

Clive Y. Thomas, **Dependency and Transformation; Economics of the Transition to Socialism.** Monthly Review Press, 1974, £3.40, (pb)

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Major advances in understanding in the social sciences tend to arise from flashes of insight rather than empirical enquiry, as the survival of major hypotheses in the face of empirical opposition suggests. Clive Thomas's book is essentially built round one central insight, although his earlier work with H. R. Brewster was empirical. Certainly it has not received widespread recognition. Whether it constitutes a major conceptual advance in development theory is of course difficult to assess, although this review would argue that it does.

Marxist propositions have never been happily swallowed, even within the increasingly left-inclined development studies field, which has accepted concepts of dependency and rural immiseration for example. Thus this book appears peripheral to the main focus of current development thinking which is centred around essentially neoclassical conceptions—efficient resource allocation, labour-intensive development, redistribution and basic needs strategy (itself justified by the more efficient pattern of resource use which it calls for). Thomas explicitly eschews objectives of resource allocation and comparative advantage within the mechanics of his strategy for early development. At the same time it is arguable that he has achieved at a stroke what more cautious empirical studies of resource allocation and basic needs are only groping towards.

One of the main concerns of the book is to develop a theory applicable to the transformation of small dependent economies. In this context Thomas tries to dispose of the normal preoccupation with market constraints, both on the left, where the Feldman model is seen as inapplicable, and on the right, where transformation is only seen as possible within the colonial or neo-colonial international division of labour. Perhaps the book's most important achievement is its apparent success in using the dependency model not just as a critique, but constructively as a starting point for strategy and planning. As such the book complements the original work of André Gundar Frank and A. Emmanuel.

Its central proposition concerns the explanation of underdevelopment. According to Thomas this is 'the lack of an organic link, rooted in an indigenous science and technology, between the pattern and growth of domestic resource use and the pattern and growth of domestic demands, and

(secondly) the divergence between domestic demand and the needs of the broad mass of the population.' Accordingly economic transformation must involve the convergence between indigenous resources, labour, technology, production, demand, and needs. The book proceeds to use this central agricultural and industrial strategy, and as a frame of reference for policy on resource pricing, project selection criteria, foreign aid, economic integration and other matters.

Agriculture and industrial development are both planned according to the convergence strategy. In agriculture the strategy is based on domestic needs for food and industrial raw materials and export demand for industrial output based on domestic agricultural inputs. Food production is planned to shift away from export crops, first towards foodgrains, and secondly towards high elasticity products such as fruit, vegetables and dairy products. This commodity base is to be complemented by mechanisation and socialised relations of production.

The industrial sector follows the same demand and resource convergence path. This requires broad structural change towards a vector of basic commodities including steel, textiles, paper, plastics, rubber, glass, leather, cement, wood, aluminium, chemicals (alkalis, sulphuric acid, chlorine). These commodities are characterised by the highest historical growth elasticities and the highest inter-industry linkages. The first criterion assures the long term dynamism and the second the convergent character of this selection.

In addition Thomas argues that the choice of technology is not an independent variable but is derived from product and material choice. He ascribes a rather limited role to small industry development on the grounds of its locational flexibility and high capacity utilisation, but not on the grounds of scarce resource saving, (he chooses to cite the study of Dhar and Lydall in which Indian enterprises of up to 50 workers used more capital per unit of output than larger enterprises.) He considers that there is scope for standard technology if set up at minimum economic scale rather than optimum scale. These assertions, of course, are contrary to much recent literature and conventional wisdom about labour-intensive development. However, they accord with Thomas's central emphasis on dynamic, or perhaps X-efficiency, aspects of development.

An implication of Thomas's analysis of convergence is that the development of appropriate technology in developing countries is critically dependent on an integrated industrial sector including a machine producing sector of some sort—exactly

what is not available in most small developing countries. This point seems to be lost on many advocates of technological adaptation.

Convergence of demand and resources does not imply autarchy. A high export ratio would be consistent with convergence provided that exports were an extension of domestic demand and not a substitute for it. This was the historical experience of European countries. Trade should be an extension of the production pattern consistent with convergence. The second element of the strategy, convergence of demand with mass needs, is directed at the restructuring of neocolonial import-dependent consumption patterns. This would depend on a transformed social and political structure. With state control over productive assets, overall public interest in the division between consumption and saving and the redistribution of consumption could be ensured, and an increased proportion of consumption would be taken up by public goods. Standardisation of products, while reducing utility in neoclassical welfare terms, would be justified in terms of long-term welfare gains from economic transformation.

This discussion rounds up Thomas's basic points. Now for the objections, which must be expected, given the sweeping nature of the propositions and the fact that they are almost diametrically opposed to much current thinking.

Thomas uses the convergence hypothesis as a stick with which to beat the neoclassicists. For example he challenges conventional project analysis methodology and shadow pricing on the grounds that its static base is irrelevant to his dynamics, i.e. the imperatives of convergence. While there are intuitive grounds and historical evidence to support this, the current evidence does not lend credence to it. The only data which Thomas provides show the highest growth rates for clearly non-convergent countries (Taiwan, Singapore, Ivory Coast). Secondly, what precisely is the mechanism which causes basic commodities to permit more rapid development?

This question in terms of long run development is the same as the question of the link between basic industry and growth. Is there some internal dynamic associated with interlinked basic commodities (apart from faster rates of domestic demand expansion for intermediates)? If not, then how would Thomas challenge the option of 'trade in intermediates'? One possible mechanism providing an internal dynamic would be linkage to capital goods production, i.e. machine production embodying technical change. Strictly speaking however this is not a basic commodity sector because it feeds into final rather than intermediate

demand (i.e. into gross investment). Thomas's proposition could, perhaps, be given better support by focusing on domestic engineering as the key sector.

Granting the validity of project selection via identifying highest growth elasticities and inter-industry links, another problem is to decide precisely what role comparative advantage considerations should play: how would high-profit industries such as diamonds, spices, or petroleum for export be handled? It would have been very interesting if the book had focused rather more carefully on investment criteria. Because Thomas assumes a command economy and planned interdependent growth resulting in comparatively high rates of expansion of domestic demand, the problem of investment choice and efficiency measures has really been glossed over. It is argued in fact that the binding constraint is the rate of savings (or social surplus) and that provided the rate can be raised adequately, virtually any desirable pattern of investment can be established. A little more light could have been shed on these points.

Another problem concerns financing the strategy. A recent paper by Kwan S. Kim demonstrated that in the current Tanzania context rapid expansion of basic industry would increase import-dependence and lower the rate of growth of output and employment, at least in the short run. The only industry qualifying as basic which would not have these results was found to be food processing. But this industry has relatively low growth elasticity. Clearly, the strategy would require extensive foreign capital on highly concessional terms, and without procurement tying, if it was to be consistent with convergence. While this may be possible in isolated cases (e.g. Cuba) a general effort would involve more or less revolutionary policy changes in rich countries, a possibility which Thomas tends to assume away in the first place. The only obvious way to redeem the strategy on this point is via technological flexibility. As pointed out earlier, Thomas gives this rather short shrift as a policy option, and somewhat closer attention is undoubtedly called for; examination of China's experience in capital-saving basic industry (e.g. fertilizer, cement, metals, engineering) might be the right place to start. The strategy would then become one of striking a balance between efficient allocation (i.e. labour intensive production) and transformation objectives (basic industries).

Finally, the convergence strategy assumes prior achievement of power by a state representing an alliance of workers and peasants. Realisation of

convergence goals, especially the raising of the effective savings rate and the convergence of needs and demands, may well require such a precondition. However only very few countries would qualify (amongst which Thomas cites Cuba and, with reservations, Tanzania). But this seems unnecessarily restrictive. The central insights of the book are more widely applicable, and indeed could be more relevant to precisely those countries which remain within the neocolonial system in which 'poverty of vision' is a problem. Furthermore much of the initial groundwork of convergence would be readily carried out within the interests of a nationalist state apparatus concerned with breaking some of the links with the colonial international division of labour.

Despite the possible objections, one can well conclude that it is the strength of the book that it does in fact appeal potentially to a fairly wide audience and that it puts forward a cogent and intuitively appealing programme, which, amidst the endless outpourings of conflicting industrial strategy recommendations, points very clearly to a set of criteria and an evolving pattern of investment. On this basis the book assumes considerable practical importance.