

### Chapter Summary

The European capitalist system expanded from the fifteenth century and slowly reconstructed the non-European societies it contacted. The colonial episode can be taken to have structural, institutional and cultural legacies which continue to shape the thought and action of the present. The ways in which the non-European world was understood by European traders, missionaries, settlers and so on varied. In the period of the Enlightenment non-Europeans are taken to represent innocence and we have ideas of the noble savage. However, as the European empires expand the imagery shifts and we have ideas of uncivilized savages. In the period of formal colonialism the European ruling elites adopt a posture of taking responsibility for civilizing the less advanced peoples and this modulates into an early acknowledgment of a responsibility to organize development for eventual independence. The colonial powers adopted different schemes and most advanced slowly until the Second World War undermined the European empires and ushered in the phase of decolonization.

# 9 Decolonization, Cold War and the Construction of Modernization Theory

## Overview of Early Post-war Theories of Development

In the years following the Second World War a series of factors occasioned the production of a theory of economic growth which was applicable to the Third World. The crucial factors included political pressure flowing from the desire of the USA to order the post-war world, the interests of capitalist business in maintaining access to the territories of the Third World, nationalist developmentalism amongst replacement elites and the example of the Marshall Plan in Europe. However, in time, as the role of the USA within the post-war global system increased, the early material of growth theory was superseded by the more robust formulations of modernization theory.

## Background to Growth Theory

It is possible to identify four elements in the background to growth theory: (a) the intellectual influence of the work of the economist John Maynard Keynes; (b) the political agenda of the USA as it moves to a position of dominance in the short twentieth century;<sup>1</sup> (c) the Marshall Aid programme and the reconstruction of Western Europe; and (d) the demands of nationalist developmentalism which was the ideology of the emergent new nations (see figure 10).

### The Keynesian revolution

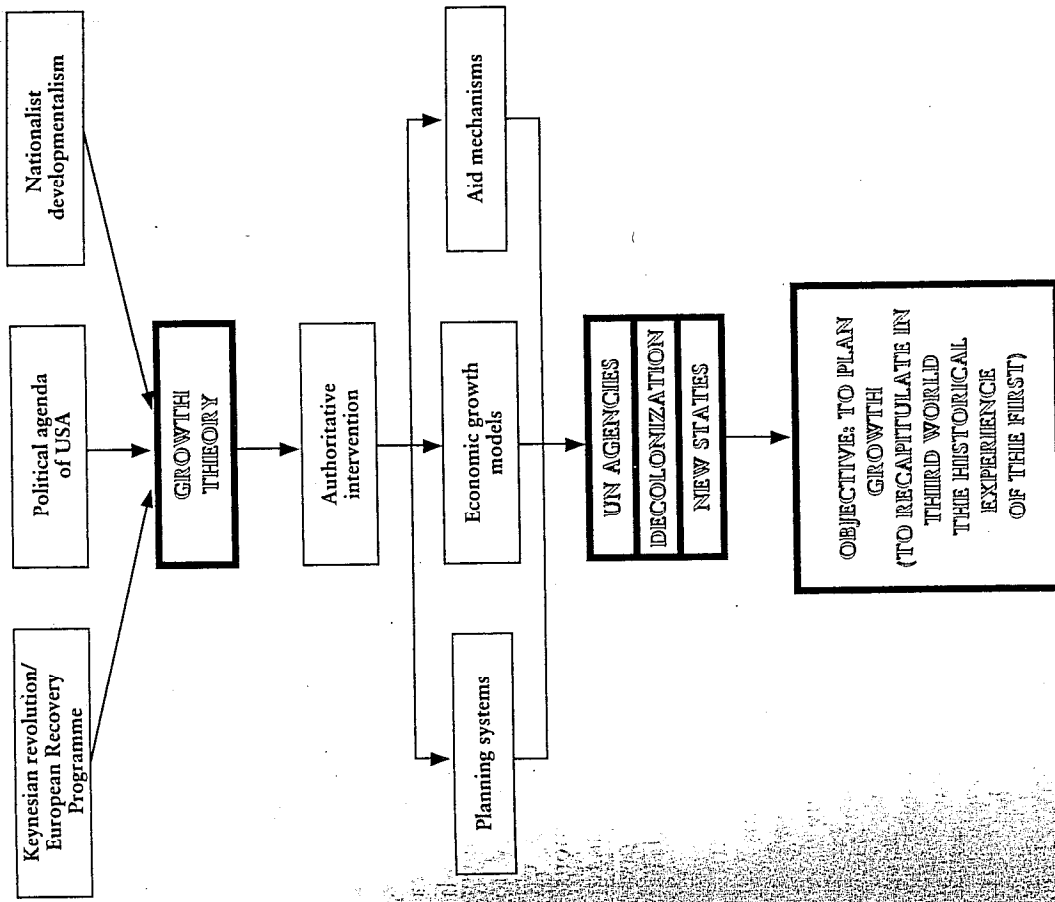
There are three general elements in the overall Keynesian revolution in economic theorizing which came to underpin intellectually the prosperity of the post-Second World War period.<sup>2</sup> The first was the inter-war experience of the Great Depression which was an event which could not happen according to orthodox neo-classical economics which insisted that if the marketplace was left to its own devices then all would be well in the long run. The second element was the impact upon intellectual and political opinion of the apparent success of the planned economy of the USSR. In the inter-war period the USSR embarked upon a series of large-scale economic development projects whose success was in marked contrast to the failures of economic liberalism in the West. And the third element was the radical overhaul of technical economic argument effected by Keynes.

In the 1930s the economic orthodoxy rested upon the work of the equilibrium theorists, men such as W. S. Jevons, Alfred Marshall, Léon Walras and Vilfredo Pareto who argued that the free market left to its own devices would spontaneously order society in such a fashion as to maximize human well-being.<sup>3</sup> Against the sanguine view of the orthodoxy, Keynes showed that it was possible for economies to go into depression equilibrium where the various factors of production were not used to achieve optimum economic configurations. And the question of theory and policy thereafter concern the precise conditions which will ensure full employment. The answers made to the question by Keynes opened the way for a new idea of the role of the government in managing the economy.

In general, the *laissez-faire* scheme had been attacked on three points: (a) the persistence of unemployment; (b) the misuse of available resources; and (c) the trend towards monopoly firms within the economy. The alternative Keynesian view suggested that if the level of total expenditure falls below that which is necessary to sustain full employment, then the shortfall should

1 E. Hobsbawm 1994 *Age of Extremes: The Short Twentieth Century, 1914-1991*, London, Michael Joseph.  
2 See *ibid.* chs. 3, 9.  
3 C. Napoleoni 1972 *Economic Thought of the Twentieth Century*, London, Martin Robertson.

Figure 10 Growth theory



be made up by government spending. The proposal rests in turn on the notions of deficit financing and the multiplier. Keynes argued that government borrowing to finance expenditures was justified as each unit of expenditure would have its beneficial effect multiplied as economic activity in general was encouraged and eventually the higher levels of economic activity would generate higher tax returns and the government's deficit could be removed and debts repaid. Overall, the role for the government is sharply altered in line with revisions to the established conception of the market. It is clear that the establishment of the first centrally planned economy in

the USSR and the Great Depression of the 1930s had a profound impact upon the work of Keynes who thereafter managed to plot a middle course through the alternatives of anarchic *laissez-faire* market capitalism and the authoritarian state intervention of the Second World of official socialism.<sup>4</sup> Keynes establishes three key policy-analytic points in the light of the experience of economic depression and the state planning of the USSR and these are the notions of depression equilibrium, deficit finance and the multiplier. Overall, the Keynesian analysis makes clear that state planning to secure full employment is compatible with the political concerns of liberalism for the freedom of the individual. With Keynes the economic orthodoxy was very sharply overhauled,<sup>5</sup> resulting in a style of government regulation that was taken to have tamed the system's periodic crises.<sup>6</sup>

### The political agenda of the USA

The initial set of political factors which gave shape to the subsequent efforts to make use of Keynesian work in guiding policy with regard to development revolve around the determination of the USA to order the post-war world in a fashion acceptable to the demands of international business, in particular its US-based components. A crucial concern was for access to those territories which had been protected behind colonial preference systems within trading blocs in order to construct a liberal global trading system.

It has been argued that three issues dominated US thinking in the period 1943-5: 'First was the . . . disintegration of the pre-war social systems and the growth of revolutionary movements and political upheaval everywhere in the world. Next was the problem of the Soviet Union . . . Finally there was the issue of Great Britain, invariably set in the context of the future of the world economy and its present and future relationship to the US'.<sup>7</sup> Once the Americans became involved in the war they began to establish a series of economic war aims. This task fell to the Department of State under Cordell Hull, a disciple of President Woodrow Wilson's *laissez-faire* liberalism and a man marked (as was Keynes) by the experience of the Great Depression. Hull's conclusions in respect of ordering the global system centred on the pursuit of an open international trading system centred on the USA.

The two major elements in US thinking were finance and trade. The discussion of finance was initiated in 1942 with a British submission prepared

4 See R. V. Eagly ed. 1968 *Events, Ideology and Economic Theory*, Detroit, Wayne State University Press.

5 See J. Robinson 1962 *Economic Philosophy*, Harmondsworth, Penguin; P. Ormerod 1994 *The Death of Economics*, London, Faber.

6 Hobsbawm 1994 op. cit. ch. 9.

7 G. Kolko 1968 *The Politics of War: US Foreign Policy 1943-45*, New York, Vintage, p. 4.

by Keynes which envisaged the growth of world trade with an international fund to smooth over budget deficits and channel investment money into development projects. The USA replied to the proposal with the White Plan (named after Harry White, a senior member of the US Treasury) and debate thereafter revolved around the control of the proposed institutions and the ground-rules of their operation. The debate continued until the Bretton Woods conference of July 1944 and the final compromise established the US view of the post-war world economy as one run by business on business principles. The Bretton Woods conference led to the establishment of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD, or World Bank). A little later a body to regulate trading was proposed which was to have been known as the International Trade Organization (ITO) but this was not successful and eventually the GATT (General Agreement on Tariffs and Trade) was established.<sup>8</sup> These institutions were thereafter the key vehicles in ordering the economic, social and political development of the First World in the post-war period, and they were the starting point for work in respect of Third World development. The general way in which the USA was later to approach matters of development is also clear and critics have argued that America's 'foreign policy at the end of World War Two necessitated the ability and desire to employ loans, credits and investments everywhere to create a world economic order to its own desires'.<sup>9</sup>

### The European Recovery Plan

The interventionist nature of US policy at this time means that the European Recovery Programme encapsulates a wealth of tensions. At the outset it is quite clear that the most dramatic . . . contribution to recovery was the announcement in the summer of 1947 . . . of the so called Marshall Plan.<sup>10</sup> The aid programme provided a source of credit to war-damaged Europe which allowed the reconstruction to begin. Yet the justification of the programme in the USA focused on the fear of communism. A contemporary commentator remarked that self-interest 'rather than charity inspired the ERP'<sup>11</sup> and went on to record that 'frightened by the onward movement of communism . . . the American people rallied to the support of the Marshall Plan. . . Americans realised also that economic recovery in Western Europe

8 See A. Harrison 1967 *The Framework of Economic Activity*, London, Macmillan, chs. 3, pp. 82-6, for a discussion of these Keynesian-inspired institutions. See also, for more detailed discussions, W. M. Scammel 1980 *The International Economy Since 1945*, London, Macmillan, ch. 2. On this matter, the recent 1994 completion of the GATT Uruguay Round marks a further advance towards the original goals.

9 Kolko 1968 op. cit. p. 624.

10 M. M. Postan 1967 *An Economic History of Western Europe 1945-1964*, London, Methuen, p. 14.

11 S. Harris 1948 *The European Recovery Programme*, London, Harper and Row, p. 3.

various returns to the pre-colonial situation. However, none of these were acceptable to the aspirant power-holders within the countries which were forming within the territories of the dissolving colonial territories. The rhetoric of nationalist developmentalism which had been used by local leaders in pursuit of independence affirmed the model of independent nationstatehood which was to be the vehicle of the achievement not merely of political freedom for the elite but also growth and welfare for the masses.

It is clear that for the new replacement elites in the Third World a set of demands coincide: the demands of the global capitalist system, the demands of their own people which flow from the rhetoric deployed by nationalists in their pursuit of independence, and the intellectual demands of available theory. The goal of the pursuit of effective nationstatehood is embraced by the new elite. On this view, ruling elites will face the complex task of building new nationstates. They must rapidly engender sentiments of political and cultural coherence because citizens must live the experience of membership of a single nation, a single community. The elite must secure political and social stability and in place of colonial arrangements there must be new patterns of authority and new political mechanisms to absorb and resolve inter-group conflicts. Finally, the new elite must pursue economic development as this is the base line of claims to legitimacy.

### The Logic of Authoritative Intervention

Out of the melange of theoretical possibility, political and economic necessity, successful European examples and the demands of nationalist developmentalism the theorists of development created an intellectually coherent and politically relevant scheme. An approach to analysing complex change was produced which was both prospective in orientation and practical in intention. It was essentially an ideology of authoritative intervention oriented to national development. The theory involved claims in respect of the fundamental nature of economic growth, the effective role of state planning and the rationale of aid transfers.

#### Authoritative intervention

Intervention in a social system might be understood as deliberate action whose objective is to bring about a particular change in some set of circumstances and thereby achieve a preferred state of affairs. There are three basic aspects of this approach: (a) the supposition that there is something to be acted upon, an object; (b) the expectation that it will respond and do so in a predictable fashion; and (c) the idea that the intervention is accomplished by an actor in a precise manner according to a clear set of expectations; that is, authoritatively and not randomly or accidentally.

It is clear that for the intervention to be successful it must be a knowing intervention that is in the right place, at the right time and of the right

would rebound favourably on the American economy'.<sup>12</sup> The mixture of political and economic concerns is quite clear and they informed the overall approach of the USA to the recovery of Europe.

The major formal political event of the period was the promulgation of the Truman Doctrine in March 1947. The essence of the doctrine was that political change not agreed by the USA was to be blocked and in this 'Truman spoke for the bulk of American conservatives and allied himself with reaction around the globe'.<sup>13</sup> The implementation of the Marshall Plan within Europe was informed by this political stance and the powers were used to discourage social reform. An American critic noted that 'the effect of our economic intervention in Europe has been not only to oust communists from the governments but to put the socialists out or decrease their influence'.<sup>14</sup>

In terms of the economics, and apart from the business of self-interest, what is novel is that 'the Truman Doctrine contained a concept of international aid based on the need to promote a suitable rate of growth in the receiving countries, a prototype thus of modern development aid'.<sup>15</sup> That growth could be described theoretically and actually promoted as a matter of policy were intellectual and policy analytic novelties. Paul Streeten suggests that it was the dramatic recovery of Europe's economy that lent credence to the notion that deliberate intervention in an economic system to raise its level of activity was possible.<sup>16</sup>

### Nationalist developmentalism

The intellectual mainstream of development theory derives from the historical episode of the dissolution of the mainly European system of formal colonial territories. At this particular time a series of factors came together, including the logic of the capitalist system, available theory and nationalist rhetoric. Any review of the historical expansion of the capitalist system reveals a system-requirement of access to various territories for resources, trade and markets. In the colonial period this access was secured via the machineries of the colonial regime. With the collapse of the colonial system a replacement political form was needed. The available idea was that of the nationstate, which was part and parcel of the nationalists' ideology of independence and taken for granted within contemporary social theory. It is clear that other political forms were available in principle and one could cite UN trusteeship, continued linkages with the relevant colonial power and

- 12 Ibid.
- 13 D. F. Fleming 1961 *The Cold War and Its Origins*, New York, Doubleday, p. 447.
- On the Cold War see also M. Walker 1993 *The Cold War and the Making of the Modern World*, London, Fourth Estate.
- 14 Ibid. p. 501.
- 15 G. Zeylstra 1977 *Aid or Development*, Leiden, A. W. Sijthoff, p. 31.
- 16 G. Zeylstra 1977 *The Frontiers of Development Studies*, London, Macmillan, ch. 16.

kind. It is clear that authoritative intervention demands a descriptive general theory of the social world. This intellectual strategy can be called policy science and the term designates the assumed product of mainstream social science such that in response to the question 'why have a social science' the answer is given that 'it will enable humankind to control their social environment'.<sup>17</sup> An analytical strategy centred on authoritative intervention requires a legitimating intellectual core, and thereafter it needs organizing and implementing.

### Growth theory, development planning and aid

In the early work on Third World development, intervention was legitimated by being based upon economic growth theory, and these were in turn extensions made to the work of Keynes. Roy Harrod<sup>18</sup> 'established growth economics as a going concern on the foundations of Keynes' saving investment theory'.<sup>19</sup> Harrod's famous essay<sup>20</sup> focuses on 'the necessary conditions for equilibrium between aggregate saving and investment in a dynamic economy'.<sup>21</sup> The basic proposition is that  $Ga = s/v$ , where 'Ga' is the actual rate of growth of national income, 's' is the marginal propensity to save, and 'v' is the marginal capital-output ratio. This fundamental relation can define a growth path if it is linked to a statement of the entrepreneur's estimations of future trends. The notion of warranted growth ('Gw') is introduced to fulfill the Keynesian role of the entrepreneur. The entrepreneur invests and investment today depends upon estimation of tomorrow's possibilities. If the investor is to be reassured that the reading of the economy is correct, then Ga will have to be equal to Gw. In addition to Ga and Gw, Harrod has 'Gn' which is the natural rate of growth flowing from given rises in population where more people imply more production.

If all these are put together we have the first major conclusion to issue from Harrod's work: 'If, by coincidence the actual rate of growth equalled the warranted rate, which itself equalled the rate of growth of the labour force, then steady growth at full employment would occur'.<sup>22</sup> The second conclusion Harrod makes is that such a state of affairs is unlikely to come about and even if it did it would be unstable. In the notation of the economists what has to happen for there to be steady growth of the system is that  $Ga = Gw = Gn$ . If the equation has the determinants of the various elements inserted then the problem becomes clear. The elements that determine

17 B. Fay 1975 *Social Theory and Political Practice*, London, Allen and Unwin, p. 19.

18 The American economist E. D. Domar independently offered similar ideas.

19 K. Kurihara 1968 'The Dynamic Impact of History on Keynesian Theory' in Eagly op. cit. p. 137.

20 R. Harrod 1939 'An Essay in Dynamic Theory', *Economic Journal*, 49.

21 H. Jones 1975 *An Introduction to Modern Theories of Economic Growth*, London, Nelson, p. 44.

22 Ibid. p. 53.

the three growth rates are independently set and only an accident will bring them into the relation demanded by steady growth at full employment. This is the 'First Harrod Problem' and is a step towards his aim of showing that the system tends to stagnate. Apart from the inherent pessimism, this view clearly places a huge burden upon planning agencies for when they intervene they do so in a system that is not disposed to assist them. The 'Second Harrod Problem' is the problem of stability. If Ga diverges from Gw then within limits it is likely to carry on doing so. Once the growth path is lost the rational corrective behaviour of the entrepreneur is such that things get worse not better. Overall, three things are clear: 'the possibility of steady growth at full employment... the improbability of steady growth at full employment... the instability of the warranted rate of growth'.<sup>23</sup>

Harrod's work does identify a long-term stable growth path but suggests that it would be difficult to find and difficult to follow. In an economic theory underpinning an approach to development predicated upon the notion of authoritative intervention, the pessimism came to be seen as rather awkward. However, Harrod's work was widely used and remained serviceable in its legitimating role. As an approach within development studies the theory of growth was elaborated from the 1940s to the mid-1950s when it was absorbed into modernization theory.

Having looked at the legitimization of intervention it is appropriate to turn to its organization; that is, to ideas of planning. The conceptual relation is in outline straightforward but the notion of planned intervention has been contentious throughout the short twentieth century. The familiar debate about economic planning begins with the Austrian economist Ludwig von Mises who reacted against the rise of arguments for socialism and the example of the USSR and argued in the 1920s that a planned economy could not work rationally. The gist of his argument was that if the job of an economic system was to allocate scarce resources between competing ends then this required indices of scarcity which had to be established by allowing the free market to determine prices. An economy with no free market could not provide any index of scarcity and therefore could not rationally allocate scarce resources. Unfortunately for von Mises it was possible to answer his argument by manipulating the formal machineries of neo-classical economics so as to abolish the need for a market to determine indices of scarcity. And throughout the 1920s and 1930s debate centred on whether, and if so how, the theoretical possibility of planning could actually be translated into practice. It is not necessary to pursue the detail of these debates as for our purposes; it is enough to note that when in the post-Second World War period a demand arose for a planning system the notion was already well known.<sup>24</sup>

It was real-world changes that called planning machineries into being. A

23 Ibid. p. 59.

24 See Napoleoni 1972 op. cit.

contributory factor in the rise of the preoccupation with growth was the reconstruction of capitalism that was evident in the 1920s and 1930s, specifically the emergence of monopoly forms of enterprises and a recasting of the relationship of state and industry. It can be said that there was nothing new about the partnership between capital and state but what was novel was its respectability.<sup>25</sup> The changes were evident in the 1930s and were extensively developed in the wartime period. When it came to dismantling war economies the legislative, institutional and psychological requirements of a Keynesian-managed economy were already in place. In brief, the work of Keynes legitimated a reworking of the public view of the relationship of state and industry.<sup>26</sup>

The implementation of intervention takes a series of forms and they have typically revolved around aid programmes. We can understand aid generically to be piecemeal interventions in the system having the aim of contriving a preferred state of affairs. Aid can take the form of single projects, sets of related projects, programmes, emergency one-off exercises, and so on.<sup>27</sup> Two early sources of interest in aid-giving can be identified. In the first, aid is given to allies, as exemplified by the Marshall Plan, and subsequently given to other allies, particularly in Asia, as political need dictates. In the shift to the Asian sphere the perceived task for aid is broadened and the notion of development comes to the fore. There are various reasons for this and chief amongst them are the changed nature of the recipients (economies and societies unlike those of Europe) and Cold War-fuelled competition between the USA and the USSR as aid-donors for influence amongst the newly emerged non-aligned group. The second source of interest in aid-giving flows from the process of withdrawal from empire. In the case of Asia withdrawal was understood as marking the end of any responsibilities on the part of the ex-colonial power for its ex-colony. In the case of withdrawal from Africa there was an assumption of continuing assistance in the form of aid. In this process aid-giving is increasingly understood in non-context-specific terms and the idea that the rich have a responsibility to aid the poor comes to be taken for granted.

On this last noted point it should be added that over the post-Second World War period the general concern of the international community for the business of development grew. As the issue moved up the agenda of newly created international bodies such as the UN the flow of aid from various donors to the multilateral agencies grew along with bilateral aid programmes. In this context a series of unforeseen developments came to pass. The flow of military aid became quite large. The practice of tying aid

25 H. Brookfield 1975 *Interdependent Development*, London, Methuen, p. 25.

26 None of this, let us note, went unchallenged. In the USA and in the UK especially (and also in mainland Europe) there was strong opposition to the notions of planning. In 1944 Friedrich von Hayek published a critical text entitled *The Road to Serfdom*. Hayek and his views came back into fashion in the Anglo-Saxon world in the 1980s epoch of the 'New Right'.

27 Zeylstra 1977 op. cit. discusses an ideal-type of aid; see pp. 15-19.

to purchases in the donor country grew. The administrative apparatus of development grew. The whole business became very contentious with critics on the metropolitan political right arguing that the whole endeavour was unnecessary as economic growth would happen when the conditions in the global marketplace were suitable, whilst critics on the metropolitan left suggested that far from the monies being wasted they were both hugely important and clearly insufficient to the task at hand. In more recent years critics have tended to add two further lines of commentary, first in respect of the lack of any very obviously positive results from all these efforts and secondly the suggestion that as the business of aid giving becomes lodged within the ambit of established institutional networks the whole business loses any very obvious connection with its original concerns and becomes a self-perpetuating activity which primarily serves the needs of those involved.<sup>28</sup>

### The Work of Arthur Lewis

The historical context and intellectual milieu within which growth theory was constructed fed into the actual use of the theory. The work was deployed to provide practical advice to planning agencies in respect of the pursuit of economic growth. Arthur Lewis made a series of early and influential contributions: (a) contributions to the 1951 UN report *Measures for the Economic Development of Underdeveloped Countries*; (b) the essay *Economic Development with Unlimited Supplies of Labour*; and (c) the monograph *The Theory of Economic Growth*.<sup>29</sup>

### Measures for economic development

The United Nations report was written by a group of experts who were invited to prepare 'a report on unemployment and underemployment... [in underdeveloped countries], and the national and international measures required to reduce such unemployment and underemployment'.<sup>30</sup> The authors began by redefining their task as concerned with 'economic development rather than... unemployment',<sup>31</sup> and their treatment involves six major elements.

First, they consider the preconditions for progress. The authors see the establishment of 'proper cultural orientations' as a necessary condition of growth. Then, secondly, the central role of the state is acknowledged. The

28 See G. Hancock 1989, *Lords of Poverty*, London, Macmillan.

29 On Lewis, see G. Meier and D. Seers eds. 1984 *Pioneers in Development*, Oxford University Press.

30 United Nations 1951 *Measures for the Economic Development of Underdeveloped Countries*, p. 9.

31 *Ibid.*

argument here rests upon the analogy of the government of the UDCs facing development and the governments of the DCs facing depression.

Thirdly, they treat technical matters. In this case domestic saving is discussed and a tacit definition of their assumed goal is offered. In DCs they observe a ten per cent of national income rate of capital formation, whereas in the UDCs this rate is only five per cent. A key problem is thus how to raise the rate of capital formation.

In their fourth point, where they treat the notion of planning, it is made clear that the role of the expert is crucial. They consider neo-classical economics adequate at the micro level when precise data are available, but inadequate at the macro structural level when precise data are not readily available. The authors suggest that it is not possible to offer any general rules governing economic planning: 'those who are responsible must soak themselves in the facts of each particular case and must then use their best judgement as to what will be the most desirable directions of movement'.<sup>32</sup> This is one of the most optimistic sections of the report and the world of *laissez-faire* is left far behind – indeed the authors call for *carte blanche* for the economic planners.

In the fifth point, the authors turn to look at terms of trade. On this they affirm a loose internationalism that is in accord with the style expected of a UN study and, more relevantly, it fits in with the views of the USA on the proper development of post-war trade.

Finally, in point six, they tackle the matter of external sources of capital. Here we see two points of interest. First, they answer the question of the extent to which capital is needed from abroad by seeking to indicate a quantity. This, they grant, is difficult, but important. Then, secondly, with regard to the government's role as provider of infrastructure, they say 'we do not suggest that aid should be given unconditionally... This would not be wise. Each grant should be linked to a specific function, and there should be international verification that the funds are used only for the purposes for which they have been granted'.<sup>33</sup> Thus aid is targeted and monitored according to wise prescriptions. This is what we would expect to find. It is the practical expression of a policy science, and it is also entirely typical of the mode of argument of UN specialist commissions with their concern to establish what J. K. Galbraith will later generically tag as 'institutional truths' which are the sets of semi-formal ideas to which organizations give assent and which express political-bureaucratic compromise amongst competing groups.

### Unlimited supplies of labour

The essay *Economic Development with Unlimited Supplies of Labour*, published in 1954, marked an explicit recovery of the legacy of the classical

political-economists of the nineteenth century with its central concern for the conditions of long-run growth. Lewis looked at the nature of the typical underdeveloped country and identified two sectors: the one was capitalistic and the other traditional. The business of economic development could be theoretically described in terms of the relationship of the two sectors over time. In this dualistic model the capitalist sector is dynamic and reinvests the profits it generates and thereby acts to move the social system forward whereas the traditional system of subsistence agriculture does not generate investable profits but acts only to sustain its current condition. The expansion of the capitalist sector can proceed on the basis of drawing in labour from the subsistence sector and this will allow long-run growth. The process of long-run growth will continue in this fashion until the surplus labour of the traditional sector has all been absorbed. At this point the modern sector will both dominate the economy and be self-sustaining.<sup>34</sup>

It should be pointed out that the work of Lewis acted to reintroduce many of the concerns for long-term growth and its sectoral or class impact which were typical of classical political-economics.<sup>35</sup> It is also clear that Lewis had correctly seen that the business of analysing the economies of the underdeveloped countries demanded analytical machineries which were quite different from the machineries available within the framework of the neo-classical economics of self-regulating markets.<sup>36</sup>

### Economic growth

Lewis worked on the 1951 UN report which was one of the earliest attempts to make sense of the matter of Third World development. However, we can pursue the matter of the export of Keynes a little further in a more academic context by looking at Lewis's *The Theory of Economic Growth* which was published in 1955 and which offers a more theoretical statement of his position.

Lewis declares in the book's preface that he is not presenting original ideas but offering a framework for studying economic development. The level of enquiry is general. Lewis identifies three proximate causes of growth and development. These are, first, the 'effort to economise', which Lewis uses to characterize the DCs. Included within it or as illustrations of it we find listed: experimentation; risk-taking; mobility; and specialization. We can take this as fairly straightforwardly descriptive of the industrial capitalist world and it is liable to criticisms of oversimplification, aggregation and value-bias. The second proximate cause is the increase of knowledge and its application. It would seem that this point can be taken as a simple

<sup>34</sup> See M. P. Todaro 1982 *Economics for the Developing World*, London, Longman, pp. 209-11.

<sup>35</sup> W. J. Barber 1967 *A History of Economic Thought*, Harmondsworth, Penguin, pp. 107-15.

<sup>36</sup> The subsequent more descriptive notions of dualism came to be heavily criticized; see H. Brookfield 1975 *Interdependent Development*, London, Methuen, ch. 3.