Pakistan Journal of Applied Economics, (1986), Vol. V, No. 2, (217 – 223)

BOOK REVIEWS

John Sender and Sheila Smith, The development of capitalism in Africa, (Methuen & Co. Ltd., University Paperbacks), pp. xi+177, n/p.

"The real existence of an enemy upon whom one can foist off everything evil is an enormous relief to one's conscience. You can then at least say, without hesitation, who the devil is; you are quite certain that the cause of your misfortune is outside and not your own attitude." C.G. Jung (1969).

The last decade or so, has seen healthy developments in Marxist theory. These developments have put the criterion of common sense and intelligibility at the centre of many important issues that marxists had addressed previously (eg., historical materialism [Cohen (1978)], the labour theory of value [Roemer (1982)] methodology and explanation [Elster (1985)], political theory of classes [Wright (1985)]. It has therefore importantly resulted in clearer propositions, better defined concepts and decipherable causal chains both at the level of concepts (theory) and propositions involving concepts to tell a real story (history). This is of course not to say that all that the new wave analytical marxism offers is necessarily better in some aprioristic sense than its precursors or those who take different positions, only that what it states is clearer. Possibly the most important contribution of these developments in 'reason' is to make explicit the axioms, assumptions, *apriori* emphasis, even biases that are present in any specific discourse with which the tradition is concerned. This allows assessment of works on the basis of their logical structure and the plausibility of assumptions contained in them. This tradition has naturally found common ground with and parallels in more applied topics of economic and social history and areas of macro economics. The Development of Capitalism in Africa (DCA) should be placed in the context of applied extensions in this tradition. The book focuses on general features of capitalist development in selected African countries emphasising the primacy of productive forces thesis of Marx's theory of history [see Cohen (1978)]. It also shows how this thesis is consistent with a trade focused history (considered an engine of growth) which provided a basis for forward and backward linkages in the domestic economies of these African countries. Essentially the approach to the issue of economic development in the LDC's is due to Warren's pioneering work [Warren (1980)] on capitalist development, and in the macro economic tradition of Michael Kalecki (1976).

The authors are attempting to do two things. Firstly, they provide an illustrated history of the precolonial and colonial experience of selected African countries (Ethiopia, Ghana, Ivory Coast, Kenya, Malawi, Mozambique, Nigeria, Senegal, Tanzania, Zambia and Zimbabwe) in which the focus is on a complex relationship between trade and domestic ruling classes, its consequent effect on the formation of linkages in the economy, and the parallel germination of nationalist ideologies in these countries. Secondly, they argue that the post colonial 'independence' period marks a qualitative break from the past and that this break was made possible with the new role of the state. The possibilities of transformation are therefore seen by them as being direct outcomes of macro economic policies which the new state structures began to formulate and implement. Consequently, it is argued that the successes and failures to realise these new potentials have much to do with the macro economic policy and its management by the state. In doing this the authors provide an implicit critique of the political and economic arguments of the dependency school of development, who are well known to emphasise the 'external' factor as functionally determinant in the growth of LDC economies.

The historical part of the book makes a few important points that need to be qualified. The position of the authors is that possibilities of accumulation and development of capitalist relations of production came into existence not despite (as some would argue) but because of the precolonial (trade linked) and colonial experience. This is of course not to say anything of the counterfactual as to what the case may have been without this experience. Such counterfactuals are probably left unentertained by the authors because they are, in a slightly different context than the authors use of Gramsci's term, not sensitive to the 'effective reality' of the past. The authors are also precise in pointing out that although state intervention in an environment of commoditisation of the economy and emergence of wage labour during this period led to same export growth with its associated multiplier effects, constraints existed that limited these prospects. These were due to both pressures from metropolitan manufacturers to block the formation of competitive industry in these economies (external), and the hostility of the state itself towards a rising bourgeoisie (internal). This basically resulted in an insufficient commodity diversification of exports (limited new market); an inability to increase exports (non penetration into given markets) and a failure to systematically meet domestic demand by domestic production. There is however no attempt here to show which of the above constraints (internal hostility or external pressure) was determinant in limiting this process of expansion. This issue is important to clarify on a case by case basis, even if it is argued that in general the constraints operated simultaneously. As we shall see this type of problem also crops up in their analysis of the post colonial period.

The other important issue in the historical section concerns the emergence of wage labour. The point that the authors are making is that full transition of an economy to a proper wage labour one is a lengthy process. Extensive wage labour use implies a productive process whose end is the accumulation of capital where the extraction of surplus requires certain forms of organisation of production, which is in basic contrast to pre capitalist (non dynamic) societies that use extra economic coercion to extract surplus. Sender and Smith argue that the development of labour markets and a 'free' labour force emerged in these countries albeit unevenly in both space and time during the 20th century. Moreover wage labour itself displayed distinct forms in the colonial and the post colonial periods in the studied regions when labour use began to get adequately linked to capitalist accumulation. The growth of wage labour employment in the selected African countries and its associated welfare effects are demonstrated by the authors and the political importance of the proletariat and its associated 'mass/popular' nationalism is highlighted. The absence, in this chapter remains, in the lack of a simultaneous assessment of other forms of labour existing/persisting in these economies with the development of wage labour. This minimally requires assessing the relative importance of each form of labour in quantitative terms during each phase despite the 'phenomenal' growth of the capitalist wage labour form for the economies in question. Moreover the extent to which a common ground exists between different types of labour is an important political question quite apart from its relevance in giving a realistic perspective on the issue of emergence of the wage labour form and its significance for the 'Development of Capitalism'.

The section on the post independence period puts forward the argument for a potential qualitative shift in these economies. The link is a three way one between accumulation, trade and state intervention. The argument basically states that in order to implement appropriate late industrialisation the state requires balancing macro economic variables. Industrialisation of the import substituting kind itself requires imports of intermediate and capital goods, these in turn should and can be financed by increased export earnings. Thus certain basic balancing equations must be borne in mind in devising a growth path of an economy, which is the modus operandi of a state that is successful in late industrialisation. The task of balancing can and does became complicated as the temporal distribution of foreign exchange requirements is uneven, the state therefore must iron out these 'bulges' (to borrow Hirschman's phrase) in its planning process. Superimposed on this argument that calls attention to procedural implications of achieving a successful accumulation path are requirements of maintaining a rate of growth of domestic demand. Here, the authors follow the important analytical links that Kalecki highlighted in his work on macro economics and growth. The importance of wage goods and incentives for work efficiency, labour shifts from low to high productivity sectors as incentives for the export sector itself, and inflationary effects of a supply bottleneck in the wage goods sector are clearly discussed. The non inflationary financing of the public sector and implications for taxation are also emphasised. Consequently, in an open economy, the importance of attracting a flow of foreign capital (including aid) in devising a successful balanced growth path emerges as a necessary condition for late industrialisation. It is clearly not a sufficient condition (and to be fair the authors do not directly argue that it is) since these capital inflows are not always used with the explicit aim of increasing the availability of wage goods and export related foreign exchange earnings. Instead the authors show that in cases where there has been a marked growth rate, the associated states did intervene to coordinate a late industrialisation strategy and contained, if not resolved, to a large extent the difficulties in maintaining access to foreign exchange and simultaneously orchestrated growth in the wage goods sector accompanied by a non-inflationary public sector investment strategy.

The counter-pressures, to these attempts in a political context, almost inevitably take on class and sub-nationalist forms of resistance and can feed on a 'conspiritorial' form of Nationalism, that is unfortunately a shared ideological ground for both the right and a significant section of the left in not only African but many other LDC's. Although this point is well taken and is a critical one the larger issue remains which concerns the general relationship of the 'internal' and 'external' factors. Firstly, despite the over emphasis found in dependency literature, there is a link between macro economic policy and external pressures which has become undeniable in the last decade or so. Although by and large this link, which in many cases is forged via debt and structural adjustment programs of some types, is consistent with the goal of increasing some commodity specific export earnings, it may not be as amenable to the expansion of the wage goods sector. Secondly, given the ineptitude of the state's administrative and planning faculties (whose justifications in failure are fed on conspiracy brands of nationalism) it is possible that, in some particular cases, the external constraints on macro policy (which can work via debt) are such that even an efficient and purposeful state structure is also unsuccessful in achieving its goal. This criticism implies the importance of a case by case analysis, which is itself amenable to the authors position. Moreover, it does not reject *apriori* this or that set of pressures as determinant.

Although many of these arguments have been expounded before with particular political or economic emphases [see for a recent example Lance Taylor (1983)] they do take on a fresh perspective. This is due to the way the authors' position. Moreover, it does not reject *apriori* this or that set of independence potential to the politics and ideology of nationalism which in turn has been particularised for the set of African countries under study. In this the authors are faithful to the original intent of Warren's planned work which he did not live to complete [see Warren (1980)].

This brings us to possibly the most important contribution of the book which reaffirms the view that theoretical work can be both generalisable and rooted in particular situations to be politically relevant. In doing this Sender and Smith have firstly opened up the possibility of debate with those who are outside their paradigm. Secondly, and more importantly, they have made the response of those on the left who 'emphasise' the external dynamic of societies at the expense of the 'internal' dynamic, a task that requires fundamental rethinking. This is a very important contribution as the problem of viewing the world with such a peculiar partiality can be politically disastrous and is a deeper social state of mind than it appears to be.

Nomaan Majid
National Development Finance Corporation
Karachi, Pakistan.

References

Cohen, G.A., 1978, Karl Marx's theory of history: A defence, Oxford University Press.
Elster, J., 1985, Making sense of Marx, Cambridge University Press.
Jung, C.G., 1969, General aspects of dream psychology in the structure and dynamics of the psyche, Collected work: 8, Princeton University Press.
Kalecki, M., 1976, Essays on developing economies, Harvester Press.
Roemer, J., 1982, The general theory of exploitation and class, Cambridge, Mass.
Taylor, L., 1983, Structuralist macroeconomics, Basic Books.
Warren, B., 1980, Imperialism: Pioneer of capitalism, Verso.
Wright, E.O., 1985, Classes, London, New Left Books.

Charles Wolf, Jr., Markets or governments: Choosing between imperfect alternatives, (Cambridge, Mass.: The MIT Press, 1988), xv + 220, n/p.

Which economic activities should be in the hands of markets and which directed by governments? How should policymakers analyze the pros and cons of privatizing public services? How can one diagnose the inefficiencies of governmental organizations and move to remedy them? Charles Wolf's important new book provides a valuable framework for addressing these and related questions.

Wolf, Dean of the RAND Graduate School in California, has ample experience in the developing countries and some of the empirical work in the book pertains particularly to them. But his audience and his contribution are more general. Wolf reviews the economic literature concerning market failures. He notes that this literature has often been used to justify governmental intervention. But such intervention itself creates characteristic problems and costs, which Wolf labels "nonmarket failures," and these have not been analyzed as systematically. In what Wolf calls the "cardinal choice" between market and government, he provides a paradigm for analyzing the advantages and defects of both these imperfect alternatives.

Nonmarket failures stem from peculiarities of demand and supply. On the demand side Wolf notes biased perceptions of markets and their problems, distortions of demand due to political organization and pressure groups, the skewed rewards accruing to various actors in the political system, the high rate of time discount of politicians, and the decoupling of those who benefit from public programs from those who pay. These and various supply side "nonmarket failures" lead, Wolf argues, to governments providing too much or too many services at too high a cost.

Beyond a new analytical framework for assessing nonmarket failures, Wolf contributes a valuable set of reminders concerning the design of public programs. He lays particular emphasis on remedying market failures, introducing characteristics of the market into public programs, improving measures of government outputs, connecting organizational goals and incentives with those outputs, and improving systems for evaluating results. Wolf suggests that the greater efficiency of market-based institutions compared to governments results not from better allocation ("getting prices right") but from better mechanisms for signaling and enforcement within such institutions. Information and incentives become keys to better performance.

Wolf's clearly written book should be useful to government officials and international aid agencies, and to researchers as well. It should stimulate case studies and empirical analysis not only of the choice of markets *or* governments but of choices concerning markets *and* governments: various ways they may more productively interact in a given sector.

Robert Klitgaard

Ministry of Finance
Equatorial Guinea