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(On the Political Economy of Backwardness)

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ON THE POLITICAL ECONOMY

OF BACKWARDNESS\*

by Paul A. Baran.

The capitalist mode of production and the social and political order concomitant with it provided, during the latter part of the eighteenth century, and still more during the entire nineteenth century, a framework for a continuous and, in spite of cyclical disturbances and setbacks, momentous expansion of productivity and material welfare. The relevant facts are well known and call for no elaboration. Yet this material (and cultural) progress was not only spotty in time but most unevenly distributed in space. It was confined to the Western world, and did not affect even all of this territorially and demographically relatively small sector of the inhabited globe. Germany and Austria, Britain and France, some smaller countries in Western Europe, and the United States and Canada occupied places in the neighbourhood of the sun. The vast expanses and the multitude of inhabitants of Eastern Europe, Spain and Portugal, Italy and the Balkans, Latin America and Asia, not to speak of Africa, remained in the deep shadow of backwardness and squalor, of stagnation and misery.

Tardy and skimpy as the benefits of capitalism may have been with respect to the lower classes even in most of the leading industrial countries, they were all but negligible in the less privileged parts of the world. There productivity remained low, and rapid increases in population pushed living standards from bad to worse. The dreams of the prophets of capitalist harmony remained on paper. Capital either did not move from countries where its marginal productivity was low to countries where it could be ex-

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pected to be high, or if it did, it moved there mainly in order to extract profits from backward countries that frequently accounted for a lion's share of the increments in total output caused by the original investments.

Where an increase in the aggregate national product of an underdeveloped country took place, the existing distribution of income prevented this increment from raising the living standards of the broad masses of the population. Like all general statements, this one is obviously open to criticism based on particular cases. There were, no doubt, colonies and dependencies where the populations profited from inflow of foreign capital. These benefits, however, were few and far between, while exploitation and stagnation were the prevailing rule.

But if Western capitalism failed to improve materially the lot of the peoples inhabiting most backward areas, it accomplished something that profoundly affected the social and political conditions in underdeveloped countries. It introduced there, with amazing rapidity, all the economic and social tensions inherent in the capitalist order. It effectively disrupted whatever was left of the "feudal" coherence of the backward societies. It substituted market contracts for such paternalistic relationships as still survived from century to century. It reoriented the partly or wholly self-sufficient economies of agricultural countries toward the production of marketable commodities. It linked their economic fate with the vagaries of the world market and connected it with the fever curve of international price movements.

A complete substitution of capitalist market rationality for the rigidities of feudal or semi-feudal servitude would have represented, in spite of all the pains of transition, an important step in the direction of progress. Yet all that happened was that the age-old exploitation of the population of underdeveloped countries by their domestic overlords, was freed of the mitigating constraints inherited from the feudal tradition. This superimposition of business mores over ancient oppression by landed gentry resulted in compounded exploitation, more outrageous corruption, and more glaring injustice.

Nor is this by any means the end of the story, Such export of capital

and capitalism as has taken place had not only far-reaching implications of a social nature. It was accompanied by important physical and technical processes. Modern machines and products of advanced industries reached the poverty stricken backyards of the world. To be sure most, if not all, of these machines worked for their foreign owners- or at least were believed by the population to be working for no one else- and the new refined appurtenances of the good life belonged to foreign businessmen and their domestic counterparts. The bonanza that was capitalism, the fullness of things that was modern industrial civilization, were crowding the display windows, - they were protected by barbed wire from the anxious grip of the starving and desperate man in the street.

But they have drastically changed his outlook. Broadening and deepening his economic horizon, they aroused aspirations, envies, and hopes.

Young intellectuals filled with zeal and patriotic devotion travelled from the underdeveloped lands to Berlin and London, to Paris and New York, and returned home with the "message of the possible".

Fascinated by the advances and accomplishments observed in the centres of modern industry, they developed, and propagandized the image of what could be attained in their home countries under a more rational economic and social order. The dissatisfaction with the stagnation (or at best, barely perceptible growth) that ripened gradually under the still-calm political and social surface was given and articulate expression. The dissatisfaction was not nurtured by a comparison of reality with a vision of a socialist society. It found sufficient fuel in the confrontation of what was actually happening with what could be accomplished under capitalist institutions of the Western type.

The establishment of such institutions was, however, beyond the reach of the tiny middle classes of most backward areas. The inherited backwardness and poverty of their countries never gave them an opportunity to gather the economic strength, the insight, and the self-confidence needed for the assumption of a leading role in society. For centuries under feudal rule they themselves assimilated the political, moral, and cultural values of the dominating class.

While in advanced countries, such as France or Great Britain, the economically ascending middle-classes developed at an early stage a new rational world outlook, which they proudly opposed to the medieval obscurantism of the feudal age, the poor, fledgling bourgeoisie of the underdeveloped countries sought nothing but accommodation to the prevailing order. Living in societies based on privilege, they strove for a share in the existing sinecures. They made political and economic deals with their domestic feudal overlords or with powerful foreign investors, and what industry and commerce developed in backward areas in the course of the last hundred years was rapidly moulded in the straitjacket of monopoly- the plutocratic partner of the aristocratic rulers, What resulted was an economic and political amalgam combining the worst features of both worlds- feudalism and capitalism- and blocking effectively all possibilities of economic growth.

It is quite conceivable that a "conservative" exit from this impasse might have been found in the course of time. A younger generation of enterprising and enlightened businessmen and intellectuals allied with moderate leaders of workers and peasants- a "Young Turk" movement of some sort - might have succeeded in breaking the deadlock, in loosening the hidebound social and political structure of their countries and in creating the institutional arrangements indispensable for a measure of social and economic progress.

Yet in our rapid age history accorded no time for such a gradual transition. Popular pressures for an amelioration of economic and social conditions, or at least for some perceptible movement in that direction, steadily gained in intensity. To be sure, the growing restiveness of the underprivileged was not directed against the ephemeral principles of a hardly yet existing capitalist order. Its objects were parasitic feudal overlords appropriating large slices of the national product and wasting them on extravagant living; a government machinery protecting and abetting the dominant interests; wealthy businessmen reaping immense profits and not utilizing them for productive purposes; last but not least, foreign colonizers extracting or believed to be extracting vast gains from their "developmental" operations.

This popular movement had thus essentially bourgeois, democratic, anti-feudal, anti-imperialist tenets. It found outlets in agrarian egalitarianism; it incorporated "muck-raker" elements denouncing monopoly; it strove for national independence and freedom from foreign exploitation.

For the native capitalist middle-classes to assume the leadership of these popular forces and to direct them into the channels of bourgeois democracy - as had happened in Western Europe - they had to identify themselves with the common man. They had to break away from the political, economic, and ideological leadership of the feudal crust and the monopolists allied with it; and they had to demonstrate to the nation as a whole that they had the knowledge, the courage, and the determination to undertake and to carry to victorious conclusion the struggle for economic and social improvement.

In hardly any underdeveloped country were the middle-classes capable of living up to this historical challenge. Some of the reasons for this portentous failure, reasons connected with the internal make-up of the business class itself, were briefly mentioned above. Of equal importance was, however, an "outside" factor. It was the spectacular growth of the international labour movement in Europe that offered the popular forces in backward areas ideological and political leadership that was denied to them by the native bourgeoisie. It pushed the goals and targets of the popular movements far beyond their original limited objectives.

This liaison of labour radicalism and populist revolt painted on the wall the imminent danger of a social revolution. Whether this danger was real or imaginary matters very little. What was essential is that the awareness of this threat effectively determined political and social action. It destroyed whatever chances there were of the capitalist classes joining and leading the popular anti-feudal, anti-monopolist movement. By instilling a mortal fear of expropriation and extinction in the minds of all property-owning groups the rise of socialist radicalism, and in particular the Bolshevik Revolution in Russia, tended to drive all more or less privileged, more or less well-to-do elements in the society into one "counter-revolutionary" coalition. Whatever differences and antagonisms existed between large and small landowners, between monopolistic and competitive

business, between liberal bourgeois and reactionary feudal overlords, between domestic and foreign interests, were largely submerged on all important occasions by the over-riding common interest in staving off socialism.

The possibility of solving the economic and political deadlock prevailing in the underdeveloped countries on lines of a progressive capitalism all but disappeared. Entering the alliance with all other segments of the ruling class, the capitalist middle-classes yielded one strategic position after another. Afraid that a quarrel with the landed gentry might be exploited by the radical populist movement, the middle-classes abandoned all progressive attitudes in agrarian matters. Afraid that a conflict with the church and the military might weaken the political authority of the government, the middle-classes moved away from all liberal and pacifist currents. Afraid that hostility toward foreign interests might deprive them of foreign support in a case of a revolutionary emergency, the native capitalists deserted their previous anti-imperialist, nationalist platforms.

The peculiar mechanisms of political interaction characteristic of all underdeveloped (and perhaps not only underdeveloped) countries thus operated at full speed. The aboriginal failure of the middle-classes to provide inspiration and leadership to the popular masses pushed those masses into the camp of socialist radicalism. The growth of radicalism pushed the middle-classes into an alliance with the aristocratic and monopolistic reaction. This alliance, cemented by common interest and common fear, pushed the populist forces still further along the road of radicalism and revolt. The outcome was a polarization of society with very little left between the poles. By permitting this polarization to develop, by abandoning the common man and resigning the task of reorganizing society on new, progressive lines, the capitalist middle-classes threw away their historical chance of assuming effective control over the destinies of their nations, and of directing the gathering popular storm against the fortresses of feudalism and reaction. Its blazing fire turned thus against the entirety of existing economic and social institutions.

The economic and political order maintained by the ruling coalition of

owning classes finds itself invariably at odds with all the urgent needs of the underdeveloped countries. Neither the social fabric that it embodies nor the institutions that rest upon it are conducive to progressive economic development. The only way to provide for economic growth and to prevent a continuous deterioration of living standards (apart from mass emigration unacceptable to other countries) is to assure a steady increase of total output- at least large enough to offset the rapid growth of population.

An obvious source of such an increase is the utilization of available unutilized or underutilized resources. A large part of this reservoir of dormant productive potentialities is the vast multitude of entirely unemployed or ineffectively employed manpower. There is no way of employing it usefully in agriculture, where the marginal productivity of labour tends to zero. They could be provided with opportunities for productive work only by transfer to industrial pursuits. For this to be feasible large investments in industrial plant and facilities have to be undertaken. Under prevailing conditions such investments are not forthcoming for a number of important and interrelated reasons.

With a very uneven distribution of a very small aggregate income (and wealth), large individual incomes exceeding what could be regarded as "reasonable" requirements for current consumption accrue as a rule to a relatively small group of high-income receivers. Many of them are large landowners maintaining a feudal style of life with large outlays on housing, servants, travel, and other luxuries. Their "requirements for consumption" are so high that there is only little room for savings. Only relatively insignificant amounts are left to be spent on improvements of agricultural estates.

Other members of the "upper crust" receiving incomes markedly surpassing "reasonable" levels of consumption are wealthy businessmen. For social reasons briefly mentioned above, their consumption too is very much larger than it would have been were they brought up in the puritan tradition of a bourgeois civilization. Their drive to accumulate and to expand their enterprises is continuously counteracted by the urgent desire to imitate in their living habits the socially dominant "old families",



to prove by their conspicuous outlays on the amenities of rich life that they are socially (and therefore also politically) not inferior to their aristocratic partners in the ruling coalition.

But if this tendency curtails the volume of savings that could have been amassed by the urban high-income receivers, their will to re-invest their funds in productive enterprises is effectively curbed by a strong reluctance to damage their carefully erected monopolistic market positions through creation of additional productive capacity, and by absence of suitable investment opportunities- paradoxical as this may sound with reference to underdeveloped countries.

The deficiency of investment opportunities stems to a large extent from the structure and the limitations of the existing effective demand. With very low living standards the bulk of the aggregate money income of the population is spent on food and relatively primitive items of clothing and household necessities. These are available at low prices, and investment of large funds in plant and facilities that could produce this type of commodities more cheaply rarely promises attractive returns. Nor does it appear profitable to develop major enterprises the output of which would cater to the requirements of the rich. Large as their individual purchases of various luxuries may be, their aggregate spending on each of them is not sufficient to support the development of an elaborate luxury industry- in particular since the "snob" character of prevailing tastes renders only imported luxury articles true marks of social distinction.

Finally, the limited demand for investment goods precludes the building up of a machinery or equipment industry. Such mass consumption goods as are lacking, and such quantities of luxury goods as are purchased by the well-to-do, as well as the comparatively small quantities of investment goods needed by industry, are thus imported from abroad in exchange for domestic agricultural products and raw materials.

This leaves the expansion of exportable raw materials output as a major outlet for investment activities. There the possibilities are greatly influenced, however, by the technology of the production of most raw materials as well as by the nature of the markets to be served. Many raw materials, in particular oil, metals, certain industrial crops, have to be

produced on a large scale if costs are to be kept low and satisfactory returns assured. Large-scale production, however, calls for large investments, so large indeed as to exceed the potentialities of the native capitalists in backward countries. Production of raw materials for a distant market entails, moreover, much larger risks than those encountered in domestic business. The difficulty of foreseeing accurately such things as receptiveness of the world markets, prices obtainable in competition with other countries, volume of output in other parts of the world, etc., sharply reduces the interest of native capitalists in these line of business. They become to a predominant extent the domain of foreigners who, financially stronger, have at the same time much closer contacts with foreign outlets of their products.

The shortage of investible funds and the lack of investment opportunities represent two aspects of the same problem. A great number of investment projects, unprofitable under prevailing conditions, could be most promising in a general environment of economic expansion.

In backward areas a new industrial venture must frequently, if not always, break virgin ground. It has no functioning economic system to draw upon. It has to organize with its own efforts not only the productive process within its own confines, it must provide in addition for all the necessary outside arrangements essential to its operations. It does not enjoy the benefits of "external economies".

There can be no doubt that the absence of external economies, the inadequacy of the economic milieu in underdeveloped countries, constituted, everywhere an important deterrent to investment in industrial projects. There is no way of rapidly bridging the gap. Large-scale investment is predicated upon large-scale investment. Roads, electric power stations, railroads, and houses have to be built before businessmen find it profitable to erect factories, to invest their funds in new industrial enterprises.

Yet investing in road building, financing construction of canals and power stations, organizing large housing projects, etc., transcend by far the financial and mental horizon of capitalists in underdeveloped countries. Not only are their financial resources too small for such ambitious

projects, but their background and habits militate against entering commitments of this type. Brought up in the tradition of merchandizing and manufacturing consumers' goods- as is characteristic of an early phase of capitalist development- businessmen in underdeveloped countries are accustomed to rapid turnover, large but short-term risks, and correspondingly high rates of profit. Sinking funds in enterprises where profitability could manifest itself only in the course of many years is a largely unknown and unattractive departure.

The difference between social and private rationality that exists in any market and profit-determined economy is thus particularly striking in underdeveloped countries. While building of roads, harnessing of water power, or organization of housing developments may facilitate industrial growth and thus contribute to increased productivity on a national scale, the individual firms engaged in such activities may suffer losses and be unable to recover their investments. The nature of the problem involved can be easily exemplified: starting a new industrial enterprise is predicated among other things upon the availability of appropriately skilled manpower. Engaging men and training them on the job is time-consuming and expensive. They are liable to be unproductive, wasteful, and careless in the treatment of valuable tools and equipment. Accepting the losses involved may be justifiable from the standpoint of the individual firm if such a firm can count with reasonable certainty on retaining the services of those men after they go through training and acquire the requisite skills. However, should they leave the firm that provided the training and proceed to work for another enterprise, that new employer would reap the fruits of the first firm's outlays. In a developed industrial society this consideration is relatively unimportant. Losses and gains of individual firms generated by labour turnover may cancel out. In an underdeveloped country the chances of such cancellation are very small, if not nil. Although society as a whole would clearly benefit by the increase of skills of at least some of its members, individual businessmen cannot afford to provide the training that such an increase demands.

But could not the required increase in total output be attained by better utilization of land - another unutilized or inadequately utilized productive factor?

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There is usually no land that is both fit for agricultural purposes and at the same time readily accessible. Such terrain as could be cultivated but is actually not being tilled would usually require considerable investment before becoming suitable for settlement. In underdeveloped countries such outlays for agricultural purposes are just as unattractive to private interests as they are for industrial purposes.

On the other hand, more adequate employment of land that is already used in agriculture runs into considerable difficulties. Very few improvements that would be necessary in order to increase productivity can be carried out within the narrow confines of small-peasant holdings. Not only are the peasants in underdeveloped countries utterly unable to pay for such innovations, but the size of their lots offers no justification for their introduction.

Owners of large estates are in a sense in no better position. With limited savings at their disposal they do not have the funds to finance expensive improvements in their enterprises, nor do such projects appear profitable in view of the high prices of imported equipment in relation to prices of agricultural produce and wages of agricultural labour.

Approached thus via agriculture, an expansion of total output would also seem to be attainable only through the development of industry. Only through increase of industrial productivity could agricultural machinery, fertilizers, electric power, etc., be brought within the reach of the agricultural producer. Only through an increased demand for labour could agricultural wages be raised and a stimulus provided for a modernization of the agricultural economy. Only through the growth of industrial production could agricultural labour displaced by the machine be absorbed in productive employment.

Monopolistic market structures, shortage of savings, lack of external economies, the divergence of social and private rationalities do not exhaust, however, the list of obstacles blocking the way of privately organized industrial expansion in underdeveloped countries. Those obstacles have to be considered against the background of the general feeling of uncertainty prevailing in all backward areas. The coalition of the owning

classes formed under pressure of fear, and held together by the real or imagined danger of social upheavals, provokes continuously more or less threatening rumblings under the outwardly calm political surface. The social and political tensions to which that coalition is a political response are not liquidated by the prevailing system; they are only repressed. Normal and quite as the daily routine frequently appears, the more enlightened and understanding members of the ruling groups in underdeveloped countries sense the inherent instability of the political and social order. Occasional outbursts of popular dissatisfaction assuming the form of peasant uprisings, violent strikes or local guerrilla warfare, serve from time to time as grim reminders of the latent crisis.

In such a climate there is no will to invest on the part of monied people; in such a climate there is no enthusiasm for long-term projects; in such a climate the motto of all participants in the privileges offered by society is *carpe diem*.

Could not, however, an appropriate policy on the part of the governments involved change the political climate and facilitate economic growth? In our time, when faith in the manipulative omnipotence of the State has all but displaced analysis of its social structure and understanding of its political and economic functions, the tendency is obviously to answer these questions in the affirmative.

Looking at the matter purely mechanically, it would appear indeed that much could be done, by a well-advised regime in an underdeveloped country to provide for a relatively rapid increase of total output, accompanied by an improvement of the living standards of the population. There is a number of measures that the government could take in an effort to overcome backwardness. A fiscal policy could be adopted that, by means of capital levies and a highly progressive tax system, would syphon off all surplus purchasing power, and in this way eliminate non-essential consumption. The savings thus enforced could be channelled by the government into productive investment. Power stations, railroads, highways, irrigation systems, and soil improvements could be organized by the State with a view to

creating an economic environment conducive to the growth of productivity. Technical schools on various levels could be set up by the public authority to furnish industrial training to young people as well as to adult workers and the unemployed. A system of scholarships could be introduced rendering acquisition of skills accessible to low-income strata.

Wherever private capital refrains from undertaking certain industrial projects, or wherever monopolistic controls block the necessary expansion of plant and facilities in particular industries, the government could step in and make the requisite investments. Where developmental possibilities that are rewarding in the long-run appear unprofitable during the initial period of gestation and learning, and are therefore beyond the horizon of private businessmen, the government could undertake to shoulder the short-run losses.

In addition an entire arsenal of "preventive" devices is at the disposal of the authorities. Inflationary pressures resulting from developmental activities (private and public) could be reduced or even eliminated, if outlays on investment projects could be offset by a corresponding and simultaneous contraction of spending elsewhere in the economic system. What this would call for is a taxation policy that would effectively remove from the income stream amounts sufficient to neutralize the investment-caused expansion of aggregate money income.

In the interim, and as a supplement, speculation in scarce goods and excessive profiteering in essential commodities could be suppressed by rigorous price controls. An equitable distribution of mass consumption goods in short supply could be assured by rationing. Diversion of resources in high demand to luxury purposes could be prevented by allocation and priority schemes. Strict supervision of transactions involving foreign exchanges could render capital flight, expenditure of limited foreign funds on luxury imports, pleasure trips abroad, and the like impossible.

What the combination of these measures would accomplish is a radical change in the structure of effective demand in the underdeveloped country, and a reallocation of productive resources to satisfy society's need for economic development. By curtailing consumption of the higher-income

groups, the amounts of savings available for investment purposes could be markedly increased, The squandering of limited supplies of foreign exchange on capital flight, or on importation of redundant foreign goods and services, could be prevented, and the foreign funds thus saved could be used for the acquisition of foreign-made machinery needed for economic development. The reluctance of private interests to engage in enterprises that are socially necessary, but may not promise rich returns in the short-run, would be prevented from determining the economic life of the backward country.

The mere listing of the steps that would have to be undertaken, in order to assure an expansion of output and income in an underdeveloped country, reveals the utter implausibility of the view that they could be carried out by the governments existing in most underdeveloped countries. The reason for this inability is only to a negligible extent the non-existence of the competent and honest civil service needed for the administration of the programme. A symptom itself of the political and social miasma prevailing in underdeveloped countries, this lack cannot be remedied without attacking the underlying causes. Nor does it touch anything near the roots of the matter to lament the lack of satisfactory tax policies in backward countries, or to deplore the absence of tax "morale" and "discipline" among the civic virtues of their populations.

The crucial fact rendering the realization of a developmental programme illusory is the political and social structure of the governments in power. The alliance of property-owning classes controlling the destinies of most underdeveloped countries, cannot be expected to design and to execute a set of measures running counter to each and all of their immediate vested interests. If to appease the restive public, blueprints of progressive measures such as agrarian reform, equitable tax legislation, etc., are officially announced, their enforcement is wilfully sabotaged. The government, representing a political compromise between landed and business interests cannot suppress the wasteful management of landed estates and the conspicuous consumption on the part of the aristocracy; cannot suppress monopolistic abuses, profiteering, capital flights, and extravagant living on the part of businessmen. It cannot curtail or abandon its la-

vish appropriations for a military and police establishment, providing attractive careers to the scions of wealthy families and a profitable outlet for armaments produced by their parents, quite apart from the fact that this establishment serves as the main protection against possible popular revolt. Set up to guard and to abet the existing property rights and privileges, it cannot become the architect of a policy calculated to destroy the privileges standing in the way of economic progress and to place the property and the income derived from it at the service of society as a whole.

Nor is there much to be said for the "intermediate" position which, granting the essential incompatibility of a well-conceived and vigorously executed developmental programme with the political and social institutions prevailing in most underdeveloped countries, insists that at least some of the requisite measures could be carried out by the existing political authorities. This school of thought overlooks entirely the weakness, if not the complete absence, of social and political forces that could induce the necessary concessions on the part of the ruling coalition. By background and political upbringing, too myopic and self-interested to permit the slightest encroachments upon their inherited positions and cherished privileges, the upper-classes in underdeveloped countries resist doggedly all pressures in that direction. Every time such pressures grow in strength they succeed in cementing anew the alliance of all conservative elements, by decrying all attempts at reform as assaults on the very foundations of society.

Even if measures like progressive taxation, capital levies, and foreign exchange controls could be enforced by the corrupt officials operating in the demoralized business communities of underdeveloped countries, such enforcement would to a large extent defeat its original purpose. Where businessmen do not invest, unless in expectation of lavish profits, a taxation system succeeding in confiscating large parts of these profits is bound to kill private investment. Where doing business or operating landed estates are attractive mainly because they permit luxurious living, foreign exchange controls preventing the importation of luxury goods are bound to blight enterprise. Where they only stimulus to hard work on the part of



intellectuals, technicians, and civil servants is the chance of partaking in the privileges of the ruling class, a policy aiming at the reduction of inequality of social status and income is bound to smother effort.

The injection of planning into a society living in the twilight between feudalism and capitalism cannot but result in additional corruption, larger and more artful evasions of the law, and more brazen abuses of authority.

There would seem to be no exit from the impasse. The ruling coalition of interests does not abdicate of its own volition, nor does it change its character in response to incantation. Although its individual members occasionally leave the sinking ship physically or financially (or in both ways), the property-owning classes as a whole are as a rule grimly determined to hold fast to their political and economic entrenchments.

If the threat of social upheaval assumes dangerous proportions, they tighten their grip on political life and move rapidly in the direction of unbridled reaction and military dictatorship. Making use of favourable international opportunities, and of ideological and social affinities to ruling groups in other countries, they solicit foreign economic and sometimes military aid, in their efforts to stave off the impending disaster.

Such aid is likely to be given to them by foreign governments regarding them as an evil less to be feared than the social revolution that would sweep them out of power. This attitude of their friends and protectors abroad is no less short-sighted than their own.

The adjustment of the social and political conditions in underdeveloped countries to the urgent needs of economic development can be postponed; it cannot be indefinitely avoided. In the past, it could have been delayed by decades or even centuries. In our age it is a matter of years. Bolstering the political system of power existing in backward countries by providing it with military support may temporarily block the eruption of the volcano; it cannot stop the subterranean gathering of explosive forces.

Economic help in the form of loans and grants given to the governments of backward countries, to enable them to promote a measure of economic progress, is no substitute for the domestic changes that are mandatory

if economic development is to be attained.

Such help, in fact, may actually do more harm than good. Possibly permitting the importation of some foreign-made machinery and equipment for government or business sponsored investment projects, but not accompanied by any of the steps that are needed to assure healthy economic growth, foreign assistance thus supplied may set off an inflationary spiral increasing and aggravating the existing social and economic tensions in underdeveloped countries.

If, as is frequently the case, these loans or grants from abroad are tied to the fulfilment of certain conditions on the part of the receiving country regarding their use, the resulting investment may be directed in such channels as to conform more to the interests of the lending than to those of the borrowing country. Where economic advice as a form of "technical assistance" is supplied to the underdeveloped country, and its acceptance is made a prerequisite to eligibility for financial aid, this advice often pushes the governments of underdeveloped countries toward policies, ideologically or otherwise attractive to the foreign experts dispensing economic counsel, but not necessarily conducive to economic development of the "benefited" countries. Nationalism and xenophobia are thus strengthened in backward areas- additional fuel for political restiveness.

For backward countries to enter the road of economic growth and social progress, the political framework of their existence has to be drastically revamped. The alliance between feudal landlords, industrial royalists, and the capitalist middle-classes has to be broken. The keepers of the past cannot be the builders of the future. Such progressive and enterprising elements as exist in backward societies have to obtain the possibility of leading their countries in the direction of economic and social growth.

What France, Britain, and America have accomplished through their own revolutions has to be attained in backward countries by a combined effort of popular forces, enlightened government, and unselfish foreign help. This combined effort must sweep away the holdover institutions of a defunct age, must change the political and social climate in the underdeveloped countries, and must imbue their nations with a new spirit of enterprise

and freedom.

Should it prove too late in the historical process for the bourgeoisie to rise to its responsibilities in backward areas, should the long experience of servitude and accommodation to the feudal past have reduced the forces of progressive capitalism to impotence, the backward countries of the world will inevitably turn to economic planning and social collectivism. If the capitalist world outlook of economic and social progress, propelled by enlightened self-interest, should prove unable to triumph over the conservatism of inherited positions and traditional privileges, if the capitalists promise of advance and reward to the efficient, the industrious, the able, should not displace the feudal assurance of security and power to the well-bred, the well-connected and the conformist, a new social ethos will become the spirit and guide of a new age. It will be the ethos of the collective effort, the creed of the predominance of the interests of society over the interests of selected few.

The transition may be abrupt and painful. The land not given to the peasants legally may be taken by them forcibly. High incomes not confiscated through taxation may be eliminated by outright expropriation. Corrupt officials not retired in orderly fashion may be removed by violent action.

Which way the historical wheel will turn and in which way the crisis in the backward countries will find its final solution will depend in the main on whether the capitalist middle-classes in the backward areas, and the rulers of the advanced industrial nations of the world, overcome their fear and myopia. Or are they too spell-bound by their narrowly conceived selfish interests, too blinded by their hatred of progress, grown so senile in these latter days of the capitalist age, as to commit suicide out of fear of death?

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