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## HUMAN RIGHTS AND ECONOMIC REALITIES IN DEVELOPING NATIONS

by Sylvia Ann Hewlett  
Barnard College and

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IN DEVELOPING NATIONS

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# ABSTRACT

Public discussion on the issue of human rights in the Third World has generated more heat than light because it has failed to recognize the large-scale economic costs of more humane policies. There is no natural affinity between economic growth, political freedom and social justice in capitalist systems. In the contemporary underdeveloped world, repression and/or massive poverty, have become integral parts of the dominant growth strategies.

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IN DEVELOPING COUNTRIES

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Capitalism is the extraordinary belief that  
the nastiest of men for the nastiest of motives  
will somehow work for the benefit of us all.

John Maynard Keynes

As Keynes realized some fifty years ago, there is no natural affinity between economic growth, political freedom and social justice in capitalist systems. Nothing shows this more clearly than recent economic development in the Third World. The high growth rates, typical of the last two decades in the more mature developing nations, have done little to relieve the miserable poverty which is the lot of the vast majority of citizens in these countries, and have gone hand in hand with authoritarian and repressive political systems.

These juxtapositions raise a number of extremely important questions. Perhaps the most fundamental issue is whether the social and political accompaniments of modern economic development are functional or coincidental. In other words, were the high growth rates of the recent period dependent upon massive poverty and political repression, or would this economic performance have been possible under democratic governments with more egalitarian sets of economic policies? If it turns out that the denial of a whole series of extremely basic political freedoms and human need has been a necessary condition for rapid economic growth in Third World nations, there are obvious and rather disturbing lessons to be drawn. This conclusion implies that in developing capitalist nations there is a tradeoff between growth and political freedom and between growth and social justice; and that policymakers have to choose between helping and involving the mass of the population and achieving fast rates of economic growth.

But let us probe these relationships with more vigor. It is clearly not enough to establish the presence or absence of a growth/equity tradeoff; it is also necessary to examine the questions of degree and longevity, and to determine the precise nature of the chain of causality



that links inequality and repression to economic success in the Third World.

Degree. Let me illustrate this point by addressing the question of degree. If a successful capitalist growth strategy is contingent upon massive poverty, it is crucial to determine how much? To put this in concrete terms: does the growth imperative of inflation control or labor discipline require the suppression of wages rates and rule out the possibility of decent health care for the mass of the people, or, is one of these items discretionary, representing a welfare goal that could be pursued concurrently with the growth strategy if the government of the day so desired? One can examine the issue of political rights in a similar vein. Does the economic requirement of resolving a balance of payments crisis or balancing the budget necessitate the suspension of elections and the imposition of torture, or, are some elements of many authoritarian scenarios merely the voluntary preference of a specific military regime? In short, how much social injustice or political repression is functional to an economic strategy, and how much is the gratuitous imposition of a particular power-elite, constituting options that are not functionally related to the growth dynamics of that nation?

This question of degree of social injustice and political repression compatible with a successful capitalist growth strategy, is central to any discussion of policy alternatives in poor nations. With the proliferation of authoritarian regimes in the Third World, it is increasingly clear that while none of them resemble representational 'social' democracies responsive to the needs of the mass of the people, they differ somewhat in the degree to which they transgress social and political rights.

Take the social welfare issue. On this front there appears to be a rather narrow range of policy alternatives - and results! - within the general category of capitalist underdeveloped countries. In these contexts, the great majority of governments have pursued development strategies that have permitted very little 'trickle down' of the fruits of economic growth to the bulk of the population. Indeed, in a recent study of growth and social equity in 74 developing countries, Adelman and Morris come to the conclusion that "... millions of desperately poor people

costs - on the assumption that this is the efficient and perhaps only way to acquire a bigger pie which can and will be more equitably divided up at some point in the future. This begs all sorts of questions as to the structural, institutional and political impediments to growth which may be created by the development process itself. For example, who says when and how the cake is going to be divided up? For there would seem to be no compelling or obvious reason that would prompt a military dictatorship in a labor surplus economy to spontaneously divide up the spoils of economic growth.

The only way of explaining the origins and persistence of this item of conventional wisdom - that the costs-of-growth are short term - is to look at the specific historical experience of advanced industrial nations.

The Historical Analogy. When one examines the economic histories of Western Europe and North America the coincidence of rapid industrialization and social injustice during the take-off period is both dramatic and convincing.

Carlyle's complaint that "in the midst of plethoric plenty the people perish"<sup>3</sup> and Engles' moving and tightly documented account of the suffering of the English poor, date from 1852 to 1844 respectively. These studies reveal the social welfare consequences of half a century of both growth and astonishing structural transformation - which the poor financed with their bodies and the bodies of their children, but from which they appear to have gained no improvement at all in their standard of living. Machines were scarce and the capitalists who owned them well rewarded: labor, forced off the land by agricultural modernization competed for urban jobs and kept wages down. Yet this scenario was essentially temporary; after 1850 workers' standard of living began to improve. The capitalist class although strengthened by the fruits of past growth, was driven towards concessions as the increasingly organized urban proletariat gained both political and economic muscle. During the twentieth century periodic labor scarcity, the end of mass unemployment (by 1946), and governmental welfare measures increased the worker's share of national product. Although there has been some variation in the details of the process, a similar strengthening of working class' economic and political bargaining power followed the early phases of industrial development in most advanced capitalist nations. Kuznets

accurately describes the secular income trends in today's rich countries as constituting a long swing:

...widening in the early phases of economic growth when the transition from the pre-industrial to the industrial civilization was most rapid; becoming stabilized for a while; and then narrowing in the later phases.<sup>4</sup>

In other words, before the exhaustion of excess rural labor and the advent of effective collective bargaining, and before the implementation of governmental welfare measures, industrialization did exacerbate income inequality and poverty in the currently developed nations. It is interesting to note that Kuznets' third phase of narrowing income differentials has not been cumulative. Despite convictions about the strongly egalitarian effects of social and economic policies pursued by most Western European and North American governments since the Second World War, trends have been rather ambiguous: for example in Britain and the United States the very wealthy have indeed suffered a relative decline in their income shares, but the beneficiaries have been the middle class rather than those at the bottom of the heap.<sup>5</sup> However, even allowing for these refinements, it is undoubtedly true that the lower income groups in the advanced industrial nations have enormously increased their absolute and relative living standards over the last two centuries. But to go from this specific set of circumstances to a generalized expectation that economic growth, in all contexts and at all times, will enhance earnings opportunities across the board, is unwarranted. Kuznets himself is careful to emphasize that his findings are specific to the advanced industrial countries. He warns of the dangers of simple analogies, and poses the question:

How can either the institutional or political framework of the underdeveloped societies or the processes of economic growth and industrialization be modified to favor a sustained rise to higher levels of economic performance and yet avoid the fatally simple remedy of an authoritarian regime that would use the population as cannon-fodder in the fight for economic achievement.<sup>6</sup>

An ominous premonition of what was to occur subsequently in many capitalist underdeveloped nations!



In order to demonstrate how misleading it is to extrapolate from the experience of advanced nations, I would like to spell out, in theoretical terms, the nature of the interaction between growth and equity in the affluent countries of Western Europe and North America; this will make it possible to see the ways in which conditions in the contemporary underdeveloped world diverge, fundamentally, from this historical analogy.

Divergences. Let us first take the conventional raison d'être for the growth/equity tradeoff. Economists drawing on the experience of the advanced world, have normally grounded their tolerance for a short-run worsening of equality in the underdeveloped world on the conviction that an extreme distribution of income generates the savings requirement for fast rates of economic growth. This notion is an established part of the conventional wisdom, witness a statement by Harry Johnson:

... there is likely to be a conflict between rapid growth and an equitable distribution of income; and a poor country anxious to develop would probably be well advised not to worry too much about the distribution of income.<sup>7</sup>

The argument runs as follows. A highly-skewed distribution of income promotes savings because a large chunk of disposable income is in the hands of an elite group who have a high marginal propensity to save. High rates of savings are translated into high rates of investment, which in turn, lead to rapid rates of economic growth. This theory is logically flawed and inconsistent with the available evidence. It ignores the possibility that high income groups in underdeveloped countries may indulge in conspicuous consumption rather than save; it neglects the growing importance of corporate savings and public sector savings in modern growth processes; it forgets that private savings may be channelled into Swiss bank accounts rather than domestic investment; and it overlooks the fact that the empirical evidence shows no correlation between inequality and high rates of savings and investment in developing countries.

It is true that private savings did play an extremely important role in the initial industrialization of Britain and America, and this saving was the result of frugal beha-

situation where the modern work force is a declining proportion of the potential labor pool: industrial workers become a small, privileged, protected minority; a labor aristocracy that is quite distinct from the mass of the population in both political and economic terms.

This obviously contrasts quite markedly with the structure of early industrialization in the advanced nations. In Western Europe and North America during the eighteenth and nineteenth centuries there was a gradual and mostly indigenous evolution of the technological base of society which went hand in hand with a much slower and milder demographic transition. Over the course of a century first death rates and then birth rates fell, and, by the beginning of the twentieth century, population growth rates had stabilized in most industrial societies (North America is an exception because of large-scale immigration throughout the first quarter of this century). A second factor was that the simple technologies of the original industrial revolution were relatively labor intensive and absorbed large quantities of unskilled as well as skilled workers. The net result of these trends was the eventual elimination of surplus labor: the bulk of the potential labor pool was ultimately absorbed into the modern industrial sector with predictable effects on the standard of living of the mass of the populace.

A second discrepancy in the economic sphere which serves to seriously differentiate the advanced from the underdeveloped world, revolves around the demand dynamics of early as opposed to late development.<sup>8</sup>

Let us begin by describing the situation in Western Europe and North America. Since the end of the nineteenth century these advanced nations have been reliant on mass production and mass consumption for the maintenance of their growth rates, and the major threat to prosperity has been recurrent crises of effective demand. In simple terms these crises have been caused by the lack of balance between the increased output of a growing economy and the capacity of the mass of consumers to buy this additional output.

This demand-constraint-on-growth, and the realization on the part of the capitalist class that low wages meant low demand out of wages and thus low profits in the long run, produced a gradual softening of business attitudes

governments not only met a clear human need, these measures also dampened the decline in purchasing power during downturns in the business cycle. I would like to stress that crisis control, demand management and income equalization have gone hand in hand. Unemployment relief, social security benefits, progressive income taxation, a growing public sector - which, unlike private industry does not deepen depressions by cutting investment and employment - all reduce the depth of economic crises, and, in so doing, transfer resources from the rich to the poor.

Almost all these economic reasons for increasing social justice via welfare state measures are missing in underdeveloped countries. In the contemporary Third World deficit demand is not the cause of poverty, nor is the welfare state the sure prescription for high profits. In these contexts, instability is often caused by fluctuations in climate and in agricultural production; in foreign demand for exports; and in the external supply price of manufactured inputs - fluctuations that no single government can control. And, as already stated, the long-run causes of poverty have far more to do with low productivity and with shortages of machines and human skills than with manipulable deficiencies of home demand. In short, the economic pressures facing governments in the underdeveloped world are not met by giving priority to social welfare measures, and regimes in these countries are correct in seeing stability and equality as separate issues which cannot be tackled together by social welfare programs designed to put a 'floor' under domestic demand as was and is the case in advanced nations.

It is now time to turn to the politics of government intervention. One would have to be an extremely hard-nosed economic determinist to imagine that all governmental action was prompted by economic considerations. True, the maintenance of domestic demand did encourage governments in the advanced countries to adopt policies of enlightened self-interest, but the issue is more fundamental than this. In order to fully understand the emergence of political freedom and social justice in advanced capitalist countries it is necessary to confront head-on the ideological frameworks of nations.

In analysing the development paths of underdeveloped as opposed to advanced countries, economists (and other social scientists) often ignore profound differences or



discontinuities in the evolution of systems of values. It is forgotten that all rich capitalist countries are effective democracies that accord the broad mass of their populations an extremely wide range of political and civil liberties, and possess an array of public programs which are explicitly geared towards diminishing inequality between social classes and between regions. In many cases such 'democratic' attributes are neither novel or ephemeral but are firmly rooted in a tradition and a philosophy that pre-date the emergence of modern representational democracy; they go well beyond the requirements of economic strategies.

Political freedoms seem to have preceeded social justice in the modern evolution of Western Europe and North America. The eighteenth century doctrines of the natural rights of man hinged on notions of freedom and liberty. The American revolution was a prime example of these new convictions; it was in essence, a struggle against tyranny and oppression (rather than exploitation and poverty) fought in the name of such tangible civil liberties as freedom of movement, of expression and of assembly, and, freedom from 'taxation without representation.'

It was the French Revolution that first focused on basic human needs and turned "the rights of man into the rights of the San Culottes".<sup>9</sup> By the end of the nineteenth century Marx had elevated the welfare of the mass into a key doctrine of the modern age. Life itself became the highest goal, and the:

...role of the revolution was no longer to liberate men from the oppression of their fellow men, let alone to found freedom, but to liberate the life proces of society from the fetters of scarcity so that it could swell into a stream of abundance. Not freedom but abundance became now the aim of the revolution.<sup>10</sup>

Leaving aside the future evolution of Marxian thought and turning back to the development of Western democracies, I think that one can trace successive periods during which three types of rights were conferred on the broad mass of the populace by governments: civil rights (equality in the eyes of the law, freedom of movement, of expression and of assembly); political rights (universal suffrage, political parties, trade unions); and finally certain social welfare rights (old age pensions, unemployment benefits, public health facilities).<sup>11</sup>

These successive stages, were, of course, related. An initial civil right of assembly greatly strengthened the chances of successful trade unionism; while, in its turn, collective bargaining on the part of workers, was an important ingredient in the struggle towards a higher standard of living and enhanced social welfare provisions for the bulk of the population.

By now it should be obvious that both the economic constraints and the political conditions of early development in Western Europe and North America interacted in a cumulative fashion so as to permit, or indeed foster, the coexistence of growth, freedom and justice. Both the intention and the effect of state action came to be the amelioration of the harsher aspects of capitalist take-off, particularly its unequalizing tendencies. Where the state did not intervene directly the individual was armed with a limited number of tools to protect his/her own interests. These economic constraints and political conditions have existed only erratically in the contemporary Third World, and, as a result, the state is extremely unlikely to perform a similar countervailing function.

Before leaving this analysis of the crucial differences between early and late development, I would like to point to two social factors, that help to strengthen my case against simple-minded analogies.

First, many of the traditional props of inequality - feudalism, serfdom, clan and caste - had in most advanced countries, been drastically reduced by violence or by edict before the advent of modern industrialization. These traditional social structures rest on ascribed roles rather than achieved functions, and are extremely prone to channel the fruits of progress to a non-productive elite. They still prevail in many underdeveloped countries - many of them a legacy of the colonial era - and do much to reinforce the inequitable trends within late development. Capitalism in most underdeveloped countries has never confronted traditional social structures as it did, for example, in Cromwell's England or late eighteenth century France. In Europe, the new inequalities of capitalism - to some extent non-hereditary - replaced the relics of feudalism; while in today's underdeveloped world they often reinforce a still thriving traditional social structure. In concrete terms the landlord class has often been coopted rather than destroyed. This clearly impedes the evolution

of a political system that will direct the benefits of development towards the mass of the population.

A second social factor revolves around the attributes of the working class in early as opposed to late developing countries. As was explained in an earlier section, amongst the important reasons for the gains of the working class in Europe and North America was the fact that labor began to organize, in trade unions and in political parties. The precondition was obviously an 'organizable' working class, in the sense of a mass of urbanized and substantially literate workers. There are fifteen advanced countries with fairly reliable estimates of the beginning of modern economic growth: all except one (Japan) had over 35% of the labor force outside agriculture at that time and a greater than 50% literacy rate. An extremely different situation prevailed in most underdeveloped countries when they entered their take-off phases. Generally speaking, only 10-35% of workers were outside of agriculture, a similar percentage were literate, and the gap between their output - and hence income levels - and those of agricultural workers was far greater than was the case in 'developing' nineteenth century Europe or North America.<sup>12</sup> Primarily due to the technological and demographic factors described earlier in this paper, modern industrialization in underdeveloped countries has confirmed rather than countered this previously-existing differentiation. The industrial work force has emerged as a labor aristocracy with more to lose than to gain from sharing the benefits of economic growth with the mass of the people, and the trade union movement has grown up as an instrument to protect the interests of this elite group. The net result - 'organized labor' in the Third World - is likely to fight against equalizing measures. In yesterday's developing nations it spearheaded them.

In summary, the really poor in contemporary underdeveloped countries are excluded from the dynamics of modern economic growth. They are mini-farmers, landless laborers and recent immigrants to the cities. In political terms they constitute a voiceless, largely illiterate, dispersed, unorganized mass which is incapable of combining, articulating its needs or backing them up with effective political or trade union power.

The Western European and North American analogy is false. There is nothing in the contemporary structure of



Third World nations to lead one to suppose that the 'grand dynamics' of the original industrial revolution will repeat themselves. The conditions for growth and development to go hand in hand with enhanced civil liberties, increased political participation and a much higher standard of living for the bulk of the population - conditions established in most of Western Europe and North America in the early nineteenth century - are highly special. They involve the cumulative interaction of a specific set of economic, political and social factors. The original conditions of transition to capitalist industrialization; the contemporary structure of class relations and of political power; and the underlying value systems of Western Europe and North America; turned growth from a process in which the wealthy gained both the political power and the economic surplus, into a process in which the mass of the people shared. Conditions in the modern underdeveloped world do not support a reasonable expectation of replicating these trends. The same set of factors is simply not at work in the same way.

I would like to stress the coincidence of political and economic incentives for greater equity in the advanced world. The wretchedness and the exploitation of the English, European and immigrant-American working classes in the early and middle nineteenth century, stemmed from low wages and permitted high rates of capital formation. But these social costs were short-lived, not only was there a gradual accumulation of civil and political rights by the laboring classes and increased state activism on behalf of these classes, but economic imperatives came to the fore. The drying up of the pool of surplus rural labor gave the emerging trade union movement some solid bargaining power, and, at the same time, the capitalist class was discovering that they needed a mass market for their products to make their machinery profitable and increasingly skilled and literate workforce to keep it running and improving. The result - an increasingly prosperous and increasingly powerful working class. Capitalist self-interest seems to have determined the development path of advanced nations as much as capitalist humanity.

Contemporary Brazil or Pakistan or Nigeria present a rather stark contrast. On the political front, looking around at the gravitation to one party states in Africa and the recent military coups in Latin America, it does seem

that repressive, autocratic regimes are increasingly dominant. Generally speaking, authoritarian governments are not concerned with the eradication of poverty and in - equality, and are rarely enthusiastic supporters of workers' rights. To use Kuznets' apt phrase few of these regimes have avoided that fatally simple remedy of using "the population as cannon fodder in the fight for economic achievement".<sup>13</sup> In addition, the rather special and 'exclusive' trade union movements of many Third World countries have often been co-opted by government. A very common pattern is for the trade union structure to become a government sponsored interest group designed to buy off the industrial work force with material goodies and insure that they do not join with the mass of the population. This tends to complete that differentiation of the lower classes in underdeveloped nations talked about earlier; in essence, the evolution of an official and exclusive trade union structure breaks the identification between "the laboring classes" and "the dangerous classes"<sup>14</sup> and, in so doing, prevents the mass from acquiring this important type of political muscle.

On the economic front conditions also fail to provide any incentive for egalitarian measures. Industry is not a mass-employer nor does it confront an impoverished but largely urban and literate work force. Rather, most industry in most poor countries is an exotic, fragile and artificially-nurtured plant. It is exotic in much of the Third World because it is dominated by an 'inappropriate' capital-intensive technology and by the multinational firm. It is fragile due to its dependence on a whole range of imported basic inputs - raw materials, energy, capital goods - which cannot always be imported in sufficient quantities given balance of payments constraints. It is artificial because it survives largely by governments granting it permanent and prohibitive protection against imports.

Above all, almost everywhere in the Third World, the growth dynamics of the modern industrial sector do not impinge upon the vast mass of the population at all. The capital-intensive nature of industry, which absorbs a small (and often decreasing) proportion of the urban work force and the composition of production which normally emphasizes consumer durables or 'rich country goods' mean that it is possible to have a flourishing industrial sector and high average rates of growth that completely bypass the vast

mass of the population which remains miserably poor and in a state of increasing relative deprivation.

In summary, the distinctive pattern of industrial growth typical of the capitalist Third World, tends to create a situation where there is no economic incentive for improving social equity: the vast mass of the populace is redundant to the development process both as workers and as consumers. Indeed, the situation is more extreme than this: the growth strategy is not merely indifferent to equity considerations, it actively prefers a less equal and more repressive 'solution' to the social question. As will be explored in the next section of this paper, modern capitalist growth processes have their own sets of tradeoffs with both political freedom and social justice.

Given this economic scenario it would seem that the burden on political systems in underdeveloped countries to counter widespread and deepening poverty is huge, much greater than was the case in the advanced world. However, despite the severity of this burden, the autocratic governments of most underdeveloped nations are singularly unprepared to shoulder it. An authoritarian state will tend to reinforce rather than counter the disequilibrating and polarizing effects of modern capitalist growth, and one certainly cannot rely on the emergence of a strong, independent labor movement of the type that played such an important role in obtaining a better deal for the broad spectrum of workers in the advanced industrial countries. In the underdeveloped world the trade union movement has, as we have seen, been co-opted or bought off. At first glance, the prospects for underdeveloped nations finding their own paths to growth, freedom and justice in the not too distant future seem bleak.

Assumptions. As a postscript to this section, a word on 'borrowed' assumptions. The coincidence of rapid growth and increasing poverty in contemporary underdeveloped nations has repeatedly been justified, by theorists and by governments, on the grounds that it is a time-honored, inevitable and temporary cost-of-growth highly reminiscent of the experience of advanced countries. The implication is that all Third World regimes need to do is concentrate on growing, and, in the not very long run, the equity issue can, and will be, taken care of. I hope that I have advanced sufficient reasons to demonstrate that this



is a facile and erroneous train of thought. For a variety of deeply-seated economic, political and social reasons underdeveloped nations are not about to repeat the grand dynamics of the original industrial revolution of Western Europe and North America. Contemporary social science is rife with these kinds of false analogies which can be extremely dangerous in policy-making circles when they are used to justify and obscure some grim social reality. As Streeten puts it:

The paradigms of 'western' social science serve as blinkers or escape mechanism preventing scholars and policy-makers from seeing and acting upon strategic fronts.<sup>15</sup>

I would like to stress how pervasive has been the expectation that it is "the history of advanced or established industrial countries which traces out the road of development for the more backward countries".<sup>16</sup> It has given rise to a belief in a linear, evolutionary dynamic which spreads beyond the economic sphere and pervades the theories of political scientists and sociologists. In simple terms this has meant a faith in a smooth, continuous and cumulative progression from various states of economic and political backwardness to representational democracy and high mass consumption for all. During the 1960s, the rhetoric and part of the reality could be made to support this upbeat theme. In Latin America, for example, the Alliance for Progress, LAFTA (The Latin American Free Trade Area), high growth rates, and a veneer of democracy, spawned a brand of academic euphoria, and Rostowian theories of continuous development emerged in several disciplines:

David Lerner, Karl Deutsch, Gino Germani and Gabriel Almond all taught us how societies develop from traditional to modernity, from isolation to communication, from reduced to expanded political participation, from national isolationism to international integration.<sup>17</sup>

This doctrine of continuous progress naturally left little room for repressive dictatorship or increasing poverty, two of the most conspicuous facts of life in the Third World during the 1970s.<sup>18</sup>

Having demolished the underlying analogy on both empirical and theoretical grounds, I think we can discard the notion that underdeveloped nations are becoming well-behaved representational democracies responsive to the needs of the mass of the population. It is time to move on to the development of a convincing conceptual framework that describes the raison d'être of stable, reactionary, autocratic regimes and explains the exact nature of that chain of causality which links late capitalist growth with social injustice and political repression.

First some definition. Before one can make sense of the relevant tradeoffs in the Third World it is necessary to be explicit about the phenomena in question. What do we mean by economic growth, political freedom, or social justice in these contexts?

The Facts of Growth. In the first instance, it is true to say that over the last three decades poor countries have experienced an unprecedented degree of economic growth. Accepting the UN definition of what constitutes an underdeveloped country - an annual income of \$500 per capita in 1960 prices or \$750 per capita in the higher prices of 1974 - real income per head rose by 75% in the 1950-70 period. Indeed the years since the Second World War in most underdeveloped nations have seen more growth in real output per person than the previous twenty centuries. The recency of sustained growth in the underdeveloped world can be demonstrated by some arithmetic examples. Income per head for at least half of the world's poor people (those in China, India, Pakistan, Indonesia and Nigeria) averaged below \$50 per year in 1950, and, at least half of these populations were receiving less than \$25 a year: such elemental levels simply cannot have grown from a much lower base. A further example: even if the average Indian at the birth of Christ enjoyed only \$25 worth of goods (at 1960 prices) yearly, growth at only 1/2% per year would have brought him/her up to \$318,000 per year by 1950! Indeed, historical reconstructions suggest that income per head in the Indian subcontinent probably stagnated between 1600 and 1900, and fell between 1900 and 1950. The fact that it has risen by over one-third since 1950 demonstrates a fantastic change in economic tempo - and, many poor countries have grown much more dramatically in recent years.

Secondly, this is not 'growth without development' if one interprets development as modernizing structural

change or transformation. The most striking manifestations of structural change have been the dramatic movements towards urbanization and industrialization in Third World nations, but perhaps a more fundamental indication of the ways in which poor nations have radically and permanently expanded their productive capacity lies in the vastly increased stocks of physical capital (machinery, plant, infrastructure) and human capital (education, skills). How this extra productive capacity is used - whether it is converted into rising standards of living for the mass of the people or channelled into enriching an elite group - is a problem not of development but of social justice.

Political Freedom and Social Justice. One sad result of linear evolutionary theories and the 'borrowed' assumptions of contemporary social science, is that it has prevented clear thinking in and around the concepts of political freedom and social justice. As economic, political and social enlightenment in the Third World were, and are, supposed to progress hand in hand, very little attention has been paid, either by scholars or policy-makers, to distinguishing between these various ideological and humanitarian 'goodies', or, to tracing their separate relationships with the growth process. In the recent past there has been a pronounced tendency to lump them all together under the singularly woolly label of human rights. Although the basis of these rights (granted by some abstract deity or by a specific government?) and the nature of the identity between them (what do systematic torture, press censorship and a guaranteed subsistence wage have in common?) is often left quite vague, important political figures have begun to put human rights in the forefront of foreign policy-making. Let us attempt to clear up this grey area.

It seems to make practical sense to break down the category of political freedom into civil liberties - equality in the eyes of the law, habeas corpus, freedom of speech, of the press, of assembly - and political participation - rights to vote, to form political parties to organize independent trade unions. These have been prominent goals of European-based civilization, and have been erratically present within the value system of those that rule the capitalist Third World. In short, defined in this way, political freedom becomes an intelligent description of part of national aspiration in underdeveloped nations.

Social justice constitutes a completely different bundle of goods. It involves the elimination of the more desperate states of poverty and a narrowing of the gap between the rich and the poor. We must always remember that poverty in underdeveloped countries is on a qualitatively different scale from that which we are used to in rich nations. It is a state of "...constant want and acute misery whose ignominy consists in its dehumanizing force". This type of poverty "...is abject because it puts men under the absolute dictate of their bodies".<sup>19</sup>

Motives to advance social justice hinge on a variety of values: Christian doctrines of brotherly love; Rousseauian notions of the dignity of man; Marxian convictions that poverty is a product of exploitation; and reasons of economic self-interest. All are firmly rooted in the ethos of the advanced democracies of Western Europe and North America, and some are at least incipient in the countries of the Third World. Social justice can therefore be seen as a legitimate part of national aspiration in these contexts.

One interesting difference between these two main categories of rights is that they demand from governments contrasting types of behavior. Political freedom involves a deliberate restraining of arbitrary and coercive state power. Freedom of speech essentially denies the state the right to limit what citizens say, whilst habeas corpus prevents the state from incarcerating persons without a prompt and fair trial. Social justice, on the other hand, requires that the state step in and actively redress the balance between the classes, and in advanced democracies, the state as both regulator and participant, becomes a major economic actor with the ability to insure that the weak and the underprivileged improve their lot in life. All of which serves to emphasize the point that it can be extremely misleading to muddle the issues of political freedom and social justice and lump them together under the vaguely-defined umbrella of human rights.

Modern Capitalist Development. It is a basic contention of this paper that contemporary growth strategies do not go hand in hand with political freedom and social justice as was eventually the case in the advanced countries of Western Europe and North America. Instead, there is a series of tradeoffs that drive poor nations to sacrifice these political and social goals in the name of economic



development. In previous sections of this paper I have dwelt upon key economic, political and social discrepancies between early and late development. Specifically, growth strategies in the contemporary Third World are conditioned by the fact that: industrialization processes are markedly more capital-intensive; population growth rates are incomparably higher; governments lack both the economic incentive and the political motivation to spearhead far-reaching social welfare measures; trade unions are elitist organizations co-opted by government; and, traditional social structures are often intact particularly in the countryside. I would now like to put these various elements together and construct a dynamic portrait of modern capitalist development that will explain both the origins and functions of social and political inequities.

1. Stages of Economic Development. The first and most fundamental element in my conceptual framework is that contemporary growth patterns are intimately linked to the successive, historical stages of late capitalist development. The economic evolution of most underdeveloped countries can be divided into three stages: (a) A primary-exporter (and often colonial) economy, based on the production of agricultural cash crops and on mining; this period lasted until the Great Depression and was characterized by domestic stagnation and a highly differentiated social structure. (b) The phase of 'easy' import-substituting industrialization, which, in some underdeveloped countries, started as early as the 1930s and lasted through until the 1960s. This phase was marked by rapid industrial growth, recurrent inflation and balance of payments problems, and a rigidifying on the highly-skewed distributional pattern inherited from the previous period. (c) The recent period of stabilization and export-oriented growth, which in many countries has seen the juxtaposition of renewed economic growth with deepening poverty.

Despite the dramatic changes in economic structures, all three eras witnessed a steady and cumulative differentiation of Third World nations into a privileged elite and a poverty stricken mass.

## 2. Political Frameworks

Second, each stage of development is associated with a specific political framework. The primary-exporter economy with a trade-oriented landed oligarchy; the easy import-substituting period with modernizing and often populist regimes; and the recent period with repressive military governments. Generally speaking, the exhaustion of each stage of development has precipitated structural crisis and internal political change. These changes have normally encompassed a regrouping of political actors and a significant redirectioning of policy. For example, the structural crisis of the 1930s - precipitated by the Great Depression and the collapse of the primary commodity market - provoked in Latin America the ousting of the landed oligarchy and the coming to power of modernizing urban-based regimes which had marked populist overtones and self-consciously co-opted the emerging industrial work force. In Africa, the same structural crisis was complicated by the struggle for political independence, but there was an eventual swing towards modernizing industrializing regimes.

One can also detect common threads in the political reaction to the end of easy import substitution. In countries as diverse as Brazil, Pakistan, Ghana and Peru, mounting inflationary and balance of payments problems were resolved by resorting to more or less repressive forms of authoritarianism which tended to exclude the articulate urban classes as well as the mass from the political process. However, one should not overdraw the differences between regimes in the modern period. They have all tended to emphasize developmentalism and nationalism and none of them have constituted government by and for the people. In certain countries during certain eras it has proved possible to reward discrete segments of the population with a rather limited set of civil and political freedoms. But such 'rights' have rarely been universally applied (the rural masses have been the most conspicuous losers) and have generally been withdrawn when they have come into conflict with the imperatives of economic growth. In short, political differences in the modern era of industrial growth have been in degree rather than in kind.

3. Ideology. Third, I would like to stress that one cannot go from economic crisis to the political solution of that crisis without talking about motivating forces. There is nothing automatic or inevitable in the link between economic cause and political effect. But given a driving force - in this case the prime emphasis given by the majority of Third World regimes to national economic success, a strong repressive state has become a necessary component of the answer to structural crisis in many underdeveloped nations. The dominant ideology of Latin American, African and Asian leaders since the 1930s and 1960s, whether oligarchic or autocratic, has comprised a mixture of developmentalism and nationalism and this image of the future has left little time for political freedom and social justice as ends in themselves.

4. Economic Actors. The final element in my conceptual framework is the balance of power between the various economic actors in the growth process. The timing of industrial take-off together with the nature of the political response, has largely dictated the roles played by national, state and foreign capital, the ménage à trois of contemporary economic development. This balance of power has important implications for social equity.

Underdeveloped nations are latecomers to the industrial game, and, as a result, national private capital has been unable to capture the dynamic sectors or 'commanding heights' of industrial development. Multinational corporations, the industrial giants of the advanced world, have a multifaceted technological edge, and privileged access to finance; they have therefore preempted the most profitable areas of final goods production while the state has become increasingly dominant in basic industry and infrastructural investment. This latter fact is also a function of late dependent development and the economic facts of life in the twentieth century: economies of scale; 'indivisibilities'; and long gestation periods; make the state rather than the private investor the natural agent for certain types of industrial growth.

Political factors have undoubtedly exacerbated this structural tendency in favor of the multinational corporation and the state. Throughout the modern period the national projects of most underdeveloped countries have involved the maximization of the rate of growth of

GNP. This has necessitated a reliance on the most efficient producers and a progressive strengthening of the multinational corporation and the state. During certain stages the multinational corporations have advanced faster than the state; at others vice versa, depending on the nature of the economic cycle; and most stages have featured the cooptation or assimilation of national capital, which has become an increasingly shadowy member of the ménage à trois. If the national project of these countries has been defined differently, if, for example, the ideology of the state has been dominated by such issues as employment creation, the scenario might have been different, and private national capital utilizing more labor intensive techniques might have been significantly subsidized by the state.

In summary, the current constellation of economic actors in underdeveloped countries, with the dominant roles played by the state and by the multinational corporation, becomes a result of late industrialization when the political project is national economic success defined in terms of growth rates per year.

With these 'bare bones' of a theoretical framework one can begin to understand some of the conspicuous juxtapositions of contemporary capitalist development: that it has achieved fast rates of economic growth and yet has exacerbated poverty for the mass of the population; that it is firmly nationalistic but has linked these countries firmly to foreign capital; that it admires civil liberties and political freedom but has institutionalized regimes that are often autocratic and repressive; and that it prefers free enterprise and yet has created in practice something akin to state capitalism.

It should be clear by now that there is no simple or one-dimensional explanation of social and political inequities in the Third World. We are in an arena of circular and multiple causation where: the historical evolution of economic structures; domestic power relationships the ideologies of regimes; and the balance of power between the various economic actors; interact and feed on one another so as to produce the contemporary pattern of economic growth.



Conspiracy theories simply do not work, they are too linear, too mono-causal and have no historical perspective. Take for example, American multinationals. In the radical literature they are often put forward as the bete noir, solely and directly responsible for the ills of underdeveloped nations.<sup>20</sup> It is true that the product mix and employment propensities of multinational firms tend to exacerbate inequality in poor countries but in no simple-minded sense, do multinational corporations cause poverty. We are in the complex world where changing one factor - in this case, controlling or even eliminating foreign capital - would be fruitless without change in other spheres - such as domestic industrialization strategies. Multinational corporations entered the Third World, not in a self-conscious effort to 'warp' national development, but in response to the industrialization policies of these regimes. In the years of 'easy' import substitution, successive governments in the underdeveloped world threw up protective barriers (tariffs, import licenses) which gave the greatest degree of protection to goods that had been previously imported - which were luxury items for an elite group. As the production, managerial and marketing technologies required to manufacture these identical products were effectively monopolized by the giant international oligopolies, this strategy led to a situation where the dynamic sectors of industry in Third World countries came to be dominated by foreign capital and by the multinational firm: with predictable effects on employment patterns and social welfare.

Complex as this interaction is between domestic industrialization strategies and multinational corporations, one has to probe deeper. The fundamental factors determining the choice and viability of a particular development strategy, revolves around previously-existing social structures and power relationships. In the first place, the primary-exporter or 'colonial' phase of late development created a highly-differentiated social structure and an extremely skewed distribution of income. The wealth generated by international trade was appropriated by a planter-exporter elite who used it to buy imported luxury goods. Secondly, when these countries began to industrialize the new modernizing regimes primarily wanted to grow, and the easiest and most expedient route to rapid industrial growth was to internationalize extant (i.e. elite) demand. Hence, import substitution strategies which encouraged the multinational corporation

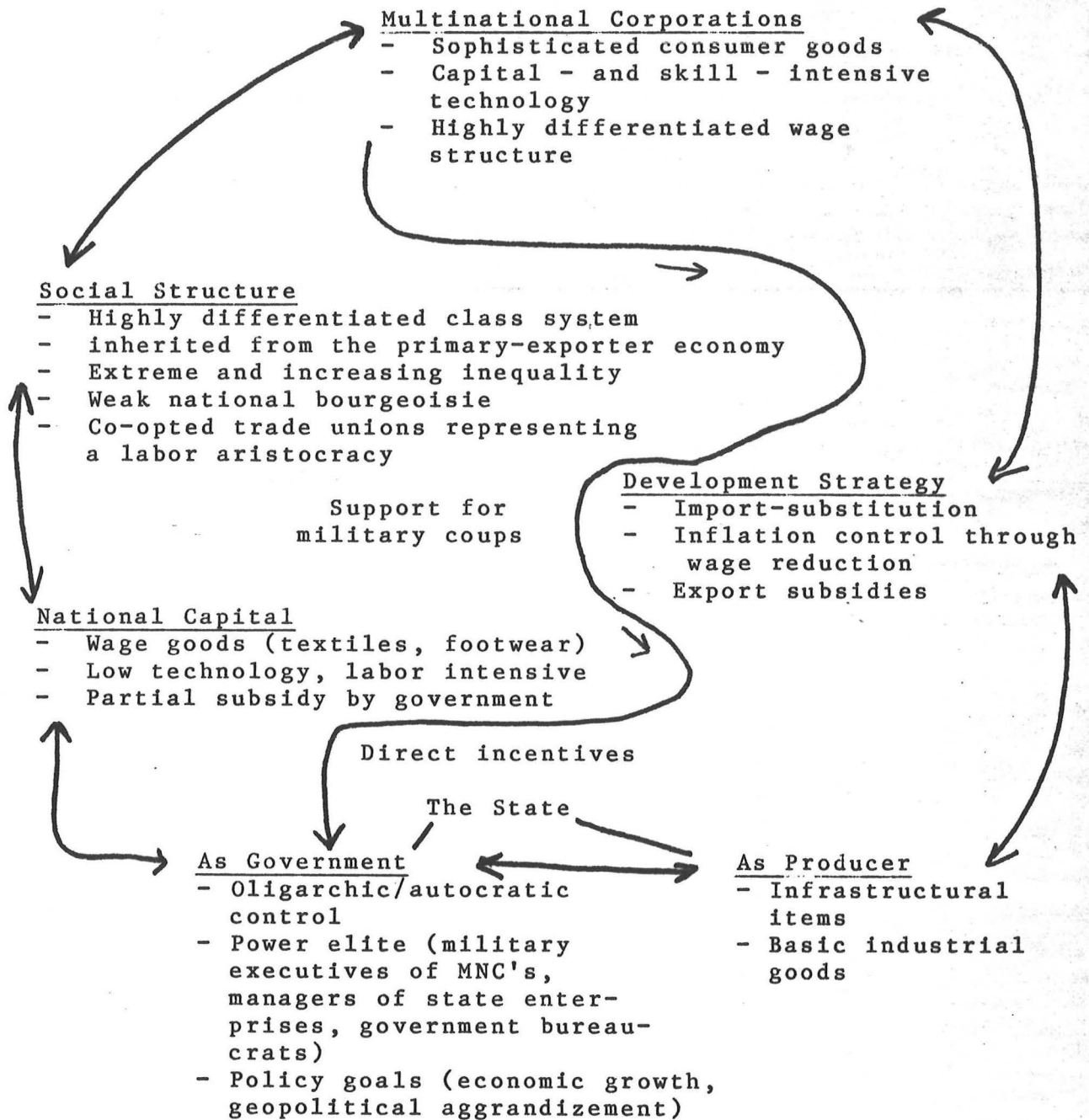
to produce 'rich country goods' within the domestic economies of Third World nations. The interest groups that might have promoted industrialization strategies more in keeping with the employment and consumption needs of ordinary citizens, were, quite simply, not present in the 'corridors of power'.

In figure 1 I have attempted to formalize this circle of multiple and cumulative causation that is responsible for contemporary growth patterns in underdeveloped countries. This diagram should serve to emphasize the complex interrelationships that account for the co-existence of rapid growth with deepening poverty and political repression. None of the inputs to this process should be viewed independently or separately, all are 'caused' by the interplay of other factors, and, in their turn, combine to 'cause' the cumulative effect.

Take our familiar example of the multinational corporation. The advent of multinationals was a response to a demand dynamic emanating from an elite group, and was encouraged by the policies of a national government control by the same elite group. The effect of the multinationals was to reinforce the highly differentiated social structure of many Third World nations and to bolster an elitist system of power.

Similar, successive governments in underdeveloped countries have been part of this chain of cumulative causation. The power elite that initiated the import-substitution process was a product of a highly-differentiated class system inherited from the primary-exporter economy.

Figure 1

The Circle of Multiple and Cumulative Causation

The chosen industrialization strategy reflected the needs of this elite, hence, its reliance on sophisticated consumer goods and the multinational corporation, which both rigidified and exacerbated the previously-existing distribution of income.

Meanwhile the state, in its role as producer, advanced the growth goals of government by providing infrastructural items (road networks, electricity grids) and basic industrial goods (steel, chemicals). It also directly promoted the profitability of multinational corporations by subsidizing the important inputs to their manufacturing processes.

I would like to stress that the chain of cumulative causation interacts in multiple ways. A government may effect the multinational corporation directly - through a specific tax incentive meant solely for foreign capital - or, it may influence multinational corporations indirectly - via a generalized development policy such as export subsidies which are available to most segments of industry. Conversely, the multinational corporation may itself effect government directly - through support for a specific regime (1964 in Brazil, 1966 in Ghana and 1973 in Chile) - or, they may influence government indirectly - via the domestic social structure. An example of the latter effect is the employment propensities of multinational firms which tend to enrich and therefore strengthen the well-educated segments of the urban upper classes, who subsequently wield greater influence in the political arena.

In summary, the circle of multiple and cumulative causation in contemporary development processes results in a situation where several decades of rapid industrial growth has completely bypassed the vast mass of the population in the Third World. It is as though a vicious circle of wealth were operating between and amongst the top 25% of people. An elitist power structure inherited from an earlier epoch, promotes an industrialization strategy which both employs and sells to a restricted and privileged group within the population. Succeeding cycles of development rigidify and exacerbate this process as the imperatives of maintaining the growth conditions (namely inflation control and balance of payments constraints) require that segments of the urban work force as well as the rural mass be excluded from the fruits of economic



progress and from the political arena. Particularly important in this regard is the inflation control imperative. Import-substituting industrialization via the multinational firm in heavily protected small markets is a high cost business - above normal profit margins, operation at less than full capacity, inelasticity in the supply of skilled labor and basic industrial goods - all contribute to this picture. As a result these countries are plagued by chronic inflationary distortions and balance of payments difficulties which are ultimately resolved (or at least tackled) by resorting to a ruthless set of stabilization measures. Brazil, Argentina, Indonesia, Ghana and Peru in the 1960s; Chile, India, Pakistan and Zaire in the 1970s, have tried, with varying degrees of success, to institute drastic stabilization policies.<sup>21</sup> All these programs have tended to include - the reduction of real wage levels; a tightening of domestic sources of credit; budget cutting; and a concerted attempt to increase the rate of effective taxation. Such programs are inherently unpopular and have often necessitated the suspension of various political freedoms, e.g., the emasculation of the trade union structure is a predictable and usually fairly immediate consequence of such policies. Where stabilization programs have been successful, it has proved possible to 'rescue' the development strategy and move forward into a post import-substitution era of export-orientated growth.<sup>22</sup>

In summary, widespread poverty and political repression are indeed functional to the growth dynamics of capitalist underdeveloped countries, but in ways which are both complex and reach back into the past. As a result there are no simple remedies and no easy way to point a finger and accuse a single actor of being the evil genius responsible for the unhappy juxtapositions of contemporary development. One particularly dramatic point to emerge from the preceeding analysis is that underdeveloped countries are a long way from the 'stabilization measures equal enhanced social welfare' calculus of the advanced world. Modern industrial take-off is not dependent upon mass demand and governments are not presented with economic incentives to reduce poverty and inequality; instead, successful growth strategies seem to require the active suppression of the majority of the population.

A final word on questions of degree and longevity. First, how much social and political injustice has been

functional to growth strategies in the capitalist Third World? The 'vicious circle of wealth' seems to have excluded roughly 75% of these populations from the fruits of economic progress - this includes the rural masses and the under - or unemployed lower echelons of the urban population. Apart from this fundamental dynamic, the stabilization policies of many contemporary regimes have reduced living standards amongst industrial workers - particularly the unskilled. The net result, all strategies have increased the degree of inequality, and, in many cases, discrete groups within the urban population have actually received an absolute cut in their standard of living.

On the political front, contemporary growth strategies have relied upon considerable degrees of repression. Specifically, the more ruthless aspects of stabilization policies have resulted in the indefinite suspension of key political and civil liberties - open elections, independent political parties and trade unions, freedom of speech and of the press. All these 'rights' have normally proved incompatible with the severe and extended belt-tightening associated with stabilization programs. In contexts where regimes have had goals beyond those of stabilization and renewed economic growth, repression has often reached levels that cannot be explained by the requirements of growth strategies alone, indeed, these heights of repression may well be dysfunctional to economic development. For example, the combination of racial and personal aggrandisement that color the vision of Idi Amin is fairly obviously the source for the wilder types of repression in Uganda. I make no attempt to link these repressive extremes with economic phenomena.

I would like to stress an interesting point of comparison. Although social justice and political freedom coincide in the fact that they both impede growth, they are not functionally synonymous. Social justice and political freedom are separate phenomena that interact somewhat differently with the growth dynamics of Third World nations, and affect different groups within their populations. Social inequity is a result of the fundamental way in which modern capitalist development has built upon and exaggerated the highly unequal patterns of a 'colonial' past, producing a 'vicious circle of wealth' that enables two decades of vigorous economic growth to bypass 75% of all citizens. Recent stabilization policies

have worsened the situation, but in a fundamental sense, the social welfare issue reaches way back into the past, and is, first and foremost, an issue of the masses. Political freedoms and civil liberties, on the other hand, constitute a set of rights that are most relevant to the elite (that 15% of the population that is integrated into the modern urban economy) and these rights have been most conspicuously violated in the recent past. True, colonial regimes were not generous in their allocation of political and civil freedoms, but in the 1940s, '50s and 60s, many underdeveloped countries did institutionalize a type of democracy that gave the normal menu of political rights and civil liberties to their articulate urban populations. As we now know, the structural crises of the 1960s and 1970s made a new and more ruthless form of political repression a necessary condition for continued economic success.

I now want to turn to the question of longevity. How durable are these social and political costs of growth in the Third World? Two factors lead one to rather pessimistic conclusions on the social welfare front. In the first place, the origins of modern development processes are both complex and deep seated in the historical evolution of these countries - economic structures, power relationships and ideologies - all played a part in the creation of a highly polarized society. Secondly, the specifics of industrial take-off and the emergence of a 'vicious circle of wealth' has created a situation where rapid economic growth is a self-contained and exclusive process that seems capable of permanently by-passing the bulk of the populace.

In the sphere of political freedoms and civil liberties the outlook is a little less gloomy. Many of the more repressive measures have been linked to the ruthless stabilization programs of the 1960s and 1970s. It is at least conceivable that various Third World nations will enter periods where their growth strategies are less prone to inflationary and balance of payments distortions. The oil crisis and stagflation in the developed world has probably delayed the coming of an easier era, but capitalist growth is a cyclical phenomenon and balmy days will return, at least for a while. At such a time it might prove possible to relax political controls and allow the population a greater measure of political freedom and civil liberty. It is as though these political rights are

luxuries in the capitalist Third World, affordable when economies are booming and when growth strategies are not threatened by the twin evils of inflation and balance of payments difficulties. But we must remember that even when favorable economic circumstances permit such luxuries they tend to benefit elite groups. Freedom of the press is after all of rather far-fetched significance to most citizens in countries where only a tiny percentage of households read newspapers. For the majority of the population in the Third World, many of whom are struggling with gut survival issues, social justice has to be of more immediate concern than issues of political freedom and civil liberty.

#### Policy Options for the U.S.

By now it should be clear that recent discussion in American foreign policy circles on the human rights in underdeveloped countries has shed more heat than light because it has failed to take into consideration the massive economic and political costs of more humane policies.

Widespread (and in some cases deepening) poverty and political repression are much more than the idiosyncratic preferences of a few military leaders and are rarely susceptible to 'jaw-boning' by well meaning leaders of advanced democracies. The problem of human rights can only be tackled on a much more fundamental plane and involves such basic issues as the design and goals of development strategies. But what role can the US government play at this deeper level of causality? Once again, it is useful to distinguish between the social and the political spheres of human rights.

Take the issue of social justice. It should be clear from the argument spelled out in previous paragraphs that the massive poverty and increasing inequality typical of so many capitalist Third World nations is an extremely deeply-seated phenomenon. Uneven and unequal development became entrenched during a colonial, primary-exporting era and was built upon and exacerbated by the import substituting strategies of the modern period. Changing such a highly inequitable pattern of growth involves a profound restructuring of the economy and of society. For example, a more egalitarian development trajectory could imply a mix of large scale land reform (to equalize incomes in the



rural sector) and labor intensive industrialization (to provide employment and a reasonable standard of living for the urban mass). It is not at all obvious that it is either possible or likely that the US would foster such program. True, US aid could be (and indeed sometimes is) tied to particular schemes deemed to have a positive social welfare effect - primary school education is a popular target - but it is difficult to imagine the US lending whole hearted support to something as fundamental as massive and thoroughgoing land reform. Which takes us to the crux of the matter. America, and the advanced capitalist world in general, has a great deal of vested interest in maintaining stable, pro-growth regimes in the Third World that are sympathetic to such crucial concerns as foreign investment. Large scale land reform is intrinsically destabilizing and almost has to mean a lurch to the left in the domestic balance of political power. It is an excellent example of the way in which economic self-interest can fly in the face of equity consideration.

In the sphere of industrialization policies the potential conflict of interest is even more stark. Take the example of multinational corporations operating in the underdeveloped world. These firms are rational economic actors who would be quite willing to experiment with more labor intensive production techniques if they had a sufficiently compelling incentive to do so, but here are severe barriers in the sphere of both production and consumption.

Ninety-eight percent of all industrial research and development has been undertaken in advanced nations and is geared to the factor endowments of these rich countries.<sup>23</sup> It therefore makes sense for a multinational corporation to capitalize on this accumulated vested interest and to transfer well-tried, rich country products with their sophisticated capital-intensive technologies to the Third World. This type of industrialization has many negative social welfare repercussions for the host country but nevertheless is generally the one that prevails because it involves zero marginal costs for the firms concerned. However, if some international agency, or the Carter Administration for that matter, were to step in and provide a massive subsidy for research and development in labor intensive technology, industrialization strategies could begin to change.

A stickier problem would have to be solved however, before industrialization in capitalist underdeveloped countries would benefit the masses; this problem revolves around the question of effective demand. As stated in an earlier section of this paper, multinational corporations moved into the Third World in the modern period in order to satisfy the demand for sophisticated goods emanating from an elite group. It thus becomes apparent that without the initial step of income redistribution it is difficult to change the product mix and the production technologies of multinational firms. At the present time income in many capitalist Third World nations is so highly concentrated (the top 10% of the population often appropriates one half of national income)<sup>24</sup> that the elite market in these countries is capable of reproducing the demand characteristics of the mass market in rich countries. In short, effective demand can be for precisely that group of sophisticated products already manufactured by the multinational firm, and there is very little incentive emanating from consumers to change the status quo. However, if income were redistributed so that the most significant demand for goods in an underdeveloped country was generated by a mass of the population clustered around the national average income (generally \$300-\$700 per year) demand would tend to be for a range of wage goods (textiles, footwear, utensils) which are characterized by labor intensive production techniques. Such large-scale employment creation would obviously reinforce the egalitarian aspects of the initial redistribution.

To sum up this complex picture. A crucial cause of uneven and unequal growth in the Third World is the vicious circle of wealth set by capital intensive industrial structures which produce sophisticated consumer goods for an elite market. One way for an external agent to break into this circle and increase social welfare in poor countries would be to massively subsidize the development of more appropriate technologies (which would, in particular, be more labor intensive). However, this would not be enough as a reorientation towards a low technology, labor intensive industrial structure would only make sense in a context of income redistribution and the emergence of a mass market for wage goods.

How can the US government (or any other external political force) advance the cause of income

prime example, although post -1968 Peru partially followed this route).

I think that we may safely say that no American Administration has been, or is, willing to incur these types of costs and risks in the name of enhanced social welfare for the citizens of the Third World. Indeed, if we cast our minds back over recent decades, we find that the most conspicuous times the US government has interfered with the internal politics of underdeveloped nations has been in instances where it has fostered shifts to the right. In several cases - Brazil in 1964, Chile in 1973 - such policies were triggered by the apparent need to counter the left wing and redistributive threat posed by Goulart and Allende. In essence, these interventions constituted an attempt to avoid the economic costs and political risks outlined above, particularly those implicit in pro-worker and pro-peasant programs. Thus, despite America's commitment on the level of principle to alleviate poverty in the Third World (which was certainly there long before the most recent Carter initiative), the hard facts of political and economic self-interest, have, and most probably will, determine the formulation of policy.

In the sphere of political rights and civil liberties, the realistic scope for American foreign policy initiatives is greater, primarily because the issues involved are a lot less fundamental. As we now know, the recent history of many capitalist underdeveloped nations illustrates that for considerable periods of time it has proved possible to award the normal menu of political and civil rights to discrete groups within the population - generally the articulate urban classes. This was particularly true during the phase of easy import substitution before mounting inflationary and balance of payments problems made populist politics an unaffordable luxury. Effective stabilization means suppression of wages, budget cutting, credit restrictions and higher taxation. All these measures are inherently unpopular and in many Third World contexts can only be carried out by repressive authoritarian governments which are both willing and able to suspend many political rights and civil liberties. To illustrate these interconnections. Significant wage suppression often means the emasculation of trade union structures, the imprisonment (without

trial) of the more active labor leaders and a degree of press censorship. In the same vein, eliminating public sector jobs and increasing the rates of effective taxation - both of which can be essential steps in controlling inflation via a balanced budget - are rarely feasible policy options in underdeveloped nations if the government of the day has to face elections. Such steps towards what the IMF calls 'fiscal responsibility' tend to be prerogatives of autocratic governments, which by eliminating many types of political rights are able to ignore public opinion.

Political repression in the Third World can therefore be viewed as a function of ruthless economic policies designed to combat inflation and balance of payments difficulties and allow the country concerned to enter a new cycle of economic growth. These policies are subject to modification on two fronts. In the first instance the need for draconian stabilization measures may well be intermittent. For example, Brazil between 1964 and 1967 did manage to tame inflation, and in the early 1970s when domestic growth was exuberant the Geisel government did begin to experiment with various types of political freedoms. This particular liberalization drive died with the 1974-75, oil-induced, world recession; and subsequent attempts to open up the political system have been compounded by a new wave of domestic inflation and renewed balance of payments pressures. This example serves to emphasize a point made earlier on in this paper. Capitalist growth is a cyclical phenomenon and it is at least conceivable that various Third World nations will enter periods where their growth strategies are less prone to inflationary and balance of payments distortions. In short, the constraints of the 1960s and 1970s will be replaced, at least temporarily by more balmy days, which may be more compatible with political freedoms.

Secondly, the political costs of economic crises in the Third World can be modified by external forces. The IMF for example, has often designed the stabilization programs for underdeveloped nations and made financial assistance contingent upon carrying out these programs. While various form of austerity are essential ingredients in any inflation-control package, it is increasingly felt that the IMF cracks down too hard and too quickly for the political health of the Third World nations.<sup>26</sup> In other words, if stabilization programs were more gradualistic



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