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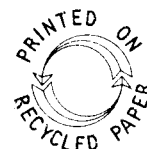
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**GLOBAL SOCIAL DEMOCRACY AND  
THE NEW INTERNATIONAL ECONOMIC ORDER**

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Geneva, June 1979

Johan Galtung

This paper is being circulated in a pre-publication form to elicit comments from readers and generate dialogue on the subject at this stage of the research.

## I. THE RECAPITULATION HYPOTHESIS

So far, the basic unit of socio-economic analysis has been the country or the nation, with the outer world being brought into the analysis only at a later stage, as a superimposition: in the case of bourgeois theory to assert and extend the demonstration of basic harmony of interests, given the free play of market forces, between classes and nations; and in the case of orthodox, nineteenth/early-twentieth-century Marxist theory merely to provide an additional arena in which the *internal* contradictions of highly developed capitalist countries are being played out. In both cases, the basic approach has been Eurocentric.

It is time this order was reversed and the whole world was taken as the basic unit of social analysis. This, it is true, has been done by a certain strand of Marxist thought, ever since the appearance of socialism in the Soviet Union and the progressive division of the world into two parts, the capitalist part and the socialist part, whose contradictions were said to have become the overriding ones which govern all other contradictions. The beginning of world integration into one socio-economic system, however, hence the appropriate basic unit of analysis, dates much further back to the sixteenth century, the century which witnessed the appearance of the capitalist system.

That system *was born* a complex system. A *simple* socio-economic system is one which is held together — and is differentiated from another — by the way surplus is extracted, circulated, and distributed between the various social classes or social groups of which it is composed. In the same manner, a *complex* socio-economic system is one which organizes the extraction, circulation, and distribution of surplus between the heterogeneous social formations of which it is composed. The capitalist system was born a complex, world system and continued to develop as such because its centre — the West — first drew its initial sustenance (the surplus which at one and the same time helped to destroy the feudal system and provided the primary accumulation required by the emerging capitalism) to a large extent from outside itself (African and American gold and silver, slave labour, etc.). Then it proceeded systematically to draw the rest of the world into

that uni-directional movement of surplus extraction and flow. In both phases, the initial formation phase and the consolidation and development phase, the requirements and modes of surplus extraction and flow from the continuously enlarged periphery to the centre were the most important single determinant of world development (and under-development), whether in the surplus-drawing centre or the surplus-supplying periphery.

It follows that, rather than analyse — as is usually done — the development of the world capitalist system in terms of changes which took place exclusively within its centre, a *different periodization* should be established which takes the relationship between the centre and the periphery as the central relationship — the one which dominates and explains everything else — within that complex system. This periodization can best be based on changes in the modes of surplus transfer from the periphery to the centre.

Starting from this point, it seems that on the whole, and without implying a necessary order of succession with regard to any specific peripheral region, the *world* capitalist system *tends to recapitulate on a world scale* the three main modes of surplus extraction which marked on a micro-scale (that is, on a national or less-than-national level) the development of human class society: the *direct violence mode* (to which correspond slavery at the micro-level and the earlier phases of central capitalist impingement on the periphery at the world level), the *institutionalized violence mode* (to which correspond various forms of the tributary system at the micro-level and of colonialism at the world level), and finally the mode of surplus extraction essentially based on *economic constraints*. The latter mode is the capitalist mode, which began to impose itself as the main mode in various western societies nearly four centuries ago and seems to be the mode to which the centre-periphery relationship within the world capitalist system has tended to approximate ever since the various countries which make up the periphery of the system, now called the Third World, began to win political independence. Needless to say, neither on the national nor on the world level does the mode of surplus transfer based on economic constraints exclude the use of force or the threat of it whenever the foundations of that mode are threatened.

## **II. THE CONTEMPORARY PHASE OF THE WORLD CAPITALIST SYSTEM: THE PHASE OF PERIPHERY-CENTRE SURPLUS TRANSFER BASED ON ECONOMIC CONSTRAINTS**

The oppressed peoples' struggle for national liberation and the support that struggle received from the emerging socialist camp played the major role in transforming the world capitalist system from the phase of direct colonialism to its present post-political liberation phase. Other factors, however, played an important role in making easier and shaping that transformation. It is these other factors which will receive some attention here. A running comparison with capitalist transformation on the national level will be instructive.

### **The Development of Productive Forces and Its Concentration in the Centre**

The development of forces of production was at the root of the replacement of the feudal system by the capitalist system at the micro-level (national). Likewise, the transition on the macro-level (world) from the colonial mode of surplus transfer based on the exercise of institutionalized political power to the capitalist mode based on economic constraints, which seems at present to characterize the relations between the centre of the world capitalist system and its periphery, is partly rooted in the extraordinary development of productive forces within the centre itself. The distance — as far as the development of productive forces is concerned — between the centre and the periphery became so great, so qualitatively marked, and so self-perpetuating that a new type of international division of labour, allowing for a certain measure of peripheral industrialization, became possible which did not block — in fact increased — the flow of surplus from the periphery to the centre, though that flow sometimes acquired new forms.

The growing disparity in productive forces between the centre and the periphery is not explained only by the concentration of the capital-goods sector in the centre. This factor is important in explaining disparities in rates of growth. It also explains why the centre no longer objects — as it used to do — to the establishment of certain simple

manufacturing industries in the periphery, since these serve the useful purpose of absorbing, at a highly profitable rate to the centre, part of the products of its over-expanding, highly capital-intensive and technical-knowledge-intensive capital-goods sector. Much more important, however, is the overwhelming concentration of research and development (whether they bear on capital-goods or consumption-goods industries) in the centre. In the contemporary world, technical innovation is no longer the chancy, spontaneous or semi-autonomous occurrence it seemed to be in the past. Being a major vehicle for economic progress, it has become deliberate, elaborately planned, and swiftly implemented. Since the broad and integrated technical-scientific-industrial base it has come to require exists only in the advanced centre, and is being kept a jealously guarded monopoly, it is used to reinforce the centre's hold over the periphery and to reserve the major part of the rewards to the centre.

Capitalist development in a single country is distinguished from feudal economic organization by — among other things — the growing integration of the economy, the growing specialization of economic function, and the growing concentration and centralization of economic power. On a world scale the same tendencies are at work. The centre itself — previously composed of warring advanced capitalist countries — is, in spite of the ever present rivalries and contradictions, becoming more unified and hierarchicized, with the United States coming on top, closely followed by West Germany and Japan. Nowhere is this tendency towards concentration and centralization of economic power into the hands of the centre more manifest and more effective than in the growing concentration and centralization — on a world scale — of the monetary and credit systems, both being gradually but inexorably presided over by such world institutions as the International Monetary Fund and the World Bank, and both — in the manner of monetary and central banking institutions on a national level — being managed in the *over-all* interests of the dominant centre. The regular western summit meetings are the logical extension of that tendency. There is an increasing integration at the governmental level which reflects the trans-national integration at the economic level.

### **Forms of Surplus Transfer**

Usually, in analysing the capitalist mode of production on a national level, prominence is given to the fact that capitalists, as a class, monopolize among themselves the ownership of the means of production, of which the workers are dispossessed. In fact, it is not just

the material means of production that are appropriated by one class and are denied to another. Under capitalism, workers become likewise dispossessed of the technical knowledge which producers in previous modes of production used to have: a farmer — whether he was a small commodity producer, a serf, a member of a communal grouping, or even a slave (and likewise an artisan, a hunter, etc.) — knew more about processes of production, was more fit to live by his own resources and skills, more potentially independent and self-reliant (since he at least mastered one life-sustaining line of production from beginning to end) than is a worker tending a machine in a modern factory or sitting before a moving belt, knowing nothing of the productive processes in which he participates beyond his immediate atomized task. The knowledge of how the different productive tasks fit together is appropriated by the capitalist and/or his hired assistants, the managers and production technicians. That *vue d'ensemble*, including organizational knowledge (whether it relates to a factory, a given industry or line of production, or to the economy as a whole, the economy's finance, the economy's circulation networks — commerce, transport, insurance, etc.) — all this is appropriated by the capitalist class as a whole and supplements and reinforces its power — essentially based on ownership — to appropriate surplus.

A change of emphasis is required when considering the modes of surplus transfer from the periphery to the centre within the world capitalist system. No doubt ownership of means of production, say by the trans-national firms belonging to the centre and operating in the periphery, is a classical channel for appropriating both surplus value and various forms of rent and transferring them from one part of the system to the other. No doubt also various monopoly practices exercised by the centre in its economic dealings with the periphery provide another channel for surplus transfer. But even if neither channel existed, surplus would continue to flow from one part to the other, given the nature of the encounter, that is the system of international division of labour, which existed and continues to develop between the two parts of the system.

The old international division of labour, firmly established under colonialism, was especially advantageous to the capitalist centres, not just because it was an exchange of manufactured goods against agricultural and mineral raw materials, but essentially because it was an exchange of goods produced under two different modes of production, the one capitalist and the other pre-capitalist. Under capitalism, *past* accumulation, though presenting no *present* cost to *society*, continues to be *recorded* and entered as a cost element, demanding its own *perpetual* reward, in the accounting practice of private

entrepreneurs. Hence that reward forms a necessary part of price. In pre-capitalist societies, though much past accumulation may have taken place (in the form of land reclamation, irrigation projects, etc.), nothing but current cost, mostly labour, unorganized and cheap, enters into price. When the products of the two modes of production encounter one another on the market, the one comes burdened with the accumulation cost of dead labour, hence weighs much more than the other, which comes with no such burden attached to it however much society may have done in the past to make its present production possible. (Characteristically, peripheral goods which were produced under capitalist conditions were advantageous to the centre for another reason: they were kept under the control of foreign capital which appropriated the capital "cost" element). When the encounter is a forced one, as it was under colonialism, which politically dictated the pattern of international division of labour and strove with all its might (as we argued in some detail elsewhere) to block, not promote, capitalist development in the periphery, then it becomes obvious that the resultant unequal exchange (unequal because its pattern is forced, and because one of the two parties makes claim to a cost element which, from the point of view of society, is fictitious) has its ultimate root in political domination.

Underlying the preceding argument is a definite theoretical premise: that accumulation — in the sense of creating additional means of production — is, when looked at from the point of view of society as a whole, nothing more than a form of re-organization of the social division of labour, which might entail a temporary sacrifice during the transitory period of re-organization but which, once this process is accomplished, is bound to result in an *ever-lasting* increase in productivity, to which no additional *social* cost is attached. This becomes clear once it is observed that a society which uses more capital-intensive methods of production than another (and accordingly secures higher per capita income levels) is not a society which incurs more cost in producing its current output; on the contrary it is a society which, having its accumulation processes, with all the transitional costs associated with them, already accomplished — that is, a society which has achieved a higher (i.e., more productive) level of organizing its labour — can now produce much more at a lower social cost. Yet, because of the peculiar methods of capitalist accounting, that society can, in its dealings with less developed societies (societies with less *recorded* accumulation behind them) present them with a long bill of costs for its products, and pocket the difference (the so-called cost of using capital) as a net gain to itself.

The same reasoning applies to technical knowledge, which, because of the separate cost-accounting of R & D, is increasingly entering into capitalist calculations as a separate cost



factor, and is also increasingly sold to developing countries as an independent commodity. Yet the acquisition of technical knowledge presents to society no more cost than that presented by physical accumulation -- that is, the cost associated with the *transitory* process of re-organization of social division of labour (e.g., building more research units and training institutes, extending for the first time school-leaving age or university curricula). Once this process is accomplished (and its transitory cost incurred), it will continue to generate recurring benefits to society with no additional cost whatsoever.

In relations between the centre and the periphery, the role of knowledge is becoming increasingly important, whether it be technical or, less obviously but no less significantly, organizational (i.e., the *vue d'ensemble* of how the various parts of a given branch or sector or aspect of the world economy function and fit together). Nowhere is this latter type of knowledge more effective in securing surplus than in two fields: world finance, commerce, and insurance, traditionally the almost exclusive preserve of the advanced centre; and trans-national business, where technical, organizational, and economic knowledge, R & D, and of course power of decision are concentrated in the centre and used to its advantage.

It follows that, even when peripheral countries follow (as they are all now doing in different forms in the post-political independence period) a capitalist pattern of development and adopt all the methods and techniques of capitalist accounting, unequal exchange between them and the advanced centre -- that is, exchange resulting in the unwarranted transfer of surplus -- continues to take place. This is because it continues to be an exchange between the capital-intensive and technical-knowledge-intensive goods exported by the centre (with their fictitious cost elements) and the more labour-intensive goods exported by the periphery.

### **The Peculiar Class Nature of Peripheral Societies and Its Role in Ushering in and Preserving the Third, Economic-Constraints Phase of Development of the World Capitalist System**

The extraordinary development of the forces of production, the qualitative turns this development took, its concentration in the centre of the system, and its systematic extension into spheres and forms which enable the centre *economically* to control the rest of the system -- all these factors go only half-way in explaining why (given the primary factor of the mounting struggle of the national liberation movements and their

close alliance with the socialist countries) the world capitalist system moved so smoothly and with comparative ease from the phase of surplus transfer essentially based on political constraints to the present phase of surplus transfer based on economic constraints. The other -- necessary -- half of the explanation lies in the class nature of the regimes which, failing a genuine socialist revolution, inherited -- sometimes even just received -- power from direct colonialism in peripheral countries. Whether *neo-colonial*, *liberal-capitalist*, or *bureaucratic-capitalist* (and, as we shall see, these forms are dynamically interchangeable), these regimes have this in common: by their various class interests, the patterns of consumption they promote (among the privileged minorities), their choice of technologies, their development strategy options (typified, among other things, by import-substitution and export-promotion patterns of industrialization), they foster, within sectors which vary from one formation or regime to another, a certain degree of capitalist development. They are drawn, wittingly or unwittingly, into a greater integration with the world capitalist system -- an increasingly dependent and progressively more disadvantageous integration. Hence they are becoming, through the economic constraints involved, the sufficient vehicle for the *spontaneous reproduction of underdevelopment* and the surplus drain to the centre associated with it. It is this class nature of the regimes reigning in post-colonial peripheral countries, themselves ushered in, fostered, protected, or imposed in various ways by the centre, which underpins the present economic-constraints phase of surplus transfer from the periphery to the centre.

### **The Embryonic Emergence of a World-State Apparatus**

In contrast to feudal society, political power in a micro (national) capitalist system becomes concentrated in a highly centralized state, and a state apparatus develops which assumes various political and administrative functions. Reference has already been made to the functions which world-wide economic institutions such as the IMF and the World Bank perform in the interest of the dominant part of the world economic system. On the political side, it is not difficult to see in the United Nations system as a whole the embryonic form of a world state and a world-state apparatus, both largely dominated (in the Security Council, the repository of whatever power the embryonic system possesses, and in the Secretariat and its specialized agencies) by the centre of the world capitalist system.\*

\* See, on the UN Secretariat and its agencies, Marc Nerfin, "Is a Democratic United Nations System Possible?" in *Development Dialogue*, 1976.

The representational part of this embryonic world government will be considered in connection with global social democracy.

### **The Legal Framework**

A national-level capitalist system requires an elaborate legal framework which lays down the rules of the game. Much of the striving to reach internationally binding agreements on such things as foreign investments, trans-national activities, patent rights, technological transfers, the exploitation of the oceans, etc. represents an attempt to create a stable legal framework for world capitalism, though of course peripheral countries are using that occasion to secure better terms for themselves *within* the same system.

### III. THE CALL FOR A NEW INTERNATIONAL ECONOMIC ORDER AS AN ATTEMPT TO ESTABLISH GLOBAL SOCIAL DEMOCRACY

Both the choice of the world capitalist system as the basic unit of analysis and the allied recapitulation hypothesis seem to provide much-needed insight into the real nature and content of such important contemporary developments as the movement for the establishment of a New International Economic Order (NIEO). That movement can best be seen as an attempt to establish social democracy on a world scale. To avoid misunderstanding, let me hasten to say that it is not the purpose of this paper to argue against social democracy as such, whether at the national or the global level, or to disparage it. Whatever shortcomings it may have, there is no doubt that, at least for the countries of northern Europe, social democracy is very far from the worst social arrangement that can be imagined. The main argument elaborated in the following pages is:

- a. that present calls for establishing a New International Economic Order are essentially an attempt at applying the methods and aims of internal social democracy (as practised in northern countries) to the world capitalist system as a whole;
- b. that, irrespective of our evaluation of internal social democracy and without minimizing its achievements, it is unlikely, when applied on an integrated global scale, to bring to the peoples of the Third World the same relief it brought to the working classes in northern countries. This is because these latter countries *are* an integral part of the world capitalist system and enjoy, in various subtle and not so subtle in ways, the benefits emanating from their position within the dominant centre of that system. Global social democracy, on the other hand, is unlikely to achieve the same results by using the same methods because there is no second planet which ours can globally exploit and which would thus perform the double function of providing the *external* surplus required to finance global social democracy and cementing internal global cohesion against the other planet.

To begin with similarities in aims and methods — social democracy at the national level (prevailing only within the advanced capitalist centre) and attempts at establishing global social democracy are uncannily similar in many respects:

1. They both assume a high degree of concentration and centralization of economic power (a point we have already gone into in some detail) coupled with some form of *popular political representation*. The role of parliamentary representation in securing economic gains for the working classes in advanced capitalist countries needs no comment here. A similar role is attempted, at the global level, within the representational part of the United Nations system, the General Assembly, where the periphery is gaining an increasing majority, though its effectiveness is — as yet — limited to the proclamation of charters and the making of resolutions, declarations, and recommendations with no binding legal value.

2. In both cases the underprivileged use the twin methods of *political action* and *economic trade unionism*. To the social democratic parties formed on the national level in highly developed capitalist countries to promote working class interests — by reformative methods — correspond such movements as the Bandung Conference of 1954, resulting in the positive neutrality movement and its continuation, the non-aligned group of countries, the group of 77, etc. The most significant development in these latter movements is the progressive shift in emphasis — as formal political independence was progressively achieved — towards aims and claims relating to economic independence and to securing a fair deal within the world economic system.

On the economic side, nothing illustrates better than the action of OPEC the similarity in aims and methods — and in equivocal nature — between western-style reformative trade unionism and peripheral-world economic solidarity vis-à-vis the centre. OPEC action is so far the most spectacular and successful example of Third World trade unionism. There is no doubt as to its justice, nor as to its effectiveness. It is also beneficial not only to the oil-exporting countries themselves but to the Third World at large. But this is only so at a certain level of analysis. At another level, the over-all impact of OPEC action on Third World long-run prospects may acquire a different complexion.

For certain countries, such as Algeria and Iraq, the increased oil revenues are financing a rapid process of industrialization, including the establishment of heavy industries, though it is an industrialization of a certain type, heavily dependent on imported sophisticated technology, connected through various links with foreign capital, and directed towards the markets of the metropolitan centres. Hence its net long-run result is the greater integration into the world capitalist system, and the continuation of dependency — though at a different level from that obtaining for poor countries.

For other countries, the use of a considerable part of the oil revenues for the purchase of enormous quantities of extremely sophisticated military equipment which cannot possibly serve any practical purpose other than subsidizing military industries in the supplying countries (not even the stabilization of the purchasing regimes or the destabilization, if required to do so, of other neighbouring regimes) is too well known to require comment.\*

It is, however, the uses to which oil surpluses unabsorbable in their countries are put, and the functions they serve, that is of main interest here. Potentially, these funds could have played an extremely important role in liberating the Third World from the domination of the financial international centres and in supplying Third World countries with the financial resources which could initiate a process of autonomous and balanced development — whether in the sphere of industrialization or in the sphere of food production. A detailed analysis of the way these surpluses are actually being used would show, however, that (through the multiple forms, links, and connections that have been devised) there is an increasing integration of those surpluses with the dominant international financial centres. It would also show that they reinforce the mechanisms of international aid dominated by the highly developed metropolitan centres; hence they maintain the actual or proposed pattern of international division of labour favoured by them. Spokesmen both of surplus oil capital and of these centres repeatedly refer to the desirability of an alliance between these surpluses and western technology for the development of the Third World countries, evidently in the framework of a liberal economy guaranteeing the repatriation of surplus from these countries.

As a matter of fact, the new banking and financial structures which sprang up mushroom-like after 1973 to use oil surpluses have their activities oriented essentially by the mechanisms of western financial centres, which provide the necessary technical "advice" and investment channels. All their big financial operations, including those undertaken for the benefit of Third World countries, are normally carried out through the western financial market, under the patronage of the big American and British trusts which can finance these operations, thanks to their enormous petro-dollar deposits. Thus, wherever Third World demand for and supply of capital meet each other in the market, this takes place through the mediation of the financial institutions belonging to the metropolitan centres, which, of course, arrange the modalities and orientation of the

\* The first draft of this paper was written before the overthrow of the Shah's regime in Iran.

eligible loans and keep both supply and demand under their thumb. When oil surpluses venture on an independent course of their own, usually in neighbouring countries with which they have certain historical connections, they gain an increasing influence which directs these countries away from maintaining a public sector or planning, and towards a liberal sort of capitalism – without, however, going beyond investment in such things as tourism, real estate purchases, and luxury housing. Thus, the final result is that

the recuperation of part of the oil rent by a group of underdeveloped exporting countries, in the present structures of Third World underdevelopment, has hardly modified the objective constraints of underdevelopment, since, in return to the suppression of a certain anomaly (artificially low oil prices) another anomaly was immediately created: the internationalization of the banking and financial structures of these countries to the profit of the industrialized centres before such structures could have been adequate to fulfil efficiently their local and regional role.\*

The similarities between OPEC and certain conservative trade unions, which, while securing considerable economic advantages to their members and perhaps even to the working class as a whole, yet act as main stabilizers to the capitalist system, require no further comment. This evaluation, it must be emphasized, implies no censuring of Third World common action and solidarity vis-à-vis the centre. Moreover, there are other areas where both do not lead to such a great concentration of wealth and power in the hands of a few archaic regimes. All that is meant here is to draw attention to the limitations, historically determined and in themselves a sign of the extreme complexity of the Third World revolt, of an "economism" uninformed by revolutionary theory.

3. Both national and global social democracy aim at gaining better positions for the underprivileged *within the existing system, without really questioning its basic principles or threatening its foundations*. Hence they are not fundamentally opposed by the dominant interests within both systems – the bourgeoisie, in the case of social democracy at the national level, and the centre of the world capitalist system in the case of global social democracy – though of course various dilatory and obstructionist tactics would be resorted to by the dominant interests in both cases. Equally revealing – on the side of the underprivileged – is the fact that the call for an NIEO is enthusiastically espoused not just by those Third World leaders who are aware of the origins of their countries' plight and the proper ways to get out of it but equally by those who tend to blur, mute, or

\* Georges Corm, "Les capitaux pétroliers et la réforme de l'Ordre financier international," *Le Monde Diplomatique*, Oct. 1976.

suppress all forms of class struggle or even class consciousness within their own countries, who opt for such patterns of consumption, industrialization, and technological transfer as will result in their countries' greater integration into the world capitalist system — hence whose ultimate aim, objectively, is to remain within that system, though on better terms than those obtaining at present.

4. In both cases, social democracy does imply the existence of some sort of *class alliance*: between the bourgeoisie and important sections of their working classes at the national level, and between the advanced capitalist centres and the bourgeoisie associated with the various — and easily interchangeable — regimes which exist in the Third World, whether they are neo-colonial, liberal-capitalist, or bureaucratic-capitalist.

5. Further similarities between national and global social democracy exist on the *ideological level*. In both cases, ideology provides a theoretical basis for preserving the essence of the capitalist system while searching for ways and means for reforming it. The mass of literature emanating from the centre and sympathetic to the idea of an NIEO, now sometimes called the Reformed International Economic Order (RIEO), conveys this message in different ways. As usual, that literature is the enlightened vanguard of an already existing practical trend. Its role, of course, is to rationalize, justify, and popularize this trend, and not only in the centre. Already its main themes and lines of reasoning are being taken up, albeit with various subterfuges or changes of emphasis, by certain organizations claiming to be the intellectual spokesmen of the Third World. Its basic themes are the following:

- a. The firm advocacy of a new international division of labour, which, when stripped from its theoretical and technical rationalizations, will be seen to be based on the monopoly by the centre of scientific research and modern technology, of their essential industrial base, of modern revolutionizing industries, of capital resources (or at least of the power of orienting such capital resources as OPEC's), of power over the world monetary and financial system and over much of such other services as insurance, transport, etc. Outside that monopoly, various degrees of industrialization can be allowed to, or advocated for, Third World countries. Very often, starting from the legitimate premises that employment must be found for all, through the expansion of labour-intensive activities, and that it is necessary to ensure self-sufficiency in food, a pattern of development is advocated which does away altogether with a dynamic capital-goods sector.
- b. Problems such as the pattern of increasing income inequality in Third World countries



are warned against, and their roots in obsolete class structures are often noted, but their foreign connections are very rarely if ever mentioned or squarely faced.

- c. Equally, the need for securing and channelling towards accumulation the maximum amount of internal surplus consonant with the satisfaction of the basic needs of the population is never squarely faced. It is sidetracked by insistence on the essential and beneficial role of foreign capital. The development of a *kulak* class in the countryside – despite the lessons of the green revolution – is sometimes presented by politicians as an aspect of “humanistic socialism.”
- d. The woes and wrongdoings of the multi-nationals are duly recorded. The multi-nationals, however, are to be reformed.

That mainstream must be distinguished from another stream (occasionally they overlap in a curious manner) emanating either from central or peripheral countries and represented by such documents as “What Now?” of the Swedish Dag Hammarskjöld Foundation or “Catastrophe or a New Society” by a Latin American team, advocating such policies as introducing a certain degree of redistribution of resources between the centre and the periphery, radical modification of patterns of consumption in the West, proper stress on self-reliance in the periphery, etc. This can best be termed “global utopian socialism,” in contradistinction to the “global social democracy” analysed in the present section. Utopian socialism should not be underestimated. It is the salt of the earth. But salt, though essential, is never the main nutrient. That nutrient can only be obtained by analysing existing social forces, describing, on the basis of the main tendencies of a system, how they are likely to behave, and finding out how the forces that may bring about a better world can be helped in achieving this task.

#### IV. POTENTIALITIES AND LIMITATIONS OF GLOBAL SOCIAL DEMOCRACY

Like social democracy on the national level, the call for an NIEO has its roots, no doubt, in real grievances. Too well known even to be just enumerated here, they are inherent in the basic centre-periphery relationship within the world capitalist system. That call is equitable and just and – at least as formulated by the peripheral countries themselves – presents important progressive features as compared with the status quo. There is, however, this crucial difference: it is unlikely that social democracy, transposed onto the world stage, will achieve the same remarkable gains it brought to broad sections of the working populations in the advanced centre of the system.

1. For one thing, the dice are much more loaded in favour of the rich centre vis-à-vis the periphery of the system than they ever were in favour of the capitalists vis-à-vis their own working populations. National capitalism cannot survive in the long run without some sort of co-operation from its own working class. In contrast, the monopoly of the advanced countries over modern technology and their long-run potential economic independence based on the development of synthetic materials, new sources of power, the exploitation of the ocean, etc. gives them greater room for manoeuvre vis-à-vis the periphery. The real constraint is socio-economic, arising from the need of the *system* to secure higher rates of profit in the periphery, not from an absolute need of the physical potentialities of the periphery. If peripheral higher profits become threatened through peripheral action, the centre can gradually shorten its lines of dependence in the long run rather than cede to this action.
2. Again, the wide margin, based on the exploitation of Third World populations and resources, which allowed the capitalists of advanced countries to share part of their surpluses with significant sections of their working classes, thus cementing the internal social-democratic class alliance, does not, by definition, exist when the analysis is transposed onto the world level.

3. Thirdly and most important of all, the heterogeneity of the Third World countries, stemming essentially from the widely disparate nature of their respective class structures and their likely future developments, makes it unlikely that common action, though possible for limited objectives and periods, can be sustained long enough to achieve major *qualitative* changes in the present world economic order.

The fact is, there can be many New International Economic Orders, and the NIEO around which a working, moving compromise between the capitalist centre and the ruling classes in its periphery can be achieved is thus one which is bound to lead to results that are qualitatively different from those which obtained under internal social democracy.

It might secure certain marginal benefits which should neither be minimized nor despised to Third World countries as a whole and, true to a pattern previously traced by internal capitalist development, might allow a certain degree of vertical mobility — previously barred under the colonial system — to the favoured few among them. But, in itself, it would not be instrumental to the solution of the basic problems of the great masses of peoples who live in these countries. In fact, these masses would continue to bear the main brunt of the basic contradictions of capitalist development which were predicted for the centre a century ago but were avoided there thanks to the establishment of internal social democracy and the export, among other things, of the results of these contradictions to the periphery: the swelling armies of the unemployed, increasing inequality and impoverishment, increasing differentiation between the town and the countryside, etc.

The contradictions of capitalist development weigh all the more severely on the masses of peripheral countries because it is capitalist development within capitalist development: capitalist development at the internal level of the peripheral countries enveloped by the over-all capitalist development of a complex system, the world capitalist system — thus burdening these countries with the full weight of both their own local variety of the bourgeoisie and the bourgeoisified centre.

This is well attested by recent empirical investigations which tend to show, in spite of the unprecedented rates of growth in most Third World countries in the post-independence period, (a) that the disparities in per capita income between advanced capitalist and Third World countries are increasing and (b) that, contrary to what is presently taking place in most advanced capitalist countries, inequalities in income distribution in Third World countries are likewise increasing, with the result that the standard of living of the lowest

income strata in those countries is actually deteriorating. Absolute and relative impoverishment, the swelling army of the unemployed, the marginalization of the masses, are becoming at once the daily experience and the long-term trend in most Third World countries, in spite of their relatively high rates of economic growth.

## V. EXTERNALLY FORCED SOCIAL DEMOCRACY OR ORGANIZED STAGNATION?

But perhaps specific measures, including development projects, for raising the standard of living of the masses or reducing inequality can be imposed from outside on recalcitrant Third World regimes, even, paradoxically enough, those regimes which owe their very existence or continuity to outside support? This seems to be the newly acquired conventional wisdom of the various international agencies ploughing the fields of Third World economic development. Having been, without the least scientific justification, "surprised and shocked" at the results of two decades of promoting "redistribution from growth" and trickle-down theories, they are now exploring ways and means of assuring "redistribution with growth." Internationally supported Third World projects, programmes, related policies, and institutions, it is argued, should be so designed as to have an in-built mechanism which will ensure that the maximum benefit resulting from them will accrue to the poorest populations in Third World countries. However sophisticated the terms in which this doctrine may be couched, its basic message is quite simple. The great majority of the poor in developing countries live in rural areas. Hence, in order to reach them, development projects should go where they live, in the countryside. These projects should be built around simple techniques so as to reach as many of the unemployed poor as possible.

If these new criteria for development projects and programmes are translated into full-blown self-sufficient strategies imposed on countries in dire need of foreign funds, it is possible that agencies promoting them will awake again after another twenty years to find that what they have been promoting was slower growth without necessarily achieving the desired redistribution. Accordingly, a few remarks about the limitations and risks of these criteria may be indicated:

First: Distribution and redistribution are functions of the total socio-economic system. Their pattern cannot be *seriously and durably* affected by selective projects, programmes, policies, or even institutions if these run counter to the long-run basic tendencies of the system. Thus land reform may be introduced which takes away land from big landlords

and gives it to the poor and middle peasants. If the economy, however, remains essentially a market economy, a process of differentiation is bound to set in which will result in replacing feudal and semi-feudal relations in the countryside with capitalist relations. This may or may not be favourable to over-all economic development. The chances, however, are that with subsistence farming which was possible under the old system giving way to commercial farming, the mass of the peasantry will in the long run be worse off than ever before.

Second: There is a great deal to be said for taking development programmes to the countryside, where the people live, adopting simple technologies which increase employment while raising productivity; and for favouring policies that guarantee equitable income to food growers and associate them with the over-all benefits of development. These in fact form part and parcel of the strategy of auto-centred self-reliant development. It should be remembered, however, that this strategy adopts the motto "Agriculture as the basic and industry as the motor-force." Hence, it sees to it that a healthy moving balance is continuously kept between industry and agriculture, and that the satisfaction of the basic needs of the population, especially the hitherto underprivileged rural population, does not mean that no provision is made for accumulation, whether of the local, on-the-spot or of the central type which uses surpluses drawn from all productive units of the economy. In short, it is a strategy of balanced development which, though inward looking and directly geared to the satisfaction of the basic needs of the masses, by no means turns its back on industry and modernization.

Third: It follows that no project, programme, policy, or institution can be evaluated independently of the specific socio-economic system to which it relates and the strategy of development pursued by that system, for the same project or policy may lead to different results in different socio-economic systems or when serving different development strategies. Thus, promoting a large number of small labour-intensive rural projects may be a useful way of productively using surplus labour capacity when mass enthusiasm and co-operation are generated and obtained for such projects. Or it may mean squandering away rare investment resources which could be better used elsewhere if these small units are created and/or run by commercial or bureaucratic methods. Again, depending on the nature of the socio-economic system, a strategy of rapid industrialization fed by surpluses drawn from agriculture may be deliberately undertaken with the aim of supplying agriculture with sufficient amounts of industrial inputs at a later date, thus conceivably benefiting agriculture and food production in the long run; or it may be quite unrelated to the needs

of agriculture and the rural population and hence act as a constraint on the one and a burden on the other; and so on.

## VI. THE ALTERNATIVE: THE STRATEGY OF AUTO-CENTRED SELF-RELIANT DEVELOPMENT – THE BASIC CONTRADICTION OF THE TIME; OBJECTIVE AND SUBJECTIVE CONDITIONS

The conclusion seems inescapable that, though the present internal socio-economic structures of Third World countries have been preserved and perversely developed mainly under the impact of the dominant part of the world capitalist system, these structures, and with them the whole phenomenon of underdevelopment, cannot be fundamentally changed by concerted and concentrated action operating at the level of that system itself. On the contrary, that system can only be radically changed, and with it the process of underdevelopment reversed, under the impact of initial radical changes in the internal socio-economic structures of peripheral countries, operating in one Third World country after another as subjective conditions become ripe for such transformations. (The objective conditions are already there, as we shall see in a moment.) Put in a nutshell, though underdevelopment has been a collective process, operating in various forms at the level of the Third World as a whole, growing out of it can only be essentially an individual process, with each people relying on its own proper forces. Those leaders who are intent on really changing the present international economic order know that the road to that change begins at home, inside their own countries, and, though fully supporting all the claims currently made in international fora for bringing about such a change, they have a sufficiently realistic estimate of the value of these campaigns not to make of them anything but minor moves in their strategies.

Such radical changes as are here contemplated are not just the affair of appropriate leadership. They are essentially the affair of the masses for whom no other way of salvation exists: the poor and middle peasants, the marginalized unemployed in town and countryside, the non-privileged sections of the working class, the petty bourgeoisie to the extent that it is not mystified or won over by the opposite alliance of the international and local bourgeoisie, and the revolutionary intelligentsia who become conscious of the basic predicament of their peoples and transmit that consciousness to them. Only these united forces can throw away the double weight of internal and international capitalism, opt out of a system which holds no future for them, and trace for themselves a different



*independent* line of development.

That line is the one that has come to be widely known as the strategy of auto-centred self-reliant development. In essence, it means nothing less than the real control by the real producers, all the producers, over the means of production at the disposal of society, and the rational use of these means of production for the ever-increasing satisfaction of their freely chosen material and moral needs, not least of all the need to lead a human life in which work becomes an inner necessity and a creative social activity rather than an imposition. A primary condition for even starting on this road is the proper isolation of the economy against all the negative effects of its incorporation in the present world capitalist system — the outward drain of surplus, the imposition of insane patterns of consumption, and the slavish subservience to an alienating technology. This by no means implies complete autarky. It merely means that each country which develops along this road will conduct its foreign economic relations in such a way that, rather than the country remaining marginal to the dominant needs of the world economy, the world economy itself becomes marginal to the country's own sovereignly determined needs.

To single out such a strategy as the one that will enable the masses of Third World countries successively to liberate themselves, regain mastery over their own history, and fulfil their innermost felt needs and aspirations does not mean that the various efforts for Third World co-operation, or even such movements as the one that now goes under the name of the struggle for an NIEO, are to be ignored or neglected. A revolution, even at a national level, is always an extremely complex affair. Battling against strong entrenched positions, it gathers around itself all the revolutionary and supporting forces it can muster. It usually proceeds by distinct phases, and the leadership and even the composition of the class alliance carrying out the revolution may change from one phase to another. Its real content — historically determined, and governed by the nature of the basic contradictions operating during the given historical period — may be at variance with the avowed intentions or declarations of the spokesmen of the revolution. The Third World revolt is, at one and the same time, a national-level and a world-level revolution: it can only be achieved in one Third World country after the other, but the objective conditions which give rise to it are inherent in the more complex system to which these countries belong, the world capitalist system. Hence, viewed as an across-the-board revolution, it is an even more complex affair than a purely national revolution. Though, at present, it seems to be assuming the form of a *world* bourgeois-democratic, that is, essentially capitalist, revolution, reproducing on the scale of the world capitalist

system the same features and tendencies which, during the last four centuries, established capitalism at a national level in certain advanced countries, this can be but a preparatory phase for a series of real revolutions, ushering in new systems of production, power, aims, and values, which can solve the basic problems of the masses living in these countries.

Though helped in many ways by the on-going, apparent world-level bourgeois-democratic revolution, these pending revolutions need not wait for its completion, for the objective condition for such revolutions is already there *within* each of the developing countries: it is the basic contradiction, in itself a projection onto Third World national levels of the global contradictions of the system, between the *existing internal and external relations of production* and the *underdeveloped but potentially enormous internal forces of production* which neither internal capitalist development nor greater integration into the world capitalist system can liberate and bring into fruition. Whether these revolutions will actually take place in this or that of the underprivileged Third World countries thus depends essentially on subjective conditions: the ability of the disinherited and penalized masses, supported by revolutionary and progressive forces everywhere, to take cognizance of their condition, organize themselves, and bend history to their own ends. In the long run, the contradictions inherent in the on-going world-level bourgeois-democratic revolution can only ripen these subjective conditions. The apparent open-endedness of history is but a short-run one.

## VII. CONFRONTATION OR SALVATION?

Is auto-centred self-reliant strategy, thus defined, a strategy of confrontation? This seems to be an extraordinary question to ask, considering that, as far as relations with the outside world are concerned, that strategy is nothing more than an affirmation of the right to say, "I don't want to buy. I don't want to sell. I don't want to enjoy the blessings of foreign investment. I don't even want foreign aid." Yet it is because in the past certain nations uttered these "provocative" words that gunboats were sent and lands annexed. The "free trade" policies of the nineteenth century are still being pursued under new slogans: One shrinking planet, World economic interdependence, The natural resources of the world wherever they are belong to all mankind, The dangers of Third World economic nationalism, etc. Those who theorize for these slogans are not always careful to point out that, though indeed it is an interdependent world, some parts of it are more dependent than others; nor, when they ask Third World countries to "act responsibly" with due regard to the facts of interdependence, do they stop to ponder whether highly developed metropolitan countries, when defining their economic strategies, tactics, and policies, take into consideration the interests and needs of the Third World. Turning attention, however, to substance, it would seem that the strategy of auto-centred self-reliant development may be characterized as a strategy of confrontation only with sectorial and short-run interests. In the long run, it is the one strategy that is likely to lessen conflict and promote peace.

The sectorial interests which this strategy is most likely to confront are the interests of transnational corporations which seek in the cheap labour and raw materials of peripheral countries ever greater opportunities for profit. In addition, if the analysis of surplus flows from the periphery to the centre presented in previous sections of this paper is correct, it must also be admitted that that strategy might run counter to the short-run interests of wider sections of the populations of highly developed countries inasmuch as the shift from an extrovert economy flooding the world market with ever cheaper raw materials and simple manufactures to an introvert economy aiming at a reasonable degree

of self-sufficiency would certainly modify the terms of trade between developed and developing countries in favour of the latter.

Those sectorial or short-term losses, however, would be more than compensated for in the long run both in economic terms and in terms of peace. Reference is not made here merely to the old established thesis that a rich customer is a better customer and that, as developing countries diversify and raise their level of productivity, greater opportunities for profitable trade will present themselves, even though the terms of trade may be modified. More pertinent to the argument are the following two considerations:

1. A country that turns its attention inwards and, relying on its own forces, develops its own resources with the purpose of satisfying the needs of its population is less likely to maintain an aggressive profile in the markets of the world. This is the lesson of historical experience. Once the process of socialist transformation has been accomplished and the frictions resulting from nationalization of foreign assets or from closing the doors to foreign investment have died away, there has been no *economic* confrontation (even of the sort that now exists between highly developed and Third World countries) between socialist and capitalist countries. Moreover, the former do not present themselves as a potential *economic* danger to the latter. Talk about the "yellow peril," so widespread in the inter-war period, abruptly ceased since revolutionary China, relying on its own forces, began to develop its *own* human and material resources for the benefit of its *own* people. If there are any complaints in highly developed countries of "unfair competition" caused by the low wages prevalent in the Orient, these complaints are addressed to under-developed capitalist countries, not China.
2. A country that adopts an auto-centred self-reliant strategy not only develops its own resources to match its own needs (thus reducing the pressure on external supplies and perhaps eventually adding to them); it will also have a saner and more rounded view of these needs, since it is basic to that strategy to renounce the ideology of consumerism and all that goes with it, to be alive to the wastefulness of waste, to work out a judicious balance between man's material and moral needs, and to pay sufficient heed to environmental factors and the quality of life. The aim such a country would set would not be to overtake and surpass high-consumption societies, doing the same things only more so, but to build a different society, based on a set of values other than those implied in acquisition and consumerism. Accordingly, there would be less wasteful consumption — at a comparable level of technical development and need-satisfaction — of

non-renewable natural resources and less scramble for them abroad.

Is pinning hope on the emergence of this type of society to solve the problems of Third World countries a kind of utopian thinking similar in nature to the utopian global socialism which was discounted in previous pages? There is in fact a fundamental difference between the two trends of thought inasmuch as there is reason to believe that within each Third World country actual social forces already exist which, once they become sufficiently conscious of their predicament and of the way to get out of it, *would be able to* bring about that type of society and find it in their interest to do so — whereas no such potent unifying force exists, as yet, on a world scale. This necessary consciousness is bound to develop sooner or later in various Third World countries, for the deepening crisis that envelops these countries and the futility of the other solutions which are proposed for this crisis will ensure that it is developed. That consciousness is the inescapable result of the development of what in previous pages has been termed the basic contradiction of our time, now manifesting itself most clearly at the national level of Third World countries, between *potential* powerful productive forces and obsolete actual relations of production. It will work its way all the more forcefully inasmuch as the contradiction between the potential (that which is within reasonable reach) and the actual (which is so fragile) is so great. The actual social relationships are so fragile because the old traditional ones have been undermined by many decades of contact with metropolitan capitalism, without the latter having been able or willing universally and firmly to implant its own kind in their stead.