

Example solution: Comparing Marxism with NIE

Session 7: Marxist and Dependency Theories of Development

Background Recap

The Rana Plaza collapse in Bangladesh (2013) killed over 1,100 garment workers producing clothes for Western brands. Workers earned approximately \$95-100 per month - among the world's lowest wages - while Western retailers profited from low labor costs and Bangladeshi factory owners competed for contracts by minimizing expenses.

This solution guide provides one possible way to analyze this case through NIE and Marxist frameworks. Remember: there are multiple valid interpretations within each framework.

Comparison Framework - Possible Solution

Question	NIE Perspective	Marxist Perspective
What's the core problem?	Weak institutions: Poor enforcement of building codes, labor laws, and safety regulations. Extractive institutions that fail to protect workers' rights or ensure accountability.	Capitalist exploitation: Workers are systematically exploited through appropriation of surplus value. Their labor creates value far exceeding their wages, with the difference captured by factory owners and Western brands.

Question	NIE Perspective	Marxist Perspective
Why does this problem exist?	Path dependence from colonial legacy: Bangladesh inherited extractive institutions designed for resource extraction, not inclusive development. State capacity failure: Corruption and weak governance prevent effective regulation. Incomplete property rights: Workers lack enforceable rights to safe working conditions.	Structural position in global capitalism: Bangladesh occupies a peripheral position in the world system, providing cheap labor for core countries. Contradictions of capitalism: Competition drives a race to the bottom; overproduction in core requires ever-cheaper inputs. Class relations: Factory owners must extract maximum surplus to compete for Western contracts; workers lack power to resist.
Who benefits from current arrangements?	In the short term, factory owners who cut costs and Western brands with cheap suppliers benefit. But ultimately, weak institutions hurt everyone by deterring investment, reducing productivity, and causing disasters that damage the industry's reputation.	Capitalist class globally: - Western brands and retailers capture enormous value from cheap goods - Bangladeshi factory owners appropriate surplus value from workers - Core country consumers benefit from artificially low prices The system functions <i>precisely as designed</i> - it's not a failure but successful exploitation.
Who loses?	Workers suffer immediate harm (death, injury, poverty wages). Bangladesh's economy loses potential from institutional weakness deterring better investment and innovation. Society broadly suffers from instability and distrust.	Workers are systematically exploited: - Super-exploitation (wages below value of labor power) - Dangerous conditions - Lack of bargaining power - Vulnerability and precarity Bangladesh as a nation is locked into peripheral status, unable to capture value from its labor and resources.

Question	NIE Perspective	Marxist Perspective
What would solve the problem?	Institutional reform: - Strengthen rule of law - Build state capacity for effective regulation - Enforce property rights (including workers' rights) - Reduce corruption - Move toward "inclusive institutions" International cooperation to support good governance and capacity building.	Fundamental transformation: - Worker organization and collective action - Democratic control of production - Transform class relations and ownership structures - Strategic delinking from exploitative global value chains - Or: revolutionary transformation of capitalist relations entirely Reforms within capitalism are insufficient because exploitation is structural, not accidental.

Key Differences Between the Frameworks

1. Nature of the Problem

NIE sees: A technical problem of institutional design and governance failure that can be fixed through reform.

Marxism sees: A structural problem inherent to capitalism's need for exploitation, especially in its global periphery.

2. Explanation

NIE explanation: Historical path dependence created bad institutions. Poor governance and weak state capacity allow these to persist. The problem is *institutional quality*.

Marxist explanation: Bangladesh's position in the global division of labor requires super-exploitation. The problem is *capitalist class relations* and the *global structure of accumulation*.

3. Who Benefits?

NIE: Current arrangements produce suboptimal outcomes for everyone in the long run. Even apparent beneficiaries lose from institutional weakness (instability, poor reputation, lost investment).

Marxism: The system works exactly as intended for capital. Core countries and capitalist classes systematically extract value. This is not inefficiency but successful exploitation.

4. Solution

NIE: Reform institutions toward “Global Standard Institutions” - rule of law, property rights, democratic governance, reduced corruption. Technical and political reforms within capitalism.

Marxist: Transform the underlying relations of production and Bangladesh's position in the world system. This requires challenging capitalist class power, not just reforming institutions. Reforms without structural change will fail or be superficial.

What Each Framework Makes Visible and Invisible

NIE Makes Visible:

- ☐ Governance failures and corruption
- ☐ Weak enforcement mechanisms
- ☐ Need for legal frameworks
- ☐ State capacity problems
- ☐ Historical institutional legacies

NIE Makes Invisible:

- ☐ Power relations between capital and labor
- ☐ Ongoing mechanisms of value extraction
- ☐ Structural requirements of global capitalism
- ☐ Core-periphery hierarchy
- ☐ Class conflict and exploitation as systemic features

Marxism Makes Visible:

- ☐ Class exploitation and surplus appropriation
- ☐ Global power hierarchies (core-periphery)
- ☐ Structural position in world economy
- ☐ Unequal exchange and value flows
- ☐ Contradictions of capitalism
- ☐ Systemic nature of exploitation

Marxism Makes Invisible or Downplays:

- ☐ Specific institutional mechanisms and variations
- ☐ Agency of reformers and institutional entrepreneurs
- ☐ Gradual improvements through institutional change
- ☐ Non-class forms of oppression (though some Marxist approaches incorporate these)
- ☐ Pragmatic reform possibilities within existing systems

Reflection Question Responses

Explanatory Power

Arguments for NIE: - Provides concrete, actionable policy recommendations - Explains variation in outcomes across developing countries with similar economic positions - Acknowledges agency and possibility of reform - Supported by empirical research on institutional quality and development

Arguments for Marxism: - Explains *why* institutions remain weak despite decades of reform efforts - Accounts for global patterns of inequality that persist despite institutional reforms - Explains why “race to the bottom” continues even when recognized as problematic - Reveals interests served by maintaining current arrangements

Synthesis possibility: Perhaps NIE explains proximate mechanisms while Marxism explains ultimate causes? Or NIE describes surface-level problems while Marxism reveals deeper structures?

Blind Spots

NIE blind spots: - Underestimates structural constraints on institutional reform - Assumes “inclusive institutions” are achievable within global capitalism - Doesn’t explain why powerful actors would support reforms against their interests - May naturalize capitalist property relations as universal “good institutions”

Marxist blind spots: - May underestimate space for meaningful reform within capitalism - Can be overly deterministic about structural constraints - Sometimes struggles to explain variation among peripheral countries - May dismiss all institutional reforms as merely cosmetic

Policy Implications

NIE-informed policies: - Capacity building for state institutions - Anti-corruption programs - Legal reforms strengthening labor rights and building codes - International monitoring and certification schemes - Foreign aid conditional on governance reforms

Marxist-informed policies: - Support for labor organizing and collective bargaining - Progressive taxation and redistribution - Democratic ownership experiments (cooperatives, public ownership) - Industrial policy to upgrade Bangladesh’s position in global value chains - Selective delinking from exploitative trade relationships - Global labor solidarity and coordination

Key difference: NIE seeks to improve institutions within capitalism; Marxism seeks to transform or transcend capitalist relations.

Normative Assumptions

NIE embeds: - Faith in markets as efficient allocators (when institutions support them) - Belief that capitalism with good institutions serves general welfare - Assumption that core country institutions represent universal best practices - Liberal democratic values as universal - Methodological individualism (institutions serve individuals)

Marxism embeds: - Critique of capitalism as inherently exploitative - Belief in class conflict as fundamental social dynamic - Commitment to workers’ interests over capital - Skepticism toward reforms that don’t shift class power - Historical materialism (economic base shapes superstructure)

Can These Perspectives Be Complementary?

Arguments for Incompatibility:

- **Fundamentally different ontologies:** NIE sees free individuals contracting; Marxism sees classes in conflict
- **Opposite diagnoses:** NIE sees fixable institutional problems; Marxism sees successful capitalist exploitation
- **Contradictory solutions:** NIE advocates reform within capitalism; Marxism requires transformation of capitalism
- **Different ethics:** NIE evaluates efficiency and growth; Marxism prioritizes class justice

Arguments for Complementarity:

- **Different levels of analysis:** NIE describes proximate institutional mechanisms; Marxism explains ultimate structural causes
- **Timeframes:** NIE offers immediate reforms; Marxism provides long-term vision
- **Dialectical relationship:** Perhaps good institutions (NIE goal) are impossible without transforming power relations (Marxist insight)?
- **Strategic combination:** Use Marxist analysis to understand constraints, but pursue NIE-style reforms where possible?

Synthesis Attempt:

Perhaps the frameworks answer different questions: - **NIE:** "What specific institutional failures enabled this disaster?" - **Marxism:** "Why do such institutional failures persist despite being recognized as problems?"

Or perhaps: - **NIE:** Describes the rules of the game - **Marxism:** Explains why the game is rigged and for whom

Final Thoughts

The choice between these frameworks is not purely empirical - it involves value judgments about:

- What kind of change is possible

- What kind of change is desirable
- Whose interests should be prioritized
- What counts as explanation
- What role scholars should play

Critical thinking requires: 1. Understanding that frameworks shape what we see 2. Recognizing the normative commitments embedded in “technical” analysis 3. Considering multiple perspectives 4. Being explicit about our own values and assumptions

Neither framework has a monopoly on truth. The most sophisticated analysis often requires drawing insights from multiple theoretical traditions while remaining aware of their limitations and biases.

Note: This is one possible solution. Your group may have developed different but equally valid interpretations within each framework. The key is to understand *how* each framework structures analysis, not to memorize specific answers.