Underdevelopment and State Capitalism: A Cross-National Study

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This is an inquiry into the nature and developmental role of state capitalism (SC) in the Third World. In an effort to enhance understanding of the problem of underdevelopment in general and to gain understanding of state capitalism in particular, contributions and limitations of basic theories of development were examined via a positive critique. State capitalism, as a political movement under the political leadership of middle classes, is a response to the structural crisis and chronic crisis of authority to which misborn capitalism has been facing in the Third World since its emergence.

Once state capitalism comes to exist, the state tends to consolidate and expand its guardian role in the economy at the expense of the private sector. In contrast to the private capitalist model, in which national resources are allocated via market under political and bureaucratic constraints, under the state capitalist model national resources are allocated via central bureaucratic planning under market constraints. Given the fact that state capitalism is polyclass, it tends to emphasize integrative politics through populist ideology. State capitalism rationalizes integrative politics by placing emphasis on the common interests of the entire population, nationalism and with selective reference to socialist rhetorics and traditional thoughts.

The question which has been addressed at the empirical level is whether or not state capitalism as a model of development can be
regarded as a successful alternative as compared to the private capitalist model. To provide at least a tentative answer to this question a cross-national research was conducted. The research sample included all non-Communist countries of Asia, Africa and Latin America, except countries with less than one million population. Five sets of variables were used as the overall indicators of socio-economic performance. There are: physical quality of life variables (PQLV), variables of income inequality and poverty, measures of economic development and growth, dependency variables and military expenditure. Two models were utilized for data analysis: the regression model and the quasi-experimental model.

The findings showed that there are virtually many more similarities than differences between state capitalist countries and private capitalist countries in terms of their socio-economic performance. In terms of physical quality of life conditions there is not a significant difference between the two groups of countries. In terms of economic development and growth, the evidence tended to suggest that state capitalist countries are more prone to stagnation than private capitalist countries. On the measure of the external public debt and percent of primary products in exports, the findings tended to suggest that state capitalism is somewhat more costly than private capitalism. Data also suggested that state capitalist countries tend to devote a greater percentage of their gross national products to military expenditure than private capitalist countries. Finally, it was found that both state capitalist countries and private capitalist countries remain integrated parts of the world capitalist system, and their status in
this system acts to place strict limits on their process of development. In short, the state capitalist model does not seem to be a viable developmental alternative as compared to the private capitalist model; and social change under this model remains intrasystemic and reformist.
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UNDERDEVELOPMENT AND STATE CAPITALISM: A CROSS-NATIONAL STUDY

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CHAPTER I

THE PROBLEM

The purpose of this research is to study state capitalism (SC) in the Third World, in comparison with private capitalism (PC), both at the theoretical level and the empirical level, in order to determine whether or not the former is a successful developmental alternative to the latter.

In development literature there used to be little concern about the role of the state in socio-economic development of the Third World countries in general (Trimberger, 1978; Caporaso, 1982) and the role of state capitalism in particular (Petras, 1978). With rapid expansion of the role of the state in the Third World countries over the last two decades or so, development analysts have recently begun to pay attention to the role of the state in socio-economic development and the way it intervenes into that process in this group of countries.

At the theoretical level, the major approaches to development and the views on the nature and the role of the state in development will be critically examined, with particular emphasis on those theories which have an explicit position on the role of SC.

At the empirical level, a cross-national study will be conducted to examine socio-economic performances of the state capitalist regimes in comparison with the rest of the non-socialist, less developed countries.

To study the role of the state in the socio-economic development of the Third World countries.
of the Third World countries in general and the impact of SC in particular, it is imperative to first explain what the general problem of development is all about.

General Problem

Since the end of World War II, development has captured the attention of social scientists and politicians alike. And, in fact, it soon became a worldwide issue.

Among various economic, political, psychological, and even demographic factors, which account for this emphasis, two factors are the most important ones:

1. The post World War II period was marked by the beginning of the collapse of the colonial system and the rise of national liberation movements. At this juncture it might be noted that over one hundred countries achieved formal political independence in the last thirty years. This new condition gave rise to new and rapid interest in development, both in the Third World countries and in the West as well. In this respect, Magdoff (1978) explained that:

   The forces unleashed by decolonization brought the issue of economic development to the fore. And it soon became clear that if the metropolitan centers were to keep their informal empires, they would have to control and influence the attempts at economic development in the colonial world. (p. 110)

2. Poverty was no longer conceived as an inevitable phenomenon for the majority of mankind. The precipitating factors for this new awareness were the result of the economic achievement in the West in general and the emergence of socialism as a viable developmental path
in particular.

However, since the time the problem of development became a world-wide issue, theorists, researchers, and practitioners in the field have written and worked both in academia, government agencies, and international institutions. As a result, various competing theories have been put forward based on different conceptual definitions of the problem, derived from the conceptual apparatuses of theorists.

While the wide variety of competing theories have opened up new lines of inquiry and shed light on different aspects of the problem, at the same time, they have generated potential confusion and hampered general understanding of what the development is all about. As Wilber and Jameson (1979, p. 1) put it, "this prolonged preoccupation has not resulted in a generally accepted explanation of the process of development."

Two basic factors, at different levels, account as sources of this confusion and lack of firm consensus. At the level of reality, the dynamic nature and complexity of the problem must be considered as the number one factor. The second source of confusion should be searched for at the theoretical level (i.e., in different components and aspects of the existing theories). That is to say, each theory has its own problematic, infra-theoretical assumptions, ideological premises or normative concerns, modes of analysis, primary unit of analysis, focus of interest and policy implications for development. It goes without saying that each of these aspects and components of theories can become an obstacle for a general understanding of development if they are not properly understood and examined critically.
As far as we are concerned with the second factor at the theoretical level, classification of the existing theories can enable us to remove, at least partially, the potential source of confusion. This can show the basic lines of development, the intellectual structures which accompany work within each category and the general and predominant perception of the problem.

Various classifications have been made, each based on specific criterion or criteria. Some of them are worth mentioning here. Stanley (1967) has classified development perspectives in relation to normative concerns and policy implications. The main contribution of Stanley's classification is the illustration of the fact that the concept of development is a normative one, in a general sense. And it implicitly shows how different normative concerns of the theoretical perspectives can undermine the general understanding of the problem of development.

Some authors tend to classify theories of development into two categories on the basis of external and internal factors and refer to them as diffusionist theories and dependency theories (Kick & Snyder, 1979; Delacroix & Ragin, 1981). Diffusionist theories such as neoclassical economic theories and modernization theories treat development largely as a process endogenous to nations. In other words, this set of theories would see endogenetic factors as "causes" of the problem and suggest "ameliorative impacts" of some exogenetic factors, by way of diffusion, for policy formulation.

In contrast to the first category, the second category of theories, dependency theories views external factors as major historical obstacles to a sustained socio-economic development and tends to focus on
internal factors for political formulation.

Taylor (1979) distinguishes three different theoretical discourses which constitute the conceptual base of the sociological theories of development. The first discourse, which he calls the "sociology of development", is founded upon structural functionalism. The second discourse, which is known as the "sociology of underdevelopment", is based on the concept of economic surplus and its generation and absorption.

According to Taylor (1979) the sociology of development asserts that the industrialization of the Third World countries must necessarily follow a path analogous to pre-existing forms of capitalist industrialization and accepts as axiomatic that the process of economic penetration of Third World economies which has been characterized by both the colonial and neo-colonial periods are essential prerequisites for modernization.

In contrast, it is this assumption that the "sociology of underdevelopment" rejects, arguing its converse, that an ending to these forms of penetration is an essential prerequisite for the development of an economic structure based upon the needs of the indigenous population (Taylor, 1979). He distinguishes a third alternative discourse and calls it "the discourse of historical materialism" based on the conception of the mode of production and the notion of "restricted and uneven development".

While the "sociology of underdevelopment" resorts to capitalist penetration as a mono-causal factor for "underdevelopment" of the Third World countries, the third discourse attempts to analyze the Third World countries that preceded colonialism, the effects of different
forms of capitalist penetration on them and the consequent emergence
of a form of capitalist development particular to these societies
(Taylor, 1979).

For an assessment of political information and theoretical develop­ments, Seers (1979) provides an ideological map based on two axes; the
vertical axis, showing the degree of nationalism, and the horizontal
axis, illustrating the political spectrum running from left to right.

\[ \text{Anti-Nationalist} \]
\[ \text{Egalitarian} \]
\[ \text{Anti-Egalitarian} \]
\[ \text{Nationalist} \]

Figure 1. Ideological Map

He places, for example, Marxists on the top left-hand quadrant; Depen­dency theorists on the bottom left-hand quadrant; and Neo-Classical liberals on the top right-hand quadrant.

Another classification relies on the Kuhnian notion of paradigm, Wilber and Jameson (1979) suggest that there are two main categories in the treatment of development, one they term "orthodox" and the other "political economy". While it is admitted that the "orthodox" paradigm has undergone an evolution and has several variants, they agree that "the basic goal of development has been traditionally as the attainment of a high mass consumption society, to use Rostow's term" (p. 17). This paradigm views development and progress as natural
and law-like and asserts that history is a continuum from the poorest to the richest countries. If development has not occurred, since the process is automatic, then the reason must be that something interferes with the automatic process.

Obstacles that hamper the automatic progress of development can be divided into basic categories: social, cultural, psychological constraints, and the imperfections of markets. Whereas, the old paradigm focuses on economic growth as the key to development, the political economy paradigm is more concerned with the nature of the process by which economic growth is achieved. For the latter paradigm, the key question is who is controlling the development process?

Wilber and Jameson (1979) distinguish two major schools of thought within the political economy paradigm: the Marxists and Dependency theorists. They suggest that the key difference between them resides in where they identify the locus of power and control. The control and use of the economic surplus of the society is seen as the key to power and the control of development. The Marxists focus on the internal class structure as the key to understanding the control of the economic surpluses. Dependency theorists focus on relationships between nations.

With respect to this paradigm, Wilber and Jameson (1979) further explain that:

The economic or social surplus is viewed as a residual factor— that which remains after necessary consumption has been abstracted from total output. Political economists argue that control of this economic surplus determines the nature of the development process. If the landed aristocracy controls the surplus, you will get one style of development. If the middle class controls
it, then you will get a different style. The degree of foreign control of the surplus also will shape the strategy of development. (p. 19)

This quick review can clarify four points:

1. Development is both conceptually and theoretically treated in diverse ways to the extent that the whole problem could potentially be misunderstood.

2. Policy implications derived from different theoretical treatment of development can diametrically be differed from one another.

3. The review implied that some theories share, notwithstanding, more similarities than differences to the degree that they clustered more or less into one category in most of the classifications made on the basis of different criteria and by different authors. This point was rather well demonstrated in the work of Wilber and Jameson (1979) where they illustrated two major demarcated paradigmatic lines of thought of development.

4. Furthermore, great caution is warranted for conceptual definitions of the general problem of development.

For the current purpose, in order to illustrate basic aspects of the general problem of development, this researcher would rather simply refer to several facts pinpointed by authors with different theoretical backgrounds. This illustration can have two advantages; namely, since it shows some aspects of the reality of the problem it can relatively demonstrate the relative degree of consensus on the symptoms of the problem; it can also provide, partial grounds for a working definition of development.

It may be fair to say that overall the three decades of development
have provided a disappointing picture. Poverty, unemployment and
inequality have not decreased since World War II. On the contrary,
they have increased to the extent that they become the common themes
of the works of different authors, researchers, officials and institu-
tions with diverse theoretical backgrounds and possibly political
orientations.

Dadzie (1980) describes the picture rather simply when he says
that:

The great mass of the people in the developing countries
continue to live in dire poverty. They have barely
enough to eat and rarely enough potable water. Health
services are thinly spread. When work is available, pay
is low and conditions are close to intolerable. Insecur-
ity is permanent; there are no public systems of social
security to cushion the unemployment, sickness or death
of the family wage earner. Malnutrition, illiteracy,
disease, high birth rate, underemployment and low in-
come close off in turn each avenue of escape. (p. 62)

Robert McNamara (1973) addressed the problem and admitted that:

The basic problem of poverty and growth in the develop-
ing world can be stated very simply. The growth is not
equitably reaching the poor. And the poor are not signifi-
cantly contributing to growth. . . . Nearly 800 million
individuals, 40% out of total of two billion, survive on
incomes estimated (in U.S. purchasing power) at 30 cents
per day in conditions of malnutrition, illiteracy, and
squalor. They are suffering poverty in the absolute
sense. . . . Among 40 developing countries for which data
are available, the upper 20% of population receives 55%
of national income in the typical country while the low-
est 20% of the population receives 5%. That is a very
severe degree of inequality, considerably greater than
in most of the advanced countries. (p. 10)

Eckholm and Record (1976), in their study of malnutrition,
pointed to this fact that:

Several global surveys by the U.N. Food and Agriculture
Organization and the U.S. Department of Agriculture in
first three decades after World War II reached the same
conclusion: close to half of humanity suffered from a
shortage of protein or calories of both. (p. 9)

The problem was also addressed by Francis Blanchard (1976), the Director General of the U. N. International Labor Organization, having emphasized on the themes of unemployment, poverty, and inequality, he put the problem this way:

More than 700 million people live in acute poverty and are destitute. At least 460 million persons were estimated to suffer from a severe degree of protein-energy malnutrition even before the recent food crisis. Scores of millions live constantly under the threat of starvation. Countless millions suffer from debilitating diseases of various sorts and lack access to the most basic medical services. The squalor of urban slums is too well known to need further emphasis. The number of illiterate adults has been estimated to have grown from 700 million in 1960 to 760 million towards 1970. The tragic waste of human resources in the third world is symbolized by nearly 300 million persons unemployed or underemployed in the mid 1970's. . . . The crux of the employment problem in the developing world thus lies in the high proportion of the labor forces earning inadequate incomes. . . . Thus, problems of employment and poverty are inseparable. (pp. 17-21).

Even with respect to the so-called "success stories" of Brazil, Mexico, etc., which have recently faltered one after another (Frank, 1982), Adelman (1975, p. 302) admitted that "not only is there no automatic trickle-down of the benefits of development, on the contrary, the development process leads typically to a trickle-up in favor of the middle classes and the rich."

Relying on the notion of the modernization of poverty, Robinson (1979) notes:

The contrast between national wealth and human welfare is seen at its most striking in the countries whose export revenues were sharply increased by the rise in the price of oil at the end of 1973. For several of the Arab states, GNP per capita suddenly jumped to the levels which exceed that of the richest Western states,
yet in these countries are found some of the poorest and least "developed" communities in the world. Oil is a highly exaggerated example of a phenomenon that is general all over the world. In most countries there is a sector linked to world trade and to industry which supports a relatively wealthy urban community; this attracts the destitute from rural life, hoping to find some means to live on the crumbs that fall from the rich man's table . . . employment has been growing over the last twenty years less rapidly than population. Agriculture fails to provide even the barest livelihood for new generations of would-be cultivators, while the number of jobs in regular industry and commerce expand slowly. A flow of dispossessed families has drifted into shanty towns and slums or on to the streets of cities, living on a physical and social standard of existence at the limit of human endurance. (pp. 5-6).

Furthermore, the gap between the rich and the poor countries was not narrowed but on the contrary it has rapidly expanded. Referring to this widening gap, Frank (1980) argues that while the postwar period (1945-1970) was a boom for the West, it was a bust for the South, and points to the facts that:

Thirty developed countries with less than 30 percent of the world's population now, and foreseeably only 20 percent of the population in the year 2000, account for approximately 90 percent of the world's income, financial reserves, and steel production, and 95 percent of the world's scientific and technological production. (p. 1)

Yet it should be noted that the Third World countries have not experienced economic stagnation. For this group of countries as a whole economic growth proceeded at an average rate of 5 percent from 1950 to 1976 (Dadzie, 1980, p. 62). This rate was higher than that of advanced capitalist countries. Although substantially less than that of the socialist countries where remarkable distributive success has also been achieved (Frank, 1980; Dadzie, 1980; Gurley, 1979;
Szymanski, 1981), to the extent that for the case of the Soviet Union, some tend to call it "the Income Revolution" (Gurley, 1979).

After all, it should be made clear that what is said so far, is based partly on this intention to provide an overall outlook of the "development experience" of the Third World countries for the postwar period. This general picture should not conceal a wide variation in socio-economic performances among the Third World countries. In any case, it is virtually this variation in performance that allows us to put the role of the state capitalism into comparative perspective.

Expanding Role of the State

The direct involvement of the state in processes of economic production and capitalist development through state owned and operated enterprises has become a rather universal phenomenon among the Third World countries over the last two decades or so.

In this respect, Duvall (1981) characterizes the second half of the twentieth century as the era of the state. This extensive involvement of the state in the economy of the underdeveloped countries has been recently recognized and documented by other development analysts as well (Baer et al., 1976; Evans, 1979; Bennett & Sharpe, 1980; Frank, 1981; Caporaso, 1982). Despite such an expanded role of the state in LDCs, little attempt has been made to provide an explanation for this phenomenon and examine the impact of this increasing role on the pattern of development of the LDC (O'Donnell, 1980; Caporaso, 1982).

It seems that two extreme opposite theoretical approaches have been responsible for such a limited attention. The first is one
which Wilber and Jameson (1979) call the "orthodox paradigm", parti-
cularly its laissez faire variant. Here the conception of the state
is based on the Anglo Saxon model (Baer et al., 1976). According to
this model, the role of the state is conceived solely as regulator.
The process of development is perceived as a natural process; nothing
should intervene in this process except market.

The other conceptual approach is the dependency perspective which
has focused mostly on the relationships between nations at the cost of
neglecting the role of the states. Some theorists, within this school
of thought, go so far as to argue that states merely act according to
the exigencies of the world capitalist system. This is the point men-
tioned by Amin (1980, p. 174) also, who criticizes the extreme posi-
tion which "claims that the peripheral state is nothing more than ad-
ministration, an excrescence of the dominant imperialist state."

Frank argues somewhat differently. For he contends (1981, p. 232)
that "the common dependence of the Third World countries (in various
forms) has also hindered the analysis of the state in the Third World."

In any case, this lack of interest did not last long. Over the
last decade many development theorists and researchers have come to
appreciate the increasing state involvement in the economy of the
Third World countries and its significance in shaping the pattern and
direction of development in the Third World countries. This led some
researchers to reconsider the historical role of the state in the de-
velopment of the Third World countries (Trimberger, 1978; Skocpol,
1979; Sen, 1982) and some to focus on the contemporary role of the
state in this group of countries (Mayorga, 1976; Baer et al., 1976;
Duvall, 1981; Caporaso, 1982).

This appraisal of the role of the state can similarly be seen in the works of development analysts with diverse theoretical backgrounds in current literature. To illustrate the point, included are excerpts from a few authors as examples.

For Caporaso (1982), the significance of the state's contemporary role is taken for granted, for he says: "The modern state plays a strong role in economic development. This is generally recognized. What is not usually recognized is that the state has played an important part in economic development historically" (p. 106).

Duvall (1981) explains his view on the role of the state in this way:

Who can do what, with whom, to whom, and under what conditions, increasingly appear to be determined by governmental agencies. In this respect, the active penetration of society and economy by agents of the state is as extensive as at any previous period in the several centuries' history of the modern state, including the so-called age of absolutism. (p. 100)

Concerning the historical role of the peripheral states, O'Donnell (1980) argues that:

In most cases, it may not be exaggerated to assert that, instead of the state being, as classical theories, i.e., those originating in the Center supposed, some of reflection of civil society, it was, to a large extent, on the contrary, the state apparatus that shaped the basic features of our societies. (p. 717)

Evans (1979) would appear to give almost similar assessment of the role of the state:

Regardless of the ambiguities in its relation to the national bourgeoisie, the centrality of the state to accumulation of the periphery is in controvértible. ... Even given the importance of the state in other
instances of industrialization, the centrality of the state in dependent development is special. (p. 43)

In a very general sense, Amin (1980) maintains that:

The state instance is essential to an understanding of the way in which social formations operate. . . . Specifically, in the capitalist formations, the role of the state is essential for the reproduction of the concrete conditions of accumulations. . . . Politics is the arena wherein the alliance of the hegemonic bloc form and dissolve. . . . To separate the economy from the state is to accept the artificial division between "pure economic" and "political science" by which bourgeois scholarship attempts to refute historical materialism. (pp. 21-22)

In dealing with the factors which determine the developmental path in Third World countries, Mirsky and his associates (1982, p. 46) consider the state as "a force of tremendous significance." This growing interest in the role of the state and the recognition of the importance of this role among development analysts should not imply that all of them share the same view on the conception of the state. This is not so. In other words, a growing number of theorists admit the significance of the state's role in the Third World countries, but not necessarily with the same theoretical approach.

At this juncture, it seems appropriate to make explicit the assertion in this study that the state is regarded as a class category. This point will be further elaborated in the next chapter. Thus, throughout this study, the state will be conceived as an arena occupied by a bloc of power. In this regard, it is also asserted that there is a so-called dialectical relationship between the state and pattern of development. Put differently, while the state, namely, the power bloc dictates mostly the nature and directions of "development", based on what it is called here, "accommodated vision" or "antagonistic cooperated vision" of
development of this power bloc; at the same time this same power bloc will undergo change, in response to the internal process of "development" launched by that same power bloc and partly in reaction to "international situations".

Definitions

The image of society employed here for classification of the existing "social system" of the less developed societies is based on the concept of social formation\(^1\). Social formation as an organized structure refers to the plural modes of production, with their corresponding political, legal substructures, and forms of social consciousness. Mode of production refers to the way in which production takes place. It consists of forces of production and relations of production. By forces of production are meant the level of technological capability for human control of nature. The relations of production are conceived as the economic organization of society in which the people as class(es) come to relate to one another in the production process.

By class or "class in-itself" is meant a group of atomistic aggregate of people who have similar relations to the means of production, namely, commonality of the ownership of productive means. By social class or "class for-itself" is meant a class which has acquired consciousness of that commonality, its interest and its tradition.

Each social formation is analytically marked and defined by a dominant mode of production to which other modes of production are subordinate. And each mode of production is analytically characterized by its relations of production.
Having relied on the concept of social formation, two fundamentally different types of relations of production, i.e., state socialism and private capitalism, with intermediate transitional case in between, i.e., state capitalism can be distinguished in LDCs at the present time.

The term "less-developed countries" (LDCs) merely describes the state of the forces of production in these countries. No theoretical connotation is considered for this term.

To explain and define state capitalism and private capitalism, a general definition for the concept of capitalism is needed. The term "capitalism" refers to a social formation in which the relations of production of its dominant mode of production are between those who own the means of production (e.g., factories, mines, fields, etc.) and those who are separated from the means of production and are economically compelled to sell their labor power through labor market.

As far as capitalism in the Third World is concerned, two qualitatively different variants of the capitalist mode of production mainly with respect to the role and the class nature of the state are distinguished: state capitalism and private capitalism. By the term "state capitalism" is meant state ownership of the principal means of production at the expense of subordination of private sector to public sector and replacement of the law of the market with central planning.

In state capitalism, power is predominantly held by petty bourgeoisie at the cost of either elimination or restriction of big endogenous capital, if any, and foreign capital, to the minimum. A rather broad definition of petty bourgeoisie is adopted which is based on the
criterion of social relations of control over labor power. That is, petty bourgeoisie refers to those who have an intermediate position on the dimension which involves a social relation of domination and subordination with respect to laboring activity.

Two sectors are distinguished for this vacillating intermediate class-traditional petty bourgeoisie (e.g., self-employed artisans, shopkeepers, etc.) and "new" or salaried petty bourgeoisie (e.g., middle managers, technocrats, state functionaries, etc.). Having in mind this dimension, whereas on the one pole of the dimension the capitalist class controls other people's labor, on the opposite pole, the working class does not even direct its own labor and in between the traditional petty bourgeoisie controls its own labor and the new petty bourgeoisie has partial control over its own and/or others'. It might be added that the so-called semi-autonomy of the new petty bourgeoisie in its social relations of control over labor is rooted in its possession of "certain specialized" skill or knowledge.

The term "private capitalism" is used to refer to the rest of the Third World capitalist countries (except state capitalism) where state intervention in the economy is in harmony with the interest of the private sector.

It needs to be pointed out that this qualitative difference between state intervention in the state capitalist countries and state intervention in the state monopoly capitalist countries has been distinguished by various developmental analysts: Szentes (1971), Petras (1978), Amin (1978), Evans (1979), Berberoglu (1979), Sainz (1980), Wolpin (1981), and others. This difference is associated with the
difference in the class content of the state in these two groups of countries. This latter difference and the class nature of these two types of states and their reflections in the state's policies will be examined later on. At this point it might be mentioned that state capitalism is not really a new phenomenon. In a period following the Great Depression of 1929, a number of countries, among them Turkey, Mexico, and India, embarked upon the state capitalist path of development. Later in the 1950's and 1960's other countries such as Egypt under Nassar, Ghana under Nekrumeh, Burma, Sri Lanka, Peru, Bolivia, Tanzania, Algeria, etc., followed this path.

In a general sense, the term "development" is a normative concept. As Baster (1972) put it, this concept involves values, goals, and standards which makes it possible to compare a present state, i.e., "world of is" against a preferred, i.e., "world of ought to be". In response to the question of whose values and goals define, in practice, development, the assertion is that the concept of development is predominantly a class bias concept. From this it follows that any social class has its own vision of development. But it is not necessary here to provide a formal definition of development. Mainly because the investigation is going to be a cross-cultural rather than a case study, and consequently, the concept of development does not need to be employed in an absolute sense. What is needed is a working definition of development that allows us to assess cross-nationally the socio-economic performances of the Third World countries.

A close view of the literature shows that there are two main components which are widely accepted for the working definition of
development: an economic component and a social component. These two components will constitute the working definition of development for this research.

1. The economic component refers to the state of the means of production. In other words, it means the state of technological progress, i.e., the degree of labor productivity.

2. The social component refers to the degree to which basic human needs such as food, clothing, housing, education, etc. are satisfied and the pattern of distribution of social wealth in society.

Summary and Conclusion

Poverty, unemployment, chronic underemployment, illiteracy, severe social inequality, and social dislocations still prevail massively in most of the Third World capitalist countries. The basic assertion is that these are maintained structurally. Two symbiotic structural factors account for the problem of underdevelopment.

1. The internal politico-economic structure of this group of countries, i.e., structural distortion of the economy, uneven distribution of productive resources and concentration of political power in the hands of "elites" who mainly represent a type of "class alliance" consisting, typically, of feudal landlord class, metropolitan bourgeoisie (e.g., TNCs), comparador bourgeoisie, national bourgeoisie (if any) and possibly internal bourgeoisie.

Needless to say, the question of which class (or class sector) is dominant in a given class alliance and which class fraction is possibly absent or weak is a spatio-temporal question.
The case in point is that in most Third World countries, namely, in the state monopoly capitalist countries, there is a sort of "unholy class alliance" whose "accommodated strategy of development" with respect to the scarce material resources often contradicts not only the interests of the other classes but the national interests of the country as well.

2. The structurally subordinate position of the economy in the international capitalist division of labor.

In sum, the problem of underdevelopment is a structural one. It is not merely a techno-economic issue but primarily it is a politico-economic problem. By saying that the problem of underdevelopment is a structural one, this also implies that there involves a "certain degree of determinism" which is informed by the logic of capital accumulation both at national level and supra-national level and at the level of the class struggle within a given social formation. Thus, the problem of underdevelopment is not solely a matter of policy issue, which can be handled by a group of individuals. Rather it is mainly a political issue, namely, class politics.

In the meantime, the Third World countries are witnessing the increasing involvement of the state in their economies, with two qualitatively different styles of intervention. The first style of intervention relates to those countries termed here as private capitalist, where state power is typically held by a landlord class, the comparador bourgeoisie, metropolitan capital and possibly a national bourgeoisie and internal bourgeoisie.

In this group of countries, state intervention is a matter of
quantity, that is, as Petras (1978, p. 97) put it, "the state functions as a handmaiden of the private sector."

Within this group of countries, the "strategy of development" varies from one country to another, depending on the nature of the class alliance. Whichever of these classes hold the upperhand and whichever of them is weak or absent in a particular class alliance in a given society, there would be a somewhat different style of development. For example, in India or Brazil where the internal bourgeoisie and possibly national bourgeoisie are relatively strong (Evans, 1979; Patankar & Omvedt, 1980; Szymanski, 1981), the strategy of development is a mixture of Import Substitute Industrialization (ISI) and export based promoted strategy. While in Central American countries and sub-Saharan African countries where the national bourgeoisie is either weak or probably non-existent, and in some oil Arab countries such as Saudi Arabia where "oil comparador bourgeoisie", i.e., shiekhs, hold state power in alliance with foreign capital, export enclave economy prevails as "the strategy of development".

The second style of state intervention relates to the other group of countries where state intervention is somewhat structural. Structural in a sense that the state partially redistributes productive resources, it takes over "economic heights" via nationalization of big capital and foreign capital. The private sector as a legitimate sector is tolerated, but under the control of the public sector. Some aspects of socialist strategy of development are adopted as major policy of the state for running the economy such as central planning.

The phenomenon of state capitalism in the Third World countries,
as a model of development, has been on the rise among a growing number of underdeveloped countries, particularly since 1950 (Berberoglu, 1979), and it is expected to be so for at least the near future (Szymanski, 1981).

Facing this "confusing phenomenon" as the reality, and the trend of its emergence in the Third World, the everpresent question in the minds of masses of the underdeveloped countries is whether state capitalism, as the path of development, is and/or can be a viable option for a sustained economic development, particularly, when it is compared with socio-economic performances in the private capitalist countries.

This study is intended to provide, at least, tentative answer to this fundamental question. Moreover, it is also intended to provide some contribution to the enhancement of theoretical understanding of the development in general and the phenomenon of state capitalism, as a model of development, in particular.
CHAPTER II

CRITICAL REVIEW OF LITERATURE

Five major sets of theories of development, namely traditional theories of growth, growth-with-equity theories, modernization theories, dependency theories, and non-capitalist theories of development will critically be reviewed and discussed. Whereas the first two sets of theories share some basic philosophical and ideological premises, and tend to complement each other, the same goes with the last two sets of theories, and theories of growth-with-equity eclectically stand somewhere in between.

This chapter will pursue four objectives to examine: (a) where the main theories of development stand in terms of their basic problematics; (b) the adequacy and shortcomings of the theories; (c) the concept of the state as it operates within each theory and the role of the state in the process of development, as it is conceived by each theory; and (d) the theoretical positions on the phenomenon of state capitalism, either directly or by way of logical inference.

Theories of Growth

In the first decade of development, i.e., 1950's, most of the theories of development derived from the neo-classical economic paradigm such as vicious circle theories, state theory of growth, etc. Almost all these theories consider development as synonymous with increase in the gross national product per capita (Henriot, 1979; Wilber
& Jameson, 1979). It was held that "history" is a continuum from the poorest to the richest countries. The implicit goal of development appears to be the creation of societies that replicate the political economic system of the Western countries—a private enterprise economy along with political liberalism (Wilber & Jameson, 1979).

Three main factors can be listed which constitute the basic problematics of these theories. These are:

2. Poor natural endowment (natural factor).
3. Shortage of capital (capital factor).

First the demographic factor is the most commonly referred to explanation of underdevelopment in these theories. The basic argument is that rapid population growth, as a result of the decrease in mortality rate with simultaneous unchanged birth rate, impedes development via lowering propensity to saving and offsetting economic expansion.

Meier and Baldwin (1957) contend, somewhat differently. For them, population growth causes unemployment, particularly, rural underemployment, a high proportion of dependents per adult. And these are responsible for an excess labor force. That is, the supply of labor force exceeds its demand and economic growth cannot bring about an increase in real wages.

But historical facts do not always support this kind of theoretical explanation, i.e., that the demographic factor accounted for underdevelopment. Critics of this theoretical explanation typically make their countless argument referring to some historical facts by
comparing to high population growth of some of the countries of the developed zone with some underpopulated countries of underdeveloped zones (Szentes, 1971; Amin, 1974; Murdoch, 1980; Sen, 1982), and others.

In this respect, Amin (1974) referred to the fact that:

Between 1870 and 1910, Great Britain and Germany developed despite a very marked growth of population (58 percent in forty years), whereas, India remained underdeveloped in the same period, although its population increased by only 19 percent! It ignores the fact that though there are underdeveloped zones that are apparently overpopulated (if they are obliged to remain agricultural, then there are also many others that are underpopulated even in relation to their agricultural potentialities alone), that Gabon, the demographic dynamics of which is very low (a population growth of 0.5 percent per year), is no less underdeveloped than other countries where the rate of population growth is very high. (p. 9)

Sen (1982) also points to similar historical facts. By comparing Asia's population growth with that of Europe for the last three centuries, he finds that:

Asia's share of world population declined from 60.6 percent in 1650 to 54.4 percent in 1933. In the same period, Europe's share increased from 18.3 percent to 25.2 percent in 350 years, from the beginning of 1600 to 1951, the population of India increased approximately three and a half times. The population of England increased nearly ten times for the period 1700 to 1951. (p. 194)

The critical point is that in contrast to most of the neo-classical development theorists who tend to consider the demographic factor as one of the causes of the problem, i.e., underdevelopment, high population growth should be regarded as symptoms of the problem. In other words, instead of underdevelopment being explained by population growth, the latter must be explained in terms of the socio-economic
structure of the underdeveloped societies.

In an effort to explain this symptom, Murdoch (1980) puts forward the core proposition of the theory of fertility control in this form: "As the level of economic well-being increases, the rationale and motivation for large families disappear" (p. 21).

The basic assumption behind this proposition is that the benefit/cost ratio for extra children, especially, a fourth or later child, is high for poor families in poor societies and this motivates, particularly, poor peasants to have large families (Murdoch, 1980).

At the individual level, the theory predicts that family size will decline as the economic welfare of the family increases, though with some time lag between increased welfare and the parent's perception that conditions have really improved. On a large scale, the theory predicts that the birth rate of the country will decline as development occurs (Murdoch, 1980, p. 32).

In his analysis Murdoch (1980, p. 37) concludes that "variation in fertility among countries and states is closely correlated with their general level of economic welfare, especially when welfare is measured about a decade earlier than fertility."

What is said in relation to the demographic factor does not mean denial of the overpopulation as a problem. What is being emphasized is that the problem of overpopulation should be considered as a symptom of underdevelopment. And thus, it has to be taken into consideration in the formulation of socio-economic policies.

Secondly, natural resources are also regarded as one of the factors of underdevelopment (Maire & Baldwin, 1957). This is the kind of
assertion made often by developmental theorists.

In a concrete sense, there can be no question about the validity of this assertion. It goes without saying that at a given time and a given society, where natural resources are unfavorable, development can be restricted by the former. But this is not, however, the end of the story. Once the problem of natural resources is put into the historical perspective in connection with underdevelopment as the universal phenomenon, then various questions can be raised with respect to the validity of the assertion. Frank (1969) posed his question in this way:

Why, one may ask, was resource poor but unsatellized Japan able to industrialize so quickly at the end of the century while resource-rich Latin American countries and Russia were not able to do so and the latter was easily beaten by Japan in the war of 1904 after the same forty years of development efforts? (p. 109)

In fact, Frank's (1972, p. 19) thesis is that, "The greater the wealth available for exploitation, the poorer and more underdeveloped the region today and the poorer the region was as a colony, the richer and more developed it is today."

The next question is to what extent and by whom natural resources of the underdeveloped zone have been historically utilized (Szentes, 1971; Tanzer, 1980). Did not this historical utilization of resources promote development? And if not, why?

After all, as Szentes (1971) put it:

As a matter of fact, the natural conditions and resources of underdeveloped countries can hardly be regarded as unfavorable in general when it is common knowledge that there are countries in Africa, Latin America, and Asia which are very rich in mineral resources. Some of them have very high potentials of water power. (p. 37)
Following this assessment, the case of quality of soil as the determining factor of development, can be taken as an example. It used to be believed that, at least, the average quality of land in underdeveloped countries is inferior to that of land in the developed countries (Szentes, 1971; Murdoch, 1980). Now this assessment appears to be wrong. Regarding land quality, Murdoch (1980) states:

Most of the poor countries of the world are tropical or semi-tropical; this has led to the impression that their agriculture must always be unproductive because of leached soils, low nutrient levels, lateritic soils, etc. This impression is wrong.

Tropical and temperate soils are more similar than is often supposed. The average amount of organic matter is roughly the same, the patterns of erosion and deposition are roughly the same and only about 7% of the tropics has lateritic soil, which also occurs in the U.S.

In general, the soils of Asia are younger and more fertile than those of Africa and South America, the last being on average the poorest. Indeed, some of the most fertile soils in the world are in Asia. (p. 114)

In sum, it is doubtful to consider "unfavorable natural resources" as one of the factors of underdevelopment as a historical phenomenon. As far as poor natural resources in a given underdeveloped country at a particular time is concerned, this problem can be overcome to some extent within a context of comprehensive planning.

Thomas (1974) suggested that there are at least six important technological considerations which can serve to remove, at least partially, resource constraints. Five of them are briefly mentioned here:

1. Physical substitution of one resource input for another in order to produce the same production. That is a shift, if necessary
from labor/capital substitutability to basic material substitutability.

2. The raw material inputs of some basic materials are to a certain extent variable in composition. The variability of input mix gives rise to further flexibility for this range of industrial activities, in the face of resource constraint.

3. Technological development abroad can be exploited in such a way as to make up for deficient resources at home.

4. Some of the basic materials (e.g., wood, leather, paper, etc.) are renewable resources. Thus, with national planning both the quantity and quality of these resources can be improved in terms of their natural, virgin availability even as they are being used up.

5. Adaption of these technologies that are biased in favor of getting more output per unit of raw material input.

Thirdly, traditional theories of economic growth regard capital as the key to development and lack of it as an essential, or even the only obstacle.

Central to Nurske's theory of vicious circle are saving and capitalization. For he maintains that:

there is the small capacity to save, resulting from the low level of real income. The low level of real income is a reflection of low productivity, which in its turn is due largely to the lack of capital. The lack of capital is a result of the small capacity to save, and so the circle is complete. (1958, p. 4)

Capitalization is also a key to Rostow's "take-off" theory (Henriot, 1979) and Lewis' model of the dual economy (Streeten, 1979c).

Streeten (1979c) citing Lewis, argued that:

A rise in the savings and investment ratio from about five per cent to about fifteen per cent and the
accumulation of capital, combined with unlimited amounts of labor drawn from the traditional subsistence sector, are the necessary and sufficient conditions of development according to this model. The model reestablished a classical mechanism of reinvested profits by capitalists who save, and justified urban industrialization up to the point when the reserve army of labor is exhausted and neo-classical principles come into their own. (pp. 37-38)

The strategic role of capital in the traditional theories of growth was questioned by critics of such theories. Among several criticisms made on this point, two of them are worth mentioning here:

1. As Streeten (1979c) points out there is no reason to believe that poor people save a lower proportion of their income than the rich. That is to say, "The relative preference of future consumption over present consumption is not necessarily affected by the current level of income" (p. 38).

2. The second and the most important of all is the critique of the conception of capital used by these theories. In neo-classical economic school, as the conceptual framework of the traditional theories of growth, the term capital is referred to as physical capital. In contrast, political economics conceive capital mainly as a social relationship. Magdoff (1978) suggested three aspects for capital. These are:

1. Capital is a social relationship. It represents relations among divergent classes in society.

2. The material component of capital--equipment, tools, machinery--may, and indeed usually will, be used differently in different sets of social relations.

3. Capital in today's world is clothed in the form of money. (p. 223)

In terms of the material component of capital (i.e., physical
capital) Furtado states that, "Capital, as is well known, is nothing else but work carried out in the past, the product of which was not consumed" (quoted in Szentes, 1971, p. 45).

From this vantage point critics argue that the real problem is evaded by focusing on the epiphenomenal problem of insufficient saving and shortage of capital. The real problem is that how the economic surplus is used, and by who and for whom. In this respect Amin (1974) expounded that:

I have calculated what this means for Egypt: between 1939 and 1953 the surplus accounted for one-third of the country's national income, but 38 percent of this surplus was devoted to luxury consumption by the possessing classes, 34 percent to investment in real estate, 15 percent to liquid (gold and currency) and semi-liquid (states bonds) investment, and only 14 percent to really productive forms of investment (undistributed profits, self-financing of family enterprises, public subscriptions to stocks and shares). (p. 9)

At the international level, theorists of growth, having considered nations as isolated units of analysis, tend to maintain that trade between developed countries and underdeveloped countries and transfer of modern technology and capital (either in the form of foreign investment or foreign aid or both) from the former countries to the latter ones, can work to break the vicious circle of underdevelopment and function as engines of growth.

Critics of these theories contend that transfer of capital, at least in its current form, distorts further the socio-economic structure of the recipient countries, and if there is any benefit, it would trickle up to the "upper classes". Moreover it is also argued, mainly by the proponents of the dependency perspective that at least in some
cases, outflow of capital, in the form of profits, interest, fees, royalties and hidden form of transfer of value, from underdeveloped countries exceeds the inflow of capital to the underdeveloped countries (Szantes, 1971; Amin, 1974, 1980; Magdoff, 1978; Frank, 1981; Mandel, 1978; etc.).

As far as capital shortage is concerned Magdoff (1978) suggests:

Once the issue of revolution is introduced, the capital shortage factor—a primary canon of economic orthodoxy—assumes a new significance. First the revolution can quite quickly halt two major sources of waste of capital: (1) be severely reducing the consumption of the rich and the better-heeled middle class, and (2) by confiscating foreign owned investments. Such steps are useful in two ways: (1) the profits of agriculture, manufacturing, mining, and most important development projects, and (2) scarce foreign exchange can be more effectively applied to purchase of raw materials and equipment, instead of being drained off for the import of luxuries and for payment of profits, interest, royalties, and management fees to foreign investors. The second contribution a social revolution makes to the tackling of the capital shortage obstacle is through mobilization of labor to be used to some degree as a substitute for capital. . . . A third contribution to overcoming the capital-shortage problem is the revolution's concentration on education and health for the masses. Aside from humanitarian considerations, improved nutrition and medical care contribute to raising the productivity of labor. (pp. 218-220)

What neo-classical economists assert, regarding the role of international trade as the engine of growth, is based on the Ricardo's comparative advantages theory.

In its original form this theory claims that each nation should concentrate on producing those products in which it has a relative advantage in terms of its national factor endowments. This specialization will serve as an engine of growth by allowing the underdeveloped economy to overcome the disadvantages of small domestic markets. The
additional income gained from this concentration will permit the pur-
chase of new forms of technology and other material goods needed to
stimulate development. Moreover, this specialization encourages for-
ey and investment which can bring additional capital, technology and
managerial skills into the economy (Petras, 1978).

Stavrianos (1981), in his critique of this theory, points to the
fact that

the theory is convincingly logical but it fails to ex-
plain what has happened, and is happening, to the Third
world. Whereas the discrepancy in average per capita
income between the First and Third worlds was roughly
three to one in 1500, it has increased to five to one
by 1850, to six to one by 1900, to ten to one by 1960
and to fourteen to one by 1970. Far from benefitting
all parties concerned, the global market economy is
widening the gap between poor and rich countries, and at
a constantly accelerating pace. (p. 38)

In short, critics question the validity of the theory of compara-
tive advantage within the political-economic context of the capitalist
world system, where participants, with uneven power are involved in an
unequal international division of labor (Amin, 1980).

Conception of the State

The basic premises of the theories of growth, including their
conceptions of the state, are informed by the neo-classical economic
school. According to this school the natural equilibrium of market-
automaticity, presupposes autonomous political power. This means
that polity is separate from the economy. The state is typically en-
capsulated as an institution which constitutes an autonomous political
power, representing society as a whole.

The role of the state is conceptually perceived as a regulator
and a provider of goods that markets will not produce (Baer et al., 1976; Caporaso, 1982).

Having relied on the classic liberal conception of the state, Gwartney (1977) suggests that there are four important factors that can limit the ability of the invisible hand to perform its magic: lack of competition, externalities (i.e., spillover effects resulting from production and consumption of some goods that markets fail to register), public goods and economic stabilities. Thus, it is the task of the state to intervene in order to (a) assure and promote competitive markets, (b) remove externalities as obstacles to the market mechanism, (c) provide public goods (e.g., defense, judicial and legal system, etc.) which cannot be provided through the market place because there is no way of excluding nonpaying customers, and (d) exercise spending and monetary policies to provide a stable monetary exchange system enabling markets to function well.

As far as the role of the state in the development of the Third World countries is concerned, there are two responses to that role. The difference between the two responses is a matter of degree. The first response is simply based on this belief that natural operation of the market can solve all the problems. Thus, government interference must be curtailed otherwise it can distort the natural mechanism of the market. This is the typical position of the Chicago school.

The second response states that government should intervene in the economy to the extent that its interference can offset the anti-development impact of the possible existing obstacles, e.g., "non-rational behavior", to development (Wilber & Jameson, 1979).
The liberal conception of the state and the neo-liberal conception of the state—pluralist understanding of the state—have received severe criticism by critics namely power elite theorists and Marxist theorists. The critics have challenged these conceptions of the state both theoretically and empirically (Poulantzas, 1968; Miliband, 1977; Navarro, 1979; and others).

In their critique of the neo-liberal conception of the state, Petras and Trachte (1978) say:

> While it is doubtful whether such a conception has ever been valid for any historical period or for any state, there is now little doubt that the state in most underdeveloped societies is an instrument of class interests. Any political economy that fails to take account of that fact, even while recognizing the important role of the state as a bargaining unit and an allocator of resources, is bound consistently to confront policies that will seem anomalous. (p. 20)

**Theoretical Position on the Role of State Capitalism**

The model of state capitalism as it is conceptualized here, is not conceptually akin to the neo-classical economic framework. This conceptual unfamiliarity resides in the fact that this theoretical framework is without the concept of structure and it is alien to the concept of mode of production (Amin, 1974). Moreover, as Kay (1975) argued, since neo-classical economics does not have adequate concepts for distinguishing capitalist society from any other form of society, it takes the traditional property relations of capitalism as universal and desirable. It classifies countries on the basis of quantitative criteria, mainly income per capita. Nevertheless, so far as the concrete aspects of the SC model is concerned, some sort of picture can
be drawn, as the theoretical position of this school on the model, via logical inference based on some basic infrastructural assumptions and presuppositions of this school.

First and foremost of all, the SC model of development violates the basic presupposition of the paradigm, i.e., "natural orderliness" or "natural equilibrium" attainable by market, by installing central planning in place of the market. This can lead to a misallocation of resources (Wilber, 1979).

The SC model is also featured by its tendency for partial redistribution of productive resources. According to the traditional theories of growth, this can lessen entrepreneurial incentives, rate of savings and delimit the choice of efficient technologies through favoring of labor-intensive production. And all these together can, in turn, hamper economic growth (Henriot, 1979).

In addition, the model is deemed to curtail the role of transnational capital. This can work against the free flow of production factors and impede the operation of "the law of comparative advantage". This would mean high cost and low efficiency for national economy. Ideologically, the model undermines the liberalist conception of "individual freedom" -- the basic normative assumption of the paradigm -- by underscoring the role of the state as a central planner and initiator and a major economic participant.

In short, from the standpoint of the neo-classical development economics, it can be hypothesized that SC is not a viable option for development.
Theories of Growth-with-Equity

The second decade of development, i.e., 1960's, was marked by a high rate of growth for some Third World countries. Yet, by the end of the 1960's it soon became obvious that economic growth was not meeting the basic needs of the people in terms of jobs, income distribution and the alleviation of poverty. Dissatisfaction has been heightened by the marked failures of the traditional economic growth strategies.

In response to this growing dissatisfaction some economists began to criticize the traditional theories of growth and put forward their own alternative approaches to development, i.e., growth-with-equity approaches.

Weaver et al. (1979) have identified seven such approaches: employment generation, the redirecting of investment, the meeting of basic needs, human resource development, agriculture-first development, integrated rural development, and the New International Economic Order.

The basic problematic common to all these approaches is the existing inequality which is related to the traditional strategy of growth. Whereas growth-with-equity economists acknowledge the rise in the growth rate of GNP, they make their case by arguing that the traditional strategy of development, i.e., capitalization and high rate of economic growth, has reinforced social inequality and generated the stagnation of real income levels among the poorest in underdeveloped countries (Adelman, 1975; Streeten, 1979a).

In their comparative study of forty-four non-communist, underdeveloped countries, Adelman and Morris (1973) concluded that as
economic growth begins in very poor countries, the share of income going to the richest five percent of the population shows a tremendous increase, while the income going to the bottom sixty percent of the population falls relatively and in some cases absolutely. As the growth process widens and spreads throughout the economy, they found that while the top five percent continues to gain, the income of the bottom forty percent of the population continues to fall both relatively and absolutely.

Stewart and Streeten (1979) suggest that there is a reinforcing cycle involved in here. They note that "high growth leads to the adoption of western technology, which tends (for technical reasons) to generate inequalities; those who benefit also gain power and set in motion further policies reinforcing the inequalities and the pattern of development which gave rise to it" (p. 399).

Once the development problem is formulated, the objective of development will be somewhat clear. The basic integrated objectives set forth by these theorists are reduction of inequality and elimination of poverty, at the cost of the slow down of the growth in the early stages of development.

Theorists of growth-with-equity all accept the idea that social revolution is unlikely, unrealistic and probably undesirable for most poor countries in the near future. Thus, these theorists are struggling to come up with an eclectical approach that will achieve some degree of equity short of social revolution. In fact, they are convinced that the poor can improve their standard of living without revolution (Wilber & Jameson, 1979).
What makes these approaches distinct from one another is the matter of strategy, focus of attention and probably "the sequence of reform".

Adelman (1975) suggests that a precondition for a successful equity-oriented development is redistribution of productive assets, mainly land and physical capital. Once redistribution takes place, it is also suggested that effort must be made to ensure continued access to assets for the poor.

The next step, in the sequence of reform is by engaging in a massive broad-based educational investment effort. This approach, it is said, may lead to a decade or so of relatively slow growth of GNP, resulting in social tension, unrest, and political instability.

Once human capital is generated, the subsequent stage would be human-resource-intensive industrialization which can lead to growth-with-equity (Adelman, 1975).

The approach of Chenery et al. (1974) is somewhat different. This approach places prime emphasis on the role of capital investment. It is argued, according to this approach, that the poor must have greater capital to generate the incomes necessary to meet their needs. This approach requires reorientation of capital investment away from large scale, centralized projects to investments that relate directly to the poor: education, health, credit, etc. This reorientation will increase the productivity of the poor and thereby increase their income.

The rural economy approach has been put forward by Waterston. In his approach, Waterston (1979) expounds that "rural development is
an integrated multisectoral activity which includes the development of agriculture and social overhead facilities" (p. 234). He goes on to continue that,

Agricultural development has frequently benefitted the rich rather than the poor farmers in developing countries, because the rich have, and the poor often lack, the education, credit, and other attributes required to respond adequately to new opportunities. Studies of the green revolution, for example, suggests that programs which concentrate on the adoption of improved techniques for the use of new seeds and fertilizers have tended to benefit the middle income and rich farmers rather than poor. (p. 234)

Waterston (1979) suggests five elements essential for success once land is equitably distributed: labor intensive agriculture, use of off-season labor surplus in building minor development works, small scale light industry, self-help or self-reliance and establishment of industrial and organization structures—farmer's organizations as well as government—which allow rural development to become self-sustaining.

There are some theorists who advocate a basic needs approach. This approach sets forth the target of meeting the basic needs of the majority of people who are very poor. These needs include food, safe water at hand, security of livelihood, health, sanitation, education, decent shelter, adequate transport, etc. (Streeten, 1979b).

Stewart and Streeten (1979), in their discussion of the relationship between strategies and objectives, distinguish three schools of thought, so to speak, each advocating a different strategy to eradicate poverty and reduce inequality. They named these so-called three schools the price mechanists, the radicals, and the technologists.
The price mechanists simply argue that many of the disappointments with development efforts are due to faulty policies. It is argued that wrong prices for capital, e.g., low price, will encourage excessive scale and underutilization of capital. It will also discriminate in favor of large firms and encourage take-overs of local by foreign firms. For labor, too high price will contribute to unemployment and underutilized capacity and discourage exports. The price mechanists maintain that once the right prices are set by government, economic growth, as well as jobs and justice would triumph.

The radicals contend that redistribution of assets, power and access to income-earning opportunities is the right track to development.

The technologists argue that appropriate technologies are needed, which may not already exist, in order to cope with the problem of poverty, unemployment, inequality and low productivity. Industrial technology, public health, low-cost housing, birth control, nutrition, crops for small farmers, urbanization, etc., require the concentration of brain power and research.

Stewart and Streeten (1979) criticized these three perspectives and argued that each of them, without the presence of the others, may aggravate poverty and inequality. In their discussion, Stewart and Streeten (1979) concluded:

We have an instance of the theory of the Second Best, according to which \(a + b + c\) yield the desired results, but \(a\) or \(b\) or \(c\) by themselves, far from being "better than nothing" may move society away from the desired goal. Only a three pronged attach combining signals and incentives, institutional reforms directed at the redistribution of assets (including access to
education) and technical and institutional innovation, promise results. The precise combination of price policies, asset redistribution, and technological research will depend on a number of factors that will vary between countries. (p. 407)

Regarding the role of the underdeveloped nations, in the international economy, some theorists of growth-with-equality tend to rely on the notion of the new international economic order (NIEO). The NIEO is concerned not only with obtaining a greater share of the world's resources for the developing countries, but also for a greater role in the decision-making process in the international institutions which set the rules of international economic relations (Islam, 1979).

Ulhag (Weaver et al., 1979) suggested a redistribution of international credit so that underdeveloped countries can command more capital resources, facility for this group of countries to diversify upstream into processing, transporting, and insuring their exports, and thereby gain a greater share of value added, reduction of developing countries' tariffs and quotas on labor intensive goods produced in the LDCs, greater amounts of foreign aid, etc.

As far as the role of multinational companies are concerned, some of these theorists would appear to maintain transnationalist orientation, that is they happen to believe that transnational corporations, with high capacity and technology, resources and mobility, can make a potential contribution to the development of the Third World countries. Streiten (1979b) states:

The role of the transnational corporation (TNC) in development is already large and is of growing importance and policies have to be evolved that enable governments to harness its potential for the benefit of the development effort. A fundamental objective of development is
to meet the basic needs of the billion or so absolute poor people in the world. Some governments are prepared to commit themselves seriously to giving high priority to this objective and wish to explore the role of TNCs in such an approach. (p. 114)

At the same time, these theorists would appear to assess the political role of TNCs in a rather negative sense. In this respect Adelman (1975) pointed out that: "Clearly, in many developing countries the political power of conservative forces (such as traditional elites, expatriates, and international companies) must be significantly weakened before growth with social justice can become a national goal" (p. 316).

Growth-with-equity approaches as versions of "the orthodox paradigm" have, however, moved closer to "the political economy paradigm." This set of theories has made some contribution in transcending the general understanding of development, compared with theories of growth.

Unlike the latter theories that confine their focus on an economic plane, namely land, labor and capital, theories of growth-with-equity deal with the problem in a rather "holistic" way, in a sense that they take into account political and social factors as well as economic ones. These approaches do not ignore the important role of agriculture in Third World countries, as traditional approaches tend to do. As Wilber and Jameson (1979) put it, the common factor in these theories is their implicit assumption concerning the peasant in the Third World countries. They regard most people in the poor countries as responsive to economic opportunities and not as the bottleneck in the process of development.

In any case, the basic missing link in almost all these approaches
is the lack of a class structure concept. Growth-with-equity theorists do not seem to go beyond the so-called "politics of development". Class politics is almost alien to their analysis. In the sphere of so-called politics of redistribution they tend to skirt the problem rather than to grapple with it and get to the heart of the problem. They tend to see important linkages between polity and economy but not as two sides of one coin.

Critics raise some basic questions to these theorists. First, can reformist policy implications of these approaches be effectual? In other words, who is, for example, supposed to carry out the required equitable land reform? In fact, it is Adelman (1975), herself, who asks similar questions: "Is equitable growth possible within existing sociopolitical structures? A subsidiary question is: if not, what sociopolitical structures are most conducive to equitable economic growth" (p. 315)? And she replied to her question: "Neither question can be answered unequivocally at this time, and I shall not theorize on the answers" (p. 315).

Stewart and Streeten (1979) appear to be fully aware of the problem when they admit that:

Strategies toward poverty alleviation are easy to devise so long as the critical links between technology and income distribution, income distribution and decision makers, and decision makers and objectives, are ignored. Once made central, it seems difficult to avoid the conclusion that much wasted ingenuity has been put into devising forms of redistribution, when it is not lack of ingenious schemes but a basic political contradiction between the schemes and the real as opposed to nominal objectives of decision makers, that is critical. (p. 403)

But when they are ready to advise policy, they remain silent on the same issue raised by themselves. The critics' answer is rather
clear. They happen to believe that it is highly unlikely that redistribution of productive assets including land reform will be carried out. It is said, according to critics, that the ruling classes, in the underdeveloped countries, find the present system to their liking; poverty serves a purpose (Weaver et al., 1979). In this respect, Weaver et al. (1979) mentioned two explanations offered by Gurley:

One is that the poverty of masses is a necessary cost of the privileges of the rich. Development requires awakening people, but if an elite wishes to keep its privileges, it is better that the people doze. The alternative explanation is that poverty is the carcass that is left behind from a strategy of development aimed at GNP growth, emphasizing efficiency, and building on the best. In either case, technical changes to raise growth rates will not have a meaningful impact on equity. Stronger reformist policies will also be ineffectual. (p. 419)

Weaver et al. (1979) made also the following point:

Even in the very poorest countries in the world—Chad, Mali or Bangladesh—there are very rich people, thus the minor technical changes that growth and equity strategies advocate do not deal with the basic problem. A slight change in agriculture for a slight change in rural development will have no effect in bringing about a change in society. Class structure cannot be ignored. (p. 419)

Some critics go further so far as to raise some doubt on the evolutionary and reformist orientation of such approaches. Concerning the basic needs approach, Lappe et al. (1980) expound:

By the late 1970's "basic needs" had become the foremost buzzword in international development circles. . . . Implied in the statements of top policymakers is that "basic needs" can be met, without a fundamental restructuring of control over resources, through a shift in priorities and greater assistance from industrial countries. Always part of the new strategy is a call for greater quantities of aid. (p. 160)
Conception of the State

It may be safe to say that the prevailing understanding of the state, among theorists of growth-with-equity seems to be almost the same as of the growth theorists\. Though precise conception of the state may vary from author to author, ranging from liberal and neo-liberal conceptions of the state to that of elitist and pseudo-Marxist conceptions of the state.

Adelman's conception of the state, as one of the leading figures among this type of theorists, would appear to be informed, in turn, by her intentional approach to politics. The basic premises of this approach can be found in the philosophical works of Hobbes, Locke, Bentham, etc. The basic focus is on the egoistic (utilitarian) or intentional nature of man. And the basic "dualism" is maintained to be between society and individual. On the one hand the state is held to embody the "general will" and at the same time, this same "general will" is in contradiction with "individual freedom". In her discussion of the politics of equitable growth, Adelman (1975) argues that there is an uncomfortable trade-off between freedom of action in the economic arena and the distribution of income. Adelman does not view the root of this so-called conflict in the social system, instead she asserted that "the conflict is deeply rooted in human nature" (p. 315).

Growth-with-equity theorists tend to suggest the role of planning, or it may be better to say programming, and state intervention within the context of the market for achievement of growth-with-equity. Streeten (1979a) argues that,"The issue is instruments and comparing
the effects of a battery of direct controls and intervention with operation through prices and the market" (p. 294).

Adelman (1975) would also appear to suggest more direct government control of enterprise and economic programs as contributing factors for improving income distribution and thereby leading to the goal of growth with justice.

**Theoretical Position on the Role of State Capitalism**

From the standpoint of the theories of growth-with-equity, SC as a model of development, can conditionally be hypothesized as a viable option toward development.

Though the model of SC is not conceptually close enough to the theoretical perspectives of growth-with-equity economists, yet there are some basic common features shared both by the state capitalist model and the models advocated "technically" by theorists of growth-with-equity. The shared features are: (a) partial redistribution of productive assets, (b) state intervention (with some differences) and, (c) elimination or restriction of the political role of foreign companies. Despite these similarities, the "viability" of SC is subject to a certain "if" according to each approach. For example, according to Adelman the "viability" of SC is subject to its "ability" to accumulate human capital on a massive broad base. Or according to Streeten and his associates, the "success" of SC depends on its "ability" to meet the basic human needs of the masses, no matter whether or not it would promote economic growth in the early stage of development. Or from the standpoint of Chenery et al., the "viability" of SC is subject
to its "ability" to generate employment.

Modernization Theories

The conceptual apparatus of modernization emerged during the post-war period. The foundation of this conceptual apparatus is based on the Parsonian structural-functionalism, together with some key concepts abstracted mainly from the works of theorists such as Tonnies and Weber.

A quick review of these basic elements of this apparatus is needed in order to deal with the term "modernization" as the central concept of the different variants within this frame of reference.

Within the discourse of structural-functionalism, the concept of change is understandable, with the reference and in relation with the concept of equilibrium. That is to say, once equilibrium in the system is upset, there is a change. Any strain(s) in relations within or between subsystems, or by new factors injected into the system from other social systems, can disturb the equilibrium of the system, and generate the need for change. The origin of change may be endogenous or exogenous (Taylor, 1979). To put it in a simple way, the core of the functionalist theory of change is this: The system is in an initial stage of equilibrium; once it is subject to a strain produced either within the system or introduced outside the system, or a combination of both, the system must move from this initial state equilibrium point to a new "higher" stage of equilibrium state. To make this move from initial level of equilibrium to a new higher level of equilibrium, the social system must become more differentiated both
in its role and in the cultural legitimation of these roles in the value system; that at the same time it becomes "necessarily" more complex.

What modernization theorists in the mainstream have done can be summarized as follows:

1. They have taken the functionalist abstract scheme of change mentioned above and simply named different components of this scheme. The initial equilibrium state and "final" equilibrium state have been names via employment of bipolar (or dichotomous) concepts abstracted from works of theorists such as Tonnies (Gemeinschaft-Gesellschaft); Durkheim (Mechanic and Organic Solidarity; Redfield (Folk and Urban); Parsons (Pattern Variables); etc.

2. Implicit in their formulation of ideal type is their teleology. In other words, the "end stage" or "final goal" is expressed in the opposite pole reflected via dichotomous concepts. There are, however, some modernization theorists who tend to avoid teleic projection by regarding modernization process as an open-end process.

3. They have also empiricized the ideal types, by referring to Western societies as an empirical referent or, at least, as a proxy of their ideal type of modernized society. It often happens that the empirical type which assumes the role of final goal or end stage, for development is identified with the Western capitalist countries.

4. Modernization theorists have also tried to measure the degree of advancement in the process of modernization by selecting and utilizing some operational indicators. The type and nature of indicator(s) varies among these theorists, depending upon how the term 'modernization'
has been conceptualized. Instrumentations often happen to be also based in the Weberian notion of rationalization. Employment of this notion could give more particular indicators of the degree of modernism, by specifying the extent to which institutions such as religion, law and politics were characterized by the development of a world outlook based on the rational calculation of means towards goals (Taylor, 1979).

The whole procedure can be described as the comparative statics of polar ideal types (Frank, 1969).

The basic problematic of all theories of modernization is to ensure and facilitate an "evolutionary" transition or series of transitions to modernized stage, by overcoming the stumbling blocks which are asserted to exist in the traditional system, from top to bottom, i.e., from individual level (which is the concern of the theory of individual modernism) up to the societal level.

It might be noted that the problematic is understandable in relation to the opposite poles, that is, it is derived from within the "idealized" scheme of the origin and the end of the process of change or to be specific, the process of differentiation, a scheme which is based on a pre-given teleological conception of history.

5. Another important element in this conceptual apparatus is the concept of modernizing agents. It is this concept by which modernization theorists examine the mechanism through which the process of modernization unfolds and the way through which the given could be attained.

Identification of modernizing agents is manifested at different
levels of social system. At the individual level, the role of entrepreneur, traders, and intellectuals has been maintained to be important in providing the ground for attainment of the modernized end. At the group level, so to speak, the role of organizations such as schools, factories, cooperatives, etc., was held to be important to provide a base for traditional societies to achieve modernization. At the societal level, it was also argued that "institutions" such as governmental bureaucracy, education and processes like urbanization and industrialization could promote modernization (Apter, 1965; Inkeles & Smith, 1974; Holsinger & Theisen, 1977; Germani, 1981).

One of the criticisms leveled against theories of modernization is the lack of consensus among these theorists, for a definition of this term. This is the point which is admitted by Germani (1981, p. 53) as a modernization theorist who states, "definitions of modernization are much more controversial." Germani (1981) considers modernization as "a total process affecting the economic, political and the social organization—all the subsystems of society" (p. 10). Germani virtually tends to regard modernization as synonymous with secularization. Germani (1981) puts his definition of the term in this way, "Secularization is defined here as a set of three closely interrelated aspects concerning: (a) type of social action; (b) differentiation and specialization of institutions; and (c) institutionalization of change" (p. 53).

Germani (1981) distinguishes two main types of social action: action by prescription and action by choice. According to Germani, action by prescription pertains to a situation in which a specific
course of action is required by sociocultural norms and internalized attitudes. In contrast, action by choice refers to a situation in which the individual selects his or her own course of action, though criteria of choice are regulated by norms.

He also contends that all societies must perform certain functions. But the point is that societies are widely different in the number of functions and in the degree of differentiation, specialization, and autonomy of the institutions performing the functions. Moreover, he also holds this view that whereas all societies change, some of them reject change and institutionalize tradition and others may tolerate or even institutionalize change.

Whereas Germani considers secularization as a central key to the process of modernization, Levy, according to Tipps (1973), regarded industrialization synonymous for modernization.

Schwartz's conceptualization of the term still differs from these two theorists'. For he defined modernization as 'systematic, sustained and purposeful application of human energies to the 'rational' control of man's physical and social environment for various human purposes" (Welch, 1967, p. 4). In this definition, as it is self-evident, modernization is synonymous with rationalization.

Smith and Inkeles' conceptualization is somewhat different from others, for they simply equated modernization and modernity with some indicators in their definition. Smith and Inkeles (Stephenson, 1968) defined modernization and modernity as:

"Modern" generally means a national state characterized by a complex of traits including urbanization, high levels of education, industrialization, extensive
mechanization, high rates of social mobility and the like. When applied to individuals, it refers to a set of attitudes, values and ways of feeling and acting, presumably of the sort either generated by or required for effective participation in a modern society. (pp. 266-267)

Whereas Smith and Inkeles in their measurement of modernization, tended to regard "overall modernity" as a universal syndrome, regardless of cultural and social particularities of societies, Stephenson (1968) tried to avoid such assumptions in his definition of modernization. His argument maintained that the concept of modernization should not be treated as a universal concept. Instead he suggested that this concept should be dealt with, within the cultural context of a given society. According to Stephenson (1968), a definition of modernization needs to avoid the assumption that modernization is a universal process of unilinear change; and it needs also to avoid the assumption that the particular value contents of traditionalism and modernism are everywhere the same.

Rejecting these two assumptions, Stephenson (1968) suggested his own alternative definition of modernization as follows:

Modernization is the movement of persons or groups along a cultural dimension from what is defined by the cultural norms as traditional toward what is defined by the same culture as modern. Those values defined in the local culture as traditional comprise what may be called traditionalism; those defined as modern constitute modernism. (p. 268)

Then he went on to argue that:

If no differentiation is made in the culture between traditionalism and modernism, then movement along the dimension cannot be recognized by the participants and study of modernization in this cultural setting is meaningless. (p. 268)

Although, there is no basis for consensus on a concise and precise
definition of modernization among modernization theorists, as was shown; yet, there is one thing common, almost, to all these theorists; and it is their positivistic tendency to select certain empirical indicators for measurement of modernization.

In their study these theorists used either nation as the unit of analysis or the individual as the unit of analysis and the nation as the research site. Those who used the individual as units of their analysis, known as theorists of individual modernity, tended to rely more on motivational psychology and its epistemological "notion" of the primacy of ideas and values in society, which is informed by the Weberian idea of the "spirit of capitalism". The themes usually used in modernity research are such as: trust, secularism, high risk-taking, universalism, empiricism, need achievement, futurism, etc. (Holsinger & Theisen, 1977).

Since their emergence, theories of modernization have been subject to severe criticisms from many fronts. A review of the important critiques made against these theories can further highlight some other aspects and assumptions of the theories which were not mentioned before; and illustrate some basic inadequacies and shortcomings of modernization theories.

1. As it was explained, the functionalist scheme of change is a theoretical departure for the modernization perspective. The critical point is that in the functionalist scheme of change the problem of causation remains unexplained. That is, the strain which disturbs the initial stage of equilibrium, is not causally theorized and in fact the strain or disturbing factor(s) is taken as a given.
Taylor (1979) argued that:

The phenomena that produced change in its scheme remain untheorized. Rather, they are simply accepted as empirically given . . . functionalist theory is unable to theorize the very phenomena that induced the transition it is claiming to analyze; all it can do is describe these phenomena. (pp. 28-29)

This theoretical inadequacy is also manifested in the discourse of modernization. In this discourse, for example, rationalization is considered as a causal factor for change, but the determination of this rationalization has not been theorized.

2. Frank (1969), in his detailed criticism of Hoselitz' work, tried to show that the ideal type approach based on Parsons' pattern variables is theoretically inadequate and empirically invalid. He raised doubt on the assumption of the validity of a tradition-modern dichotomy. Moreover, he contended that there is no reason to believe that the developed societies are predominantly organized in terms of modern pattern variables, nor that underdeveloped societies are organized in terms of traditional pattern variables.

As far as the role and rise of the middle class in the works of modernization theorists is concerned, Frank (1969) explained many such theorists "have argued that the greater the social mobility and the bigger the middle class, the more development" (p. 38).

In his negative reaction to this proposition, Frank (1969) said:

Yet Hoselitz recently took the initiative to test this thesis by confronting it with the hard facts of reality in Latin America. There he found and wrote that the countries with the largest middle classes, Argentina and Chile, are not all the ones with the most development. (p. 38)

Then Frank (1969) went on to argue that:
Secondly, as in Nazi Germany and Fascist Italy, it is precisely these groups which provide the principal "popular" support for the ultrareactionary dictatorships as these groups demonstrated in an impressively manifest fashion in the 1964 military coup in Brazil.

He further pointed to the fact that "when the income of these middle classes rises it does so not at the expense of the rich but at the expense of the large masses of the poor" (p. 39).

3. The very concept of modernization, i.e., its conceptualization and operationalization has still remained problematic. As was already explained, theorists of modernization have not yet been able to come up with a conceptual definition agreeable, at least, among themselves. In a word, there is still no consensus as to the meaning of modernization.

Wallerstein (1979), in his critique of the modernization perspective, stated that "We do not live in a modernizing world but in a capitalist world. What makes this world tick is not the need for achievement but the need for profit" (p. 133). Then he added, "The problem for oppressed strata is not how to communicate within this world but how to overthrow it" (p. 133). Wallerstein suggested that the term modernization is virtually a contentless word; and it can be equated with the search for maximum profit.

Tipps (1973), in his devastating attack on this perspective, made a somewhat different criticism of the concept. He argued that modernization theorists, in their attempt to aggregate in a single concept, diverse process of social change, has served only to hinder rather than facilitate their empirical analysis. In his critique, Tipps (1973,
p. 224) concluded that "the conceptual apparatus of modernization theory is inadequate and unworkable."

Armer and Schnaiberg (1975), in their empirical study of "individual modernity", came also to this conclusion that "the Costa Rican data show the measurement of modernity to be increasingly complex and problematic. It is unclear what the measures are measuring" (p. 45).

4. Another shortcoming of the modernization perspective which is often emphasized by critics, is its unilinear conception of history. Generally it is assumed, according to this perspective, that the development of human societies was unilinear and the modernization is a transition from primitive, natural economy (traditional) to technology intensive industrialized economy (modern). Modernization approach failed to realize the diversity of traditional societies (Tipps, 1973; Portes, 1976).

Moreover, the assumption mentioned above has been taken from social evolutionary theories formulated on the basis of European history. This temprocentric orientation has resulted in some conceptual misplacement featured by money, markets, legal system, formal democracy (or liberal democracy) etc.

5. The modernization perspective is methodologically ahistorical. This ahistoricism was, in fact, shaped via Parsonian formalism, i.e., abstract empiricism together with "Weberian ideal approach paradigm of thinking." That is why in most of the modernization theorists' works, the typology of societies has been based on comparative statics. In this respect Wallerstein (1979) had this to say: 'What was primarily wrong with all the concepts linked to the paradigm of"
modernization was that they were so ahistorical" (p. 134).

In short, what did not really matter in the works of modernization theorists was the past history of the underdeveloped societies being studied.

6. Tipps (1973), in his critique of the modernization theory, argued that this theory is a product of an ethnocentric world view, a reflection of an ideal, especially in 1960's, developed by U.S. social scientists after World War II and representative of the expansion of U.S. interests throughout the world. According to Tipps (1973), formulation of modernization theory was, at least, partly a response to U.S. policy makers' concern about a long-range solution to the threats of political instability and communism in the Third World.

What Huntington (1967) suggested in his famous article, "Political Development and Political Decay", concerning the political aspects and consequences of modernization can be supportive of the argument which maintains that modernization theory is basically ethnocentric and ideologically biased.

In this article Huntington placed emphasis on political stability and advocated a control and regulation of the process of modernization by constraining new groups from entering into politics, limiting exposure to mass media and access to higher education, and suppressing the mobilization of the masses. He preferred status quo instead of political instability and social revolution. For him, political decay is the expression of instability and authoritarianism. And authoritarianism is somewhat equivalent to communism. For Huntington (1967) stated:
Nor does literacy necessarily stimulate democracy; with roughly 75 percent literacy, Cuba was the most literate country in Latin America . . . but the first to go communist; so also Kerala, with one of the highest literacy rates in India, was the first Indian state to elect a communist government. Literacy, as Daniel Lerner has suggested, "may be dysfunctional--indeed a serious impediment--to modernization." (pp. 223-224)

Two points can be deducted from this excerpt which is ideologically loaded. The first point is that modernization is equated with Western capitalist model of development. From the first point follows the second point which implies that communism, which can be created as a result of "dysfunctional" impact of high literacy (according to this argument), is a threat to modernization.

7. Concepts such as exploitation (either at individual level or national level), external domination, etc., do not have membership in this conceptual apparatus. Societies are generally conceived as harmonious and autonomous units.

This apparatus fails to provide any conceptual tool for understanding the integration of societies into an evolving international system and the impact of this integration and interrelations among nations in the internal structures of each society (Tipps, 1973; Portes, 1976). This failure is also acknowledged by Germani (1981).

Interrelationships among the "isolated nations" are dealt with merely via the concept of diffusion. So far as the external factor is concerned, modernization theorists came to believe that it was, in fact, colonialism that had diffusional impact in generating and promoting modernization process in the Third World countries. In this relation, M. I. T. Study Group (1967) contended:
Contact with more advanced societies has been, then the principal force which has eroded the structure and values of traditional societies. Through physical intrusion, economic example, and the communication of skills and ideas, this contact has pushed the traditional societies into a transitional process. (p. 29)

Apter (1965, p. 52) has also argued that "colonialism at its best has been one very useful mechanism for modernizing."

Having relied on some historical facts, critics argue quite the converse. Their argument maintains that even by any definition of modernization, political and economic domination of the Third World countries, particularly in colonial period did often lead to reinforcement of socio-economic structures in the dominated societies. In some cases, it leads to further distortion in uneven distribution of productive resources and consolidation of political power of "traditional elites", who were encouraged by different means to coopt and cooperate with external domination (Wallerstein, 1976; Amin, 1976; Taylor, 1979; Murdoch, 1980; Stavrianous, 1981; Sen, 1982).

8. Modernization theorists, in the mainstream, can be characterized as "objective idealists". Idealists in a sense that they epistemologically assert the primacy of values, ideas, and attitudes in the society. At the risk of oversimplification, their epistemological position can be formulated in this way: social consciousness determines social being and not vice versa. This epistemological formulation is an extension of the Weberian idea of the "spirit of capitalism".

It is this epistemological assertion that enables modernization theorists to consider diffusional impact of ideas and values (at societal level) as the major factor in promoting modernizing change.
As a matter of fact, this assumption worked as a basis for formation of another assumption which is well manifested in theories of modernity and psychological theories of development. The latter assumption holds individuals, in the Third World, responsible for underdevelopment, by lacking certain values, attitudes, and dispositions. Such assumptions led these theories to ignore completely the role of social structure and individuals access to material and social opportunities as the primary force in the process of development.

In this connection one more comment needs to be made. It seems reasonable to consider this epistemological assumption accounted for the dominant methodology, in the works of modernization theorists, which is based on survey research, or if you will, on attitudinal data rather than on factual data.

9. Concerning theories of modernity, especially their psychological variants, the major criticism which has been levelled at them, is that these theories are psychologically reductionist; since they attempt to explain social phenomena purely in terms of psychological variables (Roxborough, 1979).

Conception of the State

The predominant tendency among modernization theorists is to view the state as an entity or an institution that stands above society which is an independent source of rationality and is capable of initiating and pursuing programs of development for the benefit of the whole of society (Alavi, 1982).

Alavi (1982) argues that despite the fact that in modernization
theory the role of state is considered as central to the process of modernization yet little thought is given to an examination of the nature of the state, its location within the matrix of a class-divided society, and its relationship with contending social forces. Nevertheless, he distinguishes three general notions about the state and society, which often operate within the theories of modernization. These notions are derived from functionalist theory, the market model, and the elite theory. Whereas the notions derived from the first two theories yield pluralist conclusions about the way in which political systems work, the third notion militates against these conclusions.

One thing which is common to these three notions is that the foundation of power, is not necessarily viewed in the field of class relations as it is seen in Marxist theory (Poulantzas, 1968).

Structural functionalism, with its functionalist-integrationist conception of society, conceives the state as an element of the social system integrated in its circular equilibrium to wield functionally the social system as a whole. To use Apter's (1965) words, from the standpoint of functionalism, the state can be seen "as the strategic concrete unit for handling crisis in solidarity, economic allocation, political allocation, role differentiation, and integration and expression" (p. 23).

It might be noted that these general notions of society and the state contrast sharply with notions such as exploitation, oppression, domination and subordination, and antagonism of class interests (Alavi, 1982).

The political market model is an analogic model of the economic
market. The whole idea in this model is that in a political market, individuals bring their demands and supports in a fair competition. The rule is based on one man, one vote. Political entrepreneurs are those who aim to maximize votes in the political market. Political demands and political supports (analogous to the supply and demand) are converted into political outputs in the form of legislation, the application of laws, and the authoritative allocation of values. Proponents of this model argue that "free competition" in the political market produces a "fair" result, just as in the economic market.

In his reaction to this model, Alavi (1982) critiques it by stating that:

No questions are raised about the preconditions of the particular division of labor in society, or the consequences of class division that determine the capacities of members of different classes in the political and the economic markets, or their different relationship to the state in the context of their mutual opposition. Instead of the conception of a society systematically divided into antagonistic classes, in accordance with the social relation of production, we have here a picture of an indefinite heterogeneity of interests vying with each other, with the state playing a neutral role, maintaining the rules of the game, aggregating the variety of contending interests into coherent policies, and holding society together for the good of all its members, rather than the interests of its dominating, exploiting classes.

(p. 290)

Elite theory asserts that a small number of elite groups essentially dominate the state apparatus. The theory has several variants, e.g., Pareto's governor and governed, Mosca's governing class, Mannheim's intellectual elite, Mill's power elite, etc.

Almost all versions of this theory tend to define the elite groups in terms of political relationships which are, presumably, separated
from economic relationships. Yet, each version has its own conception of power and source of power. For example, whereas Mannheim sought the source of power in the elites' monopoly of knowledge, Weber viewed the state itself as the independent foundations of political power.

In short, modernization theorists often focus on the "technical" aspects of the state's apparatuses--organizational and administrative characteristics of the state's organs and the means by which power is executed--at the expense of overlooking the social foundations of power. This means, attaching importance to the rules of the bureaucracy, political parties, the military, and personal attributes and social values of the elites (their class positions and the class affiliations do not really matter), for attainment of "modernization".

In his structural-functional requisite analysis, Apter considered the political variable as independent and not economic, in modernizing societies. Apter (1965) believed so because:

The ensemble of modernization roles is not integrated by a dynamic subsystem based on rational allocation, as in the case in industrial society. Instead the subsystem is usually the political party or some other political such as the army or bureaucracy (or in some instances, a religious body). (p. 223)

He considered strategic functions for elites and political parties in the process of "modernization". In his analysis the concept of modernizing elite is associated with the concept of modernizing roles. And the latter concept is treated within the category of "career roles". Career is regarded in a way which is more general than a profession and less general than occupation. Apter (1965) tended to delineate career
roles in terms of two distinguishing characteristics: a cluster of occupations that control the rules of a system or a significant subsystem, and professionality, i.e., as control occupations. Accordingly careers, on the one hand, embody competence based on expertise and on the other hand, produce competitiveness between individuals.

Apter (1965) suggested that careers can include "the technical and managerial roles of officials in commercial and industrial firms, members of the higher civil services, top political roles, and the like" (p. 162). He added: "But such roles are not inevitably careers. An occupation regarded as a career in one setting may not be so considered in another" (p. 162). His argument maintained that "modernizing elites", in "modernizing societies" derive their importance from careers such as managers and civil servants, technician and political organizers, which are on the rise. But this does not mean that all elite roles are careers, or all careers fall within the significant bodies of elites. In any case four modernization roles are distinguished and discussed. These are: the civil servant, manager, political entrepreneur and political broker.

According to Apter, a "modernizing elite" can, sometimes, be expatriate, as in the colonial period and at other times it can be domestic. He suggested that modernizing elites have important functional-political significance during modernization. In this respect, three important functions have been specified for modernizing elites. Apter (1965) explained these three functions as follows:

1. The goal specification function involves the organization of resources around a defined set of objects . . .

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2. The institutional coherence function involves the linkage of diverse roles into community.

3. The central control function involves the mechanism of coercion in a society. (p. 165)

As far as the role of the political party is concerned, Apter (1965) considered it as a modernizing instrument. For him, the political party is a critical force for modernization; it can play a critical role by building a system around itself, by becoming a modernizing device manipulated by political entrepreneurs. To put it another way, the political party is regarded here as the main carrier of modernization, because of its usage of technology, organization and techniques of management. In this connection, Apter (1965) also argued:

Because political activities bring the party into direct contact with population, they, more than the civil service, army, or even the government itself, have the most immediate impact in developing communities. The other primary carriers of modernization --schools, Christianity, Islam, business firms and commercial enterprise, the market, a cast economy, and so on--are all utilized (and in a widespread manner) by the contemporary nationalist political party. (pp. 183-184)

He distinguished two types of political parties: representative parties and parties of solidarity. The latter determines the critical relationships of society and is somewhat equated with the one-party system. He tended functionally to justify the existence of a single-party, regardless of its class character, mainly because, it can prevent the "modernizing society" from falling apart, during her "course of modernization". This is the view advocated strongly by some other modernization theorists as well, such as Huntington (1967), Coleman and Rosberg (1967), and others.

Huntington (1967), for example, believed that "most modernizing
countries will be well off if they can create just one strong party organization'" (p. 243).

The army, as a "modernizing agent" is another important issue of concern among modernization theorists. Pye (1967), as the representative of those who adhere to the approach that the army is a "modernizing force", dealt with the role of the army in terms of its organizational and functional imperatives. He believed that armies in the Third World countries are the most technologically specialized organizations that can, on the one hand, train their officers in personal management; on the other hand, they can also shape attitudes toward "modernity" in other spheres of society. His argument, further, maintained that officers have to look outside their society for their models and this makes them become well aware of the extent to which their countries are backward and sensitive to the needs for "modernization".

In short, the arguments of "the military modernizers" maintain that: (a) the army is the most modernized institution in the Third World, which can implement "modernization"; (b) the military leaders are regarded as well educated and "westernized"; and (c) they are also considered to be less prone to personal corruption than civilian counterparts.¹

In sum, so far as the role and the nature of the state is concerned, it should be noted that modernization theorists have been reluctant to address themselves to the question of the power base and class nature of the state. Instead they have narrowed down the problematic of the state to that of: (a) rational organization of the
state in general, (b) efficacy of the state's apparatuses and public institutions in "modernization" processes, and (c) the capability of the state in absorbing changes for political stability in the process of "modernization".

Theoretical Position on the Role of State Capitalism

Among modernization theorists, there are few who have dealt with the phenomenon of state capitalism either directly or indirectly. This is not to say that those who have dealt with this phenomenon have the same conception as will be used in this study. This conceptual difference lies in the fact that most of the modernization theorists' images of the society are informed by functionalist conception of the society.

In any case, two modernization theorists, Apter (1965) and Germani (1978, 1981) are selected here as examples, in order to examine their positions on SC. Whereas Apter treated this phenomenon under the analytical category of neomercantilism, Germani's treatment of SC is implicitly done within the broader category of national populism.

Apter distinguished between development and modernization. Development was regarded the most general results of the proliferation and integration of functional roles in a community. And modernization is conceived as a particular case of development. For Apter (1965), modernization "implies three conditions--a social system that constantly innovates without falling apart . . . ; differentiated, flexible social structures, and a social framework to provide the skills and
knowledge necessary for living in a technologically advanced world" (p. 67). Industrialization is not necessarily equated with modernization; instead it is regarded as a special aspect of modernization. Industrialization refers to the period in a society in which "the strategic functional roles are related to manufacturing" (Apter, 1965, p. 67). In other words, modernization without industrialization is possible but not vice versa.

Apter (1965) presented a typology of government (or choices of political systems). His typology is based on two criteria: degree of hierarchy and type of values. The first is the measure of the degree of control manifested structurally in the degree of centralization of authority. The second criterion is the degree to which ultimate ends are employed in action, i.e., the degree of independency of intermediate ends (instrumental or secular value) from ultimate ends (consummatory or sacred value). Four "ideal" models are identified, two of which are the polar opposites: "secular-libertarian" and "sacred-collectivity". These two extreme models are in a perpetual conflict and are constantly in a danger of being transformed into each other. The "secular-libertarian" model or "pluralist system" is considered as the Western ideal of government. According to Apter, this model structurally allows a maximum opportunity for the exercise of rationality and the pursuit of self interest. The moral aim is to maximize the condition of "freedom". The more common form of this model is the liberal utilitarian polity. In contrast to this model, the "sacred-collectivity" model structurally provides the means, i.e., political community, to translate potentiality into some sort of
reality. Here the society is the key to social life and its moral aim (or the principle of legitimacy) is the fulfillment of potentiality.

For an empirical departure two models were suggested for the pure models of "secular-libertarian" and "sacred-collectivity". These are called, respectively for each pure model, reconciliation system and mobilization system. In reconciliation system, given values and purposes generate authority. In mobilization system, new values are being created. Inbetween these two types, three subtypes are recognized. Apter called them modernizing autocracy, military oligarchy and neomercantilist society. The focus will be more on the last category because the referent of this category is almost similar to the referent of the concept of SC as it is conceptualized in this research.

Before these operating models are explained, it should be added that Apter saw two fundamental functional requisites that every government needs to meet in order to maintain stability and to increase efficiency. These two functional requisites are information and coercion. His central functional hypothesis is that "different polities employ different mixtures of coercion and information in trying to maintain authority, achieve stability and increase efficiency" (p. 40). He also viewed a dynamic relationship between these two functional requisites, "namely, that the ratio of coercion and information varies inversely" (p. 238).

The modernizing autocracy has a traditionalistic ideology and is open to certain traditional coercive techniques. Authority remains at the top. This system is traditionally organized but its traditions are flexible and its values are instrumental. The threatening factor
for this system is the changes effected in the economic sphere, which can transform it into either a "neomercantilist" system or "mobilization" system.

The military oligarchy shares some of the characteristics that the modernizing autocracy has. The military oligarchy has hierarchical authority and instrumental values with a military leadership. Apter believed that military oligarchies can come into being in different political systems in a number of ways. According to Apter, it is this significant tendency within other systems, which provides the analytical justification for the military oligarchy.

Apter characterized the neomercantilist model as a system which tends to be a "presidential monarchy", with a "stable" one-party government. The "presidential monarchy" as is used, appears to be roughly equated with a ritualized charismatic leadership. Authority is usually distributed between powerful functional auxiliaries of the sole political party.

His general description of this system runs thus. In the area of ideology "the language of mobilization systems may be employed for this, and some neomercantilist societies may sound like militant Marxian socialist states. But this is largely rhetoric" (p. 410). Then Apter (1965) went on to suggest:

The ideologies are characteristically both nationalist and socialist, with a neomercantilist orientation to government enterprise rather than a Marxian one. . . . Ideological emphases are in two opposite directions: the one toward the past, by means of which traditional belief is rendered meaningful in contemporary terms, and the other toward the future and the promise of a better life under the regime and the presidential monarchy. (pp. 413-415)
In the area of economy, the system uses a mixture of private and public enterprise in which the critical rationale of economic activities is political. In this respect, Apter (1965) described this system in this way.

Indeed, the economic mode of neomercantilism could be labeled "state capitalism" . . . a large part of the economic sector either is directly owned by government, which then turns it over to contract technicians from overseas to operate, or remains privately owned but is hedged with restriction to prevent outside capital from exercising internal political influence. (pp. 411, 415)

Apter compared the operating models in terms of their political viability for achievement of "modernization goals". He proposed that the reconciliation model, which is close to the liberalist notion of democracy, is not likely to serve as a satisfactory basis for establishing a new "modernizing" polity. For him, this model is an optimal one for well-established and highly complex industrial states. Having regarded the "secular-libertarian" model implicitly as the "best" model, Apter, nevertheless, remained optimistic about the future of democracy. For Apter (1965) stated: "The implicit assumptions and values underlying the libertarian model will continue to exist in all other systems although in a hidden and disguised way. . . . If this is correct, then the long-term prognosis for democracy is hopeful" (p. 38).

He hypothesized that the neomercantilist system (or SC) is the "optimum" structural form for "modernization". This hypothesis is based on the premise that the best balance to attain "modernization", at "minimum cost", is at the intersection of coercion and information. And he believed that the neomercantilist model can provide this point of intersection. He also suggested that, by and large, a neomercantilist
society would be more efficient for a longer period of time than a mobilization system and more stable than a reconciliation system.

In general, Apter's theory can be, more or less, subjected to the same criticism levelled against theories of modernization. Here only a few comments need to be made.

In his analysis of the systems including neomercantilism (or SC), Apter focused exclusively on the capabilities of the systems rather than on their demands. This lack of concern appears to be associated with the lack of a class variable in his study. Furthermore, it is this lack of a class variable in his approach which led him to use concepts such as democracy, information, etc., loosely. For him, the concept of democracy remains as an abstract category. He did not seem to conceive of it as a class-biased concept. Democracy is dealt with as a category that cannot assume different historical and concrete forms. Instead it is abstracted and "teleologized" in his ideal model of "secular-liberitarian". In short, class democracy in a class divided society does not have any place in his discourse.

Although his general description of the neomercantilism is sound, yet little attempt has been made to provide explanations for this phenomenon. The only explanation provided, is that there is a tendency within other systems to transform into neomercantilism (SC) mainly because this system, as it was mentioned before, can provide the best balance between information and coercion. The question is, why should one believe that neomercantilism (SC) provides the best balance between information and coercion? This question remains unanswered.

Germani (1978) does not deal with SC as a separate category,
mostly because his main focus of interest is on populism, particularly in Latin America. But SC appears to be included in the broad category of national populism. Thus, his view of national populism logically covers SC so far as the populist character of SC permits. Germani's conception of modernization was already explicated briefly. In his theory of modernization, several concepts play key roles. To understand his theory in general and his approach to populism including SC, in particular, requires one to comprehend first his central concepts.

Like most modernization theorists, Germani considers the process of "modernization" as a multi-stage process—traditional stage, transitional stages and a "final" stage. Change is the primary concern of the transitional stages. To explain this change, Germani (1978, 1981) introduced the concept of asynchronism. He considered transitional stages in the form of asynchronism. For him, asynchronism is a general feature of change; it implies a coexistence of elements belonging to the two poles of the traditional and modernized stages. Asynchronisms are distinguished at different levels. Geographic asynchrony refers to spatial uneven development occurring at different times in various countries (e.g., central and peripheral countries) and in different regions of the same country. Institutional asynchronism refers to the institutional experience of changes associated with "modernization" with different degrees of velocity, i.e., coexistence of institutions typical of different "stages". Asynchronism of different social groups refers to analogous coexistence of groups corresponding to different phases (i.e., "objective" and "subjective" characteristics of certain groups correspond to an "advanced" stage, whereas others correspond
to a "backward" phase). Motivational asynchronism implies coexistence of the same individual's psyche attitudes, ideas, motivations, etc., corresponding to different stages (Germani, 1978).

Mobilization is regarded as a central aspect of modernization. The process of mobilization represents "a mechanism of rapid incorporation of large sectors of the population into the modern way of life" (Germani, 1978, p. 13). It consists of the passage of large masses from "the archaic sector" to "modern sector". Two types of mobilization are distinguished: primary mobilization and secondary mobilization. Primary mobilization indicates the process associated with modernization. Secondary mobilization constitutes the process affecting the already "modern sector"; it is often a reaction (counter-mobilization) to primary mobilization. Integration is understood as a legal form of mobilization which is carried out through existing institutional channels. Disintegration is permeated by structural change; it is due to the asynchronous nature of change in various parts of the structure (Germani, 1978).

The demonstration effect and the fusion effect are also two other key concepts. The former is understood as the modes, attitudes and aspirations that correspond to "modern stage", are diffused in "traditional area". The fusion effect refers to the confrontation between ideologies, attitudes corresponding to an advanced stage, and beliefs, attitudes corresponding to the traditional stage, which leads to the reinforcement of the latter ones.

Operating within this conceptual framework, Germani tries to explain populism. Before his explanation is examined, it is imperative
to see what he means by populism. He is reluctant to give any definition of this term, for Germani (1978) believes that "populism probably defies any comprehensive definition" (p. 88). Instead he confines himself to a general description of populism as a movement. Having correctly considered populism as a multi-class movement, Germani (1978) describes it as follows:

It is in the populist movement that the coexistence of opposite Right and Left ideologies are more prominent. . . . populism usually includes contrasting components such as a claim for quality of political rights and universal participation for the common people, but fused with some sort of authoritarianism often under charismatic leadership. It also includes socialist demands (or at least a claim for social justice), vigorous defense of small property, strong nationalist components, and denials of the importance of class. It is accompanied with the affirmation of rights of common people as against the privileged powerful interest groups, usually considered inimical to the people and the nation. (p. 88)

Germani (1978) makes a distinction between liberal populist and national populism. In the case of liberal populism, political participation is demanded by middle classes; and political weight of urban "lower classes" is low. In the case of national populism, demands are not only political but social and economic as well and the weight of "lower classes" is greater, as is the degree of mobilization, and capacity to organize. It is worthwhile to mention that two distinctive sectors are recognized for middle class(es): modern sectors (i.e., public and private functionaries, white collar, and dependent professionals) and archaic intermediate strata or sectors (i.e., small entrepreneurs and the self-employed).

In underdeveloped countries, primary mobilization, as the major component of modernization, takes place in a different way compared
with the European transition; it is this way through which national populism emerges. According to Germani, one difference lies in the fact that in the former countries the demonstration effect, the fusion effect, and asynchronism are far greater than the latter countries have experienced. Another difference should be looked upon within the current world context where authoritarian communist regimes have emerged and foreign domination and imperialism have become associated with democracy of the Western type which ceased to be a symbol of progress. Germani (1978) expounded:

This is reflected in ideologies of industrialization, whose characteristics are essentially authoritarianism, nationalism, and some form of socialism, collectivism, state capitalism or at least central planning and state intervention. They are movements that have combined various ideological contents corresponding to opposing political traditions, leftist/authoritarianism, leftist nationalism, rightist/socialism, and a myriad of hybrid formulas or even paradoxes from the point of view of the European Left/Right dichotomy.

As I have indicated, these forms, despite their many meanings and opposing varieties, can be subsumed under the generic term national populist movements. They represent the intervention by the traditional strata in national political life in the course of rapid mobilization in the countries of delayed industrialization. (pp. 113-114)

In short, Germani's explanation of populism runs thus. The major factor accounting for the emergence of populism, is rapid structural changes, which can trigger the displacement of large masses making them available for mobilization in the face of a lack of integrational institutions capable of absorption of changes. To this determining factor, three conditions and two precipitating factors are also added, in his explanation. The three conditions are:
(a) the antagonism between the middle class and the upper class for control and participation in power; (b) displacement and incongruent position of the urban middle class along with archaic intermediate strata; and (c) some more egalitarian patterns included in the original culture as compared with Western Europe. The two precipitating factors are: (a) the isolation of the working class which prevents this class from becoming a social class; and (b) the middle class needs to gain mass support in its struggle against the ruling class.

Germani (1978) would appear to assess national populism in the Third World countries, particularly, in Latin America, as a "progressive movement". His assessment seems to rest on two features of national populism: "mass participation" and a strong sense of nationalism. He holds this view that whereas mass participation does not take place through the mechanism of representative democracy, yet, it implies a degree of effective liberty unknown and impossible prior to the establishment of the nationalist populist regime. He believes that it is this spontaneous and existential participation (its resultant is a kind of liberty exercised at the level of immediate personal experience, and expressed concretely in the daily life of the individual) which constitutes, virtually, the real base of support for the regime. He also maintains that national populism strengthens the sense of nationalism and nationalism in turn can play an essential role in national integration.

As far as the prospect of national populism is concerned, Germani (1978) remains pessimistic. For he believes that national populism has tended to become associated with some limitations that would have
some negative repercussion for its outcome. He argues that the diverse social origins and political ends of "the elites" who capture the support of the majority of the mobilized strata, limits the actions of these movements particularly their capacity to transform the pre-existent social structure. Furthermore, it is also contended that the class alliance which establishes the basis of national populism, has a structural limit to its potentiality for reform. He suggests that national populism tends to abstain from social reforms or keep them within limits acceptable to powerful "economic and social groups".

Having asserted that national populist regimes depend on the persistence of such class alliance, he believes that the movement would fade once the structural conditions for the class alliance disappear.

Despite the fact that Germani's observation of the populist movements enjoys a certain degree of accuracy and his functional model of populism provides some significant insights for understanding of populism including SC, yet his model suffers some theoretical shortcomings and logical inconsistencies. Firstly, his Eurocentric-linear conception of history led him to view populism as an "aberrant" phenomenon associated with the transitional stage of development. This view can promote, at least, two objections:

1. The periodization of the development process happens to be based on a set of arbitrary empirical indices rather than on a theoretical construct; the transitional stage is the synthesis of the "two poles" of the process, which are not theoretical constructs.

2. Regardless of the first point, the assignment of populism to a transitional stage, as Laclau put it, contradicts historical facts;
to make his point clear, Laclau (1979) viewed some examples in the case of developed countries, namely, "Qualunquismo in Italy or Poujadisme in France, even the Fascist experience, which most conceptions consider as a sui generis form of populism" (p. 153).

In addition, Laclau (1979) aptly uncovered the logical inconsistency involved in Germani's theoretical discourse. The case in point is that, by incorporation of the concept of the fusion effect in his analysis, Germani argues that the modernization of partial aspects or features of a society can reinforce its traditional patterns. Thus, modernization of some aspects of society cannot necessarily be considered an indicator of modernization of the society as a whole. Accordingly, it can be argued that one society can be identified as more modern in terms of some or most of its features, and yet be identified as more traditional in terms of its structure. The sophism of this argument lies in the fact that the structural element is introduced into the analysis along with the featural element. From this, Laclau (1979) concluded that there is "a need to abandon the analysis of transition in terms of a continuum of features and attitudes, and to confront it as a discontinuous series of structures" (p. 155).

Afterall, as was pointed out before, the term populism has been left undefined by Germani. Since SC has a populist character, then it may be appropriate here to pinpoint the nucleus of the meaning of the term common to all its definitions. The people, a notion which is contrasted with the concept of class, occupies a central place in populism. In this sense, populism is an appeal to the people as a whole, and not to any single specific class.²
Dependency Theories

In the mid-1960's a new competing perspective which became, later on, to be known as the dependency perspective, began to flourish in the area of development. By replacing the old paradigm, i.e., neoclassical theories of development and modernization theories, it soon became dominant in the literature. Since its emergence, there has been an extensive theoretical literature on this perspective. What is now known as the dependency perspective, is not a unified body of formal theory. On the contrary, within this perspective several lines of thought, different methods, "different languages", and different unresolved issues, have come to existence, to the extent that it is hard for some people to deal with these differences under the label of dependency.

Nevertheless, in a Kuhnian sense, Foster-Carter (1976) contended that theories of dependency deserve to have the status of a paradigm. He suggested the dependency perspective, as a paradigm, exists by enumerating its publications and by analyzing cross-references in their footnotes. Foster-Carter (1976) also noted the time dimension: "Very little indeed published before the mid-1960's, and then a rapid gathering of momentum" (p. 173). For him what characterized this new paradigm was a set of specific underlying or domain assumptions, "which are not exactly theories (it is hard to see how they could be tested), but which impose onto the school's world view certain equally specific structures" (p. 174). In his article, Foster-Carter (1976) summarized a set of domain assumptions shared by different variants of the
dependency perspective, assumptions such as the interconnectedness of development and underdevelopment. Development as a process involves many conflicts and clashes of interests, both between nations and between social classes.

From the standpoint of the sociology of knowledge, a tentative list of factors, operating at different levels, can be set forth, which accounted for the emergence of this new paradigm. Among these factors, several are worth emphasizing:

1. Underdevelopment remains to be persistent in the periphery.

2. The dependency perspective was partly a reaction to the conventional theories of development which treat economic growth as a process endogenous to isolated (or unconnected) societies and as a universal and unilinear process in which backward countries can repeat the experiences of rich nations. These experiences can be repeated via "flow of resources" and "diffusion of values and information" from rich countries to poor countries. Portes and Horowitz argue that despite decades, even in some cases, centuries of cultural contact, foreign investment, etc., "there has been relatively little change in international economic stratification. With few exceptions poverty is endemic in the Third World while rich nations continue to increment their wealth more rapidly" (Snyder & Kick, 1979, p. 1099).

In their critical reactions to such premises, dependency theories tend to see the problem of underdevelopment within the global context and its interconnection with development, which can be either relational or structural or both.

3. The dependency perspective as a "theoretical practice" was,
at least, partially a response to the new experiences or "development practices" conducted in countries such as China, North Korea; Vietnam, Cuba, etc. (Foster-Carter, 1973).

4. As an intellectual discourse, the dependency perspective did not come from nowhere. Two intellectual antecedents, i.e., the tradition of imperialism and structuralism should be cited as the main theoretical and conceptual contributors to the formation of this perspective. Before some of the main aspects of dependency theories are examined, it is useful briefly to review these two intellectual antecedents of these theories.

A great number of alternative theories of imperialism have been advanced both by Marxists and by non-Marxists. The major problem in almost all theories of imperialism resides in the fact that the term imperialism has been used imprecisely. This term has been used in so many different ways that some theories of imperialism have little in common.

In any case, two major lines of thought can be distinguished among different theories of imperialism. One line of thought tends to use the term to refer generally to a relationship of domination and subordination between two communities (or two nations). Imperialism in this sense can be applied to the relationships at any time or place, ranging from the empires of antiquity to modern nations. In so far as the "ultimate" impetus for domination and subjection is concerned, several theories or explanatory models can be identified along this line of thought. The key independent variables in these explanatory models of imperialism range from biological, demographic,
and geopolitical to psycho-cultural. Among this set of theoretical perspectives, Schumpeter's sociological theory of imperialism is worth mentioning.

Schumpeter (Magdoff, 1978) thought that capitalism did not strengthen the imperialist impulses but rather repressed them. His thesis is that all types of imperialism belong to the precapitalist era. It is a persistent tendency to war and conquest, which is conditioned by the interests of the ruling classes. So far as the persistence of imperialism in the capitalist era is concerned, Schumpeter believed there are some interest groups associated with monopoly capitalism, which benefit from aggressive foreign conquests. But the point is, he did not view monopoly capitalism as an evolutionary extension of competitive capitalism. For him, monopoly capitalism "is an artificial graft on the more natural competitive capitalism, made possible by the catalytic effect of the residue from the preceding feudal society" (Magdoff, 1978, p. 43).

The second line of thought tends to use the term imperialism in a narrower sense, referring to the extension of Western dominance abroad (roughly) since 1870. Theories along this line of thought tend to explain the causes of imperialism in terms of economic patterns of determination.

In his theory of imperialism Hobson, as a non-Marxist, believed that underconsumption is the cause of imperialism. This interpretation of imperialism later on shaped non-Marxist conceptions and influenced some Marxist conceptions as well. His basic argument maintained that as the result of the evolution of capitalism and the formation of monopoly corporations, competitive small-scale capitalism
was undermined. This led, it was argued, to the generation of high profits, on the one hand, and inadequate domestic markets and low wages on the other hand. The result was a drive for new outlets for profitable investment of the surplus capital abroad. Hobson hoped that once an increase in domestic consumption occurs through redistribution of income then there would be no excess of goods or capital and imperialism would fade away (Szymanski, 1981).

Luxemburg, a Polish Marxist, explained the causes of imperialism in terms of overproduction, lack of investment opportunities combined with drive of capitalism for expansion (Szymanski, 1981). Her general logic of the argument is somewhat similar to that of Hobson's.

In 1915, Bukharin's treatise on imperialism was published. In his treatise Bukharin saw imperialism as an advanced state of capitalism; a stage when the world economy becomes a system of exchange of relations and production relations on a world scale. In the world economy which is related to imperialism, trusts and cartels, as the highest forms of capitalist organizations (i.e., capitalist monopoly organizations) operate at an international level. This phase is marked by uneven development which manifests differences in the productive forces of various countries. Imperialism is the result of transcendence of national boundaries to capture three spheres of the world economy: the market for raw materials and markets for exports of goods and capital. He viewed the logic of imperialism in the structure of finance capital which, it was argued, tends to subjugate the world to its domination.

In his theory of imperialism, Lenin (1971) analyzed several
structural changes in the process of capitalist development in the metropolitan countries which accounted for the emergence of capitalist imperialism as a new stage of capitalism. The principal symbiotic structural changes are: (a) monopolization of the economy, i.e., the rapid concentration of production in large industrial monopolies, which generates a tremendous amount of surplus capital, and (b) the transformation of industrial capital into a new financial oligarchy, i.e., domination of finance capital through new roles assumed by banks, which now assume control over money, raw materials and means of production. Under the new capitalism, monopoly capitalism, capital is exported. The export of capital is associated with uneven development and the accumulation of a surplus of capital in the metropolitan nations under the control of a financial oligarchy of bankers.

In short, in an effort to give a definition of imperialism in the new era of capitalist development, Lenin (1971) enumerated the following five essential features:

(1) The concentration of production and capital had developed to such a high stage that it has created monopolies which play a decisive role in economic life; (2) the merging of bank capital with industrial capital, and the creation on the basis of these "finance capital", of a financial oligarchy; (3) the export of capital as distinguished from the export of commodities acquires exceptional importance; (4) the formation of international monopolist capitalist associations which share the world among themselves; and (5) the territorial division of the whole world among the biggest capitalist powers is completed. (p. 233)

Having relied on theories of imperialism, as a point of departure, dependency theorists argue that theorists of imperialism had little interest, in their studies to analyze the effects of imperialism on the socio-economic structures of the Third World countries; rather
their interests laid in the causes of imperialism in the metropolitan countries.³

The second intellectual antecedents of dependency theories is "the tradition of structuralism". This approach was formulated in the 1950's and is associated with scholars such as C. Myrdal, R. Prebisch, and some economists of the United Nations Economic Commission for Latin America (ECLA) (Petras & Trachte, 1978). This approach is based primarily on the historical observation that on the one hand, the Third World countries have depended on the export of raw materials and agricultural commodities in their pursuit of development; and on the other hand, as income increases, technological progress has relatively reduced the importance of primary products. In other words, the basic concern of structuralists, has been with the manner in which the central countries have maintained a pattern of exchange that systematically benefits them at the expense of peripheral countries.

Prebisch (Petras & Trachte, 1978), as the main protagonist of "the tradition of structuralism", was mostly concerned with a long-term deterioration of the terms of trade for the primary products exported by periphery. Three major reasons were advanced to explain this trend:

1. Inelastic demand for primary products in the metropolitan markets has led to a decline in prices (rather than to an increase in consumption) via an increase in peripheral productivity; whereas elastic demand for manufactured goods (produced in the center), particularly in the periphery did not lead to any decreases in prices via an increase in central productivity.

2. While the existence of the effective labor organizations and

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monopolies in the center permitted increased productivity to be retained in the form of higher wages and profits, in the periphery, the lack of these organizations, along with the existence of a competitive international market for raw materials led from increased productivity to a decline in prices.

3. It was also argued that the price of primary products tends to fall because of competition from synthetics and substitutes developed in the metropolitan countries (Petras & Trachte, 1978).

The structuralists have proposed several strategies for development in LDCs such as: (a) import substitution industrialization (ISI) based on self-reliance, (b) encouragement of developed countries to become more open to manufactured imports from LDCs (e.g., through non-reciprocal tariff preferences on LDC manufacturers), and (c) encouragement of trade among LDCs, etc.

Retaining the basic argument of the structuralists, dependency theorists tend to go beyond this approach by broadening their focus of analysis.

Dependency and Underdevelopment

As was already pointed out, there has been an extensive theoretical literature on the dependency paradigm, to the extent that if not impossible, it is very difficult to give a unified picture of the perspective. One thing which is common to almost all dependency theorists is their tendency to insist that the problem of "underdevelopment" is at heart political and sociological and so are its solutions. This tendency has led dependency theorists to seek to furnish a
sociological framework for the interpretation of Third World history. That is why some researchers tend to regard the whole enterprise of research and studies under this perspective as the sociology of dependency.

Four basic modes of relationship, so to speak, are dealt with within the paradigm of dependency: dependency, class exploitation, internal colonialism and marginality. The first mode of relationship has a salient place in the works of dependency theorists, whereas, the rest of the relationships have a peripheral status to the first one. Accordingly, in the following discussion of these four modes of relationships, prime emphasis will be given to the dependency relationship.

The term dependency is frequently used both by dependency theorists and by non-dependency theorists who are concerned, one way or another, with international relationships. Despite the fact that this term is so popular, some scholars charge that the term dependency suffers a lack of conceptual clarity and precision (Lall, 1975).

Duvall (1978) saw that part of this problem resides in the fact that the meaning of the term has different conceptual bases, and part of the problem is related to the way each scholarly tradition deals with this term. Duvall (1978) explained that dependence etymologically "means a process or state of hanging from" (p. 61). Then he added, "But historically two distinct senses of the state of hanging from have developed in conventional usage" (p. 61). The first one was used to refer to "a state of subordination or subject relationship" (p. 61). Duvall (1978) suggested that these two basic meanings
of the term could be found in the various definitions provided for dependency in the literature.

He also distinguished three scholarly traditions, each of which uses the term dependence with its own "language". The first one is the dependencia theorists, who are largely from the Third World. The methodological language and theoretical orientation of this tradition is dialectical, historical, structural, and holistic. Dos Santos, who comes from this language tradition, offered a well known definition for this term:

By independence we mean a situation in which the economy of certain countries is conditioned by the development and expansion of another economy. . . . The relation of interdependence between two or more economies. . . . Assumes the form of dependence when some countries . . . can expand and can be self-starting, while other countries . . . can do this only as a reflection of that expansion, which can have either positive or negative effects on their immediate development. (Duvall, 1978, p. 56)

The second tradition can be distinguished from the first one by its rigorous empiricism. While in the first tradition, dependence is conceived as a situation of structural asymmetry; in the second tradition dependence is understood as "the extent to which value attainment is controlled externally and especially as the control is concentrated in the single entity" (Duvall, 1978, p. 59).

In the Third World tradition which shares some aspects of the other two, dependence is perceived as relational control. That is to say, a relation in which a purposeful system affects another system, by specific means.

In any case, the fundamental common element in various definitions
of dependency is the asymmetricality of relationship. This asymmetricality in the international relations can manifest itself in various forms. It can range from direct military force, through overt political subjugation (i.e., colonialism) to covert economic forms of power and structural influence (Chase-Dunn, 1975). All these forms of dependency, which are interrelated have one ultimate impetus, and that is economic motivation which can be confounded with some intervening factors such as cultural or strategic ones.

The general key proposition of the dependency school is that metropolitan capitalism stunts or blocks the autonomous capitalist development of the periphery. Within this school, this general proposition has two main formulations. The two formulations will be examined later on. Concerning the general proposition, dependency theorists with various qualifications propose a number of mechanisms by which dependency has retarded autonomous development in the peripheral countries. Some of the major mechanisms, which can fall into three general categories, will now be discussed.

1. Decapitalization or capital drain. Some dependency theorists such as Baran (1959), Amin (1974, 1976), Frank (1969, 1972) and Magdoff (1978), maintain that the dependency of peripheral countries to core countries produces a real flow of surplus (or resources) away from the former countries to the latter ones. This decapitalization can take three general forms: overt form of the transfer of wealth through foreign investment and foreign loans, unfavorable terms of trade and hidden transfer of value through unequal exchange.

Referring to a certain body of data dependency theorists argue
that export of capital, either in the form of direct investment or in the form of loan or aid, to the periphery does not overcome the capital shortage, but, in the final analysis, it aggravates the situation through repatriation of profits, interests, fees, and services. Critics of this argument contend the reverse. By using a different body of data, for a specific period of time, critics try to show that the real direction of flow of capital is away from MDCs to LDCs. Szymanski (1981, pp. 301-306), for example, argues that even though, in 1977, LDCs received $78 billion, as total input in the forms of direct and indirect investments and new private loans, and the same year these countries, i.e., LDCs, transferred for a total of $114.8 billion to the developed capitalist countries, in the forms of interest and principal payments for loans, repartiated profits on indirect investments, royalties, fees and so forth, that is, a net transfer of $36.8 billion from the LDCs to the developed countries; yet, this net transfer, per se, does not say very much. Having relied on the statistics on flow of funds between the advanced capitalist countries and the OPEC and non-OPEC countries, Szymanski tries to show that the direction of overall wealth transfer in the world capitalist system as a whole is either from MDCs to LDCs (namely, non-OPEC countries) or it is negligible (in the case of Africa). He suggests that the net transfer of $36.8 billion (from LDC's to MDC's) originates in the Middle East where oil producing countries radically increased their revenues from petroleum. And since these countries did not have the capacity to absorb this high amount of revenue, they deposited it in the Western banks. In reaction to Szymanski's conclusion, one can
argue that the net flow of funds from advanced capitalist countries to the non-OPEC countries could be the result of recycling of petrodollars originated in the peripheral countries (and not in the core countries) but in the possession of core countries with tremendous power that this possession brings with itself once it is retransferred to the peripheral countries. Amin (1976) tended to put the issue into a broader perspective by stating:

History shows that the dynamic of foreign investment leads to a reversal in the balance of flows, with the backflow of profits eventually exceeding the inflow of capital. It also shows that the dynamic of foreign investment is very different in the young capitalist countries . . . . This was not the situation of the countries of periphery, which never arrived at the stage of exporting capital, but only passed from being "young borrowers" (which the inflow of capital exceeding the outflow of profits) to being "old borrowers" (with the outflow of profits exceeding the inflow of capital). The date at which the turning point was reached varied, of course, from country to country. (pp. 248-249)

Terms of trade became first the source of concern for ECLA. Having relied on the available evidence ECLA argued that the terms of trade had been declining to the disadvantage of Latin American nations since about 1870. This implied that every quantum of Latin American exports brought in return a smaller and smaller quantum of imports of manufactured goods from the industrialized countries. The ECLA thesis was somewhat similar to Prebisch's argument mentioned previously. The ECLA thesis, with some modifications, was later applied to other Third World countries. Moreover, it provided the ground for the unequal exchange thesis. In any case, so far as the relative movement in gain or loss over the long time between central countries and peripheral countries is concerned, the terms of trade moved
against the latter in favor of the former roughly from 1870 to 1960, by 25 percent (Szymanski, 1981, p. 313). Between 1960 and 1972 the terms of trade between these two groups of countries remained stable. Between 1972 and 1974, the terms of trade for the Third World countries, particularly OPEC countries, improved considerably. From 1974 to 1978, "the terms of trade of all underdeveloped countries including the oil exporting ones, declined by 15 percent, representing a foreign exchange loss of $30 billion in 1978) (Frank, 1980, p. 283).

Several theorists—such as Emmanuel (1972), Amin (1974, 1976, 1980), Mandel (1975), Taylor (1979), Frank (1981), and others (most of them as the proponents of the dependency perspective)—have contended that the market prices of core-periphery exchange contain a hidden transfer of value from the periphery to the core.

Emmanuel's thesis (1972) which has provoked heated debate among developmental analysts, is based on two assumptions: (a) mobility of capital at the international level, and (b) a historically given divergence of wage costs with wage costs being higher in the center than in the periphery. Relying on these assumptions, Emmanuel argued that there is a hidden transfer of value in the exchange of commodities between the core and periphery, at the expense of the latter one. Later on Amin (1974, 1976) elaborated The Emmanuel's Thesis, and expounded that depressed wages, in the periphery, are the result of the conditions under which capital breaks down the backward sector and releases thereby a mass surplus labor, without involving them directly in the process of capitalist production (this is what he called the policy of primitive accumulation). He maintained that unequal exchange
occurs, at the same level of productivity, as the result of wage differential structures in the periphery and in the metropolis. In any event, several arguments concerning the thesis of unequal exchange (based on the theory of labor value) have been advanced. Yet, what they have in common is a proposition that labor is unequally rewarded in the core and in the periphery and hence the exchange of commodities carries with it an unequal exchange of labor (or value).

2. Suppression of autonomous class action. Some dependency theorists have contended that dependence subverts autonomous development and even blocks it via its suppression of autonomous class action in the periphery. In this respect, several views have been held.

Baran (1957) suggested that dependence tends to prevent the emergence of indigenous industrial bourgeoisie (domestic manufacturing) by having merchants or commercial capital (according to their class interests) co-opted by foreign capital, in alliance with the landed class. According to Baran, the comparador bourgeoisie in alliance with the landowning class prevent, for example, the introduction of tariffs which can protect domestic infant industries against foreign competition. Frank (1969, 1972) argued that the surplus value drained off the periphery was made possible through class complicity. It is this class complicity which can, at least, partially explain the failure of an autonomous capitalist development.

Sunkei (1973) believed that transnational capitalism generates a dual process of polarization with the periphery by establishing an international sector within the periphery. The international sector can function at the expense of the rest of the economy (or at the
expense of national interest as a whole) through the collaboration of those "elite groups" localized in the international sector with center states and transnational corporations.

Wallerstein (1976) claimed that different class structures have an unequal potential for development; and each concrete class structure is virtually determined by world capitalist logic. He maintained that the early assignment of some countries to the production of primary products for export led to the domination of these countries by parasitic, nonentrepreneurial elites.

Amin (1980) also argues that the local exploiting classes are the intermediaries or the junior partners with foreign capital. According to Amin:

In turn, these alliances have brought about, on the one hand, the reproduction of precapitalist relations and on the other, distortion in the development of capitalism based on the unequal international division of labor. This is why historical development has generally not destroyed precapitalist modes (while development in the center has by and large broken them up) buy on the contrary, has reproduced them by subjecting them. (p. 163)

Alavi (1982) holds this view that foreign capital opposed the development of the local industrial bourgeoisie as its rival "but at the same time, in so far as it does develop, certain sections of foreign capital (especially those engaged in high technology industries) will seek a collaborative relationship with it" (p. 297).

3. Structural blockage. A good number of dependency theorists expound that dependency disarticulates the economic structure of the periphery and thereby impedes its national (or autocentric) development (Frank, 1969; Galtung, 1971; Amin, 1976; Evans, 1979; Delacroix
The central argument maintains that unequal international specialization (e.g., specialization in primary production) and domination of foreign capital undermines the integration of the peripheral economy by linking the different areas and sectors of the country with the core economies, rather than with one another. In a bifurcated or disarticulated economy, different areas, sectors, or even firms are not "organizally" connected to each other in the same way as they are in an autocentric economy. To put it in a simple way, in the periphery, the economy suffers the weakness of forward and backward linkages between its different parts and sectors, mostly because of its specialization in primary production (low differentiation) and its outward orientation (low integration). In contrast to a developed economy, in an underdeveloped economy the mechanism of the multiplier effect does not work properly. That is to say, the demand generated by one part or a sector of the internal market is not responded to by another part or sector of the same internal market, rather it is responded to from the center. Amin (1976) argued that in advanced economy, as an integrated whole, there is fairly high communication between different sectors. In contrast to this economy, Amin (1976) maintained:

The underdeveloped economy is made up of sectors, of firms that are juxtaposed and not highly integrated among themselves, but are each of them strongly integrated into entities, the centers of gravity of which lie in the centers of the capitalist world. What we have here is not a nation, in the economic sense of the word, with an integrated internal market. (p. 238)

Concerning the structural blockage in the periphery, Delacroix and Ragin (1981) deviate slightly from the core argument, by focusing on the conceptions of societal division of labor and workshop division.
of labor. They suggest that distinction between these two concepts is germane to the structural blockage argument. Following Marx, the authors consider the "division of labor in the workshop" as the core of the factory system; it involves "the sequential division of production in the work site under one authority" (Delacroix & Ragin, 1981, p. 1312). The workshop division of labor is argued to be conducive to the acceleration of the generation of surplus value. For them, the societal division of labor "involves the movement of commodities (i.e., merchandise that changes hand commercially) from one workshop to another (e.g., from the farm to the factory). The movement of commodities in the societal division of labor entails ownership, authority, and spatial discontinuities" (Delacroix & Ragin, 1981, p. 1313). The authors mention that the workshop division of labor is the contribution of capitalism, whereas the societal division of labor is, according to Marx, "common to all economic formations" (p. 1313). Delacroix and his associate assert that societal division of labor promotes development via stimulating expansion of the general internal structural differentiation. They hold that certain forms of participation (e.g., specialization in the production for export of few primary products) can block structural differentiation and thereby stunt development; yet, at the same time, the same participation may facilitate increased capital accumulation through the workshop division of labor.

As was pointed out before, the general key proposition of the dependency school has two formulations. The first is best manifested in Frank's concept of the "development of underdevelopment" and the
second one is represented in the concept of the "dependent development".

The first formulation tends to see the roots of the problem in the drain of capital and resources from the periphery to the core. In his historical analysis of Latin American countries, Frank (1969) put forward several premises. For Frank, underdevelopment is not traditional. In other words, the now underdeveloped countries may once have been undeveloped; but not underdeveloped. Underdevelopment is rather a new phenomenon which is associated with the capitalist era. It is a consequence of the relationships between the now capitalist developed countries and the capitalist satellite countries. According to Frank, these types of relationships which are manifested at an international level are also found at intra-national levels. An exploitative chain of metropoles and satellites links all parts of the world system from the metropolitan center down to the hinterland of the backward countries. Furthermore, through these connections, the development of the subordinate metropoles is limited by their satellite status.

It is, perhaps, safe to say that the world system theory (WST) advanced by Wallerstein is the extension of that version of the dependency school represented by Frank's concept of the "development of underdevelopment".

The novelty of WST lies in its choice of the primary unit of analysis— the world system, as a single integrated capitalist unit. Wallerstain (1979) defined capitalism as did Frank as production for the market, rather than as the mode of production in which labor becomes
commodified. Basing his historical sociology on this definition, Wallerstein suggests that the world has been a unified unit, from the moment Western European capitalism emerged. According to Wallerstein (1976, 1979) the modern world system is composed of three structural positions: core, semiperiphery and periphery. This trichotomization of world zones is not merely descriptive. It implies an international division of labor in which the core is linked to the periphery and semiperiphery in dynamic and exploitative ways (Snyder & Kick, 1979). According to WST the components of the world capitalist system are related by relations of exchange. In other words, the world system is self-regulated via trade as the lifeblood of capitalism and the "rational" market as its brain trust. The WST tends to read every event occurring at the national level in accordance with the world system logic, and the structural position of the given nation in the global system. This theory does not see any basic differences between socialist societies and capitalist societies; and regards them as members of the same integrated whole, i.e., world capitalist system.

The second formulation of the dependency school is best reflected in the works of Cardoso (1982), Evans (1979), and Dos Santos (1971). These three authors took exception to Frank's emphasis on surplus extraction as the main cause of underdevelopment. In contrast to Frank, Cardoso does not consider dependency, monopoly capitalism and development as contradictory terms. For him, foreign investment is no longer a simple zero-sum game of exploitation, as was the case in classical imperialism. He argued that dependent countries are not
destined to stagnation because of their dependency. But what they experience as growth, can be characterized as dependent development. He tends to see the driving force for such dependent development as the injection of industrial capital into peripheral economies. To this, the new international division of labor should be added, which puts a dynamic element into operation in the internal market. He views the new changes at the international level as the result of the growth of multinational corporations.

Dos Santos (1971) distinguished different types of dependency. Colonial dependency is featured by relations between Europeans and the colonies whereby a monopoly of trade complemented a monopoly of land, mines and manpower in the colonized countries. At the end of the 19th century financial industrial dependency came into existence; it is featured both by domination of capital coming from the center and by investment of capital in the colonies for raw materials and agricultural products which would be exported to the center. And finally, the new dependency, which emerged after World War II. The new dependency is based on investment by transnational corporations. In contrast to earlier types of dependency, it is production for an internal market which characterizes the new dependency, a condition based on direct industrial investment.

Evans (1979) distinguished between classic dependence and dependent development. Dependent development is marked by the movement of industrial production from the center to the periphery. Though the relations of production that have characterized the old system are not overthrown; they are even extended. According to Evans (1979):
Dependent development implies both the accumulation of capital and some degree of industrialization on the periphery. Dependent development is a special instance of dependency, characterized by the association or alliance of international and local capital. The state also joins the alliance as an active partner, and the resulting triple alliance is a fundamental factor in the emergence of dependent development. . . . Dependent development is not a phase that all peripheral countries will be able to reach. Only a few are chosen. (pp. 32-33)

Evans argues that industrialization within the framework of dependent development is not a panacea. In fact, industrialized dependent development did not solve any fundamental problems of classic dependence. Instead it created some additional problems. It excludes the masses from political and economic participation, and it aggravates social inequality. Moreover, the exclusion of masses as a prerequisite for this type of "development" requires political repression.

Dependency and Social Inequality

Dependency theorists maintain that dependency generates high levels of inequality in the Third World countries (Frank, 1969; Dos Santos, 1970; Galtung, 1971; Sunkel, 1973; Chase-Dunn, 1975; Amin, 1976; Evans, 1979; Evans & Timberlake, 1980). Some of these theorists tend to distinguish several dimensions for inequality, i.e., inequality along class lines, sector inequality (or marginalization) and regional or spatial inequality (i.e., sort of internal colonialism). Although this distinction is conceptually ambiguous and not theoretically well grounded, yet, it has some theoretical and political implications.

Those who make such distinctions tend to extend the analysis of
class exploitation to other social categories such as marginal actors or regions, etc. As was already pointed out, Frank (1969) expounded a whole chain of exploitative relationships that connect all parts of the world system. This chain of exploitative relations is extended within the periphery. In other words, it is center-periphery relations that account for the high level of inequality within the periphery.

Cockraft et al. argued that "integration into the international system divides the class structure distributing relative privileges and social rewards to some classes and excluding others" (Koo, 1980, p. 57).

Galtung (1971) considered the world consisting of center and periphery nations and also each nation as consisting of center and periphery. For Galtung, the main problem of the global system is the tremendous inequality both within and between nations. He further argued that there is a harmony of interest between the center in the center nation and the center in the periphery nation. There is a disharmony of interest between the periphery in the center nation and the periphery in the periphery nation. There is also a greater disharmony of interest within the periphery nation than within the center nation. The disharmony and inequality both between and within the nations are seen to be the impact of the "imperialism" as the special system of dominance.

Sunkel (1973) regarded underdevelopment and development, historically, as "simultaneous process which have been linked in a functional way, that is, which have interacted and conditioned themselves mutually" (p. 136). Then he postulated that this has led over a period of time to two types of polarization—a polarization between central and
Peripheral countries and "a polarization within countries, between advanced and modern groups, regions, and activities, and backwards, primitive, marginal, and dependent groups, regions, and activities" (p. 136). It is further maintained that those who are segregated from the advanced sector or "internationalized sector" suffer unemployment, underemployment and poverty. This is seen mainly because of extraction of surplus from the informal sector to the "internationalized sector".

Amin (1976) suggested that increasing inequality in the distribution of income is due to the constant spread of marginalization (i.e., unemployment and underemployment). Marginalization is seen to be associated with the "hypertrophy" of the tertiary sector. Amin contended that the integration of the Third World countries into the international capital market can explain the phenomenon of the "hypertrophy" of the tertiary sector. He maintained that the integration entails three consequences: (a) industries of the center divert local capital into "complementary activities connected with the export economy, especially commerce" (Amin, 1976, p. 245); (b) the hypertrophy of the tertiary sector such as petty trading with low productivity "is a manifestation of concealed unemployment resulting from the process of marginalization" (p. 245); and (c) distortion in the distribution of land and commercialization of agricultural products for export, strengthens the "position of ground rent". This in turn leads to a distortion in favor of certain tertiary activities (e.g., personal services).

Dependency theorists have provided different historical and empirical evidences to support their claim that dependency enhances social inequality, yet, their argument suffers from a certain degree of
abstractness vis-a-vis their failure to identify the specific mechanism(s) that account(s) for the connection between dependence and increasing social inequality.

Having admitted this shortcoming, Evans and Timberlake (1980), in their comparative study, associate (like Amin) higher levels of inequality with the growth of the service sector. They hypothesize that dependence on foreign capital would lead to the growth of the tertiary sector; and in turn, the growth of this sector increases the level of income inequality.

However, the whole process which connects dependency and inequality can tentatively be summarized as follows:

1. Foreign capital, namely TNCs, tends to promote adoption of capital-intensive technology in the periphery. This can simply destroy jobs.

2. Dependency distorts the labor force structure in favor of the service sector and at the expense of the secondary sector. Adoption of capital-intensive technology lessens the capacity of the secondary sector to absorb labor force.

3. Migration of people from rural areas to urban areas through the mechanism of pull and push is another factor. This mechanism is intensified by the participation of foreign capital in agriculture and the application of capital-intensive techniques. Rural citizens come to the city and engage in the urban tertiary sector (mostly in marginal jobs). Those who are employed at the bottom of the tertiary sector, are readily available to take the jobs away from the unskilled and semi-skilled workers in the secondary sector. This can undermine
the bargaining position of the workers in the secondary sectors (Evans et al., 1980). Furthermore, the engagement of the rural population in marginal jobs, e.g., petty trading, can subsidize the costs of capitalist enterprises, enabling them to impose low wages on their own labor.

Koo (1981), in his case-study of inequality in South Korea, aptly concludes that what determines ultimately the inequality is the class position and not the sectoral position; though this inequality is magnified by dependency. In other words, "it is class relations rather than sectoral relations that have the greatest impact on the life changes of individuals" (p. 72). Koo (1981) further concludes that:

It is true that the greatest privileges in dependent economies accrue to large capitalists and managers of enterprises which are intimately tied to metropolitan capital, whereas the greatest deprivation falls on those who have the remotest relations with the dynamism of internationalized economies. It is not simply participation or non-participation, however, which is the most important in understanding the nature of inequality in such societies. Rather it is the division of labor in the total organization of production, i.e., class position, that ultimately determines people's life chances and opportunities. (p. 72)

In his recent study of the crisis in the Third World, Frank's observation is not incompatible with Koo's findings. However, Frank pursues a somewhat different line of reasoning. Frank (1981) believes that it is the capital accumulation crisis on an international scale that has aggravated inequality and the superexploitation of the poorest groups. His thesis is that once the center faces the crisis of accumulation, such as the one in the 1970's, capital resorts to increased exploitation and superexploitation somewhere in the world.
Here, he is primarily concerned with those countries that have been pursuing the policy of export promotion, countries such as South Korea, Brazil, Mexico, Singapore, etc.

Export promotion is seen as the new order of the day in the international division of labor. In contrast to import substitution that needs an internal market and thereby requires extension of purchasing power at home, export promotion needs an external market and thereby requires the minimum of the cost of production in order to be able to compete at international level. Under the policy of export promotion, the state as the junior partner of international capital, limits its expenditures on employment and welfare programs, and at the same time, it subsidizes infrastructure and utilities in favor of capital. The bottom line is that the payment of labor power is below its value, the phenomenon called as "superexploitation".

Regarding superexploitation, Frank (1981) summates his findings as follows:

In some Third World export promoting countries, most notably South Korea, weekly working hours are twice as long as in the industrial countries of the West, and annual working time is 50 percent higher. Capital's literal exhaustion of workers, particularly young women, is rendered possible by rapid rotation: workers whose productivity declines are rapidly replaced by a new supply of virgin workers. Wage rates in the south are as low as one-tenth those in the West, although labor productivity if often nearly equal and sometimes higher in equivalent productive activities in the Third World. These cost differentials help to stem the decline of profits during the world economic crisis. (p. 157)

According to Frank, superexploitation of labor in the Third World is increasing. Following Marx, Frank (1981) defines superexploitation as appropriation of surplus value produced by labor plus appropriation
of part of labor value (i.e., part of the necessary consumption fund workers need to sustain and reproduce labor power). Then he raises the question as to how, in view of superexploitation (i.e., wages below labor value), the worker can reproduce their labor power. His response is based on this fact that in the Third World, superexploitation is possible through continuing primary (or primitive) accumulation. Frank adopts the definition of primitive accumulation from Meillassoux for whom the concept means "the accumulation that comes from the transfer of value from one mode of production to another" (Frank, 1981, p. 159). In the case of superexploitation in the Third World, it is argued that that part of labor value which is appropriated by capital, is borne through precapitalist relations of production. That is to say, the low wages (below the labor value) are practically subsidized by workers' families and others, who are thereby exploited indirectly.

A Critical Overview

The dependency perspective has made a remarkable contribution to the understanding of the problem of underdevelopment or dependent development by: (a) challenging the conventional theories of development and thereby revealing their major weaknesses and shortcomings, and (b) treating the phenomenon of underdevelopment within the global context in a somewhat dialectical fashion. Amin, as the major protagonist of this perspective, goes so far as to portray it as "the most important body of work in social science of our time" (Veltmeyer, 1980, p. 139).
Nevertheless, the dependency perspective, in its current state, is still susceptible to criticism. The most crucial points of criticism will be discussed briefly.

1. As the review of the literature on this perspective indicated, there is still lack of a unified body of dependency theory. It seems that such a lack stems from two factors: (a) heterogeneity of the intellectual antecedents to the dependency perspective and (b) lack of conceptual clarity in the works of dependency writers.

2. The most telling criticism has been made against that segment of dependency theorists who confuse capitalism with commodity production (Foster-Carter, 1976; Cueva, 1976; Laclau, 1979; Taylor, 1979; Navarro, 1982). Representative figures among this group of dependency theorists are Frank and Wallerstein. Critics aptly argue that Frank and Wallerstein, together with their theoretical followers have based their conceptual definition of capitalism on the criterion of exchange relations (namely, production for the market) and failed to include in their definition the criterion of production relations (namely, wage labor) as well.

3. One of the repercussions of such conceptual definition has been a one-sided focus of analysis in the sphere of circulation, i.e., regarding market exchange as a determining factor in the mode of production. That is to say, dependency theorists have tended to overlook class relations and the role of classes both within and between social formations.

4. Overall, the dependency perspective suffers from a certain degree of abstractness vis-a-vis universalism. It has usually been
employed in abstract and generalized terms. In order to transcend its current state, it needs to take into account further the dialectics of particularity and universality. Such a consideration would not let the perspective fit the Third World into an inflexible mold. Instead it would let it be open to new dynamics.

5. An excessive economic determinism can be found in the interpretation of some dependency writers. The excessive determinism is more visible in the works of Wallerstein, where his interpretations and arguments rest primarily on the concept of Kondratieff waves; and it is reinforced by his undervaluation of the role of class politics and ideology. To this might be added Wallerstein's systemic logic which lends itself to a functionalist teleology in which events occur because there was a systemic need for them to occur.

Conception of the State

Dependency theorists tend to regard the state as a class category, that is, the state operates within the constraints of a given class structure. Their positions on the state are, somewhat, in accordance either with the instrumentalist conception of the state or structuralist conception of the state or both. These two conceptions were originally formulated for the state in advanced capitalist countries (Miliband, 1977; Poulantzas, 1978).

The instrumentalist thesis is based on the instrumentalist interpretation, of the state as an executive committee for managing the affairs of the bourgeoisie in Marx and Engels. The state is simply conceived as an instrument of the dominant class which intervenes in
its functioning through direct recruitment into important positions of state power or through such means as lobbying, special relations with Congressional body, control of the media, etc.

The structuralist position, as stated by Poulantzas, is that the state is constrained by its position within a given social formation to maintain that social formation. He focused on the state mechanisms of repression and ideology and the way they reproduce an ordered structure for capitalism. In line with the Althusserian structuralist perspective, Poulantzas believed that the structure of society rather than influential people determines the function of the state. He suggested that the capitalist state needs a certain degree of functional autonomy, in order to serve effectively the different interests of the different factions of the ruling class.

Dependency theorists tend to admit that the mere extension of the discussion and application of the conception of the state for the advanced capitalist countries into the peripheral capitalist context is theoretically inadequate mainly because of dissimilarities in class structure between the center and the periphery. The main dissimilarities lies in the fact that in the center capitalist development is almost complete, i.e., the central social formation consists of only one mode of production and it is the capitalist one; whereas, in the periphery, the social formation consists of more than one mode of production. This means that in the periphery there is a plurality of dominant classes which come from different modes of production. In fact, it is this plurality of dominant classes that makes the problem of formulation of the concept of the state in the periphery more complex.
than in advanced capitalist countries. Despite a relative awareness on such dissimilarity among dependency theorists, little attempt has been made in order to arrive into a conception of the state for the peripheral countries.

Some dependency writers have a crude instrumentalist notion of the state in the periphery. Tandon believes that "the peripheral state is nothing more than an administration, an excrescence of the dominant state" (Amin, 1980, p. 174). As Amin correctly puts it, this simplifying thesis does not allow one to understand the differences among different types of the state with different class contents in the peripheral countries.

Frank's conception of the state is somewhat instrumentalist, though, he affirms certain degree of autonomy for the peripheral state, which is primarily functional. Frank (1981) claims that the peripheral state is a mediator between national capital, labor and international capital. It is also argued that as a dependent state, the peripheral state "does so substantially to the benefit of international capital at the relative cost to national capital and at the absolute sacrifice of local level" (Frank, 1981, p. 231).

Regarding African states, Frank argues that most of the African states are more "postcolonial" than "ex-colonial". That is to say, there is not yet an equilibrium between metropolitan bourgeoisie and local bourgeoisie. In this respect, Frank (1981) maintains that "inasmuch as state power is the source of collective and personal enrichment in Africa, precisely because of the state's crucial triangulation or mediation with imperialist capital, competition for state power in the
local corner of the triangle is fierce and violent" (p. 236). It is further argued that this competition often relies on military power as the decisive factor in determining who will use the armed forces and thereby the state. This passage indicates that Frank tends to see a sort of bureaucratic autonomy for the state (which is similar to the notion of state— for itself) in a limited sense, in addition to the instrumental (or functional) state autonomy. He seeks the cause of the increasing intervention of the state in the Third World in the crisis in the world capital accumulation process where the principal contradiction remains between international and national capital and the state on the one hand and labor in its various forms and groups on the other hand. According to Frank (1981) "it is in the management of this principal conflict and its resolution in favor of capital that the bourgeoisie and bureaucratic state in almost all Third World countries is called upon to intervene most actively" (pp. 246-247).

In his treatment of the state, Wallerstein (1976, 1979) is less concerned with its class content than its role. It is the structural position of the country in the world economy, that determines the class content and the strength of the state. For Wallerstein (1979) the fundamental role that the state as an institution in the capitalist economy plays "is to augment the advantage of some against others in the market" (p. 291). Wallerstein (1979) suggested that it is virtually impossible for all states to develop simultaneously within a capitalist world-economy; since "the system functions by virtue of having unequal core and peripheral regions" (p. 61). Concerning the strength of the state, Wallerstein provided this proposition: "The stronger the state
machinery, the more its ability to distort the world market in favor of the interests it represents" (p. 61). While Wallerstein places emphasis on the difference between the greater state strength of the core areas and the lesser state strength of peripheral zone, yet, he sees an overall increasing strength of the states throughout the world. According to Wallerstein (1980), this phenomenon can be explained by the "pressures" generated through the cyclical mechanism of the world capitalist economy. In this respect, Wallerstein (1980) states: "hence over time, and particularly in period of stagnation, state machineries, in all parts of the world have in fact been systematically articulated and strengthened" (p. 170). His conception of the state seems to be instrumentalist; for Wallerstein (1979) affirmed that "the formula of the state as 'executive committee of the ruling class' is only valid, therefore, if you bear in mind that executive committees are never mere reflections of the wills of their constituents" (p. 20). He would appear to suggest that the state enjoys a relative autonomy either functional or bureaucratic or both.

At this juncture, it might be useful to deal with the concept of "relative autonomy" since it has been treated in a somewhat ambiguous way by various writers.

State autonomy generally refers to the independency of the state apparatus from the influence of the dominant class. There are three basic positions on the question of state autonomy among those who consider the state, one way or another, as a class category. First, instrumental or functional state autonomy means that the state acts independently of direct influence by the dominant class, yet, in
accordance with overall interests of this class. Second, bureaucratic autonomy (or state-for itself) means that those who control the state apparatus are able to use it to pursue their own specific interests, to the extent that state interests do not conflict with dominant class interests. The third conception of the state autonomy suggests that "structural" state autonomy exists only if the state acts in opposition to the interests of the dominant class.

Skocpol would appear to be advocating the third conception of the state autonomy though with some sort of reservation. Skocpol (1979) suggested that structural state autonomy might occur when the dominant class is weakened as a result of either internal crisis or external crisis.

In their study of the nature and the role of the state in Latin America, Horowitz and Trimberger (1976), as the sympathetic critics of the dependency perspective, went so far as to argue that national capitalism and socialism can advance only once the state breaks down class barriers. That is to say, it acts, if necessary, against the interests of the ruling class. They distinguish three patterns of development: state initiated national capitalist development, organized by autonomous military and civil bureaucrats who gain power through "revolution from above"; state initiated dependent capitalist development, sponsored by a coalition of military and civil bureaucrats who have broken the power of the landed oligarchy, but in line with the interests of that sector of bourgeoisie tied to international capital; and state directed socialist development, led by autonomous civil and military bureaucrats who gain power through mass revolution and...
usually destroy the landed class and national bourgeoisie, and seize all foreign investments.

Their argument suggests a sort of structural state autonomy. It is based on the premise that "control of the governing apparatus is a source of power independent of that held by a class through its control over the means of production" (Horowitz & Trimberger, 1976, pp. 226-227). And this, in turn, is based on an unfounded a priori presumption, i.e., that the mode of class representation is non-existent within the state apparatus either by class origin or by class affiliation.

In his influential article, "The State in Postcolonial Societies: Pakistan and Bangladesh," Alavi (1972) affirmed that the post-colonial state enjoys a distinct relative autonomy by virtue of its direct involvement in the economy. Yet, this distinct relative autonomy is not considered as a structural one. He believed that the relatively underdeveloped ruling classes inherit an "overdeveloped" state apparatus (namely, a strong military and administrative base) through which the colonial power had ruled. After independence the overdeveloped state assumes a certain degree of autonomy and appropriates a large share of the economic surplus.

The central proposition, Alavi (1972) set forth, is that the post-colonial state is not the instrument of a single class. It is a mediator of the competing interests of the three propertied classes: the metropolitan bourgeoisie, the indigenous bourgeoisie and the landed classes; it also acts on behalf of these classes to preserve the social order in which their interests are embedded.

Recently, Alavi (1982) has come up with a more promising formulation
of the peripheral state. He sketches his formulation of the state along four levels (i.e., in terms of generality).

At the first level, the most general one, he is concerned with the central role of the state. At this level it is asserted that the fundamental role of the state is to maintain the organization of prerequisites of the capitalist social order.

At the second level, the concern is about the instrumental character of the state and its nature. Here, Alavi expounds his concept of the "structural imperative". He reminds us that this concept is not to be conceived of as being as "deterministic" as it sounds. In fact, by using this concept, Alavi (1982) tries to pinpoint "the degree of freedom, and deviations from the requirements and the demands of capital, in the working of the state under (peripheral) capitalism" (p. 294). What he appears to be suggesting is that neither the action of capital nor the action of the state are predetermined; actions of both "can be out of line with the logic of the capitalist economy and its 'objective' needs" (p. 294). Yet "such deviations cannot continue without negative consequences for the capitalist and the capitalist state, thus setting in motion fresh evaluation--and, indeed demands--from the bourgeoisie for a change in the course of policy to bring it into line with their objective requirements" (p. 294).

Alavi properly emphasizes that there is a plurality of dominant classes in peripheral societies, which is unlike that in advanced capitalist countries where there is only one dominant class. It is argued that the dominant classes have conflictual interests; yet they are not irreconcilable. It is also expounded that the metropolitan
bourgeoisie as one of the contending classes, has a "structural presence" in peripheral societies and their state apparatus. In this regard, Alavi (1982) contends aptly that:

In fact, the metropolitan bourgeoisie is represented in peripheral capitalist societies and the state doubly. It is represented in the first instance through its own local presence, organization, and resources. But this direct presence is greatly reinforced through the mediation on its behalf of the respective metropolitan states in their dealings with states in peripheral capitalist societies. (p. 298)

At the third level, the question of the nature and character of those who staff the state apparatus is addressed. Alavi affirms that the peripheral state enjoys a fairly high degree of autonomy, though he does not underestimate the class affiliation and class origin of those who occupy positions of authority and power within the state apparatus. The fairly high degree of state autonomy is suggested to be explained mainly in terms of the plurality of the dominant classes, whose rival interests are judged and mediated by the state. Such a relative autonomy places opportunities for profits at the disposal of those who are at the head of the state (who enjoys relative autonomy, primarily via deployment of vast economic resources in the name of "development" and "defense". At this juncture, Alavi (1982) calls attention to the fact that "the management of the state and the economy as a whole is itself subject to the structural imperative" (p. 303).

Finally, at the fourth level the question posed is whether the state should be viewed solely as an entity--acting on behalf of the ruling class--or should this view by combined with the view of the state as a set of institutions that constitute an arena of class
struggle? The given answer is positive. This implies that the state is not a monolithic entity but a differentiated one within which more than one locus of power may be discovered. In a word, the state is seen as an arena of class struggle not only for dominant classes for their contending interests but also for subordinate classes who may seek to achieve a degree of class representation in order to acquire some limited gains, though the possibility of some limited gains is confined by the structural imperative of peripheral capitalism.

Theoretical Position on the Role of State Capitalism

Positions on SC are somewhat varied among the dependency theorists. The main positions taken by some prominent figures within this paradigm will be examined here.

Amin (1976, 1978) viewed the rise of SC as a trend in the Third World, whose roots are planted both within the internal social evolution of the peripheral capitalist formations and in the international balance of forces. The SC has the chance of emergence in those peripheral countries where the domestic capital, namely, the urban national bourgeoisie is weak. This is particularly true in the African context where after political independence initiated by the petty bourgeoisie together with the bourgeoisie of small entrepreneurs, the state bureaucracy as a driving force assumes an active role in the economy. The strengthening of the state bureaucracy can lead to a general application of SC.

Concerning SC within "the Arab world", Amin (1978, p. 83) suggested that in order to replace the old system, SC usually takes three sets of
measures: (a) an agrarian reform, (b) a program of public nationalizations which expropriated both the dominant foreign capital and the big local bourgeoisie associated with it, and (c) a program of public industrialization. He believed that such measures do not necessarily constitute a stage of transition toward socialism. For that to be the case, Amin (1978) maintained that "these measures would have to be associated with an effective form of popular power and a proletarian ideology" (p. 83).

On the prospect of SC, Amin seems to be in agreement with Hussein who made the point that SC remains within the capitalist world system and thereby perpetuates underdevelopment; SC "ruins any changes for independence or real development" (Amin, 1978, p. 57). SC leaves the masses outside its system; it is a sort of development for a minority "made up of the class of Kulaks and of the bureaucracy, which has become a state bourgeoisie" (Amin, 1978, p. 84). Under SC, dependency is renewed and deepened; it manifests itself at all levels: "that of technological dependence, that of privileged classes' pattern of consumption, and that of their ideology" (Amin, 1978, p. 84).

Amin does not provide a clear definition of SC. This lack of conceptual clarity is felt more so far as the qualitative nature of SC as a capitalist mode of production and the role of the petty bourgeoisie in the state apparatus within such mode are concerned. SC is not considered as a transitional state. It is simply asserted that once the petty bourgeoisie assumes power, it becomes "immediately" state bourgeoisie. Accordingly, the politics of the petty bourgeoisie is almost dismissed. The so-called love-hate relationship between
the petty bourgeoisie and the bourgeoisie is overlooked.

What Amin (1976) admitted is that the "state bourgeoisie have never eliminated private bourgeoisie but have been satisfied with absorbing them or merging with them" (p. 347). It is also not clear that by using the concept "state bourgeoisie", whether Amin meant a "new class" or a fraction of a class. If he meant the former, then he was talking about a "new mode of production"; otherwise he must have been talking about state bourgeoisie as a fraction of the bourgeoisie class. This is, however, another ambiguous point in his work so far as SC is concerned.

As far as this author knows, Frank has made little attempt to deal with SC directly. As a matter of fact, he has never tried to conceptualize SC. Yet, so far as the prospect of SC is concerned, Frank (1969) took a negative view, by saying that "the road of national or state capitalism to economic development is already foreclosed to them by neo-imperialist development today" (p. 396). Moreover, Frank remains pessimistic on the socio-political role of middle classes in the process of national development. His position of the role of the middle classes was reviewed previously; hence, its repetition would be excessive here.

In his reaction to the theory of non-capitalist development, Magdoff (1978a) tried to put into perspective the performance and the prospect of SC in the Third World, without going into a systematic, theoretical explanation of the emergence and nature of SC. It is admitted that in some of the state capitalist countries a sort of radical shift in class power has taken place; a class realignment which
has replaced the traditional ruling class namely comparadors of foreign capitalists, big landowners, monopoly business, and bankers.

The new class alignment which is based on various segments of the middle class (rich peasants, traders, small industrialists, professionals, upper-echelon, civil servants, and military officers) may at first conceal the underlying social antagonism of state capitalist regimes.

According to Magdoff (1978a):

New exploiting sectors arise alongside the growth of a state bureaucracy which administers the new nationalized and state-owned industries and financial institutions, the emergence of a new or transformed rural elite which runs the cooperatives or other forms of village organizations, and the entrenchment of military officers in various parts of the state apparatus. . . . Furthermore, the nationalistic anti-imperialist policies of these regimes are severely limited by the constraints of the world capitalist system in which they operate. (p. 2)

He tried to illustrate his point within three critical problem areas: agriculture, financing investment and "a strategy of development that accommodates to an existing internal class structure" (p. 2)

Magdoff believed that land reforms initiated from the top by state capitalist regimes leave oppressive groups of merchants, money-lenders, and rich farmers. Such land reforms, it is argued, cannot transfer power from the oligarchy to the long-oppressed local poor; a condition which is contended to be necessary for a genuine solution for agricultural problem. It was further argued that SC cannot properly overcome the problem of increasing investment, even though SC gets access to some of the economic surplus via state-owned industries. The reason given for such failure is that the profitability of industries counted on either to produce for export, or to provide materials
for internal private industry is of a low order. For SC, two major sources for financing of development remain available: taxation and foreign capital.

Magdoff properly argued that the taxation method would prevent a "harmonious class alliance", because a large tax bite would be paid by the middle and upper echelons. This can intensify sources of conflict not only between the lower and upper classes but within the dominant class-alliance as well. To overcome this problem, a basic re-structuring of the economy is suggested. In short, he raised serious doubts on the prospect of SC as a path of real development in the Third World countries.

Having employed the world system perspective, Farsoun and Carroll (1978) addressed themselves to the question of SC within the Middle Eastern context, with particular emphasis on the Nasserist SC. Farsoun and Carroll regarded SC as a specific mode of production. As far as Arab capitalism is concerned, it was a response to the class question interlocked with the national question expressed in struggles initially against British and French colonialism and, after World War II, against American imperialism, all in alliance with Zionism and Israel (Farsoun & Carroll, 1978, p. 142). They affirmed that Arab state capitalism replaced the discredited traditional ruling classes: landlord, merchantile, and comparador bourgeoisie. Instead, a petty bourgeoisie "intermediary strata" took over the state apparati and captured the leadership of the unorganized masses in the struggle for national liberation. According to these authors, it was this popular basis which fed Nasserism and Baathism; both of them call for Arab
unity, national independence, and "socialism". Nationalization of
profitable enterprises (including Western interests) is considered
as one of the central features of SC. This feature is couched in
socialist rhetoric. For Farsoun and Carroll, the dynamics of SC is
a regressive process. In this respect, they went so far as to talk
about the "political-economic reversals" of SC. The reversals are
manifested in the restoration of private capital, collaboration with
foreign capital and accommodation with regional counterrevolution.

To analyze the dynamics of SC, they took Egyptian SC as an exam­
ple. According to them, during its rise, Egyptian SC was anti-imperi­
alist and supportive of democratic movement in the Arab world. But it
soon faced internal contradictions. The SC created "parasitic classes":
contractors, consultants, import and export specialists, distributors,
etc. Farsoun and Carroll (1978) pointed to the fact that "there was
an increase of 61% in the number of bureaucrats and a 215% increase
in their incomes between 1962-1966. Meanwhile, blue-collar occupations
decreased in the same period" (p. 150). Then they added:

In 1962-1966, there was an increase in consumption
in the state sector of 55.2% in contrast to an increase
of only 17.2% in the private (individual) sector. . . .
The salaries of those in high positions increased by
230% while the numbers increased by 415%, and the gap
between the highest and lowest wage in the administra­
tive hierarchy increased 40 times. (p. 150)

This parasitic overexpansion of the bureaucratic-administrative
sector raised the demand for consumer goods and thereby caused in­
creasing investment in consumer goods industry and "allied import
substitution industries". Egyptian SC failed to develop the national
forces of production; it was gradually faced with a crisis of
marketing, a deficit in balance of payments, underemployment and unemployment. The unresolved crisis influenced the state-capitalist ruling strata to open the door to Western capital, local reaction and initiate counterrevolution.

In short, on the prospect of SC, Farsoun and Carroll are in agreement with Petras who believed that "state-capitalism, while exhibiting many of the common external features of socialist development, is in reality the imposition of new forms of old structures, leading to a socio-economic impasse in which the old structures increasingly inform the newer forms" (Farsoun & Carroll, 1978, p. 153).

Petras' theoretical position on SC will be separately examined. But first it is necessary to explicate briefly some shortcomings in the work of Farsoun and Carroll.

First and foremost of all, they failed to provide basic elements for the general conceptualization of SC in the Third World countries. Their theoretical explanation of SC remains vague and unspecified. It explains everything and nothing. Farsoun and Carroll (1978) correctly suggested that "the rise, dynamics, and the demise of Arab state-capitalist regimes must be seen in the context of national-regional-world social, economic, and political forces" (p. 141). But the point is that they did not explain why such forces facilitate the emergence of SC in a given country and not in another one. They believed that Arab SC is a response to the national question and the class question. The class question was not quite properly addressed. They merely stated that "intermediary strata" took over power. But who are these "intermediary strata"? What is their class origin? What is their class affiliation?
while they are in power? They almost left unanswered the question as to how they came to power.

Petras (1978) tended to locate the root of SC in the contradiction of peripheral accumulation; by saying "state-capitalism emerged in part as a response to the unfavorable economic fortunes of private national capital and the high political and social costs of foreign-induced economic expansion" (p. 91). To this, he added some national and international setting factors, as precipitating variables. These are:

1. The relative decline in the world hegemonic power of the U.S. and the growth of interimperialist rivalries. This relative decline provides more room for maneuver for popular government and social movements. Petras also contended that just as the U.S. took advantage of the demise of European colonialism through the neo-colonial period, so may the rest of the industrialized world, namely Japan and Europe, take advantage of the eroding position of the U.S. in the world, developing new ties with the new state-capitalist regimes.

2. Active support of the collectivist economies. According to Petras, the contemporary state capitalist expansion is a product of active support from socialist countries.

3. The weakness of national capital. Increasing incorporation of national capital into the imperial system has led to "the decay of the nationalist vocation of the national private bourgeoisie" (Petras, 1978, p. 92).

4. The relative weakness of the newly politicized and mobilized masses.

He nicely argued that it is, in fact, the first two international
setting factors which enable SC to diversify external sources of
finance as well as trade relations; to redefine the terms of depen-
dency, and achieve a degree of autonomy as compared with the neo-colo-
nial state tied to a single metropole.

In his model of SC, a new set of social agents whom he labeled as
"intermediary strata" would come to power via evolution, coup, popular
uprising, or some combination of the three; they borrow "socialist
forms--political (one party state, socialist rhetoric, etc.) and eco-
nomic (state ownership, planning, etc.)--to accomplish capitalist ends,
namely the realization of profit within a class society" (Petras, 1978,
p. 86).

Petras did not provide any suggestion as to how these strata should
conceptually be regarded. He merely argued that they cannot be account-
ed for within the classical schemes. His conceptual class characterization
of SC remained vague and unsatisfactory.

He further asserted that the "intermediary stratum" has its own
political-economic project independent of those of fundamental classes.
Despite such an unfounded assertion, it was also expounded that SC is
not a "histirical" stage but rather a transitional one, "a phase be-
tween one type of exploitation and another, or a moment in the strug-
gle for socialism" (Petras, 1978, p. 100). His argument is somewhat
contradictory. For if "intermediary stratum" has its own project for
society, then why should SC be necessarily considered as transitional
stage? Moreover, what can its own project be, if it is "to accomplish
capitalist ends"?

It seems that Petras did not want to distinguish between
fundamental (or historical) classes and auxiliary classes and their roles in different modes of production. In this relation, Roxborough (1979) correctly suggested:

A distinction ought to be made between historical classes which have potentially hegemonic class projects and classes which cannot conceive of another form of society, and must therefore always play a secondary role in any class struggle. (Secondary in the sense that they have no project of their own; they either follow some other class' project or implement that project, on behalf of that class.) (p. 71)

Another dependency theorists who has dealt with SC is Mansour. He believes that the world capitalist system has undergone a remarkable transformation, both at the center and in the periphery since World War II. Mansour (1979) stated that "the key to that transformation is what we have termed the shift from a colonial mode of surplus transfer to the capitalist mode, which has its roots in economic constraints" (p. 209). This means that the old colonial social formation has been transformed into the peripheral social formation which is still moving within the orbit of the world capitalist system.

Three new varieties of peripheral socio-economic formations are distinguished: neo-colonial, liberal-capitalist, and bureaucratic-capitalist (or state capitalist).

The neo-colonial system refers to a system in which foreign capital dominates the economy of the country. In contrast to the old colonial system, in this system direct foreign political domination is non-existent.

Mansour (1979) defines the liberal-capitalist variety as a system "in which the main modern means of production are privately owned and
power is in the hands of the local bourgeoisie" (p. 215). By liberalism he means the way the economy is run and not the way the political system functions. Political liberalism is argued to be a rare and vanishing species in the Third World countries, because of existence of certain contradictions.

According to Mansour, a bureaucratic-capitalist system (or SC) is one in which a planned economy is run by the state; a state used by a "new class", the bureaucratic bourgeoisie, in alliance with the Kulaks in the countryside and with certain industrial, commercial or entrepreneurial sectors. It is featured by planning, a nationalist tendency, ever-growing public sector and a populist or "socialist" complexion. It is also characteristic of SC that "certain sections of the private sectors are preserved simply to siphon off surpluses collected by the public sector" (Mansour, 1979, p. 200).

Mansour (1979) contended that all three new varieties of peripheral social formations, i.e., neo-colonial, liberal capitalist, and bureaucratic-capitalist (or SC) have this in common:

They are drawn, wittingly or unwittingly, toward a closer and closer integration into the world capitalist system; they are, to a greater or lesser degree, becoming part of the new pattern of international division of labor; they foster a certain degree of dependent capitalist development; they are the vehicle at different levels for the spontaneous reproduction of underdevelopment. (p. 213)

Mansour's observations suggest that within the state capitalist system planning is both conceived and implemented bureaucratically and often sabotaged by those people entrusted with it. From his standpoint, planning reflects the interest and limitations of the ruling class.
He also makes a comment concerning the land reform policy of SC. Land reform is introduced under SC usually by stages. It is pointed out that at the first stage, the main purpose of land reform is to remove the political power of the feudal and "semifeudal" classes (if any). This would thereby promote liberal capitalism in the countryside. The later stage of land reform (if any) is determined by the policy of import substitution and by the necessity to feed the growing cities. Like Magdoff, he also makes the argument that the very establishment of cooperatives per se, under SC, cannot solve agricultural problems, unless class exploitation is uprooted in the rural areas. Mansour also admits, as Petras does, that SC enjoys a relative autonomy by receiving support from socialist countries. This lets state capitalist regimes achieve "a certain degree of independence vis-a-vis the capitalist center and, more importantly, also vis-a-vis their own masses" (Mansour, 1979, p. 221).

Although Mansour indicates some of the basic features of SC, he does not make any effort to provide theoretical grounds for explaining the origins and limits of SC. His remarks remain virtually descriptive.

Saintz explains the origins of SC in terms of the weakness of the national forms of the peripheral state. According to Saintz (1980):

State capitalism can be viewed as an attempt to prevent the manifestation of the weakness which characterizes the national form of the peripheral state by means of an apparent nationalistic re-orientation of the accumulation process and so that state maintains its mystified appearance and capital reproduction is not hindered. (p. 60)

In order for the state to play the key role in re-orientation of the accumulation, two conditions, as the required ones, are
suggested: (a) absence of a local bourgeoisie which can lead the process of re-orientation, and (b) weakness of "popular classes" which may threaten capital domination. Saintz (1980) emphasizes that "if these two conditions are fulfilled, state capitalism arises as the way to prevent the manifestation of the weakness which characterizes the national form of the peripheral state" (p. 61).

It might be necessary to mention the premise on which this functionalist explanation is based. The premise is that capitalist reproduction requires a generalized commodity exchange which needs to be guaranteed and defended by the state. In the periphery, it is argued that capital accumulation faces a crisis because the internal market suffers low degree of integrity and limitness imposed by external economic domination. It is, therefore, the task of the state to step in to reorient the process of capital accumulation.

Saintz's theoretical explanation of the origin of SC can be subject to several objections. The monofactoral explanation represents a simplistic and deterministic view. In his explanation, he dismisses very easily class politics, i.e., the determining role of class struggle in general and petty bourgeoisie politics in particular. It is simply argued that SC is a functional response to the crisis of capital accumulation, though it is not a genuine response so-to-speak. But it is an attempt to conceal the contradiction (i.e., the weakness of the national form); an attempt which is dictated by the economic determinism of the peripheral system; and it is carried out, presumably by a fraction of the bourgeoisie class.

Saintz asserts that SC is a transitional form of capital. He
does so, for he believes that a capitalist state cannot be totally identified with capital. Thus, concealment of the contradiction via SC generates another contradiction, namely, "the erosion of the abstract form". It is this latter contradiction which constitutes limits for the development of SC. In a word, for Saintz, the fate of SC is determined by these two contradictions. But the point is that his abstract scheme does not let him identify concretely the nature of these contradictions. Besides, it goes without saying, that every contradiction contains two opposite sides; but here, the two sides of each contradiction have not been clearly identified.

In relation to the class content of SC, Saintz (1980) contends that state intervention has a double nature:

At the level of capital in general, the intervention obviously has a supporting character, i.e., the function of the state is to reproduce capital as an entire class. But, at the level of particular capitals, this intervention has a controlling nature. That is to say, this intervention does not pursue the support of any existing particular capital. The state directly extracts and appropriates surplus-value for its own use. The effect of this controlling intervention is precisely the formation of a state bourgeoisie. (p. 63)

At this juncture, two points might be mentioned. First, as Saintz points out clearly, in the case of SC, state intervention should not be understood solely in quantitative terms. In other words, SC ought not to be regarded as synonymous to a large state intervention. The qualitative aspect of the state intervention, i.e., "the controlling nature" has to be conceived properly.

Second, he argues that it is this qualitative aspect which lets a new state bourgeoisie be formed. But what is dismissed is that he does
not make clear whether such class formation is the result of the intra-class conversion or inter-class conversion.

Finally, it is worthwhile to examine Jaguaribe's position mainly because in his SC model, he is more concerned with the politico-administrative nature of SC; though the model does not really enjoy explanatory power.

In his formalistic typology, Jaguaribe (1973) identified several developmental models which might occasionally be combined. His main interest is in the three specifically developmental models, developmental socialism (DS), national capitalism (NC) and state capitalism (SC).

With developmental socialism, "the intelligensia of the counter-elite organized in a revolutionary, well disciplined party, with support of party-controlled urban and rural masses" (Jaguaribe, 1973, p. 283) employs the state as an agency of planning and control of all relevant societal activities, with a complete socialization as is possible, without compensation of the means of production, to promote equalitarian-oriented development.

National capitalism involves the "modernizing sectors of the national bourgeoisie and the middle class in alliance with the proletariat and with the support of the mobilized peasants versus traditional and counselor sectors of bourgeoisie and middle class, their foreign bosses, partners, and allies and anti-modernizing sectors" (Jaguaribe, 1973, pp. 281-282). Entrepreneurial action is undertaken both by the state and private sector, under state guidance and with responsibility delegated to "national" private sector.
In the SC model, the main social actors are the new sector of the middle class, with full support of urban and rural masses versus traditional patrician elite and comparador bourgeoisie and their foreign partners. Under the leadership of "the modernizing sector of the subelites" (i.e., the new sector of the middle class), the state is fully employed as an agency of planning, entrepreneurship, and control, without suppression of private sector. Power is primarily exercised "by forms of authoritarian co-optation combined with mass plebiscites" (Jaguaribe, 1973, p. 283).

According to Jaguaribe, in the implication of the SC model, there are several problems which the SC regime has to confront; problems such as unpreparedness of the subelite, lack of enough resources, foreign pressure, lack of enough strategy cadres and main social protagonists, etc.

Unpreparedness is primarily viewed in terms of the excessive persistence in the new middle class of the values of the old ruling class, which involve a conservative view of society, often associated with a laissez-faire or neo-liberal bias. The middle class is unwilling to see mass participation, a liberating force which may eventually escape the control of the leadership. Jaguaribe (1973) mentions the case of Peru, when the men of the military coup of 1968 remained reluctant to offer the masses meaningful participation because of their fear of losing control of the masses. It is suggested that the unpreparedness of the middle class can be overcome through the political education and organization of this class. But this suggestion is not elaborated as to what kind of political education is needed and who is supposed
to carry out that task and through what means. Moreover, one may go
further to raise the question as whether this unpreparedness has any­
thing to do with political education or it is really related to the
"objective" class interests of the relevant class.

Jaguaribe (1973) argued that the problem of the relative scarcity
of political and economic resources would be drastically aggravated
in the SC model, "because there is usually a poorer stock of available
resources in the beginning of the process and there is only one source
of resources and one entrepreneur" the state" (p. 293). To this he
added another limiting factor, that is, foreign pressures ranging from
diplomatic and economic harassment to foreign-equipped armed inter­
vention. Another critical problem which is peculiar to SC is the problem
of control from the top to the middle level. It involves power contro­
versy and policy issues; they are usually dealt with by a much smaller
consensus often by the authoritarian arbitration of the top leader
against important groups in the leading circle.

For Jaguaribe (1973), "state capitalism (SC) is the appropriate
model for societies sustained by the modern sector of the subelite". (p.
285). He failed, however, to provide a satisfactory explanation as to
why SC is the appropriate model for such societies. He believed that
the problems peculiar to SC, mentioned before, can be overcome, if cer­
tain essential requirements are met. The requirements are: power ef­
ficiency, optimum use of the strategy resources and mass mobilization.

The first requirement is the one concerning the central power of
the system. To obtain a sufficient degree of power efficiency, the
central power must meet certain conditions, namely, formation of a
coherent group "composed of really capable men, strongly motivated to perform their historical task and presenting a high level of political education and organization" (Jaguaribe, 1973, p. 294).

The second requirement is the ability to utilize the available resources. The resources consists of: a few top qualified cadres, very modest financial means and "small stock" of political symbols and values.

The third requirement is mass mobilization. It is regarded as the only alternative for compensation of the overall deficiency of material resources.

Having emphasized the transitory character of SC, Jaguaribe (1973) argued that once the consolidation of the state capitalist regime is achieved

the optimum utilization of the resources will tend, although not necessarily, to bring the regime to choose between an evolution oriented towards its transformation into national capitalism or one oriented toward its transformation into developmental socialism. (p. 296)

This projection seems to be somewhat historically groundless; for he offers no historical evidence so far as the past performance of SC in the Third World is concerned.

Theories of Non-Capitalist Development

The principal version of the theories of non-capitalist development emerged in the early 1960's. The main advocates of these theories are from the Soviet bloc, particularly from the Soviet Union.

At the very beginning it should be stressed that what makes
the Soviet theories of development unique is that they remain firmly contained within broad, unchanged ideological parameters (Clarkson, 1978). This is not, however, to suggest that the Soviet theoretical analysis of the problems of development in the Third World has been based more on political dogma than on socio-economic facts. As a matter of fact, in the view of many Western authors, the Soviet literature on development is not only growing fast, but the views held on different issues in the area are becoming diversified, i.e., a sort of "theoretical pluralism" (Valkenier, 1980).

It can be contended that the Soviet approach to development is, in some respects, similar to the dependency approach; its terminology and conceptualization parallel and sometimes converge with that of the dependency theorists.

Before proceeding to examine the concept of non-capitalist development and the assumptions behind this concept, it may be imperative to point out some similarities and differences between the dependency approach and the Soviet bloc approach, so far as the mainstream of thought in each perspective is concerned. Such a comparison can prevent repetition of what was said in the preceding section. The former approach holds both "external" and "internal" factors responsible for the existing problems of development in the Third World.

As far as external factors are concerned, the Soviet bloc approach sees dependency, at least partly, accountable for "underdevelopment". Historically, Szentes (1971) made the distinction between the extreme forms of dependence, complete administrative, military, legal, economic and political dependence, under colonial systems and more subtle forms
of dependence after the collapse of colonialism. As far as the new forms of dependency are concerned, several of them are distinguished and discussed: direct economic dependence, trade dependence, financial dependence and technical dependence.

Direct economic dependence is defined as "the situation in which the key positions of the economy, the most important economic branches, are in the hands of, or are controlled by, foreign monopoly capital" (Szentes, 1971, p. 166).

Trade dependence is defined as both a dependence in trade relations (relational dependency) on a few advanced countries and the overall dependence of the entire economy on the cyclical changes of the capitalist world market. Relational trade dependence is maintained through various means which are at the disposal of the center, through such means as a system of preferences, financial policy, monetary policy, etc.

Several forms of financial dependence are distinguished. The strongest form refers to the cases where the banking system, the internal money circulation and the credit system are under foreign control. A milder, but more general form refers to foreign exchange dependence, which is mostly the consequence of relational trade dependence. Proponents of non-capitalist development believe, as dependency theorists do, that dependence hampers economic integration and generates economic deformity in the periphery (Mirsky et al., 1982; Primakov et al., 1982).

On the question of terms of trade, it is argued that overall, the trend has been against Third World countries. Tyagunenko et al.
In 20 years (1950-70) the purchasing power of raw material exports in relation to manufactured goods dropped by more than one-fourth in the world capitalist market. In view of this the terms of trade of developing countries measured by the relationship of export and import prices are progressively growing worse on the whole. Only between 1961 and 1967 their losses in trade with developed capitalist states owing to the unfavorable ratio of export and import prices (as compared with the average level of 1953-57) amounted to $17,300 million or almost $2,500 million annually on the average. (p. 191)

It is maintained that underlying the economic contradictions between the center and the periphery are the continuing and ever growing exploitation of the latter by the former, through capital export, trade systems, unequal exchange, etc. (Szentes, 1971; Tarabrin et al., 1978). Szentes discussed and examined the capital drain from peripheral countries. He distinguished direct forms of capital drain as a result of foreign capital investment and foreign loans, and indirect forms, through foreign trade and financial monetary relations. Indirect forms of surplus transfer manifest themselves through various ways such as the inequality of exchange, the unequal distribution of the benefits resulting from the specialization of production adjusted to foreign trade, internal price formation and bookkeeping manipulation, deterioration of terms of trade, insurance and other services, income losses through the mechanism of the foreign exchange and banking systems, etc.

It should, however, be mentioned that there are some Soviet authors who would not appear to be utilizing the term "underdevelopment" as it is used by some dependency theorists, to mean as a new
phenomenon associated with the capitalist era. In contrast, it is regarded as undevelopment. Kameneov seems, for example, to have this point of view, by stating "the main economic task to be solved by the developing countries is to overcome their age-old economic backwardness, which is the reason for the backwardness in a number of other fields of life as well" (Ottaway, 1978, p. 479).

There are some interrelated differences between the dependency perspective and the Soviet developmental perspective. Soviet authors still tend to believe that, even in the contemporary era, the development of the productive forces must necessarily precede the transformation of the relations of production despite the fact that they introduce the notion of "by-passing capitalism" in relation to the concept of non-capitalist development. This view implies, in fact, the linear evolutionist conception of progress. In contrast, dependency theorists tend to believe in the converse. Amin (1978) argued that "the unequal development thesis is the exact opposite of this linear, mechanistic and economicist conception" (p. 111). Mansour, an adherent of the dependency perspective, makes the same point by arguing that in the contemporary world, the basic contradiction is not between developed forces of production and relations of production no longer capable of matching them. Rather it is "the contradiction between underdeveloped forces of production, potentially capable of enormous development, and the complex network of relations of production combining both external and internal elements with foreign dominated underpinnings, which held them in check" (Mansour, 1979, p. 207). It is further argued that this contradiction is localized
in the underdeveloped part of the world capitalist system, not in its developed part. Mansour continued to contend that "it is there that it called for radical change of relations of production" (p. 207).

As far as the prospect of development in the Third World is concerned, Soviet authors remain optimistic, whereas dependency theorists, if not pessimistic, remain less optimistic. This is particularly true in the case of those dependency theorists who maintain that underdevelopment is almost an irreversible stage of development. This optimism makes more sense, once it is understood in connection to the contemporary Soviet conception of the world. This conception suggests that the world is divided into two opposing systems: the world capitalist system and the world socialist system; it is the very existence of this latter system and its support that can enable the Third World to pull out of its predicament (Yakovlev et al., 1975).

There is still another crucial difference between these two perspectives, which manifests itself in the policy implication of each of these perspectives. Whereas dependency theorists tend to advocate a genuine social revolution, a restructuring of socio-economic structure for promotion of auto-centered development (this latter concept should not be confused with the concept of autarky), the Soviet authors suggest an evolutionary process of development through what they call "the path of non-capitalist development".

The term "non-capitalist development" was, for the first time, used at the Sixth Congress of the Comintern in 1928. It was used only in general discussion, in response to the national and colonial questions already posed (in 1920) as to whether backward colonial
countries could transform their economies by skipping the capitalist stage of development (Slovo, 1974; Szymanski, 1981). The concept was virtually not touched upon again until 1960 when it reappeared in the literature. Since then Soviet theorists have tried to provide a theoretical ground for the concept and refined the assumptions underlying it. Despite the fact that an extensive literature has been produced in relation to this concept, the conceptualization of the term remains vague. Like every formulation in negative terms, the concept "non-capitalist development" is quite ambiguous. As Slovo (1974) put it, the negative nature of the term evokes the question that if it is not capitalism, what then is it?

Proponents of the concept argue that it refers to the "transitional stage" in some societies where neither socialist order nor capitalist order is consolidated, yet a mixture of both exists (Ulyanovsky, 1974). Such an argument cannot yet justify the usage of the term which is highly ambiguous. Moreover various definitions have been provided for the term; yet none of them can deserve a regorous status. For example Solodonvikov (1973) provided this definition for the concept:

The non-capitalist development means formation and development of the transitional production relations, it allows the existence for a certain time of a mixed economy parallel to the growing and determining role of the anti-capitalist state-controlled sector. (p. 27)

This definition, per se, does not clarify much. In fact it raises still more questions. For example, what are "transitional production relations"? Are they "state socialist relations" or "private capitalist relations" or "state capitalist relations" or possibly...
Regardless of the ambiguity and vagueness of the term, the whole idea behind the concept rests on two basic premises: (a) all countries do not necessarily pass through all the stages of capitalism; and (b) bypassing capitalism and the transformation into socialism required developed productive forces (Ulyanovsky, 1974; Solodovnikiv & Bogoslovsky, 1975; Andreyev, 1977). Having relied on these premises, exponents of the concept maintain that bypassing capitalism needs to be carried out through a transitional state, which might consist of several phases. It is this transitional stage which is referred to as the state of "non-capitalist development". Several measures are suggested to be taken during this stage; among others, four measures are the most important ones: (a) achieving relative independence from Western capitalist countries via gradual elimination of both foreign and native monopolies, (b) strengthening of the state sector in the economy, (c) land reform, and (d) nationalization of foreign trade.

Soviet theorists suggest that the concept of non-capitalist development should not be viewed in the abstract. What they appear to contend is that their formulation of the concept has been historically grounded. It is maintained that the elaboration of the concept has been based on their "comparable" development practices: (a) the transformation of the pre-capitalist economies of the backward areas of the Soviet Union (after 1917), e.g., Central Asian Republics; (b) the Mongolian version of "non-capitalist development", a pre-capitalist country not associated in any form and not dependent on the world capitalist market but in close association with the Soviet Union, and (c) the third version of "non-capitalist development" practice is
related to some contemporary Third World countries (Solovovnikov, 1973; Andreyev, 1977). As far as the third version is concerned, Soviet authors claim that at the present time, there are some countries such as Algeria, Burma, Syria, Congo, etc. which are embarking on the path of "non-capitalist development". Such countries are usually referred to as "non-capitalist countries", "socialist oriented countries", "revolutionary democracies", etc. In short, what the Soviet version of the concept of non-capitalist development advocates either explicitly or implicitly, is nothing other than SC in the Third World countries. This point will be further discussed later.

For the time being it is necessary to mention some weaknesses which are involved in the works of some Soviet development analysts.

1. Generally speaking, it is safe to say that Soviet development analysts are more prescriptive and less explanatory in their works so far as the explanatory aspects of their analysis are concerned. There is not really any unified body of theory which can explain and identify systematically the mechanisms of "underdevelopment".

2. The terminology is still, in many cases, vague and imprecise. The representative case in point is the concept of non-capitalist development. The concept has been treated in a way which enhances disproportionately the elasticity of the concept. Such high levels of elasticity can generate the problem of "surplus meaning" and thereby lead to vagueness. To put it otherwise, the treatment of the concept has limited the "empirical import" and precise communication of the concept. However, as Ohiorhenuan (1980) puts it, a quick review of the Soviet literature on the concept can give this impression that
the high elasticity of the concept is partly associated with the ideological parameters.

**Conception of the State**

As far as the state is, in general, concerned, Soviet theorists tend to advocate a purely instrumentalist conception of it. The state is conceived solely in terms of the instrumental use of power by people in important positions. Chirkin and Yudin (1978) stated that "the experience of humanity dating back several millennia shows that a state of any historical type is essentially an instrument of the political power of the economically dominating class (or classes)" (p. 11).

This view is also held for the state in the Third World countries, yet with some qualification, so far as the state autonomy is concerned. The core argument is that since the classes are, more or less, weak in the Third World, the state acquires distinct autonomy which can be crucial in shaping the developmental direction of the society. Some Soviet theorists go so far as to argue that the state in the Third World countries has gained structural autonomy. That is to say, the state can act in opposition to the interests of the dominant class(es). Tarabrin et al. (1978) maintained that "the state can come out against even the interests of the dominant class, especially during transitional periods in the development of society where the basic classes are relatively weak" (p. 70). Then Tarabrin et al. went on to conclude that "in the developing countries of Africa and other regions of the Third World, the role of the state is especially great" (p. 70). Mirsky et al. (1982) seem to hold the same view, by stating:
In showing the state power's exploitative nature, the founders of Marxism draw attention also to the fact that it has specific interests, particularly those of the bureaucracy and the army, which are capable of opposing even an economically strong class, especially in periods of transition in society's development, when there is a relative equilibrium among its main classes and these classes are relatively weak. (p. 48)

Then it is further argued:

This is exactly the kind of period to be observed now in most of the developing nations: colonialist and feudal foundations have crumbled, but the various classes have not consolidated themselves to the extent of being in a position to establish their domination. (p. 48)

There is no question that almost all students of the Third World countries admit, one way or another, that the state in these countries enjoys relatively a high degree of autonomy. But once they come to grips with this autonomy, their explanations begin to vary. It is, for example, interesting to note that Alavi (1982) explains the distinct relative autonomy of the state in the periphery in terms of the plurality of the dominant classes. Whereas, in contrast to Alavi, Soviet theorists explain it in terms of the weakness of the classes or class equilibrium. The theoretical repercussion of these two explanations is that while Alavi considers the relative state autonomy both functional (or instrumental) and bureaucratic, Soviet authors tend to regard it as structural.

It is this Bonapartist conception of the state which makes the Soviet authors give too much weight to the role of the state in the Third World. It is at this juncture that Mirsky et al. (1982) suggest that "the state power becomes the motor of economic development and, because of this actively intervenes in the process of social,
political and ideological development" (p. 48). Mirsky et al. believe that there is a dual function for the state power. In its first function, the state, as the general organizing factor which represents national interests, comes forward to initiate the process of economic reform. In its second function, the state power reveals its class essence.

As the economic policy implication of such a conception of the state, Soviet authors advocate expansion of the state sector in the economy and comprehensive planning in Third World countries in general. This view is not shared by all Soviet developmental analysts, however. In her reading of the Soviet development literature, Valkenier (1980) distinguishes other views as well; though they remain marginal. Valkenier, for example, quotes Strany, a Soviet author, who argues that "striving for excessive statism, unrelated to economic conditions, can lead to serious disruptions of economic life, a fall in production and the growth of unemployment. . . . The process of state ownership in the LDCs has its objective limits" (p. 503).

Soviet theorists' instrumentalist conception of the state and their understanding of the state autonomy in the Third World have political implications. This view of the state suggests that political activity is a primary mode of class struggle. That is to say, all social and economic struggles need to become transformed into political ones. And, more importantly, it also invites classes to act through the state (i.e., to occupy it) rather than against it (i.e., to fight it), precisely because of the relative structural autonomy of the state and the weakness of the classes. In other words, this view at
least implicitly requires the opposition classes to seek to incorporate themselves into the state apparatus, particularly bureaucracy and the military. In short, the basic flaw with this conception of the state is that it does not allow one to understand the structural constraints by which the state and its activities are conditioned. Moreover in the era when peripheral formations are well integrated into world capitalist systems and thus their structures and super-structures are linked in a chain of international and political relations, it is very hard to think of the Bonapartist type state with reference to its peripheral context.

**Theoretical Position on the Role of State Capitalism**

As was mentioned before, adherents of the theory of non-capitalist development tend to advocate SC as a transitional model of development for Third World countries. Szentes (1971) suggested that "an important task of state capitalism is the development of productive forces and, in connection with it, the transformation of the distorted economic structure and the creation of an organic and integrated national economy" (p. 315). Bognar (1968) also held an almost similar view, by proposing that SC is the only possible way for development in the Third World. Parallel to the same line of argument, Ulyanovsky (1974) expounded the view that practical experience has shown that the gradual liberation of the economies of the developing countries from dependence on foreign powers proceeds more successfully in those cases where the state capitalist form of economic development is the leading or even predominant form and where the state as a whole adopts a resolutely anti-imperialist and anti-colonialist stand. (p. 491)
Yet it might be added that proponents of the theory have recently become more reluctant to use the term state capitalism. Instead it is preferred to refer to those countries who are embarking upon the SC path as "socialist oriented countries".

Soviet authors have tried to isolate some common features of the "socialist oriented countries". Some characteristics which are often mentioned as common features are such as: planning, nationalization, agrarian reform, domination of state-controlled sector in the economy, "anti-imperialist stand", "democratization of state apparatus of power", "a pronounced nationalist coloration", etc. (Solodovnikov, 1973; Ulyanovsky, 1974; Andreyev, 1977; Brutents, 1977, pt. 2). It is further argued that "socialist oriented countries" (or SC regimes) are taking an "anti-capitalist stand".

What these authors fail to characterize is the dominant mode of production and relations of production in these formations. This critical failure has something to do with the Soviet version of the concept of "non-capitalist development". The Soviet authors invite their readers not to take a formal position in dealing with this term. That is fine. But is it not right to ask what kind of logic prevails in the social organization of production in these formations? Does the capitalist logic of capital accumulation not prevail in these formations? There is not any satisfactory answer to these questions on the part of the Soviet authors. They have also failed to give a convincing answer to the question as to which class(es) hold(s) state power. Their response to this question often is "revolutionary democrats". Brutents (1977, pt. 2) expounded that "in a broader sense revolutionary
democracy is the politically active strata of the peasant masses, urban petty bourgeoisie and radical nationalist intelligentsia" (p. 21). But this explanation does not really add anything to the previous answer. As Berberoglu (1979) rightly put it, "'revolutionary democrats' do not constitute a distinct class, but are individuals who come from a pre-existing class and serve the interests of a particular class (or a number of classes)" (p. 351).

Soviet authors believe that the state is the instrument of change in the SC countries. This belief in turn is formed by the Bonapartist conception of the state. That is why they expect that an evolutionary change would be promoted "from above" by the state. Andreyev (1977) argued that "since the bulk of the peasantry is politically passive and the working class is very small or even nonexistent, the choice of orientation largely depends on which forces hold the key positions in the state apparatus" (p. 102). Once again the question is who these class forces (if not peasants or workers) are, who are supposed to use the state as an instrument of change. Besides do these class forces have their own "development project"? And if they do, then what is that project? Is there any historical or theoretical or even logical reason to believe that these class forces are going to launch a "developmental project" which may go against their class interests at least in the long run? These are the kinds of questions that are either left unanswered or skirted by the Soviet theorists.

Soviet authors explain the emergence of SC in the Third World in terms of a low level of productive forces and a low level of class differentiation. To put it another way, for them, SC is a response to
economic backwardness in the Third World, particularly in Asian and African countries where class differentiation has not yet developed to the extent which can lead to polarization. And, accordingly, the low level of class differentiation in turn explains the low level of quantity and quality of the working class (i.e., limited demographic size and political immaturity) and the political passivism of peasants. It is this functionalistic explanation of the emergence of SC that makes the adherents of the Soviets' theory of non-capitalist development believe that SC can overcome economic backwardness by promoting economic growth and social development (Bognor, 1968; Szentes, 1971; Ulyanovsky, 1974; Solodovnikov and Bogoslovsky, 1975).

As far as the fate of SC in the Third World countries is concerned, Soviet authors tend to believe that SC would eventually transform into socialism though this possibility is not seen as the only one. Szentes (1971) foresaw three other possibilities as well. One possibility is that once SC has liquidated the monopoly position of foreign capital and created the conditions for "an independent capitalist development", it "gradually declines, loses its strength, and lets national private capitalism take over" (Szentes, 1971, p. 315). Another possibility is that once SC has performed its function, "the development of productive forces", it leads to the constitution of a "state monopoly capitalism". The other possibility relates to the emergence of "bureaucratic state capitalism" (or statism) though this last possibility is considered to be temporary and elementary. According to Szentes, the main characteristic of the last possibility is that in that system, the income distribution is determined neither by
capital (or property) nor by work, but by the relative proximity to political power.

Overall, Szentes seems to be more optimistic about the prospect of SC in those countries (such as African countries) where capitalist relations are still undeveloped and thus the danger of "a bourgeois takeover" and the possibility of a return to the capitalist way of development is not great. This view is also shared by Andreyev (1977) who argued that wherever the development level of capitalist relations is fairly high, "state capitalism may well escape from under the control of the democratic forces and pull the country back onto a typically bourgeois road" (p. 32).

Toward an Explanatory Model of State Capitalism

Formative Characteristics of State Capitalism

As the survey of the literature on SC revealed, among other things, planning, nationalization and domination of the public sector over the private sector are the central features of SC. These three features are recognized by almost all developmental analysts (with different theoretical orientations) who have been concerned with this phenomenon in one way or another. Yet these are not the only features of the SC model. Before going any further to establish a general theoretical framework for explanation of SC, it is first necessary to discuss some other formative characteristics of the SC model (for countries such as Keita's Mali, Egypt under Nasser, Nkrumah's Ghana, Indonesia under Sukarno, Tanzania, Burma, Algeria, Guinea, Syria, Libya, etc.).
Needless to say the model is not and cannot be supposed to be thoroughly the isomorphic surrogate of the socio-political and economic realities of each of the relevant countries. After all, every SC country has its own particular reality, which can only be fully understood within its own social context. The concern, here, is about some universal aspects (or common features) of SC.

Perhaps the best characterization of SC is petty bourgeois populism. Given the multiclass composition of SC it is ideologically eclectic. Although ideological orientation does not offer a comprehensive perspective of development, still it conditions policy choices. There are several elements which can define the ideological orientation.

First, to provide a broad umbrella for different classes, SC stresses nationalism. One important indication of such intense nationalism is the nationalization of foreign interests, which has been carried out in almost all SC countries.

Second, there is a general stress upon the common interest of the entire population. It is pervaded with a moralistic celebration of the virtues of the mass. This stress is well manifested in African socialism and Arab socialism.

Third, SC has socialist overtones. The sources of these overtones are diverse: different brands of socialism (including Marxist socialism), religion and traditional thought. In Tanzania, the socialism is fused onto African Communalism. In Guinea, Islam is incorporated into socialism. In Algeria, Islam is interpreted as a first form of socialism. In Libya, socialism is equated with Islam. In
Burma the official ideology is a blend of Buddhism and socialism.

Finally, SC does not only enjoy ideological eclecticism but ideological elasticity as well. It is this ideological elasticity which allows the SC regimes to seek a path in between capitalism and communism, a "third way" to national development.

As was mentioned already, SC is polyclass. That is to say, the class arrangement that underlies SC is an alliance which includes some sectors of the bourgeoisie, various segments of the middle class (traders, small industrialists, professionals, civil servants and military officers) and some defected elements of the comprador bourgeoisie and landowning classes. It is this class alliance which holds state power; though within this alliance the middle classes politically hold the upper hand. The proportional mix can vary from case to case. For example, whereas in Egypt, under Nasser, national bourgeoisie was present in the alliance, this may not be true in the case of Tanzania or Guinea where the national bourgeoisie was weak or even nonexistent.

The multiclass character of SC denotes that the model is not based on a single class hegemony. Although the emergence of SC in the Third World context is basically a response to "class hegemonic crisis", yet its own class configuration does not enjoy class harmony and class hegemony. That is, the class alignment does not only suffer conflicts from within, but it conflicts with mass desires for more direct participation as well. Moreover such class composition also suffers conflict with old ruling classes who are politically excluded in sharing of the state power. It is these conflicts which are connected with the lack of ability of the new ruling classes to project a unified conception.
of the world onto the whole society. This makes SC vulnerable to "new hegemonic crisis" or, if you would like, "crisis of legitimacy" so to speak. It is this "hegemonic vulnerability" that may explain the propensity of SC regimes to rely heavily (in their wielding of political power) on coercion rather than on consent, as they proceed to consolidate themselves. At the initial stage of the development of SC, the political style is based on so-called "integrative politics". To maintain the social integration of the masses and the "societal social solidarity", the new class alliance does not usually confine itself to its social basis, but it goes beyond that to appeal to the "masses". Typically the "masses" include the urban workers, semiproletariat (mainly the unemployed, the seasonal migrant workers), foot soldiers, and some social groups with middle class background, such as students and intellectuals. This style relies primarily on a magnetic, paternalistic leader (e.g., Nkrumah, Keita, Nasser, Nyerere, Sekou Toure, Assad, Qadafi, etc.) who emphasizes dramatic, emotional appeals; he promises material and psychic gratification of the needs of "the people". Like all populists, the leader, as a "single cult figure" enshrines issues of foreign domination, old upper class oppression, cultural nationalism and economic underdevelopment; he denounces the old upper class and imperialism as negative references for the masses.

The populist symptoms of SC, namely a cult of personality and a "temporary" paternalistic bond between the leader and the followers, may be explained in terms of a set of social and psychological intervening factors set in motion by colonial capitalist development and dependent capitalist development in the Third World. To provide a
general theoretical framework for an explanation of SC, the historical process of capitalist development in the Third World will be briefly examined later. At this point, the intervening factors need to be mentioned. The historical processes of capitalist development (in the Third World) have been generating developmental unevenness, social disintegration and social displacement, and thereby producing uprootedness, feelings of inferiority, fear, resentment, insecurity, partial loss of personal and cultural identity, etc., for the lower classes, particularly for those with a rural background.

It is these social and psychological factors couched with economic exploitation and super-exploitation which may explain the propensity of the masses for attachment to "protective paternalistic" leaders.

It should, however, be noted that such factors are not, by nature, unique for Third World countries. The historical development of Western capitalism also experienced them more or less. The difference is the matter of degree which can be explained in terms of their different patterns of development (i.e., capitalist autocentric development vs. capitalist dependent development).

At its initial stage, SC, in its populist appeal, carries out paternalistic, controlled mobilization of awakening masses before they become more powerful independent forces. At this stage, such appeal and controlled mobilization, as Germani (1978) nicely put it, provides the ground for existential participation which can constitute a legitimate base for the regime.

Even controlled mobilization becomes, later, a dilemma for the SC regime, once it tries to institutionalize and consolidate itself.
Mobilization is potentially a threatening factor for the SC regime in a double sense. As it gains momentum, it can destabilize and threaten the very existence of the regime. Besides it can raise the expectations and demands of the masses which may overload the system with limited resources so long as the multiclass composition of SC imposes structural constraint on the capability of the regime for a profound social transformation.

One way to resolve the dilemma and to overcome the tension between mobilization and institutionalization is to incorporate followers into para statal organizations and create a one-party system. This is what has been done in most of the SC countries such as Nkrumah's Ghana, Keita's Mali, Guinea, Syria, Tanzania, etc. The party soon becomes an instrument of the state and effective worker and peasant participation is almost non-existent. Such a solution is not free of hazards. It can cost the SC regime its protest credentials (an image generated for its followers at the early state) and thereby its dynamism and its followers.

Both the party and the state would thus enjoy a similar class content. What makes the nature of the state in SC countries distinctive is that the middle classes establish positions and achieve a fairly high degree of class representation within the state at the cost of the old upper classes. But class presence of the middle classes in the state does not mean that state intervention, in such countries, is free of structural limits. In other words, the state is not a neutral instrument of economic interests. The class presence of the middle classes considerably enhances both the relative functional autonomy
and the relative bureaucratic autonomy of the state but not necessarily its structural autonomy. There are several reasons for such structural limits.

Regardless of the arrangement of forces in the class alliance, the very multiclass nature of SC sets limits on the capability of the state for social change. The broader the class alliance (in terms of class diversity) the lower the likelihood for social change.

The arrangement of forces within the class alliance is also the determining factor in imposing structural limits upon the state. In the SC model, the peasants and workers are not really represented in the class alignment. Moreover, under the SC regimes, these class forces are even denied any right for any meaningful independent participation in the political system. Even in regard to the trade unions, the tendency is towards institutionalizing them, subordinating them to the ruling regime and weakening their independent role as social organizations or as instruments of the class struggle (Slovo, 1974). In a word, to say the least, the right of these forces to work for social change and to participate in shaping government policy is minimal, in the SC model. Lack of such class presence is perhaps one of the major stumbling blocks for any fundamental social transformation. In other words, without the ingredient of working class power, there is no reason founded either in theory or in experience to believe that the state can enjoy structural autonomy, and by using its autonomy, go so far as to steer a transitional course towards a genuine restructuring of social organization of production. Furthermore, the "temporary" leading political role of the middle classes in the state and political
system can hardly be translated into the state's relative structural autonomy. Such an unlikelihood should primarily be viewed in terms of the middle classes' (both the new sector and the old one) ideas and the image of society and social order which are contradictory, asynchronous and (partially) individualistic.

The middle classes' image of society and ideas are simultaneously informed by more than one mode of production, so long as the peripheral social information consists of at least two combined modes of production: non-capitalist or "precapitalist" mode(s) of production and the capitalist mode of production.

Their participation in the cultural domain of the capitalist mode of production imbues in them the logic, calculus and individualism of capital, though the individualism of both sectors of the middle classes is not really similar. The individualism of the old sector of the middle class emphasizes individual autonomy and favors the promotion of small private enterprises and commercialism, whereas the individualism of the new sector of the middle class stresses individual career promotions required by bureaucratic advancement. While the old sector of the middle class tends to oppose bureaucratic expansion and thereby governmental expansion; the new sector of this class tends to favor the expansion of the state. The new middle class which enjoys a "monopoly of knowledge", tends to translate its career promotions into a tendency toward positions of power in the state apparatus.

A large section of the middle classes resides, at the same time, in the cultural domain of the pre-capitalist mode(s) of production. Their residence is that domain(s) can explain their partial return to
the distant past for idealization of traditional cultures, moral values, communal traditions (the last part is particularly true of the African middle classes), etc. Given this asynchronic view, the task of establishing a new social order is conceived as returning to traditional usages.

The political inconsistency of the middle classes is also couched with their political instability. That is, the instability of the middle classes' intermediate position along the hierarchy of social organization of production gives rise to the instability of their political tendencies. Political swings of the petty bourgeoisie largely depend upon the direction of the internal and external "threat".

In short there is no reason to believe that the petty bourgeoisie, while holding strategic political positions in the state, goes so far as to undermine institutional and structural bases of the existing social order and thus proceeds to a revolutionary transformation of the society.

The class presence of the middle classes can, nonetheless, enhance the relative functional and bureaucratic autonomy of the state. This can provide the ground for a gradual conversion of petty bourgeoisie (namely the top-ranking state functionaries) into state bourgeoisie, and even possibly, into comprador state bourgeoisie. It is the fairly high bureaucratic state autonomy that can enable the state functionaries to transfer their ill-gotten gains into the legitimate private sector for investment. Such metamorphic processes can lead to economic liberalization and ultimately to an open door policy. (The history of SC in Egypt [1952-1972] is a good case in point.5)
Finally, some basic features of the economic programs of SC need to be mentioned.

In its initial period, SC takes a redistributionist stand primarily in distribution. Such a stand extends partially to the circuit of production which manifests itself in the public nationalizations which expropriate both the dominant foreign capital and the big local capital associated with it. The redistributionalist approach, particularly in distribution, is in congruence with the populist idea of expanding the economic pie. It might be noted that such an approach can initially work as a source of legitimacy for the regime. But the point is that the redistributionist approach in distribution cannot last for a long time, for two basic, interrelated reasons. First, the multi-class character of SC sets limits on the scope and longevity of the redistributionist policy, simply because the class forces who are represented in the state would have to suffer from that policy. The longevity of the policy can gradually generate tense conflict within the class alliance that holds state power and thereby jeopardizes the sociopolitical base of the regime. Second, the policy which tends to meet competing demands would soon become a dilemma and a difficult tradeoff, plagued by inflation and possessing scarce surpluses. Once the policy ceases to exist, the state can easily lose one of its sources of legitimacy.

In the SC model, the state as the guardian of the economy establishes a growing public sector and sets up strict means of control over the private sector (regulations set forth affect usually the scope and sphere of the private sector's operation, prices, currency exchange,
By adopting some sort of comprehensive planning orchestrated from above, the state launches a policy of industrialization. The policy can overall be characterized as a policy of import substitution industrialization (ISI), although the policy of industrialization can be distinguished slightly from the old form of the policy of import substitution industrialization, so to speak. The slight differences lie in the fact that the class nature of the state allows it to do away with the wasteful and conspicuous consumption of the landowning classes and the big capitalists and increase the surplus available for investment in less luxurious consumption goods industries.

In those SC countries that are relatively rich in economic resources, a pattern of industrialization through import substitution similar to that of private capitalist systems can lead to further dependency and greater integration into the world capital market (Mansour, 1979). Such countries can end up by experiencing balance of payment difficulties and assuming a foreign debt burden. For Mansour, the illustrative cases are Egypt under Nasser, present day Tanzania, Iraq and Algeria.

Finally, another major policy of SC is a gradual agrarian reform. Land reform is initially intended to remove the socio-political base of the landowning classes. At later stages it tends to become a function of socio-economic expediency of the state. At the village level, such agrarian reform replaces "feudalist forces" by a new alignment of social forces which tends to increase the political role of the wealthy peasants (upper layer of peasants) and local civil servants. This, however, can partially widen the size of the internal
market, which is often necessary for a policy of ISI.

The Origins of State Capitalism

The intention here is to make an effort to provide an alternative theoretical framework to explain the emergence of SC in the Third World. To fulfill this task (hopefully) it will also be attempted to provide some partial answers to questions such as the centrality of the state's role in the Third World.

The point of departure for providing such a theoretical framework is the general notion of "articulation of modes of production". This concept designates that the Third World social formations consist of (at least) two combined modes of production—a capitalist and a pre-capitalist mode in which the former is dominant over the other.

One point should be emphasized at the very beginning, and that is the concept does not suggest the "mixture" of modes in Third World societies as being simply the coexistence of elements. In other words the relationship between capitalism and pre-capitalist mode(s) of production is viewed neither in terms of a linear succession of stages nor as a transcendence of one mode of production over another. Instead, it points to the contradictory and paradoxical forms of coexistence between different modes of production in which the dominant capitalist mode of production simultaneously operates to dissolve and to conserve the pre-capitalist mode(s) of production which is(are) subordinate to it. The concept, thus, militates against the developmentalism (or stage theory) which is advocated by conventional theories of development.
It is safe to say that there are some significant historical differences between the emergence of capitalism in the West and in the Third World. One of the main differences lies in the historical fact that in the West emergence of capitalism was the result of an "endogenous", autocentric process, whereas in the Third World capitalism did not come into being from within but from outside. This point demands further explanation. To illustrate the point as to how the capitalist mode of production historically came to be articulated within the Third World social formations, it is necessary to examine briefly three major forms of capitalist penetration: mercantile capital ("commercial capitalism"), commodity export ("industrial capitalism"), and capital export ("monopoly capitalism").

*Commercial Capitalism.* Mercantile capital played a crucial role in the process of the dissolution of the feudalism, by promoting the process of primitive accumulation, and thereby paved the way for transition to capitalism in the West.

Primitive accumulation came from diverse sources, mainly usury, taxation, plunder and commerce. The accumulation of mercantile capital was initially restricted both by the feudal structure and by the slow progress of capitalist production in European countries roughly between 1500-1770. It was during this period that mercantile capital turned toward colonialism. First the Spaniards and Portuguese and then the English penetrated Latin America. Later, European colonialism expanded its control over world trade; cotton and silks became major trade items for Asia to Europe, and the African slave-based triangular trade yielded capital for industrialization.
It is interesting to note that whereas "commercial capitalism" contributes to the dissolution of feudalist relations or production in Europe; at the same time it stimulates and reinforces the existing, traditional modes of production in the Third World countries.

In Latin America, Spanish and Portuguese colonialism strengthened extra-economic coercion through the introduction of a type of landed proprietorship which came to be known as ecomienda. Under the ecomienda, the owner of the land was legally entitled to a portion of the peasantry's surplus, part of which was used to feed to workers in the mines, and part of which was exported to Europe. In some cases, slavery came along with this system via importing slave labor to ecomienda from Africa. Later on, ecomienda was replaced by hacienda, mostly as a result of decline in the production of minerals. The hacienda system continued to be externally oriented. Accordingly, the major effect of commercial capitalism was intensified through increasing production for export. The hacienda as a system promoted certain political and ideological forms (e.g., paternalism) and generated also a small class of landowners who owned the most fertile agricultural areas.

In South East Asia, the role of Dutch colonialism is illustrative. For example, in Indonesia, Dutch mercantilism forced Javanese peasants to produce crops for European markets. This policy led to landlessness, hunger and destruction of a peasant economy which had previously been self-sufficient. In a word, Dutch colonialism reinforced extra-economic coercion and thereby set up a barrier to any chance for possible separation of direct producers from their means of production,
a prerequisite for emergence of capitalism.

In West Africa, Portuguese colonialism also reinforced traditional modes of production (namely the lineage mode of production) via the colonial slave trade.

These historical instances were given, in order to make the point that "commercial capitalism" tends to stimulate the unity of peasants and their means of production (namely soil) no matter under what form.

**Competitive Capitalism.** The period between the 1770's to the 1870's is marked by the rise of industrial capital, establishment of the capitalist mode of production and bourgeois states in Europe. It is also demarcated by a massive increase in exports of commodities. Between the period 1740-1759 and 1869-1879 the ratio of British imports to exports from the Third World declined significantly whereas the ratio of British exports to the Third World to its GNP increased from 2 to 9 percent (Szymanski, 1981, p. 99). Britain became increasingly "the workshop of the world" during the century between 1770 and 1870. By 1870, Britain produced half the world's iron and her mills produced more cotton material than those of the rest of the world put together (Manfred et al., 1974, Vol. 1, p. 472).

During this period (1770-1870) peripheral countries became rapidly integrated into the capitalist world market. This was the century then, as Stavrianos (1981) puts it, "when favorable commercial treaties were extracted from Greece (1837), Turkey (1838) and Persia (1836, 1841, and 1857), and when armed force was employed to open China to unfettered trade (Opium War) and to open likewise the lands of the Black Sea region (Crimean War)" (p. 170). To this, however, might be added
"enforced" trade with Japan, trade with Africa, trade with India via political conquest and trade with Latin America by removing Spanish and Portuguese colonialism.

The logic behind the penetration under the dominance of commodity export is based on the growing need for mass markets and raw materials. To meet these demands, competitive capitalism in its penetration into peripheral social formations, sought to transform the indigenous structures of production in order to promote the production of goods for central social formations and to generate markets for commodities manufactured in the center.

The result of peripheral social formations, under such penetration was a gradual destruction of the circulation of commodities between the artisan sector and the agricultural and breakdown of unity between production and consumption. Production became increasingly geared toward the needs of the center, as agriculture and raw material products in the periphery entered into the circuit of the capitalist mode of production.

Such a restructuring of the peripheral economic makeup, in most cases, led to mass starvation, unemployment and migration. In this regard Amin (1976) argued that "whereas in Europe society found a new equilibrium that ensured employment for its labor force, what we see here is a regressive equilibrium that casts a part of the labor force right out of the production system" (p. 206).

The classic example is India whose cotton textile production system was destroyed by British penetration and she was thereby faced with massive unemployment and hunger.
In short, the penetration under the dominance of competitive capitalism (or industrial capitalism) undermined the precapitalist modes of production, though the scope of its impact depended upon the nature of the latter modes.

**Monopoly Capitalism.** The era of monopoly capitalism is featured by the export of capital from industrial countries to peripheral countries and a new wave of colonialism.

Between the period 1856-1866 and the period 1900-1913, the export of capital increased remarkably as compared to the export of goods. British capital export to the peripheral countries increased by 75 percent in relation to the export of commodities (Szymanski, 1981, p. 104).

Between 1862-1913 British capital export rose from $1.9 billion to $18.3 billion. Between 1874-1913 French capital export increased from $1 billion to $8.7 billion. From 1900-1913 German capital export climbed from $1.7 billion to $3.5 billion (Szymanski, 1981, p. 104).

Roughly since 1875, a new wave of territorial expansions started among the rival industrial countries. The British colonial area increased from 8.7 to 12.6 million square miles. French colonial area increased from 0.4 to 4 million square miles in the period of 1876-1900, Germany added 1 million square miles of Africa and the Pacific. And the United States conquered the remains of Spain's once great empire as well as such Pacific islands as Hawaii (Szymanski, 1981, p. 107). The extend of this domination in 1914 is illustrated by Table 1.

To proceed further, a brief comment seems to be in order regarding
Table 1
Overseas Colonial Empires in 1914

<table>
<thead>
<tr>
<th>Countries Having Colonies</th>
<th>Number of Colonies</th>
<th>Area (square miles)</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Mother Country Colonies</td>
<td></td>
</tr>
<tr>
<td>U.K.</td>
<td>55</td>
<td>120,953</td>
<td>12,043,806</td>
</tr>
<tr>
<td>France</td>
<td>29</td>
<td>107,076</td>
<td>4,110,406</td>
</tr>
<tr>
<td>Germany</td>
<td>10</td>
<td>208,830</td>
<td>1,230,989</td>
</tr>
<tr>
<td>Belgium</td>
<td>1</td>
<td>11,373</td>
<td>910,000</td>
</tr>
<tr>
<td>Portugal</td>
<td>8</td>
<td>35,500</td>
<td>804,440</td>
</tr>
<tr>
<td>Netherlands</td>
<td>8</td>
<td>12,761</td>
<td>762,863</td>
</tr>
<tr>
<td>Italy</td>
<td>4</td>
<td>110,623</td>
<td>591,250</td>
</tr>
<tr>
<td>Total</td>
<td>115</td>
<td>707,116</td>
<td>20,453,757</td>
</tr>
</tbody>
</table>


The drive behind the export of capital. The motivation for capital export should be understood both in relation to the transformation of competitive capital into monopoly capital (as a result of the longrun tendency for the concentration and centralization of capital), stimulated by the second industrial revolution (electricity, oil, synthetic chemistry and the internal combustion engine) and with reference to the context of the capitalist mode of production, the inner dynamic of which is expansion.

The export of capital to the peripheral regions was designed to utilize profits out of immense potentialities (namely vast amounts of human energy, availability of land, low ground rents, cheap raw materials), in a productive investment. In the final analysis, the Third World serves monopoly capitalism simultaneously both as outlet for
surplus capital and manufactured goods and as a source of labor-power and raw materials. Despite such potentialities for productive investment, monopoly capitalism was faced with barriers—precapitalist modes of production. Capital could not be invested to meet its object if capitalist forms of production did not exist. As was mentioned before capitalist forms of production are impossible without the separation of the producers from their means of production.

To meet this condition (i.e., to create capitalist relations of production), monopoly capitalism established colonial states or semi-colonial states whose economic task was to break down the unity of the direct producers and their means of production. The measures which were taken to fulfill this task were mainly forced labor, taxation and land redistribution.

What makes distinctive the effect of penetration under capital export is that in contrast to the dominance of commodity export (during the stage of competitive capitalism) which attempted to insert itself into the precapitalist mode, monopoly capitalist penetration began to promote capitalist relations and to subordinate the precapitalist relations to the new emerging capitalist mode of production. It is in this context that the capitalist mode of production came to be articulated into peripheral social formations. The distinctive character of this change lies in the fact that the course and outcome of the change were primarily determined by the inner dynamics of monopoly capitalism. As Szentes (1971) rightly put it, "The transformation, therefore, was not only more painful and forcible for the societies concerned but it also resulted in a misbirth: the old did not
completely disappear, and the new was built not on the ruins but among the remnants of the old" (p. 262).

There is a paradox involved in this process. Given the inner dynamic of the capitalist mode of production, which is expansionism (namely the expansion of the market), the emergence of the capitalist mode of production within peripheral social formations tends to dissolve the precapitalist mode(s) of production. Yet, at the same time precapitalist modes of production tend to be retained.

Two major factors can account for the almost constant perpetuation of precapitalist mode(s) of production; distinctive forms of capitalist development in the periphery, the subsidizing role of precapitalist modes of production. Though the resistance of precapitalist modes of production should not be overlooked completely.

Development of capitalist relations within the periphery has been primarily a response to the needs of the central economy. In other words capitalist development in the periphery has been confined to particular sectors determined by the reproductive requirements of the central capitalist mode of production. Having this in mind then it would be conceivable as to why precapitalist relations of production have been unevenly subsumed under the increasing domination of capitalist relations of production.

In its initial phase, foreign capital focused mostly on those sectors that provided the mineral products or the agricultural goods demanded by the metropolitan economy. It thereby created a capital intensive export sector and implanted a sort of enclave sector with strong reciprocal linkages with the metropolitan economy and minimal
linkages with the rest of the host economy. The side effect of such policy was a sort of urbanization without industrialization. To be specific the urbanization process was forged by the separation of direct producers in the agricultural sector.

Later capitalist relations were partially extended through the strategy of ISI (between the two world wars in the case of Latin America and after World War II in the cases of Asia and Africa). But the extension of capitalist development is limited under this strategy mainly because of national market limitations.

The production of luxury commodities (under this strategy) with the cooperation of local capital, was partly intended to gain class support among "ruling elites" for monopoly capitalism. It was also partly intended to gain profits for the center by opening up new opportunities via replacement of consumer goods import by imports of capital goods and intermediate goods. ISI generates capital-intensive units, with reliance on complex technology imported from the center. Moreover, consumer commodity sectors set up through ISI policy suffer weak linkages with other sectors.

In short, what is said so far suggests uneven subsumption of precapitalist relations of production.

Another factor which should be taken into account for perpetuation of precapitalist modes of production is the functional role of these modes in subsidizing the costs of labor for capital.

Meillassoux (1981) distinguishes three elements of the value of labor-power: sustenance of the workers during periods of employment (i.e., reconstitution of immediate labor-power); maintenance during
periods of unemployment (due to stoppages, ill-health, etc.); replacement by the breeding of offspring.

The point is that precapitalist modes of production, by providing labor-power to the capitalist sectors, sustain in part one element or a combination of these three elements. This is particularly evidenced in the case of seasonal labor, rotating migration, etc. In short, capital (by preserving precapitalist relations) can buy labor below its value while the difference between the labor value and the wage paid is subsidized through precapitalist modes of production (namely the household sector and subsistence agricultural sector). Such compensation which involves transfer of value from one mode of production to another one is known as primitive accumulation, and it can assume various forms.\(^7\)

One thing needs to be emphasized here and that is that the subsistence economy is organically related to the capitalist economy. That is, it belongs to the capitalist sphere of circulation so far as it provides it with labor power and commodities, but it remains outside the capitalist sphere of production so far as capital is not invested in it.\(^8\)

After all, what has the articulation of modes of production to do with the emergence of SC in the Third World? The answer to this question lies partly in the response to the question as to what articulation of modes of production means in terms of the structure of the peripheral social formations. Or to put it otherwise, what effects does articulation of modes of production have upon the structure of the concerned social formations?
Articulation of modes of production generates political and ideological asynchronisms and it also gives rise to a specific form of class structure in the Third World.

The emergence and articulation of the capitalist mode of production, under the penetration of monopoly capital, within the peripheral social formations creates heterogeneity and a series of dislocations and political and ideological asynchronisms. That is to say, it gives rise to a "co-existence" of political and ideological forms required for different modes of production, which are in contradiction. In a sense, so far as the asynchronous political and ideological practices are concerned, peripheral social formations are, more or less, in a state of indeterminancy.

Given the ideological dislocations and asynchronisms, the ruling classes who are coming from different modes of production and have conflicting interests (though they might be irreconcilable) are (structurally) incapable of imposing a unified conception of the world on the whole society. In other words, within the context of articulated modes of production, there can hardly be any dominant uniform ideology which can interpolate not only the members of the dominant classes but also members of the dominated classes. This can give rise to the crisis of authority (or crisis of hegemony).

The crisis of hegemony lets the dominated classes be aware of social conflicts in peripheral societies where masses are not only subject to exploitation but super-exploitation (so far as the primitive accumulation is involved) as well. The authoritarian character of the state, which is almost universal throughout Third World
countries should in part be read in this conjuncture.

The fact of the matter is that political liberalism has never had a chance to exist along economic liberalism in Third World countries. Even where representative political institutions nominally exist, parliamentary institutions' effective power gravitates into the hands of those who are at the head of the state organs, namely the bureaucracy and the military; political parties do not really function as the sources of power. Even in the case of India, which is often regarded as the exception, Alavi (1982) argues that "the control of the bureaucracy by those at the head of government has played a far greater role as the basis of state power, including the management of factions within the 'ruling party' itself, than is generally (and superficially) acknowledged" (p. 304).

In Third World capitalist countries, "civil society" is not completely separated from "political society" so to speak; in fact the former is invaded by the latter. In these countries, repressive state apparatuses (e.g., the bureaucracy, police, army, courts, etc.) have more to do to bring the people into conformity with different modes of production than "ideological state apparatuses" (or institutions) (e.g., schools, family, political parties, communications, trade unions, etc.).

As was already discussed, in the West the national bourgeoisie had fulfilled its "historical task" by the capitalist development and the replacement of feudalist modes of production by the capitalist mode of production. In contrast, in the Third World capitalism came into being mainly by monopoly capitalism via colonial states and with
the cooperation of the ruling class(es). It did not eliminate the precapitalist mode of production but it came to be articulated with this. This implies two things:

1. Whereas in the center, the fundamental classes are located only in one mode of production (class vs. class) in the periphery, the fundamental classes do not belong to one mode of production (as in the case of the center) but to more than one mode of production (classes vs. classes). Whereas in the center, the bourgeoisie is the dominant class (ruling class), in the periphery there is a plurality of ruling classes.

2. The endogenous bourgeoisie (in contrast to the national bourgeoisie in the center) came into being initially under the control of colonial capital; it either had to cooperate with it or compete with it. In the first case, it had to follow the lead of colonial capital, and in the second case it had to operate in those restricted areas in which the colonial capital had no interest (in some countries, namely some African countries, internal competing capital is almost non-existent or in an embryonic stage). This points to the fact that endogenous capital has never gotten a chance to take a leading role in the development of capitalist development with the presence of colonial capital. The point is that the endogenous bourgeoisie has remained relatively weak. The old ruling class(es), namely the landowning class(es) began to lose their material base with the increasing domination of capitalist modes of production, though at the level of "class alliance" it remained to be a political force (mostly at the service of monopoly capital).

It follows then that in the periphery, there is a plurality of
ruling classes which are not in a strong position.

This plurality of ruling classes and their relative class weakness together partly accounts for the centrality of the state's role. That is to say, plurality of ruling classes and their weakness gives a tremendous amount of functional and instrumental autonomy to the state to the extent that the state cannot be regarded as the instrument of any of the ruling classes. In fact the state acts on behalf of these classes. In short the crisis of authority, class weaknesses and plurality of ruling classes in the Third World can account for the authoritarian character and centrality of the role of the state. At this juncture three additional remarks need to be provided briefly:

1. The central role of the state can, in turn, explain the significant role of the military and administrative arms of the state.

2. It can also signify the historical role of the state in shaping the course and direction of development in the Third World countries. Although the state is not really the instrument of any of the ruling classes, yet this does not mean that the state remains as an entity free of class character. Quite the contrary, as was said before, the state, as a class category, acts on behalf of the ruling classes. As a matter of fact, the direction and nature of development depends upon the class content of the state.

3. The centrality of the state's role makes the state the prime immediate target of any political movement stimulated either by intra-class conflict or inter-class conflict.

SC as a political movement stimulated by inter-class conflict is a response to the crisis of hegemony. SC can emerge in so-called
"equilibrium" situations, when there is virtually a balance of power between all fundamental classes. Four factors are also required to trigger the emergence of SC. These are:

1. Dominant fundamental classes become politically weak. This can happen once there is an internal crisis among the ruling classes. Technically speaking it becomes increasingly impossible for the ruling classes to execute effective power through means such as repression (e.g., prohibition of opposition, restriction of intra-system opposition, surveillance, harassment and terror), canalization (e.g., isolation of grievances and conflict, extraversion of aggressive frustration, etc.). In fact the internal crisis becomes so intensified that canalization has to occur among the ruling classes (i.e., generation of scapegoats among the ruling classes).

2. Mobilized dominated fundamental classes remain politically weak (both in terms of organizational undevelopment and lack of their own intellectuals).

3. The metropolitan state(s) becomes reluctant to project its own power into the equilibrium situation either because of its preoccupation with economic crisis at home or involvement of high political and social risks.

4. Auxiliary classes (middle classes) come to an antagonistic conflict with ruling classes.

If these four conditions are met, SC arises as a response to the chronic crisis of hegemony which characterizes the peripheral state.
Prospect of State Capitalism

The assessment of and prognosis for SC should be done with great caution for it is its contradictory nature and class parameters, and vacillating behavior which calls for such caution. Having this in mind, one has to remember that after all SC is neither a new phenomenon nor a new mode of production.

In a period following the Great Depression of 1929, a number of countries, among them Turkey, Mexico and India embarked upon the SC path of development (Petras, 1978; Berberoglu, 1979). Later in the 1950's and 1960's other countries such as Egypt, Burma, Sri Lanka, Peru, Bolivia, Ghana, Tanzania, Algeria, etc., followed this path. SC is a capitalist mode of production; what makes this version of capitalist mode of production distinct from private capitalism is its social form of capital accumulation which is primarily performed by the state and its class parameters (some important formative characteristics of SC which were already discussed).

What is safe to say, so far as the general prognosis for SC is concerned, is that SC cannot be fully forced back into status quo ante by any rightist shift. Even in its reversal and replacement of SC by state monopoly capitalism, some innovations introduced under the SC regime would customarily be retained (particularly the public ownership of resources).

Yet there is a fairly high likelihood that SC transforms (either gradually through a metamorphic process or by an abrupt change) toward state monopoly capitalism (SMC) ("open door" private capitalism).
There are many examples that can attest to such a possibility, among them the transformation of SC into SMC in the case of India, Egypt, Ghana, Mali, Bolivia, Peru, Jamaica, Indonesia can be illustrative.

The longevity of SC (or political survivability of SC regimes) depends upon a number of factors. The following is a tentative list of such factors:

1. At the international level the East-West balance of power has provided the grounds for maneuvering for SC. On the one hand, the Western bloc along its supranational institutions (such as IMF) tries to stimulate and expand the private sector in the Third World in general and SC countries in particular. On the other hand, the Eastern bloc attempts to do the converse, that is, it tends to reinforce and expand the public sector in the Third World countries. That includes, of course, SC countries. A group of Soviet economists characterize the Soviet Union's economic relationship with the Third World as a factor that can help these countries "to lay the foundations for complexes of importance to the entire economy, including by enhancing the role of the public sector" (Anchishkin et al., 1980, p. 219). It is within such an international context that socialist countries in their economic and military trade with SC countries have played a contributing role for the survival and expansion of SC.

2. The longevity of SC is also dependent upon the availability of scarce resources and surplus value. Such availability can enable the SC regime to pursue its redistributionist policy (which functions as one source of legitimacy) for a longer period of time.

3. The level of development of capitalist relations prior to the
emergence of SC, in a given country, is another factor. A high level of development of capitalist relations empowers the upper classes (which are partially expropriated) through the capitalist institutional resources for economic sabotage, compromise and fight back (given that other things are constant, the higher the level of development of capitalist relations, the lower the chance of survival for SC).

4. As was explained previously, because of the centrality of the state's role and its military organ, the army has always been the target for different class forces for capturing state power in order to reshape and redirect the course of development. At the initial stage of the emergence of SC, when it has at its disposal some legitimate resources, the SC regime can initiate institutional military subordinate policy (e.g., intramilitary political education, establishment of "people's militia", etc.). The initiation of such policy and the degree of success in implementation of the policy can prevent both left wing oriented coups and right wing oriented coups, and thereby enhances the longevity of SC. (This is the policy which is often conducted in state socialist societies.)

5. SC can come to exist through different ways—constitutional conferences and referenda (e.g., in the cases of Tanzania, Jamaica, etc.), coup (e.g., in the cases of Syria, Iraq, Peru, etc.) and guerilla warfare (e.g., in the case of the Lusophone countries—Angola, Guinea-Bissau and Mozambique). The way through which SC comes into being can have impact on its fate. For example, in those countries in which SC arrives via guerilla warfare, there would be some advantages
that can contribute to the longevity of the new regime and affect the process through which the new regime would experience metamorphoses. In short, in such countries, there is less likelihood that the system would transform into SMC; instead there seems to be a chance for the system to transform into a new progressive system eventually (given other factors constant).

There are some good reasons to believe that socioeconomic performance of SC remains poor in general. In fact the basic thesis is that the economic performance of SC is even poor as compared to the economic performance of private capitalism. In socio-cultural areas, in spite of some populist tendencies on behalf of SC, there is no significant difference between the performance of SC and private capitalism. (These theses will be subject to empirical test in the next chapter.)

The basic reasons behind these theses are summarized as follows:

1. To begin with, the major source of confusion for the upper classes and lower classes is the populist tendency of SC to conduct an eclectic effort to graft incompatible values. Such an endeavor would lead to formulation of eclectic policies. Although such policies are intended to constitute partial reference for different classes, yet their eclectic nature soon begins to work as a source of delegitimization and confusion. The politicized lower classes who have already built up expectations begin to become increasingly dissatisfied and less prone for social participation. The upper classes who are partially expropriated begin to fight back through their material and institutional resources. Moreover a low level of "business confidence" makes the "legitimate" capital either fly abroad (if possible)
or quit the circuit of production in order to enter into the circuit of exchange.

2. The existence of private economic space becomes later a base for materialization of the individualism of the old middle classes (i.e., expansion of commercialism and reinforcement of commercial capital). It can also work as a source of economic sabotage and compromise for conservative forces, in cooperation with corrupting and often ideologically confused bureaucratic elites.

3. The initial tendency toward synchronization of industrialization and welfarism can also halt the pace of economic growth.

4. As SC moves forward, it becomes both less capable and less willing (this point was already explained) to initiate mass mobilization to offset its backwash effects on the course of development.
CHAPTER III

METHODOLOGY

Introduction

In this chapter the intention is to describe the method and procedures which will be employed for the cross-national study.

To put into comparative perspective the socio-economic performances of the two groups of countries, state capitalist countries and private capitalist countries, and to test the thesis set forth in the previous chapter, conventional research methods will be used.

It may be necessary to reiterate here the thesis put forward previously. The thesis is that economic performance of SC is poor as compared to the economic performance of private capitalism; and in socio-cultural areas there is no significant differences between the performances of SC and private capitalism.

Sample of Countries

The sample is this research will include all non-Communist countries of Asia, Africa and Latin America except:

1. Countries with less than one million population. These countries will be excluded because of the extreme values they may register on variables under the study.

2. Japan, Israel and South Africa. In development literature, these countries are not considered as less-developed ones. As the
extreme cases they will, however, be excluded from the sample.

3. Madagascar, Benin, Mozambique, Angola and Ethiopia. Exclusion of these five countries from the sample is based on the fact that they started to change their course of development during the 1970's and in a temporal sense, it is thus too early to assess their new developmental experience.

It might be noted that the sample of countries is not going to be a random sample of any larger population. In other words, the sample will be almost identical with the research universe, i.e., Third World Capitalist Countries.

There is no strong consensus among statisticians as to whether or not tests of significance should be computed and reported when the sample population is equal to the research population (Blalock, 1972). In this research, tests of significance will be employed as a useful means of eliminating from consideration findings so weak that they might easily have occurred even if values had been randomly assigned to cases or so unstable that they might be expected to change dramatically even if a smaller number of additional cases were added to the sample.

The countries of the sample are listed as follows:

<table>
<thead>
<tr>
<th>India</th>
<th>Korea (South)</th>
<th>Peru</th>
<th>Syria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>Iran</td>
<td>Sri Lanka</td>
<td>Equador</td>
</tr>
<tr>
<td>Brazil</td>
<td>Burma</td>
<td>Kenya</td>
<td>Yemen (North)</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Columbia</td>
<td>Nepal</td>
<td>Cameroon</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Argentina</td>
<td>Venezuela</td>
<td>Zimbabwe</td>
</tr>
<tr>
<td>Nigeria</td>
<td>Zaire</td>
<td>Malaysia</td>
<td>Guatemala</td>
</tr>
<tr>
<td>Mexico</td>
<td>Afghanistan</td>
<td>Uganda</td>
<td>Upper Volta</td>
</tr>
<tr>
<td>Philippines</td>
<td>Sudan</td>
<td>Iraq</td>
<td>Tunisia</td>
</tr>
<tr>
<td>Thailand</td>
<td>Algeria</td>
<td>Chile</td>
<td>Mali</td>
</tr>
<tr>
<td>Turkey</td>
<td>Taiwan</td>
<td>Ghana</td>
<td>Bolivia</td>
</tr>
<tr>
<td>Egypt</td>
<td>Tanzania</td>
<td>Saudi Arabia</td>
<td>Dominican Republic</td>
</tr>
</tbody>
</table>
Measurement

Five sets of variables will be used as the overall indicators of socio-economic performance of the countries in the study.

Physical Quality of Life Variables (PQLV)

These variables will be employed to evaluate inequality in the fulfillment of basic human needs. The Physical Quality of Life Index (PQLI) is one of the ten variables in this set. PQLI is a composite index originally calculated by the Overseas Development Council (ODC). It consists of three indices: life expectancy, infant mortality, and literacy. These three components of PQLI, each as a single variable, will also be included separately. In addition to the PQLI, life expectancy, infant mortality rate and literacy rate, other variables which are commonly used as indicators of Physical Quality of Life will also be used. Physicians per million population, calories per capita, enrollment in secondary school and in higher education will be included as additional indicators of health care, nutrition and education. Consumer Price Index (CPI) and average rate of inflation will also be included as indicators of price stability. Inclusion of these two last
measures is based on the assumption that high prices for consumer products and inflation are the costs to the citizens; particularly they can become part of the survival problems of the poorest segments of the population.

**Income Inequality and Poverty**

Two variables will be used to measure inequality in income distribution: percent of national income received by the lowest 20 percent of the population, percent of national income received by the highest five (5) percent of the population.

Although income distribution is one of the key variables in developmental analysis, yet data for this variable are perhaps the least readily available and least reliable of those for any major socioeconomic variable. Unfortunately data are available for only half of the countries in the sample. Needless to mention, these two variables are neither the measures of wealth nor property. Measures of wealth and property can provide different pictures. Furthermore, the two variables, measures of income, provide information for the relative amount of income and not the absolute amount of income received by the richest and poorest segments of population.

It is these problems which suggest inclusion of additional measures. The percentage of the population living in absolute poverty will be included as an additional variable. Though, the concept of poverty is relative, and it is not supposed to tap directly social inequality, yet it can play a complementary role. Having assumed that members of upper classes in all countries have high PQLI scores, a low score for
a country can indicate an overall low score for lower classes. That is to say, the lower the score for a country, the higher the difference between the score of the higher classes and lower classes. In this sense the PQLI is expected to give some indication of inequality.

Measures of Economic Development and Growth

Energy consumption per capita, average annual growth rate of Gross National Product per capita (GNP/C) and percent of labor force in agriculture will be included.

GNP per capita, as an indicator of economic wellbeing, has been recently subject to severe criticisms for its use. Two basic objections have been raised against its use. The first objection is based on the argument that this measure does not say anything at all about income distribution or pervasiveness of the economic activity. The first objection has been addressed in this research by the introduction of a number of physical quality of life variables and distributive indicators. The second objection is that GNP per capita, as a figure, exists mainly on paper; based as it is on extensive estimates, especially of activity in the nonmonetized sector in the Third World countries. To address the second objection, energy consumption per capita will be used.

In addition to these three variables, annual growth rate of agriculture will also be included. The rationale behind this inclusion is that to check to see if there is any distinctive pattern of agricultural growth between the two groups of countries.
Measures of Dependency

The percent of primary product in exports and external public debt will be included as measures of dependency or position in the world economy. To be specific, the external public debt is supposed to tap economic dependence (Chase-Dunn, 1975); and percent of primary product in export is regarded to be an indicator of a nation's role in the international division of labor (Frank, 1967; Galtung, 1971; Wallerstein, 1976).

There is a double purpose for the introduction of these two variables in this study. In the first place, the intention is to investigate as to whether there is any significant difference between the scores of the two groups of countries for these two variables. After all, regardless of any theoretical presupposition, high scores on either of these variables for a country can be considered as a negative credit. For example, comparing the records of two countries for their economic performances, given other variables equal, the credit will be given to the country whose record on the two variables is significantly low.

In the second place, on the basis of the data at hand, measures of dependency are intended to be treated as independent variables in order to find out if dependency can predict socio-economic performances of the countries in the study to any extent; as it is expected to do so by dependency theory.

Utilization of the dependency variables, in the second place, as the independent variables, is not, however, supposed to suggest that
they are regarded as primary predictors (or first cause) of socio-economic performances in terms of theoretical causal reasoning and causal ordering, as they are perceived by most of dependency theorists. To be more precise, dependency is not theoretically assumed to precede class relations, mode of production, in terms of the direction of causality; even though, as a predictor, it may explain some proportion of variations in the indicators of socio-economic performances.

Military Expenditure

Military expenditure as percent of GNP will be included to measure the extent to which two groups of countries devote their resources to military spending.

Control Variables

The need for control variables arises from the fact that cross-national research should operate within a given set of countries whose developmental levels and natural resources vary widely. In order to partial out the impact of such factors in the regression analyses, two variables, as control variables, will be included: GNP per capita for 1965 (GNP65) and natural resource endowment. GNP65 is regarded as the indicator of developmental level. The indicator for natural resources is a composite indicator constructed by Ballmer et al. (1979). The indicator contains the most important raw materials which fall into four categories: tropical goods (e.g., raw coffee, raw cocoa, etc.), other agricultural resources (e.g., jute,
raw rubber, etc.), minerals (e.g., iron ore, tin, copper, etc.) and petroleum.

The following list of variables is presented, which itemizes the variables and the year for each of the variables.

### List of Variables

**A. Physical Quality of Life Measurement**
- PQLI score for country (mid-1970s)
  - Health and Nutrition
    - Life expectancy at birth (1975-80)
    - Infant mortality rate (1975-80)
    - Physicians per one million population (1975)
    - Calories per capita (1977)
  - Education
    - Percent literate (1977)
    - Numbers enrolled in secondary school as percent of age group (1977)
    - Numbers enrolled in higher education as percent of age group (1977)
  - Price Stability
    - Consumer Price Index (CPI) (1976)
    - Average annual rate of inflation (%) (1970-76)

**B. Income Inequality and Poverty Measurement**
- Percent of national income received by poorest 20% of population (mid-1970s)
- Percent of national income received by richest 5% of population (mid-1970s)
- Percent of population living in absolute poverty (1977)

**C. Economic Development and Growth Measurement**
- Energy Consumption per capita (1975)
  - Average annual growth rate of GNP per capita (1970-78)
  - Percent of labor force in agriculture (1977)
  - Annual growth rate of agriculture (1970-76)

**D. Dependency Measurement**
- External public debt as percent of GNP (1976)
- Percentage of primary products in exports (1975)

**E. Military Expenditure Measurement**
- Military expenditure as percent of GNP (1977)
F. Developmental Level Measurement
  GNP per capita (1965) (as a Control variable)

G. Natural Resources Endowment Measurement
  Natural resources (1973) (as a Control variable)

Data

This research will mostly use data compiled originally by international agencies, namely the United Nations and its affiliated organizations such as the Food and Agricultural Organization and the International Labor Organization, as well as by the World Bank and Organizations for Economic Co-operation and Development.

Although there might still be a room for expression of concern about the quality of data for the Third World countries, there is no doubt that the quality of the available data for the Third World Countries has dramatically increased over the last thirty years. As Syzmanski (1981) puts it, "such has been the case because of the increasing demand for such statistics on the part of those needing them in their work, namely the transnational corporations and banks and the governments of both the developed and the less-developed countries" (p. 17).

As far as the availability of data is concerned, it is not possible to measure all the dependent variables in a single year. The data will, however, be utilized as near as possible to the year of 1977. The data sources will be presented in Appendix A.
Classification of Countries

In cross-national studies, one of the controversial methodological problems is how to devise an adequate classification system. Very often, in studies of cross-national differences in socio-economic performances, the typical mode of categorization is based on quantitative criteria, namely per capita income. According to this mode of categorization, all countries are ranked from high to low on per capita income. Countries in the same income category are then compared with regard to their performances. Such a classification system does not, however, enable one to compare countries with different developmental paths.

Since a major interest in this study is to put into comparative perspective the performances of countries with two different developmental paths, private capitalism and state capitalism, the first requirement is to divide the sample into two separate categories of countries.

To meet this requirement, a set of criteria needs to be set forth regarding the central features of SC. In the previous chapter, an effort was made to sketch out some formative characteristics of SC. Among them, some were considered as the central features of SC. The central features are central planning, domination of public sector over private sector, nationalization of big foreign capital and/or big local capital and populist ideology with socialist overtones. As the review of literature revealed, these features have also been pinpointed for SC, more or less, by developmental analysts with different theoretical standpoints.
These four central features of SC can serve as the basic criteria for classification of countries into two groups. In order to classify countries of the sample, a content analysis needs to be conducted; simply because the criteria established here are mostly qualitative by nature.

**Information Sources**

To conduct content analysis, the primary task is to identify the source(s) of relevant information (Krippendorff, 1980). Generally speaking, decisions about relevancy or irrelevancy of an information unit should be made with respect to the nature and purpose of the study. Here the units of analysis or recording units, are countries, and the intention is to classify countries of the sample on the basis of certain criteria set forth.

In this respect, certain criteria can be put forward as a guideline for evaluation of the relevancy of the information source. These are:

1. Information source provides information for all countries in the study.
2. Type of information, i.e., that information that one is interested in, according to the criteria set forth.
3. Scope of information, i.e., the extent to which the source provides detailed information.
4. Up-to-date information.

According to these four criteria, the following information sources are considered and selected as relevant ones.
1. Encyclopedia of the Third World (V-1s. 1-3)

Full citation of these documents is provided in the Bibliography.

Categories

As was mentioned already, four criteria are suggested for distinctions between state capitalism (SC) and private capitalism.

In terms of economic arrangements, two criteria have been established:

1. Whereas in state capitalist countries, the economy is coordinated by Central planning (orchestrated from above), in private capitalist countries, the market is the prime regulator. Thus the mutually exclusive categories are here, Central Planning and Market, or Central Planning vs. Market.

2. The domination of the public sector over the private sector is another qualitative structural character of SC, while domination of the private sector over the public sector is the qualitative structural character of private capitalism. These two categories are also mutually exclusive.

Once again it might be necessary to emphasize that the indicator of domination of public sector over private sector and vice versa, is qualitative. It can conceptually be thought of as a multidimensional indicator. Several dimensions are theoretically conceivable, such as the general state role in the economy (liberal state role vs. ruling state role), attitude of the state toward big capital (e.g.,
nationalization policy), the state's restrictive policy for operation of the private sector, in terms of scope and sphere of operation, investment incentives, prices, etc. In the first document, Encyclopedia of Third World, it is unfortunately not revealed which criterion and/or criteria has/or have been used for assignment of the countries to the two categories. The assumption, however, is that it must have been based on the criteria such as the ones just mentioned above.

In ideological terms, whereas the populist ideology of SC is couched with socialist overtones, and which might be termed as 'native socialism', in private capitalism, such an ideological element is almost nonexistent.

As was explained before, in state capitalist countries, the state tends to eliminate the political and economic role of big capital. A state's policy of nationalization of big foreign capital and/or big local capital can then be considered as the expression of the state's attitude towards big capital. It can also give some indication of the class essence of this state. In contrast, in private capitalist countries, the big capital remains a major economic and political force.

System of Enumeration

Simple binary coding will be employed to indicate whether or not the category appears in the document, that is, a nominal level classification. The two sets of categories established are exhaustive. These are: domination of public sector over private sector against domination of private sector over public sector, and central planning against market. The rest of the categories can be rendered exhaustive.
by the addition of another category that represents all units not represented in the initial categories (Krippendorff, 1980). It can be labeled "other".

Each of the categories may not be discriminatory enough by itself but the combination of them, two or more, can discriminate state capitalist countries from the rest of the countries in the sample.

The results of the content analysis are shown in Table 2.

Table 2
Classification of Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Economy</th>
<th>Political Ideology</th>
<th>Nat. Policy</th>
<th>Source Page</th>
</tr>
</thead>
<tbody>
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<td>Dominance of Private Sector</td>
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<td>Market</td>
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Table 2, Continued

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<td>Source</td>
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a - Encyclopedia of the Third World (Vol. 1-3)
b - Political Handbook of the World: 1981
c - Economic Handbook of the World: 1981

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According to Table 2, the countries listed below fall into the category of state capitalism and the rest of the countries of the sample fall into the category of private capitalism.¹

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CHAPTER IV

ANALYSIS OF DATA AND THE FINDINGS

Introduction

The regression model and the quasi-experimental model, as two different approaches, will be utilized for data analysis. In the case of the first approach, the regression model, data for all countries of the sample will be used to analyze the impact of the developmental model, being treated as a dummy variable, on the socio-economic variables, controlling the effects of development level and natural resources.

In the case of the second approach, the quasi-experimental model, cases in the two subsamples will be matched pair by pair on relevant characteristics, namely: population size, developmental level, and natural resource endowment. Then socio-economic performances of matched countries will be contrasted and compared. A special type of T-test statistic which is relevant to this type of pairing will be used for data analysis.

The employment of the two different models is mostly based on the fact that the number of countries which fall into the category of SC is proportionally low compared to the size of the sample. That is to say, countries with the state capitalist model of development are underrepresented in the sample; and this can potentially bias the results of the regression analysis. In any case, application of the two models for comparative analysis can enhance the reliability of the results of
the research if the outcome of each of the two approaches appear to be almost similar.

Regression Model

In the regression model, the path of development or developmental model is treated as a dummy variable. The developmental level, surrogated by GNP65, and natural resources, are included as control variables. The basic standardized equation for the regression model is:

$$z_1 = b_{12.34} z_2 + b_{13.24} z_3 + b_{14.32} z_4$$

where:

- $z_1$ = standardized measure of socio-economic development
- $z_2$ = standardized measure of developmental level (as control variable)
- $z_3$ = standardized measure of natural resources (as control variable)
- $z_4$ = standardized measure of developmental model (as a dummy variable), where state capitalism as one category of the dummy variable is coded one (as the raw score) and private capitalism as another category of this variable is coded zero (as the raw score).

The value of each beta-weight coefficient represents the relative amount of contribution of that variable in prediction of the dependent variable, $z_1$, after contributions of the other variables in the equation are taken into account. To put it another way, each beta-weight value is the measure of the relative influence of each independent variable upon dependent variable, after the effects of the other variables are partialled out. In the basic equation, the controlling effects of beta-weight are indicated in the subscripts. The dependent and independent variables to which the beta-weight value refers, are written in the front of the dot in the subscripts, and
the other variables included in the regression equation are listed after the dot. For example, \( b_{14.32} \) which is the focus of interest here, indicates, in each equation, the relative influence of the developmental model upon the measure of socio-economic variable, after the effects of natural resources and developmental level are taken into account.

Now that the regression model has been introduced, it is possible to present the beta-weight coefficients. A zero-order correlation matrix of the variables is also reported in Appendix C.

In Table 3 beta-weight values are reported for Physical Quality of Life Variables. As it is expected GNP65, as developmental level, has considerable impact on the eight variables out of ten Physical Quality of Life Variables, either at the level of .001 or at the level of .01. This means simply that countries at higher levels of development are in a better position to meet the basic human needs than countries at lower levels of development.

In the case of the natural resources variable there is no significant relationship between this variable and variables of physical quality of life.

This is also true in the case of the developmental model variable. That is to say, there are no significant differences between the performances of countries with private capitalist model of development and countries with the state capitalist model of development, in their fulfillment of basic human needs.

Here two points may need to be mentioned. First, one should not fail to take into consideration the sign and the magnitude of those
Table 3

Beta-Weight Coefficients as Regression Estimate of Effects of Developmental Level, Natural Resources and Developmental Model on PQLV

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<td>.54***</td>
<td>.07</td>
<td>.04</td>
<td>75</td>
</tr>
<tr>
<td>Ratio Enrolled in Higher Education</td>
<td>.40***</td>
<td>.00</td>
<td>-.04</td>
<td>75</td>
</tr>
<tr>
<td>Consumer Price Index</td>
<td>.07</td>
<td>.09</td>
<td>-.04</td>
<td>70</td>
</tr>
<tr>
<td>Inflation Rate</td>
<td>.20</td>
<td>.13</td>
<td>-.04</td>
<td>70</td>
</tr>
</tbody>
</table>

** = P < .01
*** = P < .001

beta-weight coefficients, which are not significant. After all, as it was already pointed out, inferential statistics are a mixed blessing in cross-national analysis. This is not, however, to imply that findings reported here have validity beyond the particular cases examined. Second, the sign of the $b_{14.32}$ coefficients should be viewed and

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interpreted with respect to the way the categories of the developmental model variable have been coded; state capitalism = 1, private capitalism = 0. Regardless of inferential statistics, \( b_{14.32} = -.11 \), for example, means that literacy rate is slightly higher in private capitalist countries than in state capitalist countries. Or, \( b_{14.32} = .20 \) (Table 3) indicates that infant mortality rate is slightly higher in state capitalist countries as compared to that of the private capitalist countries.

As Table 4 shows, again, there is not really any significant difference between the two groups of countries in terms of income inequality and poverty. However, regardless of significance statistics, the beta-weight coefficient \( (b_{14.23} = -.13) \) for the developmental model and percent of national income received by richest five (5%) percent of population might be worth considering. In this respect, it may be safe to say that there exists insignificant difference between the groups of countries. Therefore, the pattern of income distribution is a bit more egalitarian in state capitalist countries than in private capitalist countries, though, the difference seems to be negligible.

As far as poverty is concerned, this variable is related to a considerable degree to developmental level and to a lesser degree to endowment factor. Poverty is least prevalent in those countries which are at higher levels of development and enjoy natural resource endowment.

Table 5 presents regression estimates of effects of control variables and developmental model on measures of economic development and growth.
Table 4

Beta-Weight Coefficients as Regression Estimates of Effects of Developmental Level, Natural Resources and Developmental Model on Income Inequality and Poverty

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>GNP 65 ( b_{12.34} )</th>
<th>Natural Resources ( b_{13.24} )</th>
<th>Developmental Model ( b_{14.23} )</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of National Income Received by Poorest 20% of Population</td>
<td>-.28</td>
<td>-.09</td>
<td>.03</td>
<td>40</td>
</tr>
<tr>
<td>Percent of National Income Received by Richest 5% of Population</td>
<td>.06</td>
<td>.07</td>
<td>-.13</td>
<td>40</td>
</tr>
<tr>
<td>Percent of Population Living in Absolute Poverty</td>
<td>(-.68^{***})</td>
<td>(-.18^*)</td>
<td>.01</td>
<td>66</td>
</tr>
</tbody>
</table>

\(* = P < .05\)
\(*** = P < .001\)

Findings based on the regression model suggest that the differences between the economic performances of state capitalist countries and private capitalist countries are either nonexistent or insignificant.

However, even if some differences exist between the two groups of countries, the signs of the first three \( b_{14.23} \) coefficients (Table 5) indicate that the possible differences are due to the better performance of the private capitalist countries, no matter how insignificant they might be.

It might be noted that energy consumption per capita is strongly...
Table 5

Beta-Weight Coefficients as Regression Estimate of Effects of Developmental Level, Natural Resources and Developmental Model on Measures of Economic Development and Growth

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>GNP65</th>
<th>Natural Resources</th>
<th>Developmental Model</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Consumption per Capita</td>
<td>.91***</td>
<td>.05</td>
<td>-.01</td>
<td>75</td>
</tr>
<tr>
<td>Average Annual Growth Rate of GNP per Capita</td>
<td>-.11</td>
<td>.25*</td>
<td>-.09</td>
<td>74</td>
</tr>
<tr>
<td>Percent of Labor Force in Agriculture</td>
<td>-.57***</td>
<td>-.08</td>
<td>-.10</td>
<td>75</td>
</tr>
<tr>
<td>Annual Growth Rate of Agriculture</td>
<td>.08</td>
<td>.17</td>
<td>.02</td>
<td>67</td>
</tr>
</tbody>
</table>

* = P < .05  
*** = P < .001

effected by developmental level \((b_{12.34} = .91)\) at the level of .001; this relationship is not unexpected though.

The relationship between natural resources and growth rate of GNP per capita, \((b_{13.24} = .25)\), may be due to the relative improvement in terms of trade for export of raw materials particularly petroleum.

In Table 6 beta coefficients are reported for measures of dependency. As this Table illustrates, with respect to the dependency measures there are statistically significant differences between state capitalist countries and private capitalist countries, at the level of .01
Table 6
Beta-Weight Coefficients as Regression Estimate of Effects of Developmental Level, Natural Resources and Developmental Model on Measures of Dependency

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>GNP65 ($b_{12.34}$)</th>
<th>Natural Resources ($b_{13.24}$)</th>
<th>Developmental Model ($b_{14.23}$)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>External Public Debt as Percent of GNP</td>
<td>-.20</td>
<td>-.04</td>
<td>.30**</td>
<td>71</td>
</tr>
<tr>
<td>Percent of Primary Production in Exports</td>
<td>-.01</td>
<td>.11</td>
<td>.27**</td>
<td>69</td>
</tr>
</tbody>
</table>

** = $P < .01$

In terms of external public debt the beta-weight, $b_{14.23} = .30$, suggests that state capitalism is more costly than private capitalism.

What these findings suggest (Table 6) is a further support for the view which maintains that state capitalism preserves its status of dependency as does private capitalism in the Third World. As a matter of fact, from the standpoint of the dependency perspective, the findings here tend to indicate that in some respects, both in terms of debt dependency and economic role in the international division of labor, the record of state capitalism countries is not better, but even worse than that of the private capitalist countries.

Table 7 presents standardized coefficients as regression estimates of the independent variables on military expenditure. The beta-weight ($b_{14.23} = .32$) which is significant at the level .01 demonstrates
Table 7

Beta-Weight Coefficients as Regression Estimate of Effects of Developmental Level, Natural Resources and Developmental Model on Military Expenditures

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>GNP65 (b12.34)</th>
<th>Natural Resources (b13.24)</th>
<th>Developmental Model (b14.23)</th>
<th>N:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Military Expenditure as Percent of GNP</td>
<td>.08</td>
<td>.14</td>
<td>.32**</td>
<td>69</td>
</tr>
</tbody>
</table>

** = P < .01

that military expenditure is relatively higher in state capitalist countries as compared to that of private capitalist countries. In this sense, state capitalism appears to be more costly than private capitalism for the citizenry.

The difference seems, however, to be attributable to the class parameter of state capitalism, which provokes potential or actual threats either from the right or from the left both at national and supranational levels. In other words, the difference is the result of interreaction to the national and international environmental responses stimulated, in the first place, by the class parameter of state capitalism.

Quasi-Experimental Model

In this model, for each state capitalist country, the most similar case is selected and matched among private capitalist countries.
Criteria for sameness are natural resource endowment, developmental level (GNP65), population size (1960) and percent of labor force in industry (1960).

The purpose of matching is to control extraneous variables, i.e., natural resources, developmental level, population size, and percent of labor force in industry, other than "the experimental variable", i.e., developmental model.

It is then clear that since the number of state capitalist countries is 12 in the sample, the number of pairs is also 12. Table 8 provides the list of the paired countries and illustrates the degree of sameness of matched countries regarding their scores on the control variables. In Table 8, from the top, Algeria is matched with Taiwan as a pair, Burma is matched with Afghanistan as a pair, etc., down to South Yemen which is matched with Mauritania as a pair.

Data presented in Table 8 for variables—GNP65, natural resources, population size and percent of labor force in industry—are respectively derived from Taylor et al. (1972, pp. 314-320), Ballmer et al. (1979, pp. 175-177), Taylor et al. (1983, pp. 91-93 and pp. 211-213).

Now the cases are matched for the two groups of countries, it is possible to compare socio-economic performances of the paired countries. A special type of T-test is used to examine if there are statistically significant differences between the groups of countries, in terms of their socio-economic performances.¹

Table 9 presents the mean scores of the two groups of countries, with different models of development, on Physical Quality of Life variables. As this table shows there is no significant differences
### Table 8
Paired Countries with Their Scores on Control Variables of Population Size (1960), GNP per Capita (1965), Natural Resources (1973) and Percent of Labor Force in Industry (1960)

![Table 8](image-url)

<table>
<thead>
<tr>
<th>Country</th>
<th>Population (000)</th>
<th>Natural Resources</th>
<th>GNP65</th>
<th>% of Labor Force in Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alzheimer</td>
<td>10,800</td>
<td>0</td>
<td>222</td>
<td>12</td>
</tr>
<tr>
<td>Burma</td>
<td>22,254</td>
<td>15</td>
<td>71</td>
<td>11</td>
</tr>
<tr>
<td>Congo</td>
<td>969</td>
<td>0</td>
<td>164</td>
<td>17</td>
</tr>
<tr>
<td>Guinea</td>
<td>3,630</td>
<td>3</td>
<td>74</td>
<td>6</td>
</tr>
<tr>
<td>Iraq</td>
<td>6,847</td>
<td>10</td>
<td>231</td>
<td>18</td>
</tr>
<tr>
<td>Libya</td>
<td>1,349</td>
<td>40</td>
<td>542</td>
<td>16</td>
</tr>
<tr>
<td>Peru</td>
<td>9,993</td>
<td>51</td>
<td>367</td>
<td>20</td>
</tr>
<tr>
<td>Somalia</td>
<td>2,226</td>
<td>0</td>
<td>60</td>
<td>4</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>9,889</td>
<td>22</td>
<td>144</td>
<td>14</td>
</tr>
<tr>
<td>Syria</td>
<td>4,561</td>
<td>0</td>
<td>212</td>
<td>19</td>
</tr>
<tr>
<td>Tanzania</td>
<td>10,241</td>
<td>9</td>
<td>71</td>
<td>4</td>
</tr>
<tr>
<td>Yemen (South)</td>
<td>1,109</td>
<td>0</td>
<td>125</td>
<td>15</td>
</tr>
</tbody>
</table>

| Mean Score | 6,989 | 12.5 | 190.25 | 13   | 5,893 | 9.92 | 191.42 | 10.73 |

<table>
<thead>
<tr>
<th>Country</th>
<th>Population (000)</th>
<th>Natural Resources</th>
<th>GNP65</th>
<th>% of Labor Force in Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alzheimer</td>
<td>10,610</td>
<td>0</td>
<td>227</td>
<td>--</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>13,736</td>
<td>0</td>
<td>83</td>
<td>6</td>
</tr>
<tr>
<td>Liberia</td>
<td>1,256</td>
<td>8</td>
<td>199</td>
<td>10</td>
</tr>
<tr>
<td>Haiti</td>
<td>3,183</td>
<td>12</td>
<td>73</td>
<td>6</td>
</tr>
<tr>
<td>Ecuador</td>
<td>4,328</td>
<td>14</td>
<td>216</td>
<td>19</td>
</tr>
<tr>
<td>Singapore</td>
<td>1,634</td>
<td>0</td>
<td>500</td>
<td>23</td>
</tr>
<tr>
<td>Malaysia</td>
<td>7,908</td>
<td>72</td>
<td>306</td>
<td>12</td>
</tr>
<tr>
<td>Chad</td>
<td>3,138</td>
<td>0</td>
<td>72</td>
<td>2</td>
</tr>
<tr>
<td>Morocco</td>
<td>11,640</td>
<td>2</td>
<td>196</td>
<td>14</td>
</tr>
<tr>
<td>Tunisia</td>
<td>4,221</td>
<td>0</td>
<td>214</td>
<td>18</td>
</tr>
<tr>
<td>Kenya</td>
<td>8,115</td>
<td>11</td>
<td>90</td>
<td>5</td>
</tr>
<tr>
<td>Mauritania</td>
<td>950</td>
<td>0</td>
<td>121</td>
<td>3</td>
</tr>
</tbody>
</table>

| Mean Score | 5,893 | 9.92 | 191.42 | 10.73 |
Table 9
Mean Scores on the Two Groups of Countries on PQLV

<table>
<thead>
<tr>
<th>Variable</th>
<th>State Capitalist Countries</th>
<th>Private Capitalist Countries</th>
<th>T-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>PQLV</td>
<td>47</td>
<td>51</td>
<td>.190</td>
</tr>
<tr>
<td>Life Expectancy at Birth</td>
<td>47.82</td>
<td>54.56</td>
<td>1.181</td>
</tr>
<tr>
<td>Infant Mortality Rate</td>
<td>120.89</td>
<td>96.75</td>
<td>-2.126</td>
</tr>
<tr>
<td>Physicians per One Million Population</td>
<td>331</td>
<td>186</td>
<td>-2.132*</td>
</tr>
<tr>
<td>Calorie per Capita</td>
<td>2260</td>
<td>2397</td>
<td>2.152*</td>
</tr>
<tr>
<td>Percent Literate</td>
<td>31.00</td>
<td>33.25</td>
<td>.215</td>
</tr>
<tr>
<td>Ratio Enrolled in Secondary Schools</td>
<td>27.8</td>
<td>22.4</td>
<td>-2.206*</td>
</tr>
<tr>
<td>Ratio Enrolled in Higher Education</td>
<td>5.5</td>
<td>4.9</td>
<td>-.275</td>
</tr>
<tr>
<td>Consumer Price Index</td>
<td>181</td>
<td>151</td>
<td>-1.668</td>
</tr>
<tr>
<td>Inflation Rate</td>
<td>13.4</td>
<td>9.9</td>
<td>02.022*</td>
</tr>
</tbody>
</table>

* = P<.05 (for one tailed test)

between the two groups of countries on six variables out of ten.

Comparing Table 3 with Table 9, the results seem to be compatible overall, except in one case, i.e., ratio enrolled in secondary schools. Whereas, the regression analysis indicates that there is no significant difference between the two groups of countries on this variable and the sign of the $b_{14.23}$ coefficient is positive, the analysis based on the quasi-experimental model shows that mean score of private capitalist
countries is higher than the mean score of the state capitalist countries and the difference is significant at the .05 level, for one tailed test.

In the cases of physicians per one million population and calories per capita variables, the signs of the \( b_{14.23} \) coefficients and the mean scores both are saying the same thing; the only difference is the matter of the significance statistic.

The difference between the results obtained under the regression model and quasi-experimental model for consumer price index and inflation rate variables, is understandable with respect to the extreme cases involved in regression analysis. Regarding the consumer price index, the extreme cases involved in the regression analysis are Argentina, Chile and Uruguay, whose scores on this variable are respectively 6539, 86565 and 2086 (Kurian, 1979, pp. 90-91). For inflation rate, the extreme cases are also the same countries, i.e., Argentina, Chile and Uruguay, whose scores are respectively 88.7, 272 and 70.5 (Kurian, 1979, p. 89). Involvement of these extreme cases in the regression analysis for these particular variables, has in fact distorted the results. In the quasi-experimental model, these extreme cases are automatically excluded from the analysis. And the results seem to be more realistic and accurate than the ones obtained in the regression analysis. Thus, it is fair to say that state capitalism is more inflationary than private capitalism.

Table 10 compares the mean scores of the two groups of countries on measures of income inequality and poverty. Since data for measures of income inequality are not available for all the cases involved, the number of pairs are not large enough so that it can be
Table 10

Mean Scores of the Two Groups of Countries on Measures of Income Inequality and Poverty

<table>
<thead>
<tr>
<th>Variable</th>
<th>State Capitalist Countries</th>
<th>Private Capitalist Countries</th>
<th>T-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of National Income Received by Poorest 20% of Population</td>
<td>5.33</td>
<td>6.75</td>
<td>--</td>
</tr>
<tr>
<td>Percent of National Income Received by Richest 5% of Population</td>
<td>25.16</td>
<td>38.25</td>
<td>--</td>
</tr>
<tr>
<td>Percent of Population Living in Absolute Poverty</td>
<td>34.70</td>
<td>30.44</td>
<td>-.388</td>
</tr>
</tbody>
</table>

Statistically possible to employ the t-test. Yet the mean scores for the cases examined are compatible with the signs of the corresponding coefficients in Table 4.

On the basis of these findings, it may be inferred that for those state capitalist countries and private capitalist countries examined, middle income groups or 'middle classes' in the former countries receive a higher percentage of national income that the middle income groups in the latter ones.

Concerning the poverty variable, there is not a statistically significant difference between state capitalist countries and private capitalist countries. This is what the regression analysis suggests as well.
Table 11 shows the mean scores of state capitalist countries and private capitalist countries on the variable of economic development and growth.

Table 11
Mean Scores of the Two Groups of Countries on Measures of Economic Development and Growth

<table>
<thead>
<tr>
<th>Variable</th>
<th>State Capitalist Countries</th>
<th>Private Capitalist Countries</th>
<th>T-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Consumption per Capita</td>
<td>406.58</td>
<td>430.54</td>
<td>.253</td>
</tr>
<tr>
<td>Average Annual Growth Rate of GNP per Capita</td>
<td>1.84</td>
<td>3.22</td>
<td>1.885*</td>
</tr>
<tr>
<td>Percent of Labor Force in Agriculture</td>
<td>53.83</td>
<td>58.00</td>
<td>.880</td>
</tr>
<tr>
<td>Annual Growth Rate of Agriculture</td>
<td>2.83</td>
<td>2.69</td>
<td>-.418</td>
</tr>
</tbody>
</table>

* = P < .05 (for one tailed test)

Interestingly enough the results derived from the quasi-experimental model (Table 11) and those obtained in the regression model (Table 5), for measures of economic development and growth, are almost similar. The only difference is related to the different significance statistics for the case of growth rate of GNP per capita. That is, the regression analysis suggests that growth rate of GNP per capita of private capitalist countries is slightly higher than that of state capitalist countries though the difference is not significant; whereas analysis based
on the quasi-experimental model indicates that the difference is significant at the .05 level. Such difference in the results of significance tests seems to be due to some extreme cases involved in the regression analysis. In other words, the results in Table 11 seem to be more reliable.

In short, all evidences at hand tend to suggest that the economic performance of state capitalist countries, particularly in terms of economic growth, is somewhat poorer than that of private capitalist countries.

Table 12 compares the average scores of the two groups of countries on variables on public debt and percent of primary products in exports. As this table shows in both cases the mean scores of state capitalist countries are higher than those of private capitalist countries. Whereas in the first case—public debt—the difference between the two groups of countries is not significant; in the second case, the difference is significant at the .05 level. It may be, however, noted that the regression analysis suggests that in both cases the differences between the two groups of countries is statistically significant (Table 6).

In Table 13 mean scores of the two groups of countries on military expenditure are reported. T-value indicates that the difference between state capitalist countries and private capitalist countries on military spending is significant at the .10 level.

Magnitudes of the mean scores on this indicator implies that state capitalist countries have a considerable edge over private capitalist countries.
Table 12
Mean Scores of the Two Groups of Countries on Measures of Dependency

<table>
<thead>
<tr>
<th>Variable</th>
<th>State Capitalist Countries</th>
<th>Private Capitalist Countries</th>
<th>T-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>External Public Debt as Percent of GNP</td>
<td>39</td>
<td>25.8</td>
<td>-1.061</td>
</tr>
<tr>
<td>Percent of Primary Products in Exports</td>
<td>94.54</td>
<td>84.91</td>
<td>-2.048*</td>
</tr>
</tbody>
</table>

* = P < .05 (for one tailed test)

Table 13
Mean Scores of the Two Groups of Countries on Military Expenditure

<table>
<thead>
<tr>
<th>Variable</th>
<th>State Capitalist Countries</th>
<th>Private Capitalist Countries</th>
<th>T-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Military Expenditure as Percent of GNP</td>
<td>5.8</td>
<td>3.2</td>
<td>-1.464*</td>
</tr>
</tbody>
</table>

* = P < .10 (for one tailed test)

In summary, data analysis based on different methodological designs tend to support the two basic hypotheses set forth in this research. One hypothesis was that in terms of socio-cultural performance there is no significant differences between state capitalist countries and private capitalist countries. The other hypothesis was
that, in economic area, the performance of state capitalist countries is somewhat poorer than that of the private capitalist countries.

In the last chapter, regarding general characteristics of SC, several interrelated factors were suggested as the impeding factors of economic development in state capitalist countries. Among others, the factors suggested are: (a) reluctance of both upper classes and lower classes for social participation, which is the result of eclectic effort of SC to graft incompatible values; (b) increasing commercialist tendency; (c) initial tendency toward synchronization of industrialization and welfarism; and (d) diminishing capability of SC for mass mobilization to offset the effects of the other factors.

To this tentative list of factors, as empirical findings suggest here, position in the world capitalist economy should also be added. As a matter of fact, it was not totally expected that the scores of state capitalist countries for the indicators of dependency would be as high as the findings indicate.

Since the scores of both groups of countries are fairly high on the indicators of dependency, it is worth examining the possible impact of dependency on development of countries of the sample. The next section is intended to examine the possibility of such relationships according to the data at hand.

Regression Analysis of the Impact of Dependency on Development

In the regression model measures of dependency—external public debt and percent of primary products in exports—are treated as independent variables. GNP65 as measure of developmental level and
natural resource endowment are also included in the model as control variables. The basic standardized equation for the regression model is:

\[ z_1 = b_{12.345} z_2 + b_{13.245} z_3 + b_{14.235} z_4 + b_{15.234} z_5 \]

where:

- \( z_1 \) = standardized measures of development
- \( z_2 \) = standardized measure of developmental level (as a control variable)
- \( z_3 \) = standardized measure of natural resources (as a control variable)
- \( z_4 \) = standardized measure of external public debt as percent of GNP per capita
- \( z_5 \) = standardized measure of primary products in export
- \( b \) = beta-weight coefficient

The subscripts for the \( b \) coefficients are used here in a manner as they were used in the previous regression model.

Since the nature of this regression model is similar to the one used before, there is no need for further explanation. Thus, with this brief introduction, the results of the regression analysis can be presented. In the interest of economy of presentation, in Table 14 the beta-weights of those regression equations are reported, in which at least the corresponding \( b \) coefficients of one measure of dependency is significant at least at the .05 level.

As Table 14 shows, for the first equation in which the growth rate of GNP is the dependent variable, the beta-weight for external public debt (\( b_{14.235} = -.30 \)) is significant at the .05 level. This indicates the negative effect of debt dependence upon growth rate of GNP, after the effects of the other three independent variables are taken into account. The conclusion which can be drawn is that debt dependence tends to suppress the pace of economic growth in the Third
Table 14

Beta Coefficients Estimating the Effects of Debt Dependence, Percent of Primary Products in Exports, GNP65 and Natural Resources on Some Measures of Development

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>GNP65</th>
<th>Natural Resources</th>
<th>External Public Debt</th>
<th>% of Primary Products in Exports</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average annual Growth Rate of GNP per Capita</td>
<td>- .18</td>
<td>.25*</td>
<td>-.30*</td>
<td>-.16</td>
<td>67</td>
</tr>
<tr>
<td>PQL1</td>
<td>.37***</td>
<td>.10</td>
<td>-.22*</td>
<td>-.35***</td>
<td>67</td>
</tr>
<tr>
<td>Life Expectancy at Birth Rate</td>
<td>.39***</td>
<td>.20</td>
<td>-.34**</td>
<td>-.33**</td>
<td>47</td>
</tr>
<tr>
<td>Infant Mortality Rate</td>
<td>-.32*</td>
<td>.03</td>
<td>.40**</td>
<td>.25*</td>
<td>49</td>
</tr>
<tr>
<td>Calories per Capita</td>
<td>.58***</td>
<td>.05</td>
<td>-.05</td>
<td>-.31**</td>
<td>67</td>
</tr>
<tr>
<td>Percent Literate</td>
<td>.27*</td>
<td>.11</td>
<td>-.22</td>
<td>-.25*</td>
<td>67</td>
</tr>
<tr>
<td>Ratio Enrolled in Secondary Schools</td>
<td>.53***</td>
<td>.10</td>
<td>-.01</td>
<td>-.32**</td>
<td>67</td>
</tr>
<tr>
<td>Percent of Population Living in Absolute Poverty</td>
<td>-.66***</td>
<td>-.20*</td>
<td>.09</td>
<td>.22*</td>
<td>65</td>
</tr>
</tbody>
</table>

* = P < .05  
** = P < .01  
*** = P < .001
World countries.

Beta coefficients estimating the effects of debt dependence, are negative for PQLI and life expectancy (−.22, −.34). Debt dependency has also a positive relationship with infant mortality rate ($b_{14.235} = .40$). What these coefficients suggest is that among countries at similar levels of GNP per capita and with similar endowments of natural resources, those with higher levels of debt dependence tend to have lower scores in fulfillment of basic human needs, lower life expectancy and higher rate of infant mortality. This may be the indication of the existence of a pattern at work; that high levels of debt dependence have been maintained at the expense of other goods and services that might more directly benefit the masses in Third World countries.

The percent of primary products in exports as an indicator of a nation's role in the hierarchy of international division of labor has also significant relationships with the seven measures of development. As the signs of the $b_{15.234}$ coefficients indicate (Table 14), countries whose mere role in the world capitalist division of labor is that of producers and exporters of primary products have lower physical quality of life conditions and greater poverty.

It may be pointed out that none of the variables of development under study has any relationship with dependency variables, which can indicate a positive contribution of dependency to development in any respect. In short, the findings tend to support the general proposition of dependency theory; that dependency stunts development.
Empirical comparative national study shows that there are virtually many more similarities than differences between state capitalist countries and private capitalist countries in terms of their socio-economic performances.

Two methods were utilized to conduct such a comparison. For the first method, the regression technique was employed to analyze data for all countries of the sample. A quasi-experimental design was the second method which was used to compare mean scores of the matched countries on the measures of development. Except in a very few cases, data analysis conducted with the two different methodological designs, suggested almost similar results.

In terms of physical quality of life conditions there is not a significant difference between the two groups of countries. Concerning the distribution of income inequality, all that can be said is that the difference between the two groups of countries is either non-existent or insignificant.

In terms of economic growth and development, the evidence tends to suggest that state capitalist countries are more prone to stagnation than private capitalist countries. On measures of the percent of primary products and external public debt, the findings appear to signify the existence of a difference between the two groups of countries. That is, state capitalism is somewhat more costly than private capitalism.

Finally, the findings also suggest that state capitalist countries
tend to devote greater percentage of their gross national products to military expenditure than private capitalist countries.

For examination of the impact of dependency upon development of the countries of the sample, the two measures of dependency were treated as independent variables in the regression mode. The results of a regression analysis illustrate, at least in the cases of eight measures of development, that dependency retards development.
CHAPTER V

CONCLUSION

It is not an exaggeration to say that all Third World countries have been experiencing an expansion of the roles of the state in their economies over the last two decades or so. This trend has also brought about further autonomy for the state, namely bureaucratic and functional autonomy, to the extent that today the direction and nature of development is inconceivable without taking into account the role and nature of the state.

Two symbiotic historical factors seem to be accountable for the centrality of the role of the state in the Third World: (a) economic backwardness, and (b) weakness of the indigenous ruling classes particularly the class of national entrepreneurs.

The fact of the matter is that from the very beginning the emergence and expansion of capitalism in the Third World was not historically the result of the class project of any native classes, initiated independently. Capitalism came into being not from within peripheral social formations but mostly from outside. It came to be articulated with peripheral modes of production, mostly via colonialism and the export of monopoly capital.

Such a misbirth of capitalism did not and could not give a chance for any native class to stand on its own feet to expand its material and social base in order to control the process of development of capitalism.
With the expansion of capitalism and the rapid integration of the periphery into the orbit of the world capitalist economy, the state had to expand its economic role to take care of the interests of the ruling classes. Expanding the economic role of the state has allowed the state to further its material base; and this, in turn, has enabled the state to acquire relatively greater autonomy in its relations with its class constituency. Given the limited social bases of the ruling classes, it is also intelligible as to why peripheral states are so prone to use their military and administrative arms in wielding their power.

At any rate, with respect to the mode of operation and intervention of the state and its class content, two basic models of development can be distinguished for Third World capitalist countries: private capitalism and state capitalism (SC).

Although, the two factors of economic backwardness and the weakness of indigenous ruling classes are the common causes of state intervention in both models of development, yet there are some additional factors which should particularly be held responsible for emergence of SC, as a distinctive path of development.

The factors that are worth mentioning are: (a) political weakness of all fundamental classes which are coming from two poles of different modes of production (this also includes mobilized dominated fundamental classes); (b) lack of injection of power into the equilibrium situation created by political weakness of all fundamental classes, from the outside by the metropole and on behalf of dominant fundamental classes; and (c) the existence of antagonistic conflict.
between auxiliary classes, middle classes, and dominant fundamental classes.

Once SC comes to exist under such conditions, the state tends to consolidate and expand its guardian role in the economy at the expense of the private sector. In the SC model, the private sector becomes subordinate to the public sector, mostly via some restrictive measures taken by the state and the state's policy of nationalization.

In contrast to the private capitalist model in which national resources are mostly allocated via market under political and bureaucratic constraints, in the SC model national resources are mostly allocated via central bureaucratic planning under market constraints.

Given the class parameters of the SC model, which is polyclass, it tends to emphasize integrative politics via populistic ideology. SC rationalizes its integrative politics by emphasis on the common interests of the entire population, nationalism and with selective reference to some socialist ideas and traditional thoughts.

At its initial stage SC takes a redistributionist approach primarily in the circuit of distribution. Though such an approach brings about some legitimacy for the regime, it can hardly last for a long time.

Import Substitution Industrialization (ISI) is the main pattern of industrialization in the SC model. It is ISI which is couched, in most cases, with welfarism, which can in part explain the fairly heavy foreign debt burden assumed by state capitalist countries, as the findings indicated in the last chapter. This may not be the only factor, however. Other factors can also be conceived to be operative in this
regard such as: overbureaucratization of the state, financial mis-
management within state sector and clientalist relationship between
state functionaires and their political and economic clients originat-
ing from private sector.

Another major policy of SC is a gradual land reform which is
mostly in response to its policy of ISI demanding a larger market.
This policy can provide further contribution to the cause of capital-
ist expansion in the agricultural sector.

The SC model, whose basic features have just been summarized, does
not seem to be a viable developmental alternative to that of the pri-
ivate capitalist model according to the findings obtained in this study.
In fact the data contradicts the contention of those theorists who
maintain that SC, as a developmental model, is a viable option as com-
pared to the private capitalist model, particularly in a sense that SC
contributes further to the enhancement of forces of production. Indeed
the findings tend to suggest that SC is more prone to economic stagna-
tion than private capitalism.

Both state capitalist countries and private capitalist countries
remain integrated parts of the world capitalist system, and their sta-
tus in this system acts to place strict limits on their processes of
development. This does not, however, mean that for both groups of
countries, the dynamics of dependency and interdependency within the
world capitalist system are similar. On the contrary, it can vary
quite a bit, even case by case. Indeed the dynamics of dependency of
these two groups of countries and the differences in their links with
the world capitalist system--economic, political, cultural, and

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military—can be the subject of a separate research.

Furthermore, there is no reason to believe that SC would go so far as to bring about some profound social transformations as prerequisite for enhancement of integration of the distorted economies of the periphery. Neither the past history of SC in the Third World nor the class parameter of SC points to such direction. After all, one has to bear in mind that inspite of the fact that the multiclass character of SC and strong presence of auxiliary classes in the class alliance, enhance the functional and bureaucratic autonomy of the state, nonetheless, the heterogeneity of the same multiclass character of SC and nearly the absence of dominated fundamental classes in the class alliance, deprive the state of having any meaningful structural autonomy for a profound social transformation.

To say the least, as a tentative conclusion, social change under the SC model, remains intrasystemic and reformist. If not in all cases, but in most, it remains to be a resort for saving misborn capitalism engulfed in a chronic severe crisis.

However, further research in this area particularly historical case studies and also autopsy of the SC, which is already dead in those countries who experienced it previously, can further contribute to development of a general theory of state capitalism in the Third World. Such studies with emphasis on the specificities of concrete state capitalist countries, would further contribute to a genetic explanation of SC, throw light on the universal and particular aspects of class composition of the state and the way it set structural limits on state developmental policy.
To close this concluding chapter, one more final remark may need to be made. Poverty, illiteracy, malnutrition, low level of life expectancy, staggering infant mortality rates and unemployment continue to prevail throughout Third World capitalist countries. The absolute and the relative gap between the rich and the poor in the capitalist world continues to widen. Although there is no way to give any universal and comprehensive model or prescription for all underdeveloped countries to overcome such problems, yet the starting point and the "immediate" target for any genuine developmental effort seems to be similar for all Third World capitalist countries.

The major task which must be carried out in the first place is to tackle the common problem of the enormous socio-economic distortions that are mostly due to the legacy of colonialism and dependency. The main distortions which must be overcome are a low level of economic integration, i.e., outward orientation of the economy, lack of strong vertical and horizontal reciprocal (forward and backward) linkages between different parts and sectors of the economy and uneven distribution of national resources.

Restructuring of the economy may be typically conducted through either a revolutionary approach so-to-speak, or a gradual structuring-destructuring approach. Both methods have their own advantages and disadvantages. Whereas the first approach, by rapid change, can bring about economic disruption, decline in the levels of productivity, the second approach can potentially pave the way for economic and political sabotage. In any event, selection of either of these two approaches or a combination of them remains to be determined, in each concrete case,
by economic and political constraints.

No matter which approach is selected, the crucial point is the conduct of such task in the first place, requires good collective political will and mass mobilization.

Given the fact that the state in the Third World has been playing a central role in the economy over the last several decades, and it would be so at least for the foreseeable future, mainly due to the same factors mentioned before, the good collective political will and the capability for conducting such a task must then be searched for via the state.

Now to what degree such political will and capability can be achieved depends on the extent to which dominated fundamental classes are represented in the state. After all, the current history of the Third World does not provide any reason to think otherwise.
FOOTNOTES

Chapter 1

1 Each sociological theory has its own image of society regarding the basic question of ontological status of social collectivities and societies. For further explanation on this question and the conception of social formation, see Sztompka (1979), Chapter 7; Taylor (1979), Chapter 5.

2 Comparador bourgeoisie refers to that fraction of bourgeoisie which is mainly concentrated in import-export commerce and is totally bound up with the continuing domination of metropolitan capital.

3 National bourgeoisie refers to that fraction of the bourgeoisie which is mainly concentrated in the sphere of industrial production and its interests are oppressed by continuing domination of metropolitan capital.

4 Following Poulantzas (1974) who introduced the concept of internal bourgeoisie within the European context, in relation to American capital, a number of researchers have applied this concept, with some modifications, to the Third World countries (e.g., Evans, 1979; Patanker & Omvedt, 1980; Szymanski, 1981). The notion is based on the fact that over the last two decades, the mainstream of local capital (at least in some Third World countries) has been incorporated into the transnational corporate framework, through the relations of the production process. Regarding the concept of "internalization" Patanker and

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Omvedt (1980) explain that this concept stresses that the problem is not simply that MNCs are gaining an increasing share of Third World manufacturing but that they control a structure within which the local bourgeoisie can have a role, can even bargain for a higher share, can use the local state to put pressure on foreign companies, but still remain tied to the entire production process which is oriented to a world market dominated by advanced capitalist countries and small Third World elites, which is structured in a way contrary to the needs for the home market. (pp. 29-30)

In sum, while comparador bourgeoisie acts as intermediary for metropolitan capital, and national bourgeoisie as competitor of metropolitan capital, somewhere in between is the position of internal bourgeoisie as junior partner of metropolitan capital.

Chapter 11

1 For the critique of the approach, see Finer (1974).

2 For a detailed discussion of the term, populism, see Laclau (1979, Chapter 4).


4 There are some alternative definitions of the concept of non-capitalist development in addition to that of the Soviet theorists. For example, see Kofi (1981) who has tried to provide an alternative definition of the concept, which is based on the experiences of some Lusophone countries of Africa.

5 For a cast study of Egyptian SC see Hussein (1973).

For further details see Meillassoux (1981) and Frank (1981).

The thesis of dual economy falsely argues that the economy of Third World countries consists of two unconnected sectors, one traditional and the other industrial.

Such advantages may be pointed out briefly: (a) process of armed struggle can simultaneously become a process of socialization and political education and it can thereby provide leadership cadres and protagonists; (b) it contributes to the homogeneity and coherence of leadership circles; (c) it provides the chance for synchronization of the participants' political and ideological views; (d) it also brings about some sources of legitimacy for the new emerging regime; (e) such sources of legitimacy, along with coherence of leadership, make the regime less prone for compromise with conservative forces; and (f) it enhances mobilizational capability of the new regime.

Chapter III

Some remarks need to be made with respect to the countries of Afghanistan, Peru and Sri Lanka. As Table 2 shows information for two criteria for Afghanistan is not available; and information for economic criteria are based on new changes after 1978. Up to this time, 1978, Afghanistan's path of development is regarded as private capitalism. In the case of Peru during 1968-1977, this country embarked upon the
course of the state capitalist path. Since then, the 1977-1980 plan advocated economic liberalization and decentralization. Concerning the role of public sector in Sri Lanka, Banks et al (1981) suggests that "it is not easy to characterize the economic system of Sri Lanka because important changes in the degree of government control, from moderate to left, socialist and back, have occurred several times since independence in 1948" (p. 411). In any event, at least, during 1970-1977 under Bandaranaike's regime, the course of development can be characterized as state capitalism.

Chapter IV

The two groups of countries in Table 8 are not independent from each other, since they have been deliberately matched. In this respect it is statistically imperative to make a direct pair-by-pair comparison by obtaining a difference score for each pair, instead of making a difference of means test. In calculating of T-test values, each pair is treated as a single case. The formula used for calculation of t is:

\[ \frac{\bar{X}_D - \mu_D}{S_D / \sqrt{N - 1}} \]

where:
- \( \bar{X}_D \) = mean of the group differences
- \( \mu_D \) = mean of the pair-by-pair differences in the population
- \( S_D \) = standard deviation of differences
- \( N \) = number of pairs

For further details, see Blalock (1972, pp. 233-235).
APPENDIX A

DATA SOURCES

1. Natural Resources: Ballmer et al. (1979, pp. 175-177).
12. Average Annual Rate of Inflation: Kurian (1979, p. 89).
17. Average Annual Growth Rate of GNP per Capita: Taylor et al. (1983, pp. 110-112).


APPENDIX B

OPERATIONAL DEFINITIONS OF VARIABLES

Infant Mortality Rate refers to deaths of infants under one year old per thousand live births.

Life Expectancy at Birth represents the average number of years that one could hope to live.

Physicians per One Million Population refers to all persons fully qualified or certified by a medical school, but auxiliary and assistant personnel are excluded. Data are standardized by population.

Calories per Capita represents the caloric value per capita of food supplies available in the retail market within a country.

Percent Literate - Literacy is the ability both to read and to write. Persons who can read but cannot write are ordinarily classified as illiterate. Data are mostly related to the percentage of the population aged 15 years and older.

Physical Quality of Life Index (PQLI) is a composite index calculated by averaging three indices--life expectancy, infant mortality and literacy--giving equal weights to each of the three indicators. Each is rated on a scale from 1 to 100.

Ratio Enrolled in Secondary School is the total enrollment of students of all ages in secondary schools divided by the population of the age groups which corresponds to the age groups of secondary schooling.

Ratio Enrolled in Higher Education is the total enrollment of students of all ages in all institutions of education at the third level, i.e., degree granting and non-degree granting institutions of both private and public higher education of all types such as universities, higher technical schools, teacher-training schools, theological schools and so forth, divided by the population of the age groups which corresponds to the age groups of higher education.

Consumer Price Index is based on 1970 = 100 and reflects the cost of a typical basket of goods and services purchased by a representative group of consumers in a representative city.

Average Annual Rate of Inflation was calculated from the implicit gross domestic products deflators which is calculated by dividing...
for each year of period, the value of gross domestic products in current market prices by the values of gross domestic products in constant market prices, both in national currency.

Percent of National Income Received by Poorest 20% of Population refers to the portions of national income received by the least paid 20% of population.

Percent of National Income Received by Richest 5% of Population refers to the portions of national income received by the most highly paid 5% of population.

GNP represents the dollar value at current market prices of all final goods and services produced annually by a nation's economy.

Average Annual Growth Rate of GNP per Capita reflects real income per capita growth over time. The index is computed by fitting a regression line to logarithmic values of constant price GNP per capita over time. It reflects general trends rather than cyclical factors.

Annual Growth Rate of Agriculture reflects real income per capita growth of agricultural products over time. The agriculture sector comprises agriculture, forestry, hunting and fishing.

Percent of Labor Force in Agriculture refers to the percentage of all employed and unemployed persons (including those seeking work for the first time) engaged in agriculture. Included are employers, persons working for their own account, salaried employees, wage earners, unpaid family workers, and members of producers' cooperatives.

Percent of Labor Force in Industry refers to the percentage of all employed and unemployed persons (including those seeking work for the first time) engaged in industry. Included are employers, persons working on their own account, salaried employees, wage earners, unpaid family workers, and members of producers' cooperatives. Industrial sector comprises mining, manufacturing, construction, electricity, water and gas.

Energy Consumption per Capita (in kilograms) refers to gross inland consumption of commercial fuels and water power, expressed in terms of its coal equivalents. Included are chiefly coal, lignite, gasoline, kerosene and fuel oil, natural gas, and hydroelectrical power. Also included are derivations of these such as briquettes, coke, manufactured gas, and thermal electric power.

External Public Debt as Percent of GNP represents outstanding publicly guaranteed loans that have been disbursed less cancelled loan commitments and repayments of principal. It is weighted by GNP.
Percent of Primary Products in Exports - Primary products comprise food and live animals, beverages and tobacco, inedible crude materials, fuels, oils, fats and waxes.

Natural Resources is the composite indicator calculated by adding all single rank scores of the most important raw materials (i.e., tropical goods, minerals and petroleum) giving different weights to raw materials. With regard to the production of every raw material which is contained in the indicator, a rank order for the ten most important producers has been constructed. The rank order of a certain good refers to a nation's production as a percentage of the total world production. A first rank scores 10, a second 9, etc., down to the 10th rank. The total value for a nation is then obtained by adding all single rank scores.
## APPENDIX C

**ZERO-ORDER CORRELATION MATRIX**

<table>
<thead>
<tr>
<th></th>
<th>MODEL</th>
<th>GNP65</th>
<th>ENDOW</th>
<th>ENRGY</th>
<th>GNPGR</th>
<th>AGLAB</th>
<th>AGGR</th>
<th>PQLI</th>
<th>LEX</th>
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<td>1. MODEL</td>
<td>1.000</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2. GNP65</td>
<td>-0.096</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td>3. ENDOW</td>
<td>-0.016</td>
<td>0.087</td>
<td>1.000</td>
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<tr>
<td>4. ENRGY</td>
<td>-0.096</td>
<td>0.918***</td>
<td>0.227</td>
<td>1.000</td>
<td></td>
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<td>5. GNPGR</td>
<td>-0.079</td>
<td>-0.084</td>
<td>0.241*</td>
<td>0.063</td>
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<td>6. AGLAB</td>
<td>-0.042</td>
<td>-0.569***</td>
<td>-0.130</td>
<td>-0.621***</td>
<td>-0.296**</td>
<td>1.000</td>
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<tr>
<td>7. AGGR</td>
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<td>0.097</td>
<td>0.181</td>
<td>0.090</td>
<td>0.077</td>
<td>0.022</td>
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<td>8. PQLI</td>
<td>-0.084</td>
<td>0.446***</td>
<td>0.109</td>
<td>0.516***</td>
<td>0.326**</td>
<td>-0.798***</td>
<td>0.059</td>
<td>1.000</td>
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<td>9. LEX</td>
<td>-0.225*</td>
<td>0.495***</td>
<td>0.222</td>
<td>0.566***</td>
<td>0.428***</td>
<td>-0.843***</td>
<td>0.097</td>
<td>0.953***</td>
<td>1.000</td>
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<tr>
<td>10. IMR</td>
<td>0.235*</td>
<td>-0.419***</td>
<td>0.000</td>
<td>-0.840***</td>
<td>0.291**</td>
<td>0.731***</td>
<td>0.031</td>
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<td>-0.930***</td>
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<td>11. DRS</td>
<td>0.013</td>
<td>0.584***</td>
<td>0.105</td>
<td>0.603***</td>
<td>0.107</td>
<td>-0.771***</td>
<td>0.262*</td>
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<td>-0.726***</td>
</tr>
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<td>12. CALORI</td>
<td>-0.098</td>
<td>0.610***</td>
<td>0.073</td>
<td>0.595***</td>
<td>0.376***</td>
<td>-0.650***</td>
<td>0.195</td>
<td>-0.549***</td>
<td>-0.647***</td>
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<td>13. LIT</td>
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<td>0.343***</td>
<td>0.125</td>
<td>0.394***</td>
<td>0.350***</td>
<td>-0.711***</td>
<td>0.077</td>
<td>0.874***</td>
<td>-0.818***</td>
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<td>14. SCHL</td>
<td>-0.008</td>
<td>0.551***</td>
<td>0.113</td>
<td>0.607***</td>
<td>0.354***</td>
<td>-0.865***</td>
<td>0.057</td>
<td>-0.808***</td>
<td>-0.822***</td>
</tr>
<tr>
<td>15. HIED</td>
<td>-0.082</td>
<td>0.409***</td>
<td>0.041</td>
<td>0.403***</td>
<td>0.265**</td>
<td>-0.687***</td>
<td>0.103</td>
<td>-0.675***</td>
<td>-0.712***</td>
</tr>
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<td>16. LO26</td>
<td>0.054</td>
<td>-0.290*</td>
<td>-0.112</td>
<td>-0.232</td>
<td>-1.03</td>
<td>-0.299*</td>
<td>0.278*</td>
<td>-0.248</td>
<td>-0.071</td>
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<tr>
<td>17. H5</td>
<td>0.140</td>
<td>0.081</td>
<td>0.080</td>
<td>0.105</td>
<td>-0.082</td>
<td>0.094</td>
<td>1.126</td>
<td>-0.010</td>
<td>-0.052</td>
</tr>
<tr>
<td>18. CPI</td>
<td>-0.051</td>
<td>0.086</td>
<td>0.103</td>
<td>0.037</td>
<td>-0.081</td>
<td>-0.178</td>
<td>0.064</td>
<td>0.158</td>
<td>0.140</td>
</tr>
<tr>
<td>19. INF</td>
<td>-0.067</td>
<td>0.215*</td>
<td>0.148</td>
<td>0.162</td>
<td>-0.008</td>
<td>-0.288**</td>
<td>-0.055</td>
<td>0.245*</td>
<td>0.200</td>
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<tr>
<td>20. MILEX</td>
<td>0.306**</td>
<td>0.068</td>
<td>0.144</td>
<td>0.177</td>
<td>0.458***</td>
<td>0.084</td>
<td>-0.054</td>
<td>-0.111</td>
<td>0.026</td>
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<td>21. DEBT</td>
<td>0.325**</td>
<td>-0.235*</td>
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* = P < .05  
** = P < .01  
*** = P < .001
Key for the Zero-Order Correlation Matrix

1. MODEL: Developmental Model
2. GNP65: Gross National Product per Capita (1965)
3. ENDOW: Natural Resources (1973)
4. ENRGY: Energy Consumption per Capita (Kilog. of coal equiv.)
5. GNPGT: Average Annual Growth Rate of GNP per Capita
6. AGLAB: Percent of Labor Force in Agriculture
7. AGGR: Annual Growth Rate of Agriculture
8. PQLI: Physical Quality of Life Index
9. LEX: Life Expectancy at Birth
10. IMR: Infant Mortality Rate
11. DRS: Physicians per One Million Population
12. CALORI: Calories per Capita
13. LIT: Percent Literate
14. SCHL: Ratio Enrolled in Secondary School
15. HIED: Ratio Enrolled in Higher Education
16. LO20: Percent of National Income Received by Lowest 20% of Population
17. H15: Percent of National Income Received by Highest 5% of Population
18. CPI: Consumer Price Index
19. INFL: Average Annual Rate of Inflation
20. MILEX: Military Expenditure as Percent of GNP
21. DEBT: External Public Debt as Percent of GNP
22. PVERTY: Percentage of Population Living in Absolute Poverty
23. PPEX: Percentage of Primary Products in Exports
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