

DISCUSSION PAPER

The Cultural Lag in Economics*

by

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This paper applies the concept of 'cultural lag' to economics. In the 1950s, economists in industrial countries were still under the influence of the world slump of the 1930s, and those in 'underdeveloped' countries adopted one or another of the schools developed in the past overseas (Marxist or Chicago or Keynesian). Recent developments, especially the rise of the transnational corporations and the oil price rise, have exposed the irrelevance of these theories for the chronic economic problems of today. Ways are suggested of avoiding such irrelevance in the future.

* A paper for the opening session of the Conference on the relevance of economic theories, organised by the International Economic Association and the Polish Economic Society, Warsaw, June 1978.

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THE CULTURAL LAG IN ECONOMICS

(A paper for the opening session of the Conference on the relevance of economic theories, organised by the International Economic Association and the Polish Economic Society, Warsaw, June 1978.)

I was asked to provide a review of world-wide problems related to the evaluation of the relevance of economic theories. The topic⁽¹⁾ is a good one, because there is clearly growing doubt among students, lecturers and practitioners alike, in all parts of the world, about the relevance of received doctrines to social problems which are taking new and more severe forms, and increasing impatience with those who remain chained to obsolete models.

The concept of 'cultural lag' is a general one: it refers to the well-known tendency of attitudes and perceptions to lag behind changing reality, sometimes by years, sometimes by decades. In academia it takes the special form of reproducing throughout one's career the theories learned as a student, partly through inertia (e.g. the wish to avoid rewriting lectures and texts), partly because systems of appointment and promotion and criteria for publication enforce some degree of theoretical conservatism. Universities almost generate irrelevance. In the social sciences an additional cause is the pressure (even if only potential) from educational bureaucracies and governments, which usually have their own interest in current problems not being explored too deeply and may well find that theory inherited from the past suits their purposes very well. I shall examine the cultural lag in economics, concentrating on macro-economics, suggesting that this may have grown recently with the accelerating pace of change, and argue that we now have a rare opportunity of reducing it.

The state of the art two decades ago

It may be useful to start by looking back at the state of theory in the 1950s, and asking how relevant this has proved to post-war problems. That may help us see the broad direction in which theoretical developments need to go.

In the 'developed' capitalist economies, Keynesian economics held sway, having spread rather gradually through the University

(1) Because of its scope, this paper is unavoidably rather superficial and unscholarly. Equally inevitably, it reflects my personal biases in the selection of what problems and what theories seem significant. This is perhaps more a 'sketch' than a 'review'. I am glad to acknowledge comments by Reginald Green and Percy Selwyn in particular.

world following (rather than during) the great slump of the 1930s⁽¹⁾. A strong upward impulse was still provided in the 1950s by the tasks of making good wartime damage and meeting pent-up needs. But another big slump was considered inevitable about a decade after the end of the war. With the help of the proliferating systems of national accounts, economists were nervously taking the pulse of the world economy, and sharpening the counter-cyclical tools which had been implicit in the theories of Keynes and Kalecki⁽²⁾. The post-war slump would require sophisticated 'management' if a repetition of the 1930s were to be avoided. Otherwise, social and political problems might destroy the economic system.

Bitter memories of the 1930s also shaped perceptions of international policy needs. In the industrial countries, the main requirement was seen as one of avoiding the 'beggar my neighbour' policies which had, it was believed, propagated the depression in 1930-33. The establishment of the International Monetary Fund at Bretton Woods had set new 'rules of the game' designed to prevent competitive devaluation and inhibit recourse to exchange controls; under the aegis of GATT, tariffs and preferences were being 'bound' and reduced.

The older version of neo-classicism was in fact by no means dead, and as the years passed without a major slump it began to revive, especially in the United States and West Germany, and thus also the belief in the over-riding need to limit the money supply, as it had been automatically limited by the rules of the gold standard⁽³⁾.

So in the advanced capitalist countries, economists were preoccupied with theory which had been developed in answer to much earlier needs. The main line of professional progress was to elaborate it in increasingly complex models.

(1) It had encountered of course fierce resistance from the 20th century residue of 19th century neo-classicism, a doctrine which drew its strength from the powerful surge forward of capitalism in the previous century. Its adherents (Pigou, for example) denied any inherent tendency to unemployment in the capitalist system.

(2) Thanks largely to the efforts of Joan Robinson, the Polish economist Kalecki is at last getting more credit for his simultaneous development of the basic theory of Maynard Keynes.

(3) In West Germany, the revival of neo-classicism was reinforced by memories of both the inflation of the 1920s and the state controls adopted by the Nazis in the 1930s.

It would of course be presumptuous of me, especially as a guest in Poland, to discuss how international or internal problems were perceived then in the socialist countries, or how relevant to them was Marxism, the other main neo-classical school. Nor can much be said on how they were viewed by the economics profession in the 'West', because they were considered a world apart - out of reach, in various senses, and only studied by a few specialists.

In the 1950s, there was also a small group at work on the problems of 'underdeveloped' countries. In retrospect, the economics profession had been blind in the colonial era to the scale of world poverty: there had been little study of economies other than those of Europe and North America, or of the world economy as a whole, despite its increasing integration. (International trade theory covers after all only one aspect). After the war, developments overseas (especially the independence of India) stimulated professional concern about conditions in poor countries for various reasons, partly humanitarian, partly political (based on a fear that decolonisation would be followed by revolution and the destruction of the world economic system). Associated with this was a new perception of the world as divided into three qualitatively different groups of countries - 'developed market economies', 'centrally-planned economies' and 'underdeveloped', later called 'developing' economies.

'Development economists' were in fact mostly nationals not of 'underdeveloped' but of the 'developed' countries (though there were notable exceptions such as Arthur Lewis, Prebisch and Mahalanobis), and they saw the central question as how the 'underdeveloped' countries could follow in the footsteps of the 'developed' and quickly achieve the same economic prosperity and independence, social welfare systems and parliamentary democracy, including institutional protection for human rights. 'Development' was essentially an economic problem. Economic growth was considered a suitable yardstick for it (indeed almost a synonym). In the end, growth would mean reduced inequality, unemployment and poverty (viz the Kuznets 'U-curve'). Such progress would be all the easier because the necessary technologies were already available - although medical technology had made the economic task more difficult by enabling the growth of population to accelerate.

The Harrod-Domar model, which had recently been elaborated (though primarily to make Keynesian economics dynamic, not for the sake of the 'underdeveloped' countries) provided a convenient framework for relating economic growth to investment. This led to a heavy emphasis on the need for savings,

(1) Kalecki played a part in this too, by developing the United Nations World Economic Report in the early 1950s.

and thus for aid and foreign investment, which would bring with them the latest technologies. Indeed, much work at that time consisted of building growth models which inter alia justified aid and guided the policies of donor agencies.

Although 'development economics' had its professional roots in 'developed' countries and was largely articulated by their economists, it helped - together with Keynesian and neo-classical economics - to shape the minds of the new generation of 'Third World' economists and political leaders. These had mostly been students in one of the 'developed' countries (or in universities at home which had copied their syllabi). In a sense, their theoretical equipment was twice removed from reality - it reflected the doctrines developed for other countries in response to earlier events.

The chief theoretical schools of Europe and North America promoted their own recipes for accelerating growth as universally valid. At one extreme, the Chicago school (Simon Rottenberg, for example, teaching then in Santiago, soon to be followed by Harberger, or disciples such as Peter Bauer at work in West Africa) argued for opening the doors to foreign trade and investment and avoiding planning and controls. IMF economists, from the same stable, saw inflation and payments problems - already widespread, especially in Latin America - as due to lack of monetary discipline. If this were put right, the basis would be established for a fast growth of output and employment.

Prebisch and Singer, however, developed a thesis with very different policy implications, based on an apparent chronic tendency for the terms of trade of primary producers to deteriorate,⁽¹⁾ which led to an emphasis on industrialisation and justified tariff protection. This thesis fitted another theme of that time, namely that, to break out of historical stagnation, a simultaneous 'big push' was necessary, with the investment in each sector reinforcing and justifying investment in the others, which implied the need for 'planning'. It also helped explain the widening 'gap' between the incomes of 'developed' and 'underdeveloped' countries and reinforced the case for aid. This case was further strengthened by the argument of Rostow, that an injection of capital could make growth 'self-sustaining'.

On the Left were Marxists like Baran who also stressed industrialisation (referring to the Soviet model) but who, in contrast to Prebisch, believed that socialism was a necessary

(1) Actually, a stronger case lay in the lower income elasticities of demand for primary products: this is especially obvious now that subsequent research has thrown doubt on the empirical basis of the 'terms of trade' thesis.

and very feasible condition for removing obstacles to growth. This approach has tended to lead to a classification of 'underdeveloped' countries by degree of socialism. It also suggested to some that fundamental and lasting worldwide growth would require and impel worldwide revolution, encompassing also the imperial powers themselves.

Although there were profound differences among development economists, there were also common elements. It is not much of an exaggeration to say that a single frame of perception covered almost the whole ideological spectrum.

The belief in growth was of course convenient for all those who wanted to divert attention from the concentration of income (and economic power) in the hands of particular races or regions, but it was also theoretically acceptable to others with no such desire, including Marxists. There was almost universal emphasis, too, on capital accumulation as the source of growth. Product and factor markets were (usually tacitly) assumed to be sufficiently competitive to validate market prices. The essential variables were believed to be quantifiable and the role of the economist was seen as a technical one of incorporating them in 'development plans' (in reality growth plans.) Such plans assumed the validity of the statistics available⁽¹⁾. They also generally ignored the constraints on policy and the need for institutional change.

Another common characteristic of economists of those times (whether Marxists or members of the Chicago school) was a basic optimism. Inequalities within and between countries could and would in one way or another be reduced eventually, bringing an homogenised, modernised world within the reach of the next generation. Supply curves for oil and other industrial inputs were tacitly assumed to be flat, as they had been for decades. Nationalist aspirations and policies were ignored or deprecated as obstructive - in part a reaction against what was seen as a cause of the two great wars.

(1) Actually, in mainly rural societies, i.e. in most of the world, measures of economic growth are largely hypothetical, because of the lack of regular statistics on economic activities in rural areas, especially construction, manufacturing and services. This does not stop economists using estimates of growth as if they were facts. (Such statistical difficulties are of course in a different category from those of interpreting aggregative indicators covering a great diversity of classes, races, etc.). See "Urban Bias: Seers versus Lipton" (IDS Discussion Paper No. 116. 1977).

These similarities are not surprising since Marxist and other neo-classical doctrines all had their intellectual roots in the expanding European economy of the 19th century. (1)

The capacity of theory to explain recent developments

This whole set of doctrines is of course now in ruins. (2)
 In the first place, the 'developed' countries turned out not to have even nearly solved their social problems. The problems of submerged minorities (the Blacks in the United States, Southerners in Italy, etc.) became more visible and politically significant. The expectations aroused by modern technology for both consumption patterns and working conditions, and disseminated through the media, could not be universally realised. Far from economic growth being a panacea, it seems to have been associated with growing crime, drug addiction, alcoholism, etc. It creates a society difficult to administer (because of inter-connections too complex for any input-output table) but easy to sabotage by strikes in key sectors, kidnapping of leaders, etc. It also involves serious environmental damage. //

In brief, in the 1950s the economists of the industrial countries misperceived the problems as essentially cyclical - events have shown that they are essentially structural. In some countries, notably Britain, the basic problem was really adapting the socio-economic structure to a new and less privileged status, especially revitalising industry. When the major world depression did at last come, in the mid-1970s, the 'developed' countries started to experience inflation plus unemployment in a combination which had previously been considered characteristic of a number of 'developing' countries, especially in Latin America, and which was difficult to reconcile with Keynesian economics. Economic expansion now seems constricted by price inflation and related foreign exchange deficits. In any one country these can be moderated by productivity increases but then there is little net addition to employment. Moreover, the unemployed are not necessarily willing, nor are they compelled, to take unpleasant or boring jobs.

(1) See "The congruence of Marxism and other neo-classical doctrines" by myself in "Towards a New Strategy of Development" (Pergamon, to be published in 1979). Also IDS Discussion Paper 138.

(2) One might argue that neo-classical 'rules of the game' in international economics are not at all irrelevant for technologically strong countries, in this case especially the United States and West Germany (and now Japan), which need to break down nationalist barriers to their economic expansion. In these countries, too, the higher degree of factor mobility makes Chicago-type models at least less obviously inappropriate. This doctrine also remains useful for capitalists in any country who need arguments against state 'interference'.

So the global 'management' techniques devised in response to the general demand deficiencies of the 1930s, and embodied in the sophisticated models of the 1950s and 1960s, turned out after all to be of limited relevance, as did - at least in the view of many - the monetarist policies which partially took their place. Government economists in Western Europe tend to see the solution outside - in the renewed expansion of Japan and the U.S.A. But the stage has not after all been set for a steadily expanding world economy, despite the new institutions to stimulate the liberalisation of trade and payments. The uneven development of the main capitalist economies in the 1960s, with Japan and West Germany achieving particularly fast productivity increases, has undermined the post-war economic order. Following the Smithsonian conference, the monetary rules of the game were changed by the governments of the very countries which had earlier insisted on their strict implementation, and subsequently trade liberalisation was checked or reversed (e.g. by textile quotas). Indeed, the 'New Cambridge' school (Godley and Cripps), following earlier work by Frisch and Balogh, argue that protection (discriminating between sources of imports) will help to restore the expansion of the world economy, not hinder it.

Heavy and persistent unemployment in the advanced industrial countries has not proved as destructive as conservatives and liberals had feared and revolutionaries hoped. The capitalist system seems remarkably robust and able to survive many final crises. But the social costs of chronic unemployment are so heavy (and the political effects likely to become so traumatic) that we urgently require if not 'another Keynes' (or Kalecki), which may be impossible, at least big analytical innovations.

Doctrines in the 'development' field have not fared any better. The Harrod-Domar model was undoubtedly a technical advance, but it was too simplistic to provide an adequate basis for explaining or predicting even growth. Already, at the end of the 1950s, the range in national incremental capital-output ratios implied, as did research on production functions, that there were other influences on growth - e.g. education. This was demonstrably a major requirement in Africa: it led to a new subject, manpower economics, and reinforced the political pressures for a big expansion in secondary and tertiary education which were already considerable, indeed in retrospect excessive.

Economic growth has, in fact, been fast by historical standards in most countries of the 'Third World'; but we now see that no mechanisms, evolutionary or revolutionary, can be relied on to spread its benefits and ease social problems. Overt unemployment and associated emigration can increase even in (perhaps especially in) fast-growing economies, such as Jamaica and Puerto Rico. The expected tendency to equality has not appeared even in countries where income levels have become much higher than they were in Britain a century ago,

when the benefits of growth began to be widely dispersed. Concentration of economic power in the hands of capitalists, landowners, the bureaucracy and the labour aristocracy (the composition of the ruling coalition of classes varying from country to country) seems in general to have increased, not declined: so have associated urban-rural disparities, especially in social services. (1) Pakistan was merely the most dramatic case of a country disrupted by inter alia fast growth.

Such results were implicit in growth strategies that relied on capital-intensive import substitution, the benefits of which reached few sectors of the economy. Moreover, economic growth on this pattern has provided both the motivation and the resources for repression, which is also facilitated by imported technologies of surveillance, interrogation, police communications, crowd control, etc. In turn the erosion of parliamentary democracy has facilitated the concentration of economic power, including income.

It may be argued that it is not obligatory (perhaps not even desirable) for economists to venture into such 'non-economic' issues, but if there are observable and recurrent socio-economic patterns, is it defensible for these to be ignored?

In the 1970s, it is true, interesting work was done on the compatibility of growth and equality, (2) in a relatively rapid response to growing awareness of the inadequacy of growth as such and there was an associated emergence of interest in 'basic needs'. But a big question mark hangs over this line of work, not about its economic rationale but about the realism of expecting those with economic and political power to yield it voluntarily.

(1) Though the distribution of even the most quantifiable element in economic power, income, cannot be measured in predominantly rural economies because of statistical weaknesses mentioned above. In countries with sizeable bureaucracies, allowance also has to be made for use of official cars, housing and educational privileges, government hospitality, access to foreign exchange at legal rates, etc. especially since these forms of income are non-taxable. In addition, of course, bureaucrats control the distribution of government services, recruitment to employment, allocation of contracts, etc. which can provide additional income as well as a degree of control over the lives of fellow citizens comparable to that of large property owners.

(2) E.g. in "Redistribution with Growth" (Ed. by Chenery et al. published by Oxford University Press, for IBRD and IDS, 1974).

Moreover, though foreign-financed industrialisation has left most countries less dependent on a narrow range of primary exports, they have become - the smaller ones especially - much more dependent on imports of technology, equipment, energy and intermediate products, as well as on foreign capital, which come increasingly via the transnational corporations, or TNCs. The TNCs fit badly into the neo-classical model. A large proportion of economic transactions, especially in international trade, are internal to the firm. Moreover the TNCs have so much expertise available (in advertising, legal and tax departments, as well as those containing scientists and engineers), that they can manipulate market forces to a considerable extent, and governments - including 'their own' - find them hard to monitor or tax, let alone control. To rely heavily on their capital and technology for economic growth, therefore, means in fact allowing them to influence its pattern, including the origin and price of imports, the destination of exports, etc. Governments which have attempted to force the TNCs to conform to national interests (e.g. the decisions in Cuba in 1959, or later in Sri Lanka, to import Soviet Oil) have had to face politico-economic retaliation. Attention was drawn to the political and military linkages (including aid) that restrict the liberty of governments, again especially of small countries, to choose their sources of capital, technology and industrial inputs. This was the background to the emergency of the dependencia school in Latin America, the first truly indigenous one outside Europe - though drawing to some extent on European theorists, especially Marx. Developing an earlier insight of Prebisch, Latin Americans (Cardoso, Furtado, Pinto⁽¹⁾) saw the world as divided between a core of industrial countries and a periphery.

The clear inappropriateness of many (not all) modern technologies to the requirements of the 'Third World' raised the question why architects, engineers, doctors, etc. so often adopt them, and why this is tolerated by bureaucrats in government or public corporations. Why are syllabi in higher education, including economics, modelled on those of countries with quite different needs? And why are patterns of consumption that are capital-intensive, fuel-intensive and import-intensive, copied so widely?

(1) A small school of 'plantation' theorists (Beckford, Best, Girvan, Thomas, etc.) in the Anglophone Caribbean, adopted a somewhat similar approach, but emerged independently - largely because of the linguistic inaccessibility of the dependence theorists. More Marxist variants of the dependence school were provided by Frank and Samir Amin.

These questions pointed to the importance of further factors that are 'non-economic' but inseparably connected to the 'economic'. Cultural dependence shapes the pattern of even material progress, both directly and via the mind of the policymaker - who thus ceases to be an autonomous agent, as he has generally been considered in the past⁽¹⁾. This provided the clue to why the historical models of the 'developed' countries (capitalist or socialist) could not be copied - as had been widely hoped in the 1950s. During embryonic stages in their evolution, these countries had not been exposed to pervasive communication media disseminating attractive foreign life styles, techniques and theories.

This line of thinking stimulated many economists to take an interest in China which was (at that time anyway) following an autarcic and egalitarian policy, though with results hard as yet to evaluate, let alone assimilate into theory.

The successful action of OPEC governments at the end of 1973 in raising the price of oil more than three-fold taught us further lessons. It exposed the danger of following economic models implying rapid industrialisation, unless energy resources were adequate, and reminded us of the finite limits to reserves of fossil fuels. While some governments of rich countries may be able to prolong growth by resorting to nuclear power, it would be financially out of the question for the poorer oil importers to solve their energy problems in this way. Despite the recent fall in fertility, their population will double within the next 30 years. Techniques of harnessing solar, tidal, geothermal or wind power will - even if economically feasible - take at best decades to develop and disseminate on a worldwide scale.

These dangers had already been stressed by ecologists, notably in 'Club of Rome' documents, but in an exaggerated and sensational way, so that few professional economists felt the need to take such warnings seriously. Yet there has apparently

(1) A doctoral thesis at Sussex by Chandra Randeni of the Bank of Sri Lanka, using official records to compare major projects aided by capitalist and socialist donors in the 1960s, shows that both groups were oblivious to the employment impact of their projects in a country with severe unemployment (which many projects aggravated) and the implications of this for choice of technology in either construction or operation. Both similarly made no allowance whatever for the effects on income distribution or on the country's economic dependence. In all projects, the only criterion used was how to maximise income, relative to purely financial costs. It is true that the Sri Lankan negotiators did not raise the real issues, so in a sense the responsibility is in part theirs, but then one must ask where they were educated and given a belief in the overriding importance of productive forces?

been a major qualitative change in the world economy. The dream of a completely 'modern' world, even in the next century, has started to evaporate. We are entering an era in which long-term supply curves can no longer be assessed flat, one full of potential conflict.

Secure sources, especially of oil and uranium, are of paramount importance. In such a world, not at all benign, the level of living of a worker depends in large measure on the bargaining power of his or her government. Nationalism can no longer be ignored, nor can the nature of the state. 'Self reliance' is naturally a common aspiration, as are the restructuring of the international order and the search for 'alternative' development strategies, eschewing capitalist or solicalist economic models.

One cannot say that the cultural lag has disappeared. Developments in the middle of the 1970s have revealed the increasing professional irrelevance of the grouping of countries into three 'worlds'. At the end of the 1940s, when this classification was devised, advanced capitalist states typically had few public corporations and their regulating agencies were generally weak, whereas in socialist countries decision-making was heavily centralised. The latter were, moreover, importing little merchandise, technology or capital from the former. In the 1970s, the capitalist/socialist dichotomy has become less sharp or significant, trade and investment between them have increased (including a few joint ventures between TNCs and East European governments) and political tension has been relaxed.

In addition, the separation of 'developed' countries from 'underdeveloped' has become increasingly obsolete as several countries in the 'Third World' have reached income levels above Portugal and other countries in Southern Europe previously classified as 'developed'. The oil price rose, in particular, provided countries like Kuwait and Abu Dhabi with per capita incomes among the highest in the world. The 'Third World' covers today too wide a variety of countries to have much conceptual significance.

The increasing differentiation has also undermined some core-periphery models - almost before European economists realised they existed. It is true that all 'peripheral' countries are

still net importers of technology, capital equipment and arms, (1) but then the same could be said of the majority of countries up to now classified as 'core' (2).

In all countries, 'developed' as well as 'developing', capitalist or socialist, there is a lust for the products of modern technology, but technological progress facilitates the concentration of economic power (in geographical as well as social terms), destroys earlier (sometimes more humane) forms of production, causes unemployment (open or disguised), (3) requires the migration and retraining of labour, uses both capital and energy heavily, poses environmental problems, and spreads anomie.

Everywhere in the world, various analogous problems are being raised by what might be termed the contradictions generated in technical advance, and no body of economic theory is well equipped to deal with them - certainly not those grounded in 19th century Europe.

Towards more relevant theory

The general lesson of this review is that the adjustment of theory to reality is still delayed, often leading to dangerously inappropriate analyses and policies. One is reminded of the saying that generals tend to fight the previous war. If political leaders have used our prescriptions, e.g. by promoting growth, this has been because they have found these convenient rather than illuminating. However, some are now - as in the 1930s - desperate enough actually to feel in need of some professional guidance. We can, moreover, for the

(1) In countries that count themselves as 'developing', there are also historic resentments against the former colonial powers; these too may be receding in practical effect as they are replaced by grievances against all countries, whether capitalist or socialist, which benefit from 'unequal exchange', to use the phrase of Emanuel, who pointed to the theoretical implications (especially for Marxism) of the enormous and still growing difference in wage levels between 'developed' and 'developing' countries.

(2) The sub-class of 'socialist' economies within the 'periphery' has proved difficult to identify, as is shown by frequent reclassifications, e.g. of Egypt.

(3) In production units which are not responsive to market prices, especially public corporations, the problem appears as 'disguised' unemployment - i.e. excess labour and low productivity.

first time foresee some of the major characteristics of the world in the 1990s, which may help us avoid further theoretical lags. It will, for example, be a world short of fossil fuels, and more heavily dependent on the technology of the TNCs. The imminent massive introduction of very cheap silicon chip micro-processors threatens to bring a new and more intense phase of international competition, unemployment and other social problems (while also holding out - as the latest technology always does - the promise of great benefits). Multilateralism is likely to be further weakened.

What are the implications for making economic theories more relevant, and university syllabi more appropriate, to today's problems - and if possible to those of the next two decades?

The first is the need to recognise that, while problems take different forms in different countries, there are theoretically significant common elements, arising out of the impact of similar, worldwide, technological changes. 'Development' is no longer just the problem of the tropics: the economists of advanced capitalist and socialist countries could learn much from their colleagues elsewhere - if they were prepared to. The growing irrelevance of the 3-World classification suggests for some purposes, at least, that we need world models which, like that of Sunkel, do not deal only with national units, but are 'transnational systems' running across national boundaries, and with many non-economic dimensions.

Yet, and secondly, economics cannot be carried very far in generalities, ignoring the specific national context. Any usable national model incorporates the socio-economic characteristics of that nation - such as historically determined classes and ethnic groups, political institutions and social attitudes, structures of output and employment, etc. A student needs models based on the special nature of his or her country's economy. This implies making the discipline much less 'a prioristic'.

Thirdly, of especial importance are the determinants of the national room to manoeuvre. These do indeed include economic factors, such as whether a country is industrialised, and whether its economy is planned. However, more basic - because they affect those factors too - are the following unalterable determinants, which have not so far been stressed, even by the dependence school, though their importance has been demonstrated by recent events⁽¹⁾:

(1) There may be some tendency to play down the importance of these geographical factors by those who wish to emphasise the overriding importance of social change. However, the serious effects on the Cuban economy of the recent fluctuations in world sugar prices, especially the re-emergence of unemployment, remind us that certain realities cannot be ignored.

- Size (both area and population);
- Location (proximity to more powerful countries, access to oceans, etc);
- Resource base (arable land, oil and minerals, etc).

These could lead to more useful typologies than the old 'Three World' classification, e.g. to models for petroleum economies, for more advanced industrial countries, and for small countries.

Fourthly, the agenda must clearly now also include a number of non-economic determinants of autonomy, and therefore of national development in all types of country, which are subject to policy, at least in the long term. These can be very briefly noted here:

- Technological (the size and quality of scientific manpower and institutions, civil and military and their capacity to select appropriate technologies, if necessary excluding or preventing the development of those that are inappropriate);
- Political (including an appreciation of the aims and resources of TNCs and of the governments of more powerful countries, and a willingness to exploit bargaining assets);
- Military (an arms industry, local military expertise, and thus a capacity to withstand great power pressures);
- Cultural (e.g. use of the main national language, proportions of films and TV programmes made nationally, and the effect of the system of education on national unity). (1)

Such determinants of development have up to now been hardly noticed by economists in any part of the world: even the theory and practice of planning take little account of them. They have no place in the main theories which were built for qualitatively different situations. A final implication is to reinforce the rather hackneyed point that economics is not a separate subject (especially not 'development economics'). Analyses that use purely economic determinants, even of economic variables (such as growth), now run even greater dangers of serious distortion. This applies not only to

(1) Cultural autonomy is perhaps of a different order of importance from the others, because a country without the pre-conditions for it can have little political basis for economic theories relevant to their own circumstances or for development strategies designed to increase autonomy in other fields.

'macro' but also 'micro' analysis - e.g. project evaluation.⁽¹⁾ We can appreciate afresh the merits in the traditional subject, 'political economy', though naturally this now needs broadening to take account of the actual and theoretical trends of recent decades, and to give due weight to current political, military and especially cultural influences, which can no longer be grouped in a passive 'superstructure'. Unless teachers of economics refer to relevant 'non-economic' factors, they are really misleading their students.

It will not be easy to develop economics in ways more appropriate to this part of the 20th century. For economists in all parts of the world, professional innovation is - as in past decades - painful and strenuous. Yet surely there are signs of the profession being humiliated as accepted models become obsolete and incapable of throwing much light on the problems that so badly need solution.

(1) See the note on aid projects in Sri Lanka, above.

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