

Book Reviews

Krishna Bharadwaj and Sudipta Kaviraj (eds) *Perspectives on Capitalism – Marx, Keynes, Schumpeter and Weber*. New Delhi. Sage Publications. 1989. pp. 265 + Index. Price: Rs 190.00 (Hardbound) and Rs 90.00 (Paperbound).

As a socio-economic world system, capitalism has undergone various historical changes from its early competitive market phase to late monopoly capitalism. In its early phase, it largely constituted a process of transition gradually emerging from the feudal mode of production, which laid heavy restrictions on the new class of rising industrialists, businessmen, and merchants. Classical economists were the ideological champions of these progressive social classes; progressive as compared to the erstwhile feudal and monarchical classes. Karl Marx's critique of capitalism was an explanation of how capitalism as a growing socio-economic organism evolved from the pre-capitalist feudal order and was leading towards higher socio-economic formations. In this analysis of the capitalist economic system, Marx laid bare its internal contradictions and its crisis-ridden anarchic production, which in his view would inevitably yield place to socialism. His thesis was confirmed by the social revolutions which occurred after his death in 1883. He was witness to a period of capitalism which produced misery and pauperization of the working classes on a large scale, and wealth and prosperity for a tiny but powerful class of capitalists of various categories.

John Maynard Keynes (1883–1946) interpreted the recurrent crises of capitalist societies as due to their unregulated *laissez faire* type of production. Therefore, during the Great Depression which took place in the first half of the 1930s, he prescribed deliberate state intervention in the economic system as he believed that capitalism was not a self-regulating system as the classical economists had assumed. In a sense, he was responding to the severe critique of the capitalist economic system by the socialists.

Two other great economists, Max Weber (d. 1920) and Joseph Schumpeter (d. 1950), also gave their own interpretations of capitalism. The deep influence of the Protestant ethic on the development of capitalism in Western Europe and North America as explained by Weber¹ as well as the interpretation of capitalistic crises

¹Max Weber, *The Protestant Ethic and the Spirit of Capitalism*. Translated from the German edition of 1904-5, by Talcott Parsons. New York: Charles Scribner's Sons, 1958.

by Schumpeter are serious efforts to understand the inherent nature of the capitalist mode of production as it unfolded in Western society. "Most of the creations of the intellect or fancy", wrote Schumpeter forty-eight years ago while discussing the intellectual significance of Karl Marx in his great work, *Capitalism, Socialism and Democracy* (1942), "pass away for good after a time that varies between an after-dinner hour and a generation. Some, however, do not". This applies not only to the works of Karl Marx and Max Weber but also his own.

In the history of modern economic thought the year 1883 is highly significant. In this year Marx died, and Keynes and Schumpeter were born. Therefore, throughout the world in 1983, conferences and seminars were organized to commemorate the death and birth centennials of these three great economists and social scientists. The Indian Council of Social Science Research also held a seminar to discuss the importance and relevance of their contributions to the societies and economies of the third world countries in general, and to those of India in particular. Max Weber and Antonio Gramsci were also included for a comprehensive treatment and for providing a wider perspective.

The book under review contains some of the papers presented at the conference by eminent economists, sociologists, and political scientists. They are interdisciplinary in approach. There were two sets of papers: those dealing with the general methodological and analytical problems, and those discussing the relevance of their theories to the social and economic development of India. The present book includes the papers in the first category.

The first paper, by Professor Sukhamoy Chakravarty, is on Keynes. Professor Chakravarty assumes that Keynes's work, *The General Theory of Employment, Interest and Money* (London 1936), is his most important contribution towards understanding the inner logic and structure of the capitalist system, and that being a Marshallian, Keynes analyzed a *specific* system of economic organization better called a "liberal capitalism". The author maintains that Keynes's theory of capitalism cannot be categorized as belonging to a mature capitalist economy because his policy prescriptions for state intervention in the economy were limited to the circumstances of the Great Depression of the 1930s and because his "theory of effective demand" was inferred from a monetary economy and not from an exchange economy as Kalecki does.

Professor Chakravarty concludes his arguments by stating that Keynes's real contribution lies in placing the study of capitalism within the context of history far away from classical abstractions, and by giving us some important macroeconomic tools for analyzing and understanding the problems of the modern capitalist economy as a whole.

Mihir Rakshit ("The Analytical Framework of Keynes") critically examines the nature of Keynes's economics. He says that the central idea of Keynes's

economics is that unregulated capitalist societies cannot but suffer from the problems of unemployment and inflation. This was the main reason that Keynes had prescribed government corrective measures to control the evils of unemployment and inflation. Keynes also held that once the economy was operating at full employment equilibrium, all the principles of neo-classical economics became valid. But prolonged inflation alongwith unemployment (stagflation) and the balance of payments problems refute these Keynesian assumptions.

Rakshit explains that these broad assumptions were proved wrong because Keynes could not foresee the development of the "new forces in the process of bargaining or setting of prices – of commodities, labour, or currencies". He remarks that economists are not soothsayers or formulators of laws valid for all times, as economic situations are not static nor are the human perceptions of economic reality unchanging. In concluding his article, Rakshit observes that Keynes's insight into collective truths has a permanent validity. Since what is true for an individual may not be true for the entire society, in his analyses of the widow's cruse theory, of the paradox of thrift, the fallacy of composition is stressed. So collective action is sometimes necessary to right individual wrongs.

The third article, "The Resurgence of Political Economy" by Krishna Bharadwaj, focuses on the revival of the classical approach to the problems of value and distribution. She provides a brief, but clear, perspective of the theoretical framework of the problems of distribution (profit) and the related theory of value. About the question whether we can take the supply-and-demand based equilibrium theory and the surplus-based classical theory as alternative structures, her answer is positive. She explains clearly the anarchic nature of capitalist development, where there are recurrent booms, crises, and unemployment.

P. R. Brahmananda ("Joseph Alois Schumpeter: A Centennial Appraisal") thinks that Schumpeter's idea of economic development consisted of making the capitalist process an instrument for innovation, leading to the transfer of gains from growth to the general masses and raising their standard of living and the quality of life. He says that this idea is different from Marx's idea of capitalism superseded by socialism. Schumpeter thought that the circumstances which tended to impoverish the masses could be removed by material improvements in their welfare. This would do away with the need of a socialistic revolution from the inner mechanisms of capitalism. Brahmananda thinks that although the Indian experience cannot be strictly guided by Schumpeterian development theory because his concept of capitalism is too general, Schumpeter's idea of capitalism must be taken as a dynamic process. The source of dynamism is internal to this economic system: economic vigour, development activity, and innovative undertaking all move the system on and do not allow it to settle down to a static state. Therefore, the system cannot properly be observed in a static form. The Schumpeterian paradigm, therefore, refers to

this economic society in continuous development, flux, and incessant ferment. Schumpeter's theory of development, says Brahmananda, belongs to the *future* of the classical line since he represents the triumph of "leaping hope over gaping doom". (p. 117).

Amiya Kumar Bagchi ("Schumpeter: The Inconsistencies of a Prescient Ideologue") takes a contrary view. He argues that Schumpeter's reaction to the influence of Marx was similar to that of other German and Austrian social scientists of his time. Even he borrowed many concepts from Marx and extended them in his own way, like the concept of the capitalist entrepreneur which he developed in his *Theory of Economic Development* (1912).

According to Bagchi, Schumpeter was originally a Viennese bourgeois author who deliberately developed a powerful ideology for the ruling classes of North America. In the 1920s, during his stay in the United States, he greatly contributed towards understanding the phenomenon of monopoly capitalism.

Bagchi finds many inconsistencies in Schumpeter's theories. But the present article does not do justice to the subject. He summarily rejects Schumpeter as a false prophet. In the opinion of this reviewer, this is a harsh judgement. After all, explanation of an economic phenomenon by an economist is only a hypothesis which may not fit real facts. One may or may not agree with him. Max Weber's explanation of the relation of Protestant ethic to capitalistic spirit and bourgeois culture in Western Europe and North America may also be construed as economic legitimization (through religion) of capitalism; however, his scholarly contributions towards understanding the relation of religion and economy cannot be underrated.

Sudipta Kaviraj's article ("On Political Explanation in Marxism") is an excellent exposition of the relationship between the political phenomenon and the mode of production of a given society – the economic structure as postulated in Marxist theory. Kaviraj thinks that Marxist political theory is open to two possible interpretations: determinism and pluralism. Determinism interprets all political events and developments as finally shaped by the basic economic structure, whereas pluralism takes other social phenomena (including the political, religious, cultural, etc.) as of autonomous character.

As Kaviraj has rightly explained in great detail, all discussion about the primacy of the economic factor over other social areas of life is misplaced. When Marx was developing his theories, says the author, he was not building a theory of voluntarism or determinism. Marx, in reality, faced a philosophical duality in the prevailing thought of his times. He wanted to destroy the plane of such dichotomies in philosophy and the people would not understand him unless he explained these in their own language and idiom. Every original thinker, like Marx, is always misunderstood, says the author, because in his discussions he cannot go beyond a pre-given constituted language; that is, a thinker expresses his new ideas through old

concepts. Kaviraj thinks that the term dialectical materialism or materialist dialectics was a phrase of exactly this type.

For Kaviraj, "the idea of a relative autonomy of the political is a *logical*, not a substantive[,] political concept" (p. 140). There are, says Kaviraj, two types of concepts in Marx: 'filled' concepts and 'empty' concepts. Marxism, as a social theory, is an open system in the sense that it is extendable to later periods. The falling rate of profit is a 'filled' concept. Relative political autonomy is an 'un-theorised' or inadequately theorized logical space, rather than a theory of politics.

Randhir Singh ("Politics – the Dialectics of Science and Revolution in Karl Marx") agrees with what Sudipta Kaviraj says about the relation of Marxism with politics and about 'explaining politics', but he does not find Kaviraj's arguments of any *substantive* help in understanding the 'political explanation' in Marxism.

Randhir Singh suggests differentiating between Marx's two positions, namely, as a believer in human freedom and as a committed revolutionary. There was no contradiction between his beliefs and deeds as for his thought and action existed in a unity.

As a social scientist, Marx's scientific project, says Singh, was aimed at understanding the society he wanted to overthrow. His concept of capitalism and its overall dialectical process of development into higher formations is therefore a single whole, a totality characterized by the predominance of economy or economic structure which moves the formation onward. For Singh, this project was not completed in the lifetime of Marx. He saw the whole process of capitalistic development from the vantage point of classical capitalist economics. A fuller understanding, says Singh, would require that capitalism may also be studied from other vantage points, of capitalist politics, ethics, culture etc.; but this should be viewed as a whole, not in fragments as the professionalist social scientists do. This observation of the author is insightful.

Singh is critical of narrow, professionalized social science scholarship which sees reality not as a whole, dialectical process but as an isolated appearance, and that too in fragments.

Marx's scientific understanding and practical revolution make politics central because without revolutionary political activity any economy cannot be radically changed, and without changing the economic structure no society (in all its aspects and areas) can be transformed into a higher system.

For Singh, Marxism is social science not for ivory-tower intellectuals or for policy-makers; it is social science for the exploited and the oppressed. Marx was a scientist on the side of the oppressed people, against those who exploited them. Singh's article is direct, simple, and candid. He is critical of those Marxist intellectuals who neutralize the revolutionary aspect of Marx's teachings. It is true that Marx's interpretations of capitalism and his (prophetic) forecasts as an economist

and scholar must always be separated from his revolutionary and prophetic insights.

Asok Sen ("Weber, Gramsci, and Capitalism") thinks that Max Weber, in his analysis of the spirit of capitalism, has utilized the Dilthey-Rickert approach which differentiates between the sciences of nature and the sciences of the spirit. Weber's understanding of the relation of capitalistic spirit with the Protestant ethic and religion is based on this method. This relationship, for Weber, is not of cause and effect; rather, he was investigating the influence of certain religious ideas on the emergence of the ethos or the characteristic feature or disposition of an economic system. For Weber, the economic structure or the material base of an economy and the ideological, religious, cultural and ethical elements are extremely complex; they influence each other.

Weber also developed his notion of the 'ideal type' (bureaucracy, economic system, secularization, etc.) to justify the idea of rational conditions of Western capitalist development. But, Asok Sen says this hypothesis led Weber to greater contradictions in his arguments because capitalist development logically resulted in misery, poverty, and degradation of the masses, and the pursuit of maximization of profits by the capitalists could not be justified on any rational grounds.

Max Weber thought, says the author, that socialism as an alternative to capitalism will not provide any solution to the problem of bureaucratic domination. But this is contrary to what Marx held and simply reflected Weber's own experience of European capitalism. For Marx, social change and progress is the result of conscious human action in history: a new mode of production in place of the old must be justified on social and moral grounds to ensure prosperity to all, and not only to a powerful tiny minority of property-owners.

The West European division between socialist theory and working-class politics, and the bureaucratization of state structures by Stalin in Russia and Eastern Europe, led Antonio Gramsci to reconsider the theory of the relationship between the ideological superstructure and the material economic base, emphasizing the cultural and religious factors in society.

Comparing the conditions of European experience with those of India, Asok Sen finds parallels in relative underdevelopment, continuation of bourgeois domination through the expanding state sector, bureaucratic hegemony, large-scale corruption, black money, and uneven growth resulting in extreme inequalities. There is a duality in socio-economic management "in which about 20 percent or a little more of the population are increasingly assimilated into the realm of capitalism, the rest being abandoned to a peripheral wilderness". (p. 204).

Gramsci's idea of 'molecular' changes through bourgeois initiatives seems to the author as more important because radical social change in developing countries is generally blocked by the power of "capitalist order to absorb even the so-called representatives of its antithesis". (p. 204).

Gramsci supplements, explains, and clarifies the Marxian conceptual elements of production forces/production relations, base/superstructure, and society/state with his concepts of 'social harmony', 'passive revolution', etc. For Gramsci, the base does not always determine the superstructure. They react on each other in many complex ways. Economic and non-economic factors function in reciprocity. Gramsci's emphasis on the superstructure and 'ethico-political mediation', according to Asok Sen, is not opposed to Marxism; but his ideas are motivated by a genuine desire to change the existing social system of (Western) European socio-economic order.

Yogendra Singh ("Relevance of Max Weber for the Understanding of Indian Reality") observes that although works of Max Weber on sociology and political science are included in the curricula of Indian universities, his theories have not found favour with Indian scholars for several reasons.

Singh says that the central problem which formed the core of Weber's writings relates to the historical and interpretive nature of the social sciences. Weber attacked the positivism of the social sciences and emphasized their normative aspect. He was even critical of the acquisitive character of modern capitalism, in which care for wealth and privileges becomes an iron cage instead of a light cloak lying on the shoulders of the saint which can be cast away at any time. Weber actually lamented: "But fate decreed that the cloak should become an iron cage". (*The Protestant Ethic and the Spirit of Capitalism*, p. 181). This is an allusion to the transformation of Western industrial capitalism to a tyrannical monopolistic and imperialistic capitalism.

Singh further explains that Weber's sociology is too general to be applicable to the specific Indian situation. However, from the perspective of 'levels' or pluralism of paradigms used by Weber, an attempt may be made to understand the Indian reality from this point of reference. About the question of relevance of Weber to India's problems Singh says that this debate is particularly based on Weber's studies, *Religion of India: The Sociology of Hinduism and Buddhism*, *The Protestant Ethic and the Spirit of Capitalism*, *Economy and Society*, and *Essays in Sociology*. The problem is the relationship between economic development and the Indian systems of religion and ethics. He thinks that the relevance of Weber to Indian sociologists lies in his theoretical contribution to what is called "interpretive understanding" of reality.

Weber's main focus in his sociological studies is on rationalization as a process in cultural systems. His famous trilogy of social order – traditional, charismatic, and legal – is a legitimization of rationalization.

Singh suggests that some ideas from Weber's sociology can be adopted for the study Indian conditions, such as the notion of prophecy and charisma, plus the emergence of rationality in modern social and economic institutions.

Singh criticises Gunnar Myrdal and William Kapp and asserts that Hindu religion does not impede economic development in industry, agriculture, modern technology, education, or in the acquisition of managerial skills. Hindus have adopted rational methods in all spheres of life.

The question of the relevance of Weber's sociology to Indian reality, according to Singh, can be analysed at two levels: the substantive and the theoretical (methodological). At the former level, Weber's generalizations about Indian institutions and ethico-religious systems are limited. However, Weber's theoretical formulation of sociology and his methodology of interpretive causal explanation have validity.

Ralph Miliband's paper ("State Power and Capitalist Democracy") analyses the relationship between the state and dominant economic interests in the industrialised developed countries. Disagreeing with the orthodox Marxist view of the predominance of capitalist forces over the state structures, the author presumes that in the advanced capitalist countries there seems to be a partnership between the state and the capitalist forces. Governments were subservient to the dictates of capitalist forces when giant multinational corporations were emerging in past.

Miliband thinks that the state in the developed countries is a defender of the social order rather than a passive servant of the capitalist forces. Writing about the experience of social democracy in Western Europe after World War II, Miliband observes that the governments of social democrats were reform-oriented: they did not aim at radically changing their social systems.

In his paper, "The State and [the] Development of Capitalism: The Third World Perspective", which is too generalized and simplistic, Rehman Sobhan says that the state has become the principal agent for developing capitalism in third world societies. In developing societies, unlike the developed countries, state structures are weak because the colonialists did not allow the indigenous capitalist class to become powerful. Before their independence, the colonies had already become markets for the manufactures of the metropolitan capitalists. The indigenous élites became the intermediaries between the native producers and the foreign capitalists.

In the post-independence period, in a few larger countries of the third world, says the author, the emerging native mercantile bourgeoisie became competitive and somewhat independent; but in the smaller countries no such powerful native bourgeoisie or any form of domestic industry could develop. Thus, in the post-independence period, according to the author, three broad stages of development occurred in third world countries. In a very few large countries, like India, along with the emergence of a strong capitalist class, various élites also developed in education, the judiciary, and public services, which complemented the native ruling class. They all aimed at making capitalism as the dominant mode of production. The rural elite also aligned with the urban elite. It was the government (and the state) in the developing countries which became the principal instrument to provide the basic

physical infrastructure (roads, railways, markets, electricity, schools, etc.) to promote economic development on capitalist lines; to mobilize domestic resources, foreign aid, and loans; and to ensure safety of foreign capital, etc. So the state became an intermediary between the foreign investor and the rising native capitalist through state-linked third world capitalism with the world capitalist system, and in this way developing societies were integrated into the world capitalist system.

The public sector was developed to provide the infrastructure to facilitate the rapid growth of private capitalist sector. It provided access to finance from public development finance corporations, and it also acted as a buyer of the produce of the private capitalist sector. So, in Rehman Sobhan's opinion, the academic debate over the efficiency of the private or public sector is meaningless. The native capitalist class fails to create an autonomous resource base for itself without help from the government. Because the native bourgeois class becomes dependent on the state and the foreign capitalists, the whole situation, in which some elements of this bourgeois class tend to appropriate scarce financial resources, leads to social tensions. This becomes a recurrent source of social unrest and instability.

The basic defect in Rehman Sobhan's analysis is its overgeneralization of the relation between socio-economic development and capitalism. Some facts and figures from some developing societies, like Bangladesh or Pakistan, would have helped to throw more light on the process in which indigenous élites are created by the foreign capitalists. The strategy of economic development in Pakistan through the creation of an industrial élite of robber barons and neglect of the masses seems to be the main cause of social and economic inequalities and political instability in Pakistan.

The book under review thus furnishes a broad perspective to understand capitalism from different points of view and on different interdisciplinary planes. The consensus that emerges is that capitalism is an evolving socio-economic formation; and economic theory which attempts to understand this phenomenon also undergoes changes. The theories of Marx, Keynes, Weber, Schumpeter, and Gramsci are important contributions in this regard, and these must be understood and evaluated in their own historical contexts.

The book will be useful to students of comparative economics, sociologists, political scientists, and historians of capitalism and socialism.

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