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## **UNIT 5 POLITICAL ECONOMY APPROACH\***

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### **5.0 OBJECTIVES**

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The political economy approach to the study of comparative politics affirms that there exists a relationship between politics and economics and that this relationship works and makes itself manifest in several ways. This approach provides the clue to the study of relationships between and explanations of social and political phenomena. After going through this unit, you should be able to:

- Describe the various attributes of political economy as a concept;
- explain how the concept has become relevant for the study of comparative politics; and
- trace the evolution of the political economy approach and
- identify the different theoretical strands within the political economy approach formed the basis of studying relationships between countries and social and political phenomena over the past years.

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### **5.1 INTRODUCTION**

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Political economy refers to a specific way of understanding social and political phenomena whereby, economics and politics are not seen as separate domains. It is premised (a) on a relationship between the two and (b) the assumption that this relationship unfolds in multifarious ways. These assumptions constitute

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important explanatory and analytical frameworks within which social and political phenomena can be studied. Having said this, it is important to point out that whereas the concept of political economy points at a relationship, there is no single meaning which can be attributed to the concept. The specific meaning the concept assumes depends on the theoretical, ideological tradition. e.g., liberal or Marxist, within which it is placed, and depending on this positioning, the specific manner in which economics and politics themselves are understood.

Interestingly, the appearance of economics and politics as separate domains is itself a modern phenomenon. From the time of Aristotle till the middle ages, the concept of economics as a self-regulating separate sphere was unknown. The word 'economy' signified in Greek 'the art of household management'. As the political evolution in Greece followed the sequence: household- village- city-state, the study of the management of the household came under the study of 'politics', and Aristotle considered economic questions in his *Politics*. Among the classical political economist, Adam Smith considered political economy as 'a branch of the science of statesman or legislator'. As far as the Marxist position is concerned, Marx (1818-1883) himself, generally spoke not of 'political economy' as such but of the 'critique of political economy', where the expression was used mainly with reference to the classical writers. Marx never defined political economy, but Engels did. Political economy, according to the latter, studies 'the laws governing the production and exchange of the material means of subsistence' (Engels, *Anti-Duhring*). The Soviet economic theorist and historian Issac Illich Rubin suggested the following definition of political economy: 'Political economy deals with human working activity, not from the standpoint of its technical methods and instruments of labour, but the standpoint of its social form. It deals with production relations which are established among people in the process of production'. (1928). In this definition, political economy is not the study of prices or scarce resources, it is rather, a study of culture seeking answers to the questions, why the productive forces of society develop within a particular social form, why the machining process unfolds within the context of business enterprise, and why industrialisation takes the form of capitalist development. Political economy, in short, asks how the working activity of people is regulated in a specific, historical form of economy.

In the years after decolonisation set in, the understanding of relationships between nations, and specific political and social phenomena, was informed by various approaches, viz., institution, political sociology and political economy. These were geared primarily towards examining how social values were transmitted and also the structures through which resources were distributed. All these would eventually form the bases or standards along which different, countries and cultures could be classified on a hierarchical scale of development, and could be seen as moving along a trajectory of development and change. Several theories were advanced as frameworks within which this change could be understood. Among these was the modernisation theory, which emerged in the historical context of the end of Japanese and European empires and the beginning of the Cold war.

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## 5.2 MODERNISATION THEORY: DEVELOPMENT AS MODERNISATION

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The theory of modernisation was an attempt by First world scholars to explain the social reality of the 'new states' of the Third world. This theory is based upon separation or dualism between 'traditional' and 'modern' societies. The distinction between 'traditional' and 'modern' societies was derived from Max Weber via Talcott Parsons. A society in which most relationships were 'particularistic' rather than 'universalistic' (e.g. based on ties to particular people, such as kin, rather than on general criteria designating whole classes of persons) in which birth ('ascription') rather than 'achievement' was the general ground for holding a job or an office; in which feelings rather than objectivity governed relationships of all sorts (the distinctions between 'affectivity' and 'neutrality'); and in which roles were not separated - for instance, the royal household was also the state apparatus ('role diffuseness' vs. 'role specificity'), was called 'traditional'. Other features generally seen as characteristic of traditional societies included things like a low level of division of labour, dependence on agriculture, low rates of growth of production, predominance of local networks of exchange and restricted administrative competence. A 'modern' society, on the other hand, is seen as displaying the opposite features. Modern society was defined as a social system based on achievement, universalism and individualism, as a world of social mobility, equal opportunity, the rule of law and individual freedom. Following this 'opposition' of the two categories, 'modernisation' referred to the process of transition from traditional to modern principles of social organisation. This process of transition was not only seen as actually occurring in the newly independent countries of Asia, Africa and Latin America, but also seen as the goal these countries had set for themselves to achieve. In other words, the purpose of modernisation theory was to explain and promote the transition from traditional to modern society.

Modernisation theory argued that this transition should be regarded as a processor traditional societies 'catching up' with the modern world. The theory of modernisation was most clearly elaborated in the writings of W.W. Rostow (*The Stages of Economic Growth: A Non-Communist Manifesto*, 1960), who argued that there were five stages of development through which all societies passed. These were: (i) the traditional stage; (ii) the preconditions for take-off; (iii) take-off; (iv) the drive toward maturity and (v) high mass consumption. Third World societies were regarded as traditional, and so needed to develop to the second stage, and thus establish the preconditions for take-off. Rostow described these preconditions as the development of trade, the beginnings of rational, scientific ideas, and the emergence of an elite that invests rather than squanders its wealth. The theory argued that this process could be speeded up by the encouragement and diffusion of Western investment and ideas. Scholars in this tradition also argued that industrialisation would promote Western ideas of individualism, equality of opportunity and shared values, which in turn would reduce social unrest and class conflict.

As we have mentioned earlier, modernisation theory developed in the context of the Cold War and at times it is unclear whether (a) modernisation theory was an analytical or prescriptive device, (b) whether modernisation was occurring or whether it should occur, and (c) whether the motives of those promoting modernisation was to relieve poverty or to provide a bulwark against communism? The two factors are connected, but the subtitle of Rostow's book – ‘*A Non-Communist Manifesto*’ - suggests that the latter may have been considered more important than the former.

To conclude, we can say that modernisation theory was based on an evolutionary model of development, whereby all nation-states passed through broadly similar stages of development. In the context of the post-War world, it was considered imperative that the modern West should help to promote the transition to modernity in the traditional Third World.

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### 5.3 DEVELOPMENT AS UNDERDEVELOPMENT AND DEPENDENCY

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Dependency theory arose in the late 1950s as an extended critique of the modernisation perspective. This school of thought is mainly associated with the work of Andre Gunder Frank, but the influence of Paul Baran's (*The Political Economy of Growth*, 1957) work is also very important. Baran argued that the economic relationships that existed between western Europe (and later Japan and the United States) and the rest of the world were based on conflict and exploitation. The former took part in ‘outright plunder or in plunder, thinly veiled as trade, seizing and removing tremendous wealth from the place of their penetration’ (Baran 1957: p.141-2). The result was the transfer of wealth from the latter to the former.

In the 1960s, Frank examined Third World countries at close hand, and criticised the dualist thesis (of the modernisation school), which isolated ‘modern’ and ‘traditional’ states, and argued that the two were closely linked (*Latin America: Underdevelopment or Revolution?* 1969). He applied his critique to both modernisation theory and orthodox Marxism, replacing their dualism by a theory that argued that the world has been capitalist since the Sixteenth century, with all sectors drawn into the world system based on production for the market. The ties of dominance and dependence, Frank argues, run in a chain-like fashion throughout the global capitalist system, with metropolises appropriating surplus from satellites, their towns removing surplus from the hinterland and likewise.

Frank's central argument is that the creation of 'First' world (advanced capitalist societies) and the 'Third' world (satellites) is a result of the same process (worldwide capitalist expansion). According to the dependency perspective, the contemporary developed capitalist countries (metropolises) were never underdeveloped as the Third world (satellites) but were rather undeveloped.

Underdevelopment, instead of being caused by the peculiar socio-economic structures of the Third World countries, is the historical product of the relations (relations of imperialism and colonialism) which have obtained between

underdeveloped satellites and developed metropolises. In short, development and underdevelopment are two sides of the same coin, two poles of the same process-metropolitan capitalist development on a world scale creates the 'development of underdevelopment' in the Third World. According to Frank, Latin America's most backward areas (e.g., north-eastern Brazil) were precisely those areas which had once been most strongly linked to the metropole. Institutions such as plantations and *haciendas* (Spanish landed estates), regardless of their internal appearance, have since the conquest been capitalist forms of production linked to the metropolitan market. Economic development, according to Frank, was experienced in Latin America only in those times when the metropolitan linkages were weakened - the Napoleonic wars, the depression of the 1930s and the two World Wars of the Twentieth century - and it came to an end precisely as the metropolises recovered from these disruptions and recovered their links to the Third World.

Dependency theory was indeed a powerful advance over modernisation theory, but it suffered from peculiar weaknesses of its own. First of all, it suffered from a certain historical character, viewing change within the Third World countries as an outcome of its undifferentiated dependent status. As Colin Leys put it, dependency theory "...concentrates on what happens to the underdeveloped countries at the hand of imperialism and colonialism, rather than on the total historical process involved, including the various forms of struggle against imperialism and colonialism which grow out of the conditions of underdevelopment' (*The Underdevelopment of Kenya*, 1975, p.20). Secondly, dependency theory tends to be economistic. Social classes, states and politics appear as derivatives of economic forces and mechanisms and often receive very little attention. Classes, class projects and class struggles appear neither as the prime movers of historical change nor the prime foci of analytic attention. Thirdly, critics have alleged that the concept of development is obscure in dependency theory. Given that it is frequently argued that 'development' occurs in the Third World when the metropolitan -satellite linkages are weakened, does 'development' imply autarchy? Since 'development' is an attribute of capitalist development in the metropolises, is the debate in the ultimate analysis again about the Third World's ability to replicate this path? Finally, the assumptions of the dependency theory fail to provide explanations for the various so-called 'economic miracles' of the Third World. Thus, while marking an advance beyond the myths of modernisation, dependency theory did not fully escape its imprint. While modernisation theory argued that 'diffusion' brought growth, dependency theory would seem to argue in a similar vein that dependence brought stagnation.

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## 5.4 WORLD SYSTEM ANALYSIS

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Immanuel Wallerstein further developed the idea of the world capitalist economy in his 'world-system analysis'. Wallerstein argued that the expansion of Europe starting in the Sixteenth century signalled the end of pre-capitalist modes of production in those areas of the Third World incorporated within the world

capitalist market. According to this theory, dualism or feudalism does not exist in the Third World. The modern world-system is unitary in that it is synonymous with the capitalist mode of production, yet disparate in that it is divided into tiers - core, semi-periphery, and periphery - which play functionally specific roles within the system as a whole. World-system theory places a new emphasis on the multilateral relations of the system as a whole (core-core and periphery-periphery relations become important to the analysis as do core-periphery ones), rather than on the unilateral relations of the system of metropole and satellite characteristic of dependency theory.

Wallerstein's basic argument was that the creation of the world capitalist economy in the Sixteenth century led to a new period of history, based on expanded accumulation rather than stagnant consumption. This was attributable to the emergence of three key factors: i) an expansion of the geographical size of the world in question (through incorporation), (ii) the development of variegated methods of labour control for different products and different zones of the world economy (specialisation) and (iii) the creation of relatively strong state machineries in what would be the core states of this capitalist world economy (to assure the transfer of surplus to the core).

In the formation of the world economy, core areas emerge as countries where the bourgeoisie got stronger and landlords weaker. The important relationship that determines whether a country is to be a core or part of the periphery is dependent on the strength of its state. According to Wallerstein, those countries that could achieve the process of 'statism', i.e., the concentration of power in the central authority, became the core countries of the world economy. On the other hand, the strength of the state machineries is explained 'in terms of the structural role a country plays in the world economy at that moment of time'. A strong state enables the country as an entity to get a disproportionate share of the surplus of the entire world economy. The stability of the world capitalist system is maintained due to three factors: (i) the concentration of military strength in the hands of the dominant forces, (ii) pervasiveness of an ideological commitment to the system as a whole, and (iii) the division of the majority into a large lower stratum and a smaller middle stratum. The existence of the semi-periphery means that the upper strata (core) are not faced with the unified opposition of all others because the middle stratum (semi-periphery) is both the exploited and the exploiter. The semi-periphery, however, also constitutes a site for change. New core states can emerge from the semi-periphery, and it is a destination for the declining ones.

Although the world-systems theory has been advanced further by several thinkers like Oliver Cox, Samir Amin and Giovanni Arrighi, it has been widely criticised for its primary focus on the 'system imperative'. Thus, in this theory, all events, processes, group-identities, class and state projects are explained by reference to the system as a whole. Such a reference point implies that all the above-mentioned actors are seen as embedded within the system so much so that they do not act in their immediate concrete interests but always in accordance with the

prescriptions or dictates of the system. Critics have also pointed out that the theory explains the contemporary capitalist world inadequately, since it focuses attention on the market, failing to take into account the processes of production.

### Check Your Progress 1

Note: i) Use the space given below for your answers.  
ii) Check your answer with the model answer given at the end of the unit.

1. What are the core features of the modernisation theory?

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2. From the above analysis, can you work out the lines along which Wallerstein criticised the modernisation theory?

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## 5.5 ARTICULATION OF MODES OF PRODUCTION APPROACH

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From the late 1960s, an attempt was made to resurrect a certain variant of the Marxian approach to the transition process in the Third world in which mode of production was the determining concept. Theorists belonging to this school of development argued that Third world social formations encompass several modes of production and that capitalism both dominates and articulates with pre-capitalist modes of production.

These theorists made a distinction between social formation and mode of production. Social formation refers to a combination of economic, political and ideological practices or 'levels'. Mode of production refers to the economic level that determines which of the different levels is dominant in the 'structured totality' that constitutes the social formation. The economic level sets limits on the other levels, that carry out functions which necessarily reproduce the (economic) mode of production. These non-economic levels, therefore, enjoy only a relative autonomy from the mode of production. The mode of production

or 'economic' level is in turn, defined by its 'relations of production', i.e., the direct relation between the immediate producer of the surplus and its immediate appropriator. Each couplet, slave-master, serf-lord, free labourer-capitalist define a separate mode.

The mode of production perspective takes as its point of departure the production of the surplus product and is able, therefore, to move to an explanation of the division of the world between core and periphery based on the modes of production rather than trade relations. The core, therefore, coincides with the capitalist regions of the world, which are largely based on free wage labour. The periphery, on the other hand, was incorporated into the world economy based on free relations of production (that is, non-capitalist modes of production), which prevented an unprecedented accumulation of capital. Unequal trade relations were therefore a reflection of unequal relations of production. It is for these reasons that the 'advanced' capitalist countries were able to dominate other areas of the world where non-capitalist modes of production existed.

On the face of it, the mode of production perspective appears to constitute at least a partial return to the sectoral (modern and traditional) analysis of modernization theory. The crucial difference, however, is that unlike dualist interpretations, the emphasis here is on the interrelatedness of modes of production. It is argued that the capitalist expansion of the West in the Sixteenth century, encountered pre-capitalist modes of production in the Third World which it did not or could not transform or obliterate, but rather which it simultaneously conserved or destroyed. The relationship between the capitalist mode of production and the pre-capitalist modes of production, however, has not remained static and capitalist relations of production have emerged in the periphery. Capitalism in the periphery is of a specific kind, one that is qualitatively different from its form in core countries. The marked feature of capitalism in the periphery is its combination with non-capitalist modes of production - in other words, capitalism coexists, or 'articulates', with non-capitalist modes. Non-capitalist production may be restructured by imperialist (that is, 'core-capitalist') penetration but it is also subordinated by its very 'conservation'. The mode of production theory is, however, weakened by a functionalist methodological approach. This is because the theory explains social change as a product of the necessary logic of capitalism. This results in circular reasoning. If pre-capitalist modes of production survive then that is evidence of its functionality for capitalism and if pre-capitalist modes broke down then, that too is evidence of capitalism's functional requirement. This approach has also been criticised because it subordinates human agency to structure, and assumes that social phenomena are explained by their functionality for capitalism, rather than by actions and struggles of human beings themselves.

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## **5.6 CLASS ANALYSIS AND POLITICAL REGIMES**

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In the early 1970s, yet another approach to explaining the socio-political changes taking place in the Third World countries emerged from Marxist scholars.

Prominent contributions came from Colin Leys (*Underdevelopment in Kenya*, 1975) and James Petras (*Critical Perspectives on Imperialism and Social Classes in the Third World*, 1978) who explained the transition process in the developing world not in terms of world imperatives or articulation of modes of production, but in terms of classes as the prime movers of history. The focus here is not on development, i.e., growth, versus stagnation. The key question which surfaces in Petras and Leys work is: development for whom? Petras differs from the 'external' relations of world-system analysis and the 'internal' relations of modes of production analysis. The salient feature of Third World societies, according to him, is precisely the manner in which external and internal class structure cross one another and the various combinations of class symbiosis, and interlock. Capitalist expansion on the world scale has engendered the existence of collaborative strata in the Third World which not only orient production outwardly but also exploit internally. Decolonisation gave these strata access to the instrumentality of the indigenous state and the choice of several developmental strategies based on different internal and external class alliances. To explain different patterns of development strategies, Petras examines (a) the conditions under which accumulation takes place, which includes: (i) the nature of the state (and state policy), (ii) class relations (the process of surplus extraction, intensity of exploitation, level of class struggle, the concentration of workforce), and (b) the impact of capital accumulation on class structure, which includes understanding: (i) class formation/conversion (small proprietors to proletarians or kulaks, landlords to merchants, merchant to industrialist etc.), (ii) income distribution (concentration, redistribution, reconcentration of income), and (iii) social relations: labour market relations ('free' wage, trade union bargaining), semi-coercive (market and political/social controls), coercive (slave, debt peonage).

Broadly speaking, Petras suggests that post-independence national regimes in the developing world can choose among three strategies or types of class alliances for capital accumulation. First, there is the neo-colonial strategy wherein the national regime participates with the core bourgeoisie in exploiting the indigenous labour force. Wealth and power under the neo-colonial regime are concentrated in the hands of foreign capital. Secondly, the national regime may undertake a national development strategy based on the exploitation of the indigenous labour force and the limitation or elimination of the share going to imperial firms. In terms of the pattern of income distribution, the major share goes to the intermediate strata (in the form of the governing elite of the periphery). Thirdly, the regime may ally with the indigenous labour force, nationalise foreign or even indigenous enterprise, redistribute income, and generally undertake a national populist strategy as against core capital. Income distribution is more diversified, spreading downward. Although we cannot go into the details over here, Petras has much to say about the interrelations among these strategies and the role of the imperial state in shoring up neo-colonial regimes and undermining the others.

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## 5.7 STATE CENTRED APPROACH

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In the field of comparative political economy, a backlash took place against developmentalism in the late 1960s and the early 1970s when the concept of state and power was revived. The contributions to the theory of state came primarily from the Marxist scholarship. In Marx, Engels and Lenin the concept of state is premised on its relationship with the existing class divisions in society. It is the nature of this relationship, however, which has remained a matter of debate among Marxists. One tradition, prevalent in the United States of America, emanated from community studies that identified power along the lines of position and reputation, is associated with works of G.W. Domhoff (*Who Rules America?* 1967; *The Powers That Be*, 1979). Domhoff's main thesis is that there not only exists an upper class (corporate bourgeoisie) in the USA but also that this class, is a governing class. Domhoff's contributions have been seen as a part of instrumentalist tradition within Marxism in which state is seen as an instrument of the ruling or dominant class. This perspective is guided by Marx and Engels's concern expressed in *The Communist Manifesto* that the executive of the state "is but a committee for managing the common affairs of the whole bourgeoisie". A careful reading of Domhoff's works, however, suggests that he does not subscribe to the instrumentalist viewpoint and the state in the USA is seen as representing the interests of the corporate class while at the same time opposing the interests of individual capitals or fractions of the business elite.

A second tradition revolved around what has been described as the structuralist view of the state and is found in the writings of French Marxists, notably Nicos Poulantzas. Poulantzas in his early work (*Political Power and Social Classes*,) argued that functions of the state in capitalism are broadly determined by the structures of the society rather than by the people who occupy positions of the state. The state operates in a 'relatively autonomous' manner to counteract the combined threats of working-class unity and capitalist disunity to reproduce capitalist structure. Poulantzas in his later work (*State, Power and Socialism*, 1980) argues that the capitalist state itself is an arena of class conflict and that whereas the state is shaped by social-class relations, it is also contested and is, therefore, the product of class struggle within the state. Politics is not simply the organisation of class power through the state by the dominant capitalist class, and the use of that power to manipulate and repress subordinate groups, it is also the site, of organised conflict by mass social movements to influence state policies and gain control of state apparatuses.

An interesting debate on the state theory in the West figured in the pages of *New Left Review* in 1969-70, in the form of an exchange between Ralph Miliband and Poulantzas. As Poulantzas's view has already been discussed above, we shall briefly examine now the contribution of Ralph Miliband. The debate in *New Left Review* centred around Miliband's book *The State in Capitalist Society: An Analysis of the Western System of Power* (1969) in which he argued that while the state may act in Marxist terms, on behalf of the ruling class, it does not act at its behest. The state is a class state, but it must have a high degree of autonomy

and independence if it is to act as a class state. The key argument in Miliband's work is that the state may act in the interests of capitalist, but not always at their command.

While the above-mentioned debates focussed primarily on the nature of the state in Western capitalist societies, a lively contribution to the debate on the nature of the state in the developing world followed. Hamza Alavi (*The State in Post-Colonial Societies: Pakistan and Bangladesh*, 1972) characterises the post-colonial state in Pakistan and Bangladesh as 'overdeveloped' (as it was the creation of metropolitan powers lacking indigenous support) which remained relatively autonomous from the dominant classes. The state-controlled by 'bureaucratic-military oligarchy' mediates between the competing interests of three propertied classes, namely the metropolitan bourgeoisie, the indigenous bourgeoisie and the landed classes, while at the same time acting on behalf of them all to preserve the social order in which their interests are embedded, namely the institution of private property and the capitalist mode as the dominant mode of production.

This theme of relative autonomy was later taken by Pranab Bardhan (*The Political Economy of Development*, 1986) in his analysis of the Indian state, where the state is relatively autonomous of the dominant coalition constituted by capitalist, landlords and professionals. State, however, in Bardhan's formulation remains a prominent actor which exercises 'choice in goal formulation, agenda-setting and policy execution'. The idea of the overdeveloped post-colonial state and the concept of relative autonomy in the context of the relationship between state and class in the context of African societies was carried in the work of John Saul (*The State in Post-Colonial Societies: Tanzania*, 1974). Another perspective came in the work of Issa G. Shivji (*Class Struggle in Tanzania*, 1976), who argued that the personnel of the state apparatus themselves emerge as the dominant class as they develop a specific class interest of their own and transform themselves into 'bureaucratic bourgeoisie'.

The debate on the nature and role of the state have continued in journals like *Review of African Political Economy*, *Journal of Contemporary Asia*, *Latin American Perspective* and the annual volumes of *Socialist Register* in light of changes taking place in the forms of economy, social classes and political forces.

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## 5.8 GLOBALISATION AND NEO-LIBERAL APPROACH

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In the context of globalisation, the 'neoliberal' modernisation approach has emerged as a dominant paradigm giving explanations for and prescribing remedies for underdevelopment in peripheral states. The neoliberal paradigm proposes that the underdevelopment of peripheral states of the Third World is primarily because of the failure of state-led development strategies particularly import-substitution industrialisation. It believes that these countries can, however, develop and obtain a competitive advantage in an open world economy

by rolling back state-control. At the heart of the neoliberal perspective lies the notion of 'separation' or dichotomy between the state and the market. The paradigm limits the role of the state to providing 'enabling' conditions of 'good governance' in which market forces can flourish unhindered. This enabling role involves the preservation of law and order, the guarantee of private property and contract, and the provision of 'public goods'. Criticising this assumption of a natural dichotomy between the state and market, Ray Kiely (*Sociology and Development: The Impasse and Beyond*, 1995) points out that the separation between the two cannot be taken as natural but historically and socially constituted. The appearance of separate political and economic spaces, he points out, is unique to the capitalist social relations which emerged in England and cannot, therefore, be generalised to the rest of 'advanced' capitalist world or the developing world.

International institutions like the World Bank and the International Monetary Fund (IMF) have, however, proceeded to implement this ahistorical neoliberal model onto the developing world, with its accompanying prescriptions regarding structural adjustment and 'good governance'. The World Bank, for example, asserts that the economic problems of the developing world can be attributed to 'too much government' and a subsequent failure of market forces to operate freely. The proposed remedy is, therefore, the encouragement of the private sector and the liberalisation of 'national economies'. To achieve these objectives, three key policy proposals are recommended: (i) currency devaluation, (ii) limited government and incentives to the private sector and, (iii) the liberalisation of international trade. These structural adjustment programmes, however, overlook the socio-economic realities of specific countries and the role played by the state in providing social justice. The withdrawal of the state from this role, to unfetter market forces, means that the state is no longer expected to play a role in balancing unequal resources. This then leads to an increase in the vulnerability of the weaker sections, particularly women and /of the working class, deepening already existing hierarchies within countries.

Similarly, the notion of 'good governance' within the neoliberal agenda of international aid-giving institutions, as providing the enabling conditions within which market forces can flourish, has been viewed with scepticism. Kiley, for example, points out that the World Bank's explanations of the failure of structural adjustment programmes in Sub Saharan Africa, as lack of good governance, fails to specify how 'public accountability', 'pluralism' and the 'rule of law', all of which are cited by the World Bank (*Governance and Development, World Development*, 1992) as important constituents of good governance, can be achieved without the participation of the lower classes of society. The concept of good governance within the neoliberal agenda envisages a condition where democracy and freedom are seen as antagonistic. Freedom involves the preservation of private property, free market, and provision of negative freedoms like the right to speech, associate and move freely, conditions, in other words, which preserve the market economy. Democracy, on the other hand, is seen with suspicion, as belonging to the political realm where demands for participation

and distribution of resources are made. The latter, it is feared may endanger the freedoms essential for the strength of the economic realm. The prioritisation of freedom over democracy, as prescribed by the neoliberal paradigm, fails thus to meet the developmental needs of the people.

## Check Your Progress 2

Note: i) Use the space given below for your answers.

ii) Check your answer with the model answer given at the end of the unit.

1. What is meant by mode of production? What is the nature of socio-economic, reality in the Third world according to the articulation of mode of production theory?

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2. What are the key elements of the neo-liberal approach?

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### 5.9 LET US SUM UP

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The political economy approach emerged in the wake of decolonisation to understand and explain the relationship between nations and socio-political phenomena. At the basis of this approach was the assumption of a relationship between the domains of politics and economics. The modernisation, underdevelopment and dependency, world systems, articulation of the modes of production, class analysis, state-centred analysis and the neoliberal analysis are dominant among the various explanatory frameworks which have emerged in the last few decades. While the analytical tools of all these frameworks have varied, almost all have ‘development’ as their key problem. In the process of exploring this problem within a comparative perspective, they have inevitably seen the world in terms of a hierarchised whole. They do, however, provide important insights into the intricacies of economic forces and the manner in a symbiosis of economy and polity works within and in connection with external forces.

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## 5.10 KEYWORDS

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**Class State:** A state that works to protect the interests of a particular class. In Marxian terminology, it is used to describe the present liberal states as protecting the interests of the capitalist class. **Structural Adjustments:** Reforms in Economics like currency devaluation, incentives to the private sector, liberalisation of international trade etc.

**Mode of Production:** It refers to the way goods are produced and distributed in a society. It consists of two major aspects: the forces of production and the relations of production. The forces of production include all of the elements that are brought together in production—from land, raw material, and fuel to human skill and labour to machinery, tools, and factories. The relations of production include relationships among people and people's relationships to the forces of production through which decisions are made about what to do with the results.

**Structural Adjustments:** Reforms in Economics like currency devaluation, incentives to private sector, liberalisation of international trade etc.

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## 5.12 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

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### Check Your Progress 1

1. It is based on based on an evolutionary model of development; whereby traditional societies pass through different stages of development. These stages of development are broadly similar to all nation-states. In the context of the post-War world, it was considered imperative that the modern West should help to promote the transition to modernity in the traditional Third World.
2. Since Wallerstein focussed on world system, he criticises modernisation theory for its focus on the nation state as the only unit of analysis as the role

of transnational structures which constrain local and national development are disregarded. He also rejects the core assumption of the modernisation theory that there is only a single path of evolutionary development for all countries.

## **Check Your Progress 2**

1. Mode of Production means how in a society goods are produced and distributed. It also refers to the economic level which determines which of the different levels is dominant in the structured totality that constitutes the social formation. In the developing countries generally pre-capitalist mode coexists with the capitalist mode of production.
2. Neo-liberal approach is based on the study and evaluation of concepts like good governance, structural adjustments, withdrawal of the State, globalisation etc.

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