus by the ‘metropolitan’ state helps us to grasp the reasons for underdevelopment in ‘peripheral’ states. In his classic work ‘Capitalism and Underdevelopment in Latin America’ (1969), He argues an appropriation of surplus appropriated by the advanced countries within capitalism comes from the third world through transnational corporations. For him, it resulted in the stagnation of the economy in the ‘satellite’ states and the production of surplus in the ‘metropolitan’ states. The detachment of the connection with

capitalism for an auto-centric development is perceived as a solution for ‘satellite’ states or third-world economies as perceived by Frank (Frank 1969).

Frank also emphasises the results of the development and underdevelopment by the same capitalist system in his classic work ‘On Capitalist Underdevelopment’ (1975). He states:

“All serious study of the problems of the development of the underdeveloped areas and all serious intent to formulate policy for the elimination of the underdevelopment and for the promotion of the development must take into account, and must begin with, the fundamental historical and the structural cause of underdevelopment in capitalism.” (Frank 1975: 96)

Frank observes three contradictions in the capitalist system (Frank 1975; Peet and Hartwick 2005: 108). The first contradiction is the monopolistic expropriation of economic surplus from those who produce it. The second contradiction is the metropolis-satellite polarisation within capitalism, and the third contradiction is how these continue with changes. These three contradictions can be linked to the existence of both development and underdevelopment within the same capitalism. It can be understood as a major contradiction of capitalism.

On the basis of his understanding of Chile, Frank (1969) also provides an explanation of the patterns of appropriation of surplus by working in the remotest corner of the economy. He argues that the exploitation relation is present in the Chilean economy in a chain-like fashion from national metropolises to the small regional satellite, which resulted in the development of few in opposition to the underdevelopment of the many. He states:

“The monopoly capitalist structure and the surplus expropriation/appropriation contradiction run through the entire Chilean economy, past and present. Indeed, it is this exploitative relation which in chain-like fashion extends the link between the capitalist world and national metropolises to the regional centres (part of whose surplus they appropriate), and from these to local centers, and so on to large landowners or merchants who expropriate surplus from small peasants or tenants, and sometimes even from these latter to landless labourers exploited by them in turn. At each step along the way, the relatively few capitalists above exercise monopoly power over the many below, expropriating some or all of their economic surplus...Thus at each point, the international, national, and local capitalist system generates economic development for the few and underdevelopment for the many.” (Frank 1969: 7-8).

It reflects the nature of appropriation of surplus by few leading to underdevelopment of many within the same capitalism. Thus, Andre Gunder Frank nicely explains the nature of exploitative appropriation of profit by the metropolitan states responsible for ‘development of underdevelopment’ in the ‘satellite’ region.

The World System Approach: Underdevelopment at world level

Immanuel Wallerstein and his colleagues have notable contributions to the historical understanding of capitalism's growth and spread from the ‘centre’ to the ‘periphery’ in a significant theory, the World System Approach. It was also taken as a modified version of the Dependency theory that helps us comprehend the historical development of capitalism worldwide. It took the world as a unit of analysis in opposition to the nation-state as a unit of study.

Wallerstein, in ‘The Modern World System: Capitalist Agriculture and the Origins of the European World Economic in the Sixteenth Century’ (1974), states that capitalism emerged as a world system in the sixteenth century. For him, capitalism's historical development helps us understand the functioning and contradictory tendencies of world capitalism of the contemporary time. Therefore, he emphasised

having a World System perspective rather than taking the sovereign state as the unit for discussion (Wallerstein 1974). He discusses how the capital formation at the 'core' occurs due to the loss of the 'peripheral' and the 'semi peripheral countries' (Wallerstein 1974). So, the World System Approach also explains the development of some parts and the presence of underdevelopment in some other parts within the same capitalism.

Wallerstein argues that the integration of several geographical regions resulted from the nature of commodities produced, and hence, the division of labour ultimately results in the world economy. For him, the periphery area is associated with the production of low-ranking goods, which integrated them into the world economy and located them in the exchange priority of the world economy, thereby shaping their level of development. He states:

“The periphery of the world economy is that geographical sector of it wherein production is primarily of lower ranking goods ...but which is the integral part of the overall system of division of labour, because the commodities involved are essential for daily use... the external arena of a world economy...consist of those other world systems with which the given world economy has a some kind of trade relationship, based primarily on the exchange priorities.” (Wallerstein 1974: 301-2, 199-200).

Thus, World System theory provides a significant approach to understanding the emergence of 'underdevelopment' and 'development' in the same capitalist system prevailing worldwide. But, it needs to examine clerically how the single approach may be applied to explain capitalism across the world characterised by large-scale diversities.

Conclusion

This article tries to grasp the various dimensions of the Marxist theory of development. In this context, it tries to move beyond the Eurocentric perspective on development. It tries to provide a critical perspective that can give us nuances of the underdevelopment of the societies outside the west. It is interesting to observe that the same institution of capitalism is associated with the development of the west responsible and underdevelopment of non-western societies. Even the various neo-Marxist understandings like 'Monopoly capitalism', Dependency theory, World System Approach are significant to understanding the working of capitalism and the nature of exploitative relations that are part of capitalism. The substantial contributions made by these theories are seen as a significant theoretical contribution from the non-western societies which reject the European hegemonic understanding of Modernisation as an explanation of development. Marxist theories presented contradictions of capitalism and causes of underdevelopment comprehensively, thereby providing a critical perspective of development.

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