1. Introduction

Ortega y Gasset considered the absence of standards as the essence of barbarism. "Barbarism is the absence of standards to which appeal can be made." 1 I shall argue that barbarism in the sense of an absence of intellectual standards characterises much of contemporary development economics and to a lesser extent other branches of economics, chiefly because of the subordination of scholarship to political aims and to other practical objectives, though this is reinforced by other factors. 2 I shall show that some economists holding senior academic positions confuse free goods and scarce resources, ignore the dependence of supply and demand on price, or neglect patent empirical evidence pertinent to their arguments. But before I can establish the prevalence of these shortcomings, I shall have to present numerous examples and quotations at some length.

I shall examine these shortcomings and the possible influences behind them primarily with reference to development economics. Influences at work in other branches of economics are thrown into sharp relief in this field, which makes it

* This paper was prepared for the Center of Research in Government Policy and Business at the University of Rochester. It was presented at the First Interlaken Seminar on Analysis and Ideology.
1 The Revolt of the Masses, London, 1932, p. 79.
2 I shall use development economics and economics of less developed countries (ldcs) interchangeably, and similarly the terms politicisation, supremacy or paramountcy of politics, politique d'abord and subordination of truth or knowledge to political and practical objectives. Any imprecision in these usages should not affect the substance of the argument.
useful to focus on it, by analogy with Tocqueville's observation that the defects of the old French monarchy could be best discerned in French Canada where they were most conspicuous.

2. Marxist-Leninist Writings in Development Economics

Both in the less developed world and in the west, Marxist-Leninist influence has come to be pronounced and perhaps even pervasive in political and academic discussion on the economics of less developed countries (ldcs), and their external economic relations. In Marxist-Leninist literature the achievement of political purpose is paramount; indeed, objective truth is often identified with the promotion of the political purposes of Marxism-Leninism. Hence the influence of Marxism-Leninism in contemporary development economics by itself promotes extensive politicisation of this subject.

19th century Marxist writers, especially the founding fathers, dealt with backward countries only incidentally and rather disparagingly. In 20th century Marxist writings ldcs figure much more prominently as victims of exploitation and as natural allies of Communist states. Major tenets of Marxism-Leninism have been adapted to this context broadly as follows.

First, ldcs are desperately poor, stagnant or even retrogressing: an adaptation of the doctrine of the increasing misery of the proletariat (identified for this purpose with the peoples of ldcs, most of whom are small scale agriculturists and certainly not workers employed by capitalists). Second, the ldcs are poor because they have been exploited by the advanced countries: the current version of the doctrine of capitalist exploitation. Third, political independence is illusory without economic independence defined implicitly or explicitly as the establishment of a socialist

I shall use Marxism to denote general Marxist ideas; Marxism-Leninism to their extension by Lenin; and Leninism to more specifically Leninist ideas.

The extensive influence of Marxism-Leninism in development economics is widely agreed and readily discernible. It will be apparent in many of the quotations in this paper, including quotations from authors who disavow this influence.

I will not here speculate at length on the reasons for the pervasive Marxist-Leninist influence in development economics, which stems primarily from political and emotional factors at work both in the west and in ldcs. I have discussed this subject at some length in an essay “Marxism and the Underdeveloped Countries” in my book Dissent on Development, London, Weidenfeld and Nicolson, 1972. I argue there that the essence of the matter is that Marxism-Leninism is first, an intellectual structure comprising method, analysis and observation, which claims to explain the operation and prospects of society; second, it is an all embracing messianic creed promising salvation on earth but in the indefinite future, that is, here but not now; third, it is a programme for political action. The three fold aspect of Marxism and Marxism-Leninism as an intellectual structure, a messianic creed and a political programme should always be remembered in assessing its appeal. In the context of development economics and in the external relations of ldcs it is the second and third elements of Marxism-Leninism which largely explain its appeal.
government in Idcs, an extension of the idea that a Communist government is necessary for genuine freedom and material progress. Fourth, socialist planning is indispensable for the industrialization of Idcs, which in turn is necessary for progress. This particular idea is not derived so directly from Marxism-Leninism as the others just noted. But it owes much to the recognition of the political potentialities of central planning for communist rulers as revealed by the experience of the Soviet Union, and also to the key role of the industrial proletariat in communist strategy.

According to this literature external factors are generally responsible for the poverty of Idcs, an example of the ancient and widely entertained fallacy that economic activity is a zero sum game, that the incomes of individuals, especially of the relatively prosperous, are somehow extracted from others, rather than representing a return for services performed. This notion, which has frequently promoted the persecution and expulsion of relatively prosperous minorities long antedates Marxism, but its influence has been reinforced by Marxist ideology in which property incomes imply exploitation and service industries are regarded unproductive. Marxism-Leninism has successfully propagated the notion that the prosperity of the West has been extracted from the Idcs and that the latter are abject dependencies of the former.

From among the many available examples I shall now illustrate the supremacy of politics in Marxism-Leninism from two development economists with high academic credentials.

Paul A. Baran, a prominent Marxist-Leninist was full Professor of Economics at Stanford University. He contributed the article on economic development in the American Economic Association’s Survey of Contemporary Economics. His book, The Political Economy of Growth, from which I shall quote some representative passages, is a widely used university textbook. According to Baran the backwardness of Idcs is due to capitalism.

"It is in the underdeveloped world that the central, overriding fact of our epoch becomes manifest to the naked eye: the capitalist system, once a mighty engine of economic development, has turned into a no less formidable hurdle to human advancement ... there [in the underdeveloped world] the difference is between

5 It follows rather paradoxically from this approach that it is relatively advanced Idcs which are in a state of subjection since it is in these countries and not in those most backward that there is much expatriate capital and trading activity. The paradox is not often noted because spokesmen of the relatively advanced Idcs are usually articulate and prominent in public discussion, while for obvious reasons representatives of the most backward areas are rarely heard.

6 I shall not quote Marxist-Leninist politicians or political writers such as the late Dr. Nkrumah, influential and respected as he was both in Africa and in the West, including some academic circles. At least one of his books was published in Britain in a series called Heinemann Educational Books. Some typical passages of Dr. Nkrumah’s various books reproduced in Dissent on Development, pp. 151, 157, 167-8.

7 New York 1957.
abysmal squalor and decent existence, between the misery of hopelessness and the exhilaration of progress, between life and death for hundreds of millions of people... socialist transformation of the advanced west would not only open to its own peoples the road to unprecedented economic, social and cultural progress, it would at the same time enable the peoples of the underdeveloped countries to overcome rapidly their present condition of poverty and stagnation 8!

"To the deadweight of stagnation characteristic of pre-industrial society was added the entire restrictive impact of monopoly capitalism. The economic surplus appropriated in lavish amounts by monopolistic concerns in backward countries is not employed for productive purposes. It is neither plowed back into their own enterprises, nor does it serve to develop others." 9

This bears no relation to reality. Many ldcs have progressed rapidly, especially in South East Asia, West Africa and Latin America where over large areas the conditions of existence have been transformed in the last hundred years. The progress was initiated by contacts established by the West; the most advanced and advancing sectors are those in contact with the market economies of the West and the most backward those without such contacts, the aborigines or the desert peoples being the limiting cases. Over the last hundred years huge agricultural, mineral, commercial and industrial complexes have been built up in many ldcs with re-invested profits such as the oil, copper, tin, rubber and tea industries, to mention only the most obvious.

The late Soviet Academician I. Potekhin was a prominent Soviet authority on ldcs, especially Africa. He is worth quoting as Soviet economic writing is now taken seriously in western universities.

"The economic essence of colonialism, whatever form it takes, consists in exporting a part of a colony’s national income to the metropolitan country without return imports of an equivalent value. This explains why metropolitan countries made such big strides in their economic development during the last century while colonies lagged behind... Why is there little capital in Africa? The reply is evident. A considerable part of the national income which is supposed to make up the accumulation fund and to serve as the material basis of progress is exported outside Africa without any equivalent." 10

These remarks are again simply untrue. There are no remittances abroad from much of Africa, and none from the poorest parts, thus they cannot explain the low level of capital. Such remittances as there are, represent returns for resources supplied. Again, the West was far more advanced than Africa when it established its colonies, and its material prosperity was generated by its own peoples. Finally, many of the richest countries have few or no contacts with Africa.

8 pp.249–50.
9 p.177.
The policy proposals of these writers reflect their diagnoses.

According to Baran, "the establishment of a socialist planned economy is an essential, indeed indispensable condition for the attainment of economic and social progress in underdeveloped countries" 11.

Such a policy cannot be indispensable to progress, as it was not pursued either in the history of the now developed countries, nor in the course of the rapid advance of many ldc's.

In discussing development policy for Africa, Potekhin asks some rhetorical questions and simultaneously answers them.

"To develop mining and consumer goods industries, machine tools and equipment are required. Who is to supply them? The industrially developed western countries would like to reserve the monopoly in delivering machinery to African countries ... ‘Balanced industrialisation’ entails the setting up of an industry putting out the means of production.” 12

And again:

"The aim is to close all the channels through which national income is leaking out of Africa. The governments of many African countries have already tackled this problem. Let us enumerate some of the principal measures directed towards the elimination of ‘financial haemorrhage’: nationalisation of enterprises belonging to foreign companies; compulsory reinvestment of a part of foreign companies’ profits; higher taxation of profits; establishment of national banks and insurance companies; setting up of their own maritime shipping and air fleet; and state control over exports and foreign exchange transactions ... the establishment of state-owned enterprises ensures an incomparably higher rate of economic development than private enterprise; it is the most reliable way of closing the channels for the leakage of national income abroad and the surest means of eliminating the dominance of foreign monopolies. Taking into account the extreme weakness of private national capital in nearly all the countries of the continent, it should be admitted that it is only the setting up of a state-owned sector in the economy that will ensure economic independence in a short space of time.” 13

These passages equate foreign enterprise with monopoly and state ownership with development; they ignore costs and in effect treat resources as if they were free goods; and they do not refer either to consumer demand or to living standards. And neither the level of prosperity nor the growth of development, nor capital formation, nor the growth of manufacturing depend on state owned or sponsored industries, much less on the prior development of a local capital goods industry.

3. Wider Marxist-Leninist Influence in Development Economics

Many fashionable notions of development economics are palpably unfounded. Some of these reflect Marxist-Leninist inspiration even when the authors are not Marxist-Leninists, or even disown this inspiration.

i) The insistence on central planning in the development literature owes much to Soviet prestige. Insistence on such a policy is a major theme of this literature, including for instance Professor Myrdal's writings. Thus he writes:

"Now, what amounts to a sort of superplanning has to be staged by underdeveloped countries with weak political and administrative apparatuses and a largely illiterate and apathetic citizenry. But the alternative to making the heroic attempt is continued acquiescence in economic and cultural stagnation or regression which is politically impossible in the world of today; and this is, of course, the explanation why grand scale national planning is at present the goal in underdeveloped countries all over the globe and why this policy line is unanimously endorsed by governments and experts in the advanced countries." 14

Central planning is unquestionably not indispensable for development and no amount of italicisation will justify Myrdal's statement.

Professor Kitamura of Tokyo University expressed the same opinion more briefly but just as emphatically:

"Only planned economic development can hope to achieve a rate of growth that is politically acceptable and capable of commanding popular enthusiasm and support." 15

Professor Kitamura's assertion is especially paradoxical since his country made rapid progress without this policy. However, evidence is irrelevant to an article of faith. The same article of faith underlies the many academic publications, especially in the United States, which urge that its adoption by recipient governments should be a condition of foreign aid.

ii) In many ldc's, notably India, planning has been avowedly modelled on the Soviet pattern. Professor P. C. Mahalanobis, the principal architect of the Second Five Year Plan wrote:

"In the long run, the rate of industrialisation and the growth of national economy would depend on the increasing production of coal, electricity, iron and steel, heavy machinery, heavy chemicals, and the heavy industries generally which would increase the capacity for capital formation... The heavy industries must, therefore, be expanded with all possible speed." 16

14 Development and Underdevelopment, Cairo 1956, pp. 63 and 65. Italics in the original.
These became the priorities of Indian planning.

"The expansion of the iron and steel industry has obviously the highest priority since, more than any other industrial product, the levels of production in these materials determine the tempo of progress of the economy as a whole... Heavy engineering industries are a natural corollary of iron and steel works. The high priority accorded to them arises both on this account and from the fact that they will provide from within the country a wide range of industrial machinery and capital equipment, such as locomotives for railways and power plants for the generation of electricity... In this context the creation of basic facilities such as the establishment of heavy foundries, forges and structural shops is absolutely necessary."\(^{17}\)

The Soviet inspiration is evident. It is not true that economic development or the growth of industry or the rate of capital formation depends in any way on the prior development of specific types of heavy industry. The neglect of cost and of consumer demand in these passages also reflect Marxist-Leninist ideas.

iii) The Leninist theme of colonial exploitation is echoed in General Principle Number Fourteen of the First United Nations Conference on Trade and Development (UNCTAD):

"...the liquidation of the remnants of colonialism in all its forms is a necessary condition for economic development and the exercises on sovereign rights over natural resources."

Whatever one thinks of the colonial system, it is quite compatible with material advance. Many of the richest countries were formerly colonies and were by then already very prosperous. Many of the African and Asian colonies of European powers progressed substantially during colonial rule, usually much faster over most of this period than the independent countries in the same region (Malaya compared to Thailand, the Gold Coast compared to Liberia, British East Africa to Ethiopia). Indeed, in sub-Saharan Africa all the foundations and ingredients of modern social and economic life were brought there during the colonial period.\(^{18}\)

The assertion of such evident untruth in an UNCTAD resolution is an eloquent tribute to the influence of Leninism. The same influence is reflected in the reference to 'colonialism in all its forms': in Leninism foreign investment is evidence of external exploitation which would not be tolerated by a genuinely independent government.

\(^{17}\) *Second Five Year Plan*, Delhi, 1956, p. 394.

\(^{18}\) As for instance public security and law and order; wheeled traffic sub-Saharan Africa never invented the wheel and there were few wheels and no wheeled traffic in pre-colonial times; mechanised transport (that is transport powered by steam or petrol instead of muscle, overwhelmingly human muscle), railways, roads and substantial man-made ports; modern forms of money, instead of barter or commodity money, such as bars of iron, bottles of gin or cowrie shells; the application of science and technology to agriculture, animal husbandry, water control, forestry and mining; modern commerce; towns with substantial buildings, water and sewerage; hospitals, public health measures, the control of endemic and epidemic disease; formal education and the idea of scholarship; and even the idea of material progress. All this came to Africa during the colonial period.
iv) Marxist-Leninist ideology tends to regard international, group, or even personal differences in incomes as reflecting coercion or manipulation. This approach is reflected in the following passage by Professor Peter Townsend of Essex University, who is highly respected in Britain in both academic and political circles.

"I argued that the poverty of deprived nations is comprehensible only if we attribute it substantially to the existence of a system of international social stratification, a hierarchy of societies with vastly different resources in which the wealth of some is linked historically and contemporaneously to the poverty of others. This system operated crudely in the era of colonial domination, and continues to operate today, though more subtly, through systems of trade, education, political relations, military alliances and industrial corporations. A wealthy society which deprives a poor country of resources may simultaneously deprive its own poor classes through maldistribution of those additional resources." 19

In spite of the vagueness of this passage the underlying idea is clear, namely that above average incomes represent manipulation and exploitation, rather than differences in economic performance.

v) Both Marxists and non-Marxists often believe that all men are of broadly equal capacity, motivation and potential. Marxism-Leninism has reinforced this idea and has benefited from it, because economic and environmental determinism is prominent in Marxism. This outlook is embodied in the following passage from Myrdal.

"As we know, modern research has in the last half century gone a long way to prove scientifically the correctness of this essential kernel of naturalistic doctrine of human equality with respect to natural endowments and thereby justified the environmental approach in the social sciences, which loans the basis for rational radicalism in social reform."

And he adds subsequently that research has confirmed "that as a general rule men are equally endowed by nature" 20.

It is debatable what inferences one should draw from personal and group differences in capacities, attitudes and motivations. But men are obviously not equally endowed by nature in physical, intellectual or economic capacities, and recent research has not confirmed Professor Myrdal's plainly unfounded assertion.

vi) Marxism-Leninism often strongly influences writers on development economics who explicitly disclaim this influence. This is exemplified in the following passage.

"Obviously, one need not be a very orthodox 'Marxist-Leninist' or a particularly heterodox 'bourgeois economist' in order to agree with the following baldly stated


propositions: (1) a rapid increase in the rate of economic growth in backward countries, which is indispensable in order to break out of the vicious circle of near stagnation, calls for a marked increase in the saving-investment effort; (2) economic development is bound to involve industrialisation at a rather early stage, and also, before long, a relatively rapid growth of domestic capital goods industries coming both in response to and as an added stimulant of the accelerated pace of overall expansion; (3) the availability of a sufficiently large volume of foreign investment and sufficiently extensive foreign trade connections cannot always be taken for granted; (4) since superior productive technology in developed countries represents both a challenge and a threat, the new state would have to intervene more actively to promote and protect economic development than was necessary in older industrialized countries during comparable periods of their history."

In this passage, (1) and (2) are demonstrably and obviously untrue, (3) is irrelevant and (4) is an obvious non sequitur. The subconscious inspiration which is explicitly denied is quite evident.

4. The Paramountcy of Politics Further Considered

There are many manifestly invalid notions in the academic and official development literature which reflect the paramountcy of politics but owe little or nothing to Marxism-Leninism, except perhaps for the general effect of this ideology in promoting subordination of truth to political purpose.

i) The thesis of the vicious circle of poverty, that is, the idea that poverty itself sets up virtually insurmountable obstacles to its own conquest is a familiar theme of development literature. Professor Samuelson wrote in an earlier edition of his celebrated textbook:

"They [the backward nations] cannot get their head above water because their production is so low that they can spare nothing for capital formation by which their standard of living could be raised." 22

Another convenient example comes from the Center for International Studies of MIT.

... "the general scarcity relative to population of nearly all resources creates a self-perpetuating vicious circle of poverty. Additional capital is necessary to increase output, but poverty itself makes it impossible to carry out the required saving and investment by a voluntary reduction in consumption." 23

23 Study submitted by the Center for International Studies of the Massachusetts Institute of Technology to the State Committee investigating the operation of Foreign Aid, Washington, 1957, p. 37.
If these assertions were true innumerable individuals, groups, communities and societies could not have risen from poverty to riches. Indeed, strictly speaking on this argument no development could have taken place as all developed countries began as poor.

ii) According to the Pearson Report:
“The widening gap between the developed and developing countries has become a central issue of our time.”

If the thesis of a generally operative vicious circle of poverty and stagnation were valid then the absolute and proportionate differences in incomes between rich and poor countries would necessarily widen persistently as suggested in this opening sentence of the Pearson Report. But once the invalidity of the thesis is recognised, this simple inference collapses for the following reasons among others.

There is no clear gap or discontinuity in the international range of incomes, so that the difference in per capita incomes between developed and less developed countries depends on where the line is drawn, which in the absence of a clear discontinuity is arbitrary; it is usually not made clear whether the so called gap refers to absolute magnitudes or to ratios, yet this is fundamental because these two types of magnitudes often move in different or even opposite directions, and as a mathematical necessity must change at different rates; the developed and the less developed world are huge diverse aggregates which comprise the whole world, and in recent decades many ldc’s have developed much faster than most developed countries; the national income statistics of ldc’s are subject to huge margins of error, often amounting to several hundred per cent; the conventional treatment ignores life expectation and the possession of children as components of well being. Moreover, the frequent changes in the relative prosperity of different societies, including the phenomenon of economic decline, make it clear that references to widening differences are meaningless unless the time that has been envisaged is specified. Nor can the issue be discussed sensibly without studying the conduct of governments and of populations. The governments of many ldc’s have maltreated or even expelled or massacred prosperous minorities, thereby increasing international income differences. And mores such as the sanctity of animal life, or a high valuation of leisure or of a contemplative life or objections to women’s work outside the home, often operate in the same direction.

iii) Balance of payments problems are now often regarded as unavoidable in the development of poor countries. According to Myrdal “there must be something wrong with an underdeveloped country which does not have foreign exchange difficulties.”


This is untrue. No balance of payments difficulties were experienced in the early history of the advanced countries, or during the rapid progress of many ldcps in the last hundred years. Conversely, many rich countries frequently experience such difficulties. Persistent balance of payments problems and difficulties have nothing to do either with poverty or with material progress. They are inevitable if the government of a country, whether rich or poor, advancing or stagnating, pursues an inflationary policy while attempting to maintain over-valued exchange rates.

iv) The external economic relations of ldcps are often said to be damaging to them, as allegedly evidenced by unfavourable and deteriorating terms of trade and a declining share in world trade. Yet substantial external economic contacts must benefit the peoples of ldcps by widening their range of opportunities, notably by opening up markets for their products and by providing a large and varied volume of imports, besides acting as channels for skills and capital, as well as for new ideas, methods and crops. It is therefore not surprising that the most advanced groups and sectors in ldcps are those with extensive external contacts, and the most backward are those with fewest or no such contacts.

Allegations about the declining share of ldcps in world trade and their adverse terms of trade are irrelevant, misleading or untrue. A reduction in the share of a country or group of countries in world trade has by itself no adverse welfare implications whatever, since it often occurs as a result of the expansion of economic activity and trade elsewhere, which normally benefits those whose relative share has declined. Again, it often comes about as a result of domestic developments within countries, unrelated to external conditions. Deterioration in the conventionally measured terms of trade are of little pertinence for development or economic welfare without considering changes in the cost of production of exports, in the quality and variety of imports and in the volume of trade: what matters in these contexts are the factoral terms of trade or the income terms of trade, not the unadjusted ratio of import and export prices, that is the crude commodity terms of trade 26.

Some of the transgressions in this general area of discussion are extremely crude. Thus ostensibly serious publications instance the decline of the volume of exports from one country as evidence of a decline in the world demand for that product, thereby confusing the quantity supplied from one source with the total demand for the product. Similarly, it is often suggested that ldcps are harmed by a low price elasticity of demand for their exports as this is supposed to make it difficult to expand their export earnings. But since exports from one country are usually a

26 By taking account of changes in the cost of production of exports, the income terms of trade and the factoral terms of trade refer to the volume of imports obtainable by a given volume of real resources in the exporting countries, so that it is these concepts which are pertinent to development and welfare. I may note in passing that the terms of trade are largely unrelated to the prime causes of material backwardness, which are within the ldcps themselves.
small proportion of world supplies (especially long term supplies allowing for changes in capacity) such a situation is improbable. But if it were present it would be highly advantageous to the exporters, since they could then both increase their earnings and simultaneously save resources by imposing or raising export duties. These self contradictions are often compounded in publications which complain simultaneously about the damage to ldc's by the development of substitutes for their exports and by a low price elasticity of demand for them.

Many of the statistics in support of allegations of unfavourable external developments are plainly manipulated by such devices as omission of countries, commodities or commodity groups, or by changing the base period of the comparisons, always to emphasise alleged externally caused problems of the less developed world. Thus petroleum and petroleum products are often excluded from these discussions, even though these are by far the most important exports of ldc's, about four times as important as any other commodity. In discussions on the terms of trade the base periods are often readily shifted to omit those periods over which the terms of trade of ldc's have improved greatly, as for instance, by substituting the early 1950s, the years of the Korean or post Korean boom for certain earlier periods. All this is apart from the meaning of aggregation of large numbers of countries, the position of whose external trade differs radically, whose terms of trade move very differently, and in whose economic life the importance of foreign trade differs greatly. However, it is just worth noting that in so far as these exercises have any meaning, the commodity terms of trade of most ldc's have been much more favourable since the second world war than in earlier times, and that the factorial terms of trade are almost certainly much more favourable than ever before. And the volume of their external trade has expanded hugely in recent decades.

It has also come to be alleged in the 1950s and 60s that the mere presence of rich countries damages the ldc's through the operation of the so called international demonstration effect which brings new consumer goods to the notice of their peoples, thus discouraging what little saving might otherwise take place. This oft heard suggestion ignores the role of external contacts as instruments of development, reflected in the comparative prosperity of the groups with which the West has established contact: it ignores that the new consumer goods have to be paid for, which usually requires improved economic performances, such as more work, saving and greater adaptability, as used to be recognised in the concept of incentive goods; that the progress of ldc's does not depend simply on monetary savings; that an international demonstration effect can also operate to suggest new habits of saving and investment; and finally, that a higher and more varied level of consumption is both an inducement to higher economic performance and also the principal justification or even the very meaning of material progress. The notion of an adverse international demonstration effect implies complete disregard of consumer demand and of peoples' choice as criteria of development.
The ideas noted in this sub-section, although often found in reputable publications, are insubstantial and the arguments or statistics adduced in their support are spurious. Apart from the invalidity of the specific arguments, the whole collection of ideas is misleading in emphasising external factors as causes of material poverty and thus diverting attention from the personal, social and political determinants of economic achievement and development.

5. Economics Without Prices and Cost

The transgressions noted in sections 2 and 3 reflect the influence of Marxism-Leninism, while those in section 4 relate largely to external economic relations of ldc's. In this section I shall consider some frequent and crude transgressions to be found largely outside these contexts.

i) It is a familiar, almost traditional characteristic of lay discussions on economic matters that they treat an activity or its output as if they were equivalent additions to total output, income or welfare, regardless of the alternative use of resources, that is of cost. This practice has in recent years crept into apparently technical literature with increasing frequency, especially in development economics where it is almost standard in publications on state sponsored industries or trading corporations. Again, the moneys termed development expenditure in this literature are often treated as if they represented a net gain without consideration either of the alternative use of resources, or the social and political repercussions of the collection of the funds. What may perhaps be a limiting case of the treatment of a scarce resource as a free good, was a proposal advanced seriously by several full professors of economics at a leading American university some years ago that the United States should undertake to supply all the money capital which can be used productively in any ldc in the sense of increasing money incomes there. Someewhat analogous to this idea was the proposal of the Pearson Commission that the donors of foreign aid should provide sufficient funds to ensure two per cent growth of per capita incomes throughout the less developed world. Leaving aside questions of measurement, and of the appropriateness of aggregating the entire less developed world, this proposal necessarily implies an unlimited commitment, since if the basic determinants of development are not favourable no amount of aid can ensure any specified rate of growth in per capita incomes.

These various practices strike at the root of economics, since it is fundamental that resources are limited and activities imply costs.

27 It is perhaps of some interest that one of the advocates of this idea wrote in a widely publicised paper that one of the many vicious circles which afflicted ldc's was a lack of qualified economists for development planning.
ii) Treatment of supply and demand as functions of prices, costs and incomes rather than as fixed physical quantities should be the hallmark of the economist. Yet ostensibly technical publications often ignore this simple consideration, in contexts in which this is inadmissible. Neglect of opportunity cost and disregard of supply and demand as functional relationships obliterate the difference between technical and lay discussions.

Such unwarranted disregard of the effects of prices was conspicuous in the protracted discussions in the 1950s and 60s on the operations of the state export monopolies of British West Africa in the *Economic Journal* and elsewhere. Since the second world war the major export crops of British West Africa have been controlled by monopolies which have withheld from producers a large part of market values. The effects of this underpayment on output and exports were ignored or even denied by supporters of these monopolies, both in journal articles and in such apparently authoritative publications as the World Bank Report on Nigeria. Yet the functional relationships between output and prices were abundantly clear and in view of the heavy transport costs between the producing areas and the ports (which ensured that the area over which production is possible must depend on producer prices), the large areas on the margin between subsistence cultivation and production for sale, and the readiness of producers to shift between different activities. Similarly the effects of consumption taxes on demand has often been ignored in the literature, which often implicitly assumes a zero elasticity of demand without making this clear.

These various lapses are sometimes rationalised, usually ex post, by reference to alleged rigidities, or absence of economic motivations, or such evident irrelevances as the absence of perfect competition. All these rationalisations usually disregard costs and the limitations of incomes, besides being inconsistent with easily available evidence including the official practice of subsidising commodities, the production of which governments wish to encourage.

While the lapses noted in this section may be most frequent in development economics they can be found also in other branches of economics, especially Soviet economics, labour economics and even in prominent academic publications in mainstream economics. A conspicuous example is provided by discussion of the balance of payments without reference to domestic prices, incomes, exchange rates or monetary and fiscal policies. A most prominent example is the discussion in

28 The World Bank Report on Nigeria, *The Economic Development of Nigeria*, Baltimore, 1955, discusses at length such effects on farm output as agricultural services, water supply, plant disease and the like, but not the price received by the producers, which was directly pertinent as these prices were officially prescribed. The treatment of excise and import duties was similar. The full report of the Commission comprised a main report and 21 technical reports including one on the operation of the state monopolies. The personnel of the commission included several economists; the chief economist of the Commission subsequently became director of the World Bank’s Economic Development Institute, established for the training of economists from ldc's.
the 1940s and 1950s of the dollar shortage and the likelihood or even inevitability of its persistence. Many economists, including leading price theorists, treated this matter without reference to these variables. And it was the discussion of the alleged dollar scarcity which initiated the notion of a persistent shortage of foreign exchange allegedly afflicting some countries or categories of countries.

6. Barbarism: Background and Prospects

Observations on the background to an argument are irrelevant to its merits besides being necessarily somewhat conjectural. However, some reflections on the reasons for this intellectual barbarism is called for by the programme of this seminar, besides being necessary for taking stock of the situation.

The paramountcy of politics has been a major factor behind some of the crudest transgressions. In Marxist-Leninist literature the denial of objective truth outside the achievement of political purpose is manifest and often explicit. But the paramountcy of politics in this sense is palpable also in much non-marxist writing; and many of the lapses noted in this essay reflect desire to promote particular policies. Thus the push for foreign aid and for central planning is the thrust behind the thesis of the vicious circle and the allegations of external factors as causes of the poverty and the payments difficulties of ldc.

Disregard of the cost of an activity and of various repercussions of additional taxes or controls required to finance it, obviously facilitates the pursuit of policies and types of expenditure, the costs of which have been ignored. Yet again the suggestion that the economic capacities of people are substantially equal, and differences reflect political manipulation or exploitation, promotes confiscation of incomes and other policies designed to obliterate social and economic differences (including differences in conduct and mores) other than the inequality in power between rulers and subjects, that is between politicians and officials on one hand and the rest of the population on the other hand.

Political influences also affect the choice of variables in many ostensibly technical discussions on economic development. This is so in the emphasis on the volume of investment and the supply of foreign exchange as allegedly crucial determinants of material progress, and the corresponding de-emphasis of personal and social determinants, and the de-emphasis or more often the complete neglect of the repercussions of changes in the variables on the parameters, as for instance of the effects of central planning and the imposition of specific controls on such matters as political tension, administrative behaviour, the deployment of people's activities, motivations and attitudes, on the spread of ideas and methods, and on occupational and geographical mobility, to mention but a few of the pertinent considerations. This choice of variables and the distribution of emphasis promotes the imposition and extension of state economic controls.
Certain characteristics of the rapid expansion of economics since the Second World War, together with the extensive corruption or looseness of its language, have promoted subordination of scholarship and truth to politics.

The rapid expansion of many branches of economics since the Second World War was powered largely by the belief in its practical possibilities. The belief has traditionally benefited the subject by drawing resources into it, and also by reminding economists of the phenomena of the real world. However, these influences often induce confusion between political and scholarly objectives, and the subordination of the latter to the former, especially at times of a massive inflow of resources engendered by high expectations of practical results.

When economists write on policy, especially for a wider audience, as for instance when they sign or co-sign official reports, woolly statements or specific errors, including even very simple transgressions such as neglect of elementary theory or of obvious evidence, can be interpreted or defended by the need for unanimity, or the awareness of political or administrative considerations, or the overriding importance of political or administrative considerations, or the overriding importance of political objectives\(^29\). Exposure of these lapses can be brushed aside as becomes very difficult.

Exaggerated expectations about the practical potentialities of economics, the rapid expansion engendered by these expectations, the operation of political and practical motives, have been prominent in development economics and largely explain its sorry state. While these forces are present also elsewhere in economics they have been pervasive in this area. The frequent transgressions in the development literature such as those noted in sections 2–5 reflect neglect of elementary economic theory, simple evidence and also the key determinants of material progress. These transgressions are sufficiently crude and pervasive that in this area at any rate one can speak appropriately of a decline of standards or even of their

\(^29\) The reader will know of many such instances in reports commissioned by government and international organisations. A set of specific examples will be found in an exchange between Dr. John H. Adler and myself in the *Journal of Political Economy*, October 1956; John H. Adler, “The Economic Development of Nigeria: a comment;” Peter T. Bauer, “A reply”.

It may be worth while to reproduce here a statement by Professor John P. Lewis, a former Director of the United States Agency for International Development in India, who was for fifteen years Distinguished Service Professor of Economics at Indiana University, and is now Dean of the Woodrow Wilson School at Princeton.

“It has been decided in India that it is the duty of government – and it cannot be delegated – to create and maintain that ‘growth perspective’ which, Albert Hirschman has rightly insisted, is the one sine qua non for successful economic development.

“Outside supporters of the Indian development process who refuse to accept this proposition well-nigh disqualify themselves from the outset.” *Quiet Crisis in India*, Washington D.C., 1962, p.28.

The first paragraph of this statement is obviously untrue. The maintenance by the Government of a growth perspective (whatever that means) cannot possibly be the only condition of successful economic development. The general context of the statement is development planning in India. The second paragraph amounts to a recognition that acceptance of nonsense may be necessary for participation in political decisions.
collapse. Books published a generation or two ago, such as those by Vera Anstey, Allan Mcphee, W.K. Hancock and many others are more informative and of greater predictive value than is much of the more recent development literature. And it is in books largely on development economics that Professor Myrdal was most emphatic and explicit that in social study disinterested and objective reasoning is unobtainable or even inconceivable.\(^{30}\)

Perceptive writers of the 20th century have noted the destructive effects of the corruption of language on intellectual life.

Debasement of the language has served as a major political instrument of Marxism-Leninism. But careless, extremely loose terminology characterizes also much recent non Marxist economic literature. Major concepts are often given widely different or even conflicting interpretations, or are so vague that they cannot be pinned down or their real life counterparts identified: examples include investment, exploitation, subsistence consumption, industrialisation, planning or even development.

Perhaps surprisingly, extensive use of mathematical methods, including econometrics, has done little to protect economics from the effect of politicisation, and may indeed have increased the difficulties of resisting it. The extensive use of mathematical methods and notations has served to shield behind a protective facade major lapses of analysis and the imprecision or vagueness of the underlying concepts. Publications with a large mathematical content are often vitiated by elementary lapses. Examples include the confusion of changes in exports from one country with changes in total demand for the product; disregard of domestic economic policy, or of rates of exchange in discussions of balance of payments problems; or assumptions of fixed factor proportions or zero elasticities of supply and demand when these assumptions are inconsistent with other elements of the model, or incompatible with the real life situation envisaged.\(^{31}\) And when the transgressions behind these elaborate discussions are noted, the critics are apt to be asked for the model underlying their observations (even when the model behind the defective arguments are not specified), or are accused of casual empiricism, even when all that is required is to note simple errors of logic or fact, readily discernible by elementary canons of logic, basic economic theory, or simple observation.

Mathematical methods and notations have already served at times to conceal the imprecision of the concepts of ostensibly rigorous models, including the concepts noted earlier in this section; this result is of course not a necessary corollary of the application of mathematical methods in the social sciences, but their employment has often helped to bring it about.


\(^{31}\) Pigou claimed it as an advantage of the mathematical method that it serves as a barrier to charlatans. He overlooked the possibility that it could act as a protective facade.
The prestige of mathematical methods may also have contributed to the neglect of plainly significant or even decisive determinants in the processes investigated by economists, even in contexts when the variables of the models affect the factors ignored or treated parametrically. This prestige has also served to focus on variables tractable at least superficially by mathematical methods, which often happen to be the variables emphasis on which helps to promote the policies favoured by the discussant.

And the prestige both of mathematical methods and of econometrics has brought about a neglect of direct observation, which is often required for an understanding of the situation, notably so in the context of policy. This is not to suggest, of course, that analysis is not necessary. Observation without analysis is of little use in development economics, as in other enquiry into phenomena. But the complexity, instability and local variation of many phenomena, the conflicting interpretation to which many concepts of the subject lend themselves, and the non-quantifiable character of major determinants of economic events, all serve to underline the importance of a knowledge of the social and economic environment for the establishment or understanding of relationships. Where this is so, observation needs to extend beyond statistical information to direct observation of the social and economic landscape. The appropriate mix between analysis and observation, especially direct observation, is often difficult to find, but without it analysis alone is likely to be misleading.

In a non-experimental field the prestige of these methods has made it easier to divorce the discussion from the perceived real world, and also to subordinate objective truth to political purpose, a danger which is always present because of the belief, often exaggerated belief, in the political and practical usefulness of economics and of its practitioners.

The supremacy of politics is perhaps the greatest intellectual danger facing the subject and it is one of special significance to academics. The subordination of knowledge to political purpose is often accompanied by denial even of the possibility of objective truth. Such a position confuses the establishment of illuminating propositions and the attainment of political objectives as criteria of achievement. It prevents agreement even on simple propositions and simultaneously precludes definition of the grounds of disagreement. It implies that the value of a conclusion

32 These considerations are behind Marshall's now much neglected injunction about the importance of forging many short chains in economic reasoning and many single connecting links between them, rather than a few long chains.

33 Economists sometimes comfort themselves by saying that in these matters the position is worse in other branches of social study, especially sociology and political science. This is by no means self evident. And economists used to pride themselves on the firm analytical basis behind their subject, its comparatively close contact with real life, and the potentialities and value of quantification in their discipline. These characteristics were thought to justify the claim of economists that their subject was the queen of the social sciences. The greatest danger to that monarchy comes from its own subjects.
depends on political acceptability and efficacy rather than on canons of logic or correspondence with evidence. It precludes worthwhile assessment of the competence of reasoning and the validity of propositions, and thus the establishment even of minimum standards of competence, as criticism can always be ascribed to political differences. The destructive results of such a position are evident in development economics, but by no means confined to it. Such a state of affairs must eventually affect the volume and quality of the resources available to economics.

Many of the transgressions noted or documented in this essay are so egregious that it is hard to believe that they should be perpetrated by prominent practitioners. Once the supremacy of politics or of other practical purposes is recognised the paradoxical situation becomes easier to understand. And the situation examined here represents only a prominent example or set of examples which can be seen also in other contexts. In development economics even elementary transgressions are excused within the profession if they are seen to promote such political and practical objectives as the flow of official donations from the West to governments of lics, or the enlargement of the power of the international organizations and their staffs, or the imposition of controlled economies, or the encouragement or reinforcement of feelings of guilt in the west. Similarly in Britain and America any argument, however crude, will find some academic support if it can be used as a stick with which to beat the market system.

One final observation. The significance of the paramountcy of politics is ignored by those of our colleagues, who include some of the most distinguished, who argue that differences among economists are primarily or even solely those of analysis and observation, that is of positive economics. If this were so it would be hard to explain the frequency of crude lapses of logic and fact by leading practitioners. For the sake of worthwhile academic discussion we may often have to act as if these lapses reflected inadequacies in positive economics only, rather than the pursuit of political objectives or of self interest. But the belief that this is really so is an insult to the intelligence of many prominent economists, besides producing an inadequate view of the academic scene. It also glosses over the difficulties and dilemmas posed by the presence of many highly trained and intelligent thinkers, who in their writing or teaching subscribe to the supremacy of politics. The resulting problems are specially baffling at a time when influences emanating from both within and outside economics render effective debate and criticism difficult.

34 It has been argued that the perpetration of elementary transgressions reflects the operation of self-interest on the part of economists, rather than the politicisation of intellectual life, or the adoption of inappropriate methodology. While there are substantial elements of truth in this argument, it is nevertheless incomplete or inconclusive in various ways, notably in that it fails to ask which particular stance is likely to serve the self-interest of economists, and why their stance now should be so different from that assumed by scholars a generation or two ago.
Zusammenfassung

Politisierung des Wissens: Entwicklungsökonomie


Résumé

Politisation du savoir: Economie de développement

L'article passe en revue certaines opinions répandues dans les milieux universitaires en matière d'économie de développement. Des déclarations faites par des académiciens éminents sur l'histoire, la position et les perspectives touchant des pays en voie de développement y sont reproduites et examinées. Il apparaît que des déclarations sont incompatibles avec les résultats d'observations courantes et d'analyses élémentaires. Les raisons dictant certaines opinions ne peuvent bien entendu qu'être esquissées. L'article démontre que la subordination du progrès du savoir à des buts politiques est une des causes principales de la prédominance d'erreurs grossières sur les faits et en matière d'analyse des économies en voie de développement, c'est-à-dire sur les conditions insatisfaisantes qui règnent dans ce domaine de l'économie. Certaines de ces tendances existent aussi dans d'autres domaines de l'économie, mais sous une forme généralement moins accentuée.

Summary

Politicisation of Knowledge: Development Economics

The paper reviews some expressions of influential academic opinion in development economics. Statements by prominent academics about the history, position and prospects of less developed countries are reproduced and examined. These statements are found to conflict with simple observation and elementary analysis. The reasons why certain opinions are held are necessarily tentative. The paper argues that subordination of the advancement of knowledge to political purposes is a major reason for the prevalence of crude errors of fact and of analysis in development economics, and thus for the unsatisfactory condition of this branch of economics. Some of these forces are also present in other branches of economics, though they are usually less pronounced there.