

TD 638: Development Perspectives

Topic C:

History of Pre-Development Thinking

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Ancient Thinkers

Ancient Thinkers, Enlightenment, and Human Progress . . 1

- **Classical Antiquity:** Knowledge and Thinking created by 'ancient' Greek thinkers, Plato and Aristotle.
- **Age of Classical Antiquity:** Before 1700, Europe was still under the spell of 'Classical Antiquity'.
- According to Greek thinkers, the **human society**, both in its practical life and thinking would continue to **degenerate**.
- Hence, until 1700s, Europeans believed: human knowledge has **degenerated from** the period of Classical Antiquity.
- **Francis Bacon:** a the "grand architect" of the age of **Enlightenment** broke the spell of this belief.
- **Enlightenment:** The intellectual movement of the 1700s and 1800s that **gave birth to** the **idea of progress**.
- **Bacon:** 'Ancient' thinkers **mixed up** **theology** (science of religion or god) and, **natural science** (science of physical things)
 - and **professed** 'natural science' that **considered nature** to be a kind of **God**
 - and **did not allow a dispassionate, secular** (non-religious) **study of nature**.

Ancient Thinkers, Enlightenment, and Human Progress . . 2

- **Enlightenment** thinking: The **world or nature** is **not a God** and not matters in the **divine** sphere.
 - but is the object of **human** art, wisdom, and power.
- The **human mind** should be **freed from** the **spell** of the 'ancients',
 - which will end '**metaphysical speculation**' **resorted to by** ancients.
- Then this **metaphysical speculation** will be **replaced by** '**secular knowledge**'
 - which is **based on** human experience and induction (logic) and **organized by** clear and regular methods
- This **secular knowledge** will **not only reveal** true knowledge of **nature**
 - but **will also help** conquer **nature** for the **progress** of human beings.

Ancient Thinkers, Enlightenment, and Human Progress . . 3

- This faith in *secular knowledge* and in its *power* was *predicated on* the *technical advancement*.
 - such as *invention of compass*, which made long-distance navigation possible and safe
- In *this background*, the *idea* of (*human*) *progress* was *suggested*.
- The *idea* of (*human*) *progress*: the idea that *human society can be made ever better*
 - *through* conscious effort *by* *human society*
 - such as for *increasing secular knowledge* and resultant *technical advancement* [Contrast with *Classical Antiquity*]
- Later, some thinkers argued that such (*human*) *progress* would *inevitably be driven by* *spontaneous laws of history*.
- Thus, (*human*) *progress* was *believed to be* a *historically determined* and, hence, an *inevitable process*.

Ancient Thinkers, Enlightenment, and Human Progress . . 4

- The next element in the *idea* of (*human*) *progress* was that the
 - *society can be structured* in an *orderly manner* so as *to produce* such *inventions* and resultant *happiness*
 - with *ever -increasing speed* and *to ever- increasing good effects*.
- Thus, (*human*) *progress* was seen as an *organized* and *benevolent project* of *human societies*.
- *Seeing this* as an *law of history led to* the *belief* that the *rational* and *secular State* would *ensure* (*human*) *progress*
 - The *rational* and *secular State* was seen as a *project* of *modern human societies*,
 - which will be *based on* the *foundations* of *secular knowledge* and resultant *technical advancement*.

Ancient Thinkers, Enlightenment, and Human Progress . . 5

- Bacon's *idea* of (*human*) *progress*: *advancement* in *science* and *reason* (*rationality*) *will drive social transformation*.
- *Articulated in Encyclopédie*, published in France between 1751 and 1772.
- The *Encyclopédie* was edited by Diderot and many other *eminent thinkers* of that time
- *Purpose: To present* a compendium of existing knowledge in popular form, and
 - *For disclosing* the *irrationality* and *defects* of *existing society* and *existing beliefs*
 - *for demonstrating* that *human progress can be achieved* through *secular* and *coordinated efforts*.

Ancient Thinkers, Enlightenment, and Human Progress . . 5

In summary, the *idea* of (*human*) *progress* is:

- The idea that *human society can be made ever (and *ever*) better*
 - *through conscious efforts by human society*
 - for creating and using *secular knowledge* and *technical advancement*.
- In short, *Technical Transformation (using secular knowledge and technical advancement)*
 - = (*automatically lead to or equal to*) = (*human/ social*) *progress*
- Some believed: (*human/ social*) *progress* is a *historically determined* and, hence, *inevitable process*.

Ancient Thinkers, Enlightenment, and Human Progress . . 6

- *Some **Tempering*** (i.e., counter-balancing) *Thoughts*:
 1. It was clear: **progress in the arts and sciences** *does not leads* to **moral progress** or to **greater justice** in society.
 - Similarly, **progress of reason and science**, even if **necessary** and **unending**,
 - ***need not lead*** necessarily to the **amelioration of problems in society** and to **increased human happiness**.
 - (The **invention of gunpowder** and even **compass** did not lead to happiness of all especially the plundered societies.)

Ancient Thinkers, Enlightenment, and Human Progress . . 7

- *Some **Tempering*** (i.e., counter-balancing) *Thoughts*:
 2. There is **no** **rationale** but only **non-rational faith** or **belief** in thinking that
 - **technological and social change** (revolutions), which are often violent and unsettling as we experience them,
 - *are necessarily for the better.*
 3. No clear or objective explanation of what **better** (effect) *mean*, though the cause (**technical transformation**) is clearly stated.
 4. Similarly, (**human**) **progress**' *can be proved and established* only in **retrospective manner**,
 - hence cannot be taken as **inevitable**.

Recent, Pre-Development Thinking

History of 'Political-Economic' Thinking before 'Development'. . .1

In comparatively recent times

Many *thinkers* and *scholars* *attempted to understand* and *explain*

the *processes*, as well as *good* and *bad effects* of

Capitalism, Industrialization, and Industrial Capitalism

So that these *effects* *could be addressed* and *regulated*.

This *gave rise* to a *long history* of *political-economic-developmental thinking*

History of ‘Political-Economic’ Thinking before ‘Development’. . .2

Political Economy: The concepts, theories and models (in thinking)

to understand rules, regularities, and patterns in fast and momentous *changes in economy* and *politics* that were *prompted by Capitalism, Industrialization*, and *Industrial Capitalism*.

Adam Smith, David Ricardo, and Karl Marx: Main Thinkers

Adam Smith: Welcomed *Capitalism* and *Industrial Revolution*,

Main Argument: A *society of free individuals using their personal abilities to pursue their individual self-interest*

—*without interference* from the *State* and following the *invisible hand of the market* via supply and demand

—*would be more productive and peaceful*.

History of 'Political-Economic' Thinking before 'Development'. . .3

David Ricardo: *Built on* Adam Smith's work

Smith and Ricardo (plus others): *Provided* the intellectual foundation for today's *capitalist economy*

The foundational ideas are: (i) *individual self-interest*,

(ii) *free market* rules governing the use of labour, land and capital, and

(iii) *free trade* among nations.

Theory of Comparative Advantage (Ricardo): Countries *should specialize* in the *production of goods*

they were *comparatively better at*, given available land, labour, and capital.

This *promised* that *specialization in international trade* would create *benefits* for all participants

that were *greater than producing* all goods and services *domestically* without cross-border commerce.

History of 'Political-Economic' Thinking before 'Development'. . .4

Friedrich List (Germany): **Economic Nationalism: Trade Protectionism**

to protect **nations** (even European) from **powerful Industrialised Countries**.

And help them develop **domestic industry** and **scientific knowledge** sufficient

And to catch-up and compete with other “more advanced” **European Industrialised nations**.

Karl Polanyi: **Double Movement** of **Capitalism:**

Market Failure are endemic to Capitalism; So, **markets cannot** alone **regulate economy**.

Hence, when **market spread across world,**

the **counter-vailing controlling (political) measures** also spread (**laws regulating labour and prices**)

History of ‘Political-Economic’ Thinking before ‘Development’ . . .5

Western Europe, Japan, and North America used **Trade Protectionism** (**Economic Nationalism**)

to protect themselves from **British industrialization** and Military **Superiority**.

Alexander Gerschenkron (Russia): **“Catch-up” Theory**: First explicit **Theory of Economic Development** (1951)

The **role** of the **State** in planning to accelerate economic growth

—and *to induce* a **structural transformation** in **agrarian economies** that had **little industry**—

as **“jumping ahead from economic backwardness”**.

Governments could, in a context of abundant natural resources and labour,

collaborate with **private business** to foment **rapid industrialization** with **imported foreign technology**.

This theory described plans **implemented by** Imperial Germany and Czarist Russia in the 19th century.

History of 'Political-Economic' Thinking before 'Development' . . .6

Gerschenkron: recommended this *approach of premeditated planning* to transform a *country's economy* in short time even to the *newly independent countries* in the *Global South* in the 1950s and 1960s.

This *process* of *economic development and change* to be led by

the *production of capital* (i.e., *industrial*) *goods*

and the *provision of physical infrastructure* (such as railroads and electricity)

And NOT by the *production of consumer goods* or *improvements in agricultural output*.

Such *rapid, top-down approaches* to *industrialization* and *development*

employed ideologies of *nationalism* and *authoritarianism*

to mobilize and discipline domestic capitalists and the *population* in service of the *economic plan*.

History of 'Political-Economic' Thinking before 'Development' . . .7

- **Great Depression**: A 20th-century experience that *influenced* early ideas on **economic development**
- **Great Depression** : A massive **economic slowdown** that *affected the* United States *starting in* 1929
 - and *expanded to* Europe, its colonial empires, and Latin America through the early 1930s.
- Keynes, Harrod and Domar : *Proposed* the **new economic policies** that *contributed to resolving* **Great Depression**.
- **Keynesianism** or **Keynesian Economics**: Approach to *managing* the **economy**:
- Argument:
 - **Supply** and **demand** *did not automatically balance* in **market economies**
 - and, most important, that **private investors** *could not be relied upon to make* the right investment decisions
 - *to help a* **society** *achieve* its full **economic potential**.

History of 'Political-Economic' Thinking before 'Development' . . .8

Keynesianism or *Keynesian Economics*: (Continued)

- Hence, *National economies* should be guided by *State actions* in order to attain sustained rates of *economic growth*.
- *The Economic growth* could then *achieve and maintain* the *full employment of labour*
 - and *satisfy* the *consumption needs* of the *population*.
- *Government/ State's regulatory interventions* and *government spending* in a *market economy* are *legitimate*
 - for *goals* not only of *economic transformation* and *industrialization*
 - but also *for maintaining economic stability* and *providing full employment*.
- This *Keynesianism* or *Keynesian Economics* and *was highly influential* among *developing countries* and *their elites*.

History of 'Political-Economic' Thinking before 'Development' . . .9

Second World War (when global economy was refocused on arms production and the support of large-scale armies)

And **Post-War European Reconstruction** (*Marshall Plan*)

Were the other two 20th-century experiences that *influenced* early ideas on *economic development*.

All *three events/phenomena* Significantly strengthened *belief* about the *centrality* of the *State* to economic growth.

Markets could be suspended or drastically curtailed by **State's** or *government's actions* for the **common good**,

be that *military mobilization*, *food rationing*, or *industrial and agricultural production*.

For *most economists* and other *policy-makers* working on *global development* issues from 1940s to 1970s

Keynesian ideas about *advantages* of national **States** guiding *economies* had been proven

both during *the 2nd World War* and during the *reconstruction of western Europe and Japan*.

Excerpts from President Truman's Address {1949}

- We must embark on a bold new program for *making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas*. More than half of the people of the world are *living in conditions approaching misery*. Their food is inadequate, they are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat both to them and more prosperous areas. For the *first time in history, humanity possesses the knowledge and the skill to relieve the suffering of these people*... our *imponderable resources in technical knowledge* are constantly growing and are inexhaustible.... The *old imperialism*—exploitation for foreign profit—*has no place in our plans*.

President Truman's Address: Key Points

- *More than half of the people of the world* are *living in conditions approaching misery*. Their food is inadequate, they are victims of disease. *Their economic life* is *primitive and stagnant*.
- *Their poverty* is a handicap and a *threat* both *to them* and *more prosperous areas* (from whom?) .
- For the *first time in history*, humanity possesses the *knowledge and the skill* to *relieve the suffering of these people*.
 - our *imponderable resources in technical knowledge* are constantly growing and are inexhaustible....
- We must embark on a *bold new program* for *making available* the *benefits of our scientific advances* and *industrial progress* for the *improvement and growth* of *underdeveloped areas*.
- The *old imperialism*—exploitation for foreign profit—*has no place in our plans*.

Thank You

Free Market Economy

- The free market is an economic system based on laws of supply and demand with little or no government control.
- A spontaneous and decentralized order of arrangements through which
 - individuals make economic decisions of investments, production, distribution, and mainly consumption.
- Central Assumption: Voluntary Exchange: Transaction in which parties freely trade goods or services.
 - Here, freely implies without any intervention by society, government, or even any dominant business.
 - Thus, laws of supply and demand are the sole basis for the economic system.
- Based on its political and legal rules, the nature of the free-market economy in a country will differ (from large to illegal).
- While no pure free market economies actually exist, and all markets are in some ways constrained,
- Mainstream economists claim that freedom in markets has generally positive outcomes for society.
- There are critiques and criticisms of these ideas.