

Reconstructing Development Economics: Overcoming Rent for Constructing Capitalism

HARTMUT ELSENHANS

The purpose of the following article is to show that for its survival capitalism requires expanding mass incomes and that the dominant interpretation of growth relying on ever increasing shares of the rich in national income is misguided. Capitalism is an achievement involuntarily imposed by the poor onto the rich of society. The rich gain wealth by a large variety of means, very often not by the discipline capitalism requires and imposes through competition. The article concentrates on two aspects: the conditions of making expanding mass incomes the basis of capitalist transition in not yet capitalist underdeveloped economies, and the importance of such a transition for maintaining capitalism at the global level where a globalisation of rent against globalisation of profit is the intention of the forces of capital. Therefore many other very relevant aspects of the theoretical model can only be shortly outlined.

1. SOME ASPECTS OF THE THEORETICAL BACKGROUND OF MASS CONSUMPTION BASED CAPITALISM¹

Following Kalecki (1942) and Luxemburg (1923: esp.107–119), profit is based on net spending on investment, but such net spending on investment requires expanding markets. As long as capitalists compete with each other, they cannot arbitrarily increase their own consumption, nor tolerate the increase of the consumption of their directly dependent classes. Accumulation can barely exceed expansion of total production, because otherwise rising capital output ratios ultimately lead to increasing unit costs, which would lead to the current bankers' and Lenin's (1899: 42f.) solution of demand creation by accelerating accumulation failing. The constant capital output ratio in most developed industrial countries for the last 150 years is proof of this argument. Where the ruling class cannot constitute monopolies, the only solution for the necessary expansion of demand consists in expanding mass incomes. This expansion is possible on the one hand by higher levels of employment which lead to productivity-oriented wage increases as described in neoclassical theory or by the increased bargaining power of labour. Both conditions are normally interrelated: rising mass incomes contribute to increasing employment, and increasing employment contributes to better conditions for political organisation of the working class.

Rising mass incomes are a precondition for capitalist growth, such that the absence of empowerment of labour will block capitalism. The typical underdeveloped economy is

Hartmut Elsenhans <helsen@rz.uni-leipzig.de> is Professor Emeritus, Institut für Politikwissenschaft, Universität Leipzig, Leipzig, Germany.

¹For this background Elsenhans (2011, 2014).

characterised by a surplus of labour, which keeps average skilled labour from empowerment regardless of the levels of productivity of some elements of the labour force. Therefore, to achieve the transition to capitalism it cannot be achieved only by increasing market relations but requires the mobilisation of rents for supporting marginal labour, i.e. labour which produces less than it needs to survive, which at any possible wage rate is less productive than its cost of employment. Under the actual conditions of globalisation, i.e. competitiveness of labour in poor economies of the South through their capacity to devalue the currency, the lack of empowerment of labour in the South is having a knock on effect for the disempowerment of labour in the West. We are facing the alternative between a *globalisation of profit* against a *globalisation of rent*.

The contention of so-called capitalists, whom I term “rentiers”, that their accumulation of more and more resources pushes growth has until now gone mostly unchallenged. The difference between capitalist modes of production and non-capitalist ones is that in capitalist ones such interpretations have until now been of little relevance. What the powerful think about the conditions of growth by accumulation has been irrelevant, as long as labour is able to impose increasing mass incomes. In history, the labour movement has not really cared about winning in ideological battles in the West. Mainstream economics is a convincing demonstration of its own irrelevance, especially during crisis. During the recent economic crisis, no major country in the West followed neoclassical theory, which advocated overcoming the crisis by additional savings.

The myopic image of capitalism as increasing exploitation and causing the impoverishment of large masses has been for more than half a century unmindful to economic history, especially related to the early wage increases in Britain and the United States, but also in Japan and Germany. Historical research has established that with the exception of the period of the French wars of the late 18th and early 19th century, and later during the 20th century world wars, real incomes of the masses increased in Britain with the increases in production and productivity [Crafts (1985: 103); Elsenhans (2014: 54)], and more rapidly in terms of purchasing power for non-agricultural products than for agricultural products [Broadberry and Gupta (2006: 4)].

Defining capitalism as being dependent on rising mass incomes does not imply that capitalists contribute to rising mass incomes. The interests as defined by a ruling class are more often the perils of the functioning of a successful economic system than its promotion of one, as shown by Ibn Khaldūn for the Arab city states (1967: 569–577). There is no room here to discuss whether cultural traditions and political arrangements in pre-industrial Europe made the struggle of the poor easier than in the well-ordered ancient empires of Asia, which I term tributary modes of production. As the rise in the poor’s incomes is basically the result of a power relation in their favour, a large variety of factors may have contributed, such as demographic decline, political rivalries within the ruling class, cultural norms favourable to the notion of equality of all human beings, and other factors. They have existed in different parts of the world in different combinations at different times, so that the European case has to be explained on the basis of accidental historical contingencies.

Certainly capitalism implies a restructuring of society, as described in the Marxist idea about primitive accumulation, but to the difference of Marx not in the form of the

misery of the great mass of the population, rather in the form of protecting the masses from impoverishment when traditional mechanisms of solidarity were destroyed by increasing market penetration of society. The “doubly free” proletarian (separated from his means of production and free to sell his labour power), whom Marx (1867: 183, 742) describes as a constitutive element of capitalism, and primary accumulation can only emerge when workers consider it as probable that they may gain employment. Public sector programmes like the Poor Laws in England [Elsenhans (1992)] are not proof of intensified exploitation as Marx had argued, but of redistribution by which the rent on the land owners is reduced by a parish tax used for the support of poor people. The poor spend money mostly on food and simple products so that the market for simple products expands, with some produced by machines. During the whole Industrial Revolution, Britain had comparative advantage in simple machine produced products, even if the engineers organising this production were not conscious of this and instead tried to compete with China in luxuries [Berg (2006: 283f.)]. Britain conquered the world market, not because of quality products but because of cheap products. The improvement of the nutritional state of the great mass of the English population and the increase of per-capita food production has been argued in English agricultural history since the 1930s. The previous position argued that the rural masses had been impoverished by their displacement from agriculture by enclosures [Overton (1996)]. Rising mass incomes are a condition of capitalist growth not the consequence of them [Allen (2009: 14ff.)], although the possibilities for rising mass incomes rises if productivity increases through capitalist growth. The decisive link is that luxury consumption leads less to capitalist growth than mass consumption does.

The actual attempt to avoid rising mass incomes through creating demand by lavish financial policies requires market imperfections in the form of state protection of financial markets; protections which ultimately destroy competitive capitalism and transform financial capitalists into protected rent collectors through financialisation. Keynes’s argument about an active role of money has been hijacked by his opponents: Keynes suggests expansionary monetary policies in order to achieve rapidly high levels of employment. The neoclassical mechanism of the wage drift can show its existence under this circumstance. Defending mass income-based capitalism should therefore be a key strategy for blocking the transition of the global system into an faux capitalist one actually based on state-protected financial markets.

2. UNDERDEVELOPMENT, MARGINALITY AND THE STRUCTURAL BLOCKAGE OF CAPITALISM

Development theory and development policy are like Keynesianism children of the great economic depression of the 1930s: the point of departure is proving wrong the argument of the liberals that capitalism is capable of restoring high-level employment equilibria. Hence, the penetration of capitalist relations of production could no longer be expected to lead to capitalism as the liberals and the historical school in Germany (Werner Sombart) had assumed. The colonial powers realised that developing social crises benefitted the national liberation movement.

Due to the politically threatening impoverishment of the population, it was clear in early development theory that cheap labour would not produce development. The central

problem of development policy was formulated: a surplus of readily available cheap, exploitable labour did not lead to accumulation and growth even if there was wealth, hence the theory of labour surplus [Lewis (1954)] which coexisted with more or less financial surpluses. Since its beginnings, development theory accepted as central the absence of the conditions for the spontaneous emergence of capitalism in backward countries.

Surplus labour is marginal, i.e. labour which produces less income than its subsistence under existing conditions of demand and supply. Low incomes coincide with a high share of agricultural production. Scarcity of land implies a decreasing marginal product of additional workers [Elsenhans (1994: 394–397)]. Population growth will lead to people producing less than their costs of subsistence. Growing employment may increase production, but at least at some level of labour input the additional product value declines enough that it becomes less than the additional requirements for feeding an additional worker and his family [Georgescu-Roegen (1960)]. This level of marginal product can be defined as the *threshold of marginality*, as any additional worker produces less than his cost and can be maintained only by redistributive measures. Pre-capitalist solidarity structures had for long preserved these marginals, but whenever landowners maximise surplus they will shed this labour, transforming marginal workers into marginalised people. Marginals could survive only if there were mechanisms through which private actors like kin, family, public institutions or the well-meaning landlord (the marginal being an asset in powers struggles for him) supported them through a subsidy. Such a subsidy was financed from the surplus and this part of the surplus was appropriated by non-market means, what I term a rent.

Where there is marginal labour which cannot access a sufficient income on the basis of its productivity, all other labour with average skills is weak as it can easily be replaced by workers from the reserve of marginal labour. Marginal labour depends for its survival on the magnanimity of others. In most large families, there are some members who hold labour contracts where they earn more than their costs of reproduction. There are obligations of re-distribution, which allow the marginals amongst the group to reap charity. The unspoken condition is that these economically marginal members of the group will not put into danger the access of the privileged members of the group to their 'above subsistence' work contracts. The simplest requirement for the marginal members in the group is not to rebel against the existing order.

The often criticised submissive attitudes of the poor in relation to the powerful are not the result of cultural tradition but a rational strategy given the economic imperatives. In addition, penny capitalism demonstrates the rationality of the poor of the underdeveloped South and skewers arguments of cultural determinants in economic outcomes [Tax (1964); de Soto (1989)].

Marginality has an important consequence for the dynamics of class formation. In a capitalist economy which tends to full employment, wage rates tend to converge into a hierarchical set where labour effort and physical or psychological burden determine differences. This process is facing opposition in existing capitalist economies by the fact that they no longer tend to full employment under the conditions of globalisation. In Germany, for the last 15 years the difference between the low paid hair dresser and the

highly paid hewer in coal mining was 1:2.² Branch differences only exceptionally exceeded 33 percent, despite very different skill requirements between the best paying branches (e.g. energy supply) and the less lucrative branches (e.g. restaurants) [*Statistisches Jahrbuch* (1984: 380-381)].

Wage differences do not follow branch specific productivity differences; the convergence of sectoral and branch-wise productivities in monetary terms is not the result of any harmonious development of economy-wide increases of physical productivity. Salaries in highly productive branches increase initially when entrepreneurs attract workers with high salaries. If there are high levels of employment this process is accompanied by scarcity of labour in more traditional branches of production. The entrepreneurs of these branches have to reduce output. Customers are ready to pay higher prices. Wage increases follow average and not activity-related productivity increases [Salter (1960): 161]. A branch of production which has not enjoyed any productivity increase will be able to pay higher wages in parallel with the rise in average productivity and hence wages akin to other more dynamic branches. Wherever there is no scarcity of labour, innovation in a specific branch will lead to increasing wages in this branch only if the branch requires workers with rare skills, but not if average skills are needed (assembly line type operations) or in other branches where there has been no productivity increase. Wages will therefore stagnate. As productivities measured in monetary terms will be determined under perfect competition by the cost, with different levels of wages, productivities will diverge between branches such that with respect to branch wise productivities these economies will be structurally heterogeneous [Nohlen (1982: 95–97)]. They will tend to be inflexible as capital is hesitant to flow from high productivity branches to low productivity ones. Small price changes will not necessarily lead to flexible adaptation.

The homogenisation of the economic situation of working people does not take place: the economic basis for the emergence of powerful class organisations does not emerge.

Capitalism in its flexibility and absence of power-based appropriation of surplus is an extremely unstable relation. Capitalism reacts to instabilities with political interventions by “elites” (as in other modes of production). In periods of crises, these elites appropriate surplus by political means and then spend it by political distribution on their consumptive and power interests (military). In capitalism this type of crisis management contradicts its basic set up because it counters the liberating tendencies of capitalism (which do not exist in state-dominated pre-capitalist systems such that interventions by the elites do not upset these systems). Capitalism is not more unstable than other modes of production but more threatened than non-capitalist structures in its maintenance.

Wherever labour becomes disempowered, ruling classes in capitalism shift to rent seeking and political safeguards to secure their access to surplus. The failures and crises

²These processes however only occur if there are high levels of employment. Structural homogeneity and hence economic flexibility in capitalism result from scarcity of labour, which translates as empowerment of labour. Obviously, the more labour is disempowered also in the leading industrialised countries (e.g. USA), the less the prescribed tendency of convergence is operating. Globalisation threatens by disempowerment fundamental elements of capitalism in the “centre”, another element for demonstrating the close link between empowerment of labour and capitalism. Cf. Elsenhans (2014: esp. 166–169).

in the transition to capitalism in European history, as well as the new challenges for maintaining capitalism in the face of the globalisation upheavals, demonstrate that capitalists consistently seek refuge in political measures which promote rent-seeking whenever the social conditions for appropriation of profit weaken because of labour disempowerment (lower wages and higher unemployment). Capitalist reactions to crises are not appropriate for strengthening the basis of capitalism, but may even lead to the further weakening of its basis.

The singularity of the now capitalist countries, in particular Europe and the regions of European settlement, do not constitute a specific European culture which draws its origin from religion, institutions of participation, ideologies, or the equality of humans, but basically from accidental conditions for the empowerment of labour. Such cultural factors as mentioned in the vast literature which allege the uniqueness of the West may be of some value but those characteristics may equally have been present in other cultures. They may have reached in Europe an accidental ‘critical mass’³ for a variety of accidental reasons.

Development politics and economics have to ultimately contribute to the strategically central mechanism for achieving capitalism: increasing mass employment. This can go with eclecticism of types and levels of interventions covering a large variety of issues. It is not the statist form which causes the limits to labour integrating markets and popular participation, but the temptations of self-privileging and concentration of power which are inherent in rents. Much hailed alternative agents, especially non-governmental organisations, have proved not to be immune against self-privilege and forcing measures on uncommitted target groups [Elsenhans (1995: 149–153, 1991, 211)]. It is therefore imperative to detect possibilities to short circuit the opportunities for diversion away from rent-based social structures, and discover settings where the use large resources for development goals in the interest of the masses function as automatic as possible. This will be clarified by dealing with three major programmes for mobilising rents.

3. MOBILISING RENTS IN FAVOURABLE POLITICAL SETTINGS

That modernisation theory in its multiple variants consisted in the mobilisation of a surplus which private entrepreneurs could not appropriate for lack of investment opportunities does not need further discussion. It failed because the planners were not caring for large mass markets, which could be supplied on the basis of (also) locally produced technology, such that there would be a local process of skill creation. Without expanding mass markets, capital-output ratios were high and investment for quality reasons depended on imported technology.

Agrarian reform consists in the redirection of available rents previously wasted by landlords for the upkeep of poor and often marginal people. Endowing each nuclear family with an equal share in total fertile land will not render these people prosperous. They still have very little land and face diminishing returns on their small farms. In order to survive they will mobilise additional labour time, even if additional yields are low, but positive [Elsenhans (1979), Janvry and Ground (1979)]. Rent, which in the English Poor

³A term from nuclear physics when a critical mass is the smallest amount of fissile material needed for a sustained nuclear chain reaction.

Laws accrued to the landlord and was taken afterwards by the parish in order to subsidise the marginals, here goes directly to the small farmers who can survive with this rent if they are ready to provide their labour time. Even if additional incomes are very low total production and total productive work time increase. The demand for industrial products is re-oriented to simple products manufactured in large quantities, possibly with locally produced technology, so that employment in the industrial sector can increase.

On each of these farms there is the problem of decreasing returns. The typical rural family receives large yields with only part of its available labour. As long as these yields do not suffice for survival, labour input into the farm is increased or other activities will be pursued. When the low yielding additional work on the farm yields less than industrial employment, the family provides additional labour to (sometimes) export-oriented small and medium scale industries at below average wages. They can accept wages below the average wage necessary for survival, because they achieve above average incomes from their relatively productive “first” hours of work on their farms. Those people who have no access to the highly remunerative “first” hours on an own family farm have to earn “average wages” in order to survive [Dasgupta and Ray (1987: 177)]. This explains the very low wages in the typical East Asian export-oriented economies for temporarily employed workers, e.g. young female workers before getting married.

The debate on the relation between the size of farms and yields per acre which developed, especially in India, is misplaced [Schaller (2006)]. At the limit, the issue is not whether large farms have higher yields than small farms but whether the incomes generated on large farms (partly rents for better-off landlords) create similarly strong incentives for the production of simple industrial products and local technology promotion as the demand which originates from poor farmers.

The decisive aspect of an egalitarian redistribution of land consists in reducing marginality by transferring a rent to the marginals without large scale administrative intervention, which is always prone to waste, or even, corruption. Giving the land to the poor creates a minimum income. *The recklessness of liberalisation in mainland China with its dire and much criticised consequences for the lower income strata, especially in the urban centres, does not seem to have produced the dire poverty to be found in mainland South Asia. The only reason which can be given is the possibility of resistance of the very poor against such bad conditions on the labour market because they had the possibility to return to their villages and to produce at least for their subsistence.*

An initially simple technology industrial sector, which produces for mass needs and starts developing its own technologies can be called a *popular pole of industry* [Elsenhans (2014: 40f.)]. Such an industry can emerge even under conditions of underdevelopment.

The mobilisation of rent from already productive sectors for supporting diversification of the economy and overcoming underdevelopment is also decisive in the case of export-oriented manufacturing. Those countries which succeeded in this were able to devalue their currencies below purchasing power parity [recently on Pakistan: Ahmed (2010)]. In most cases, real incomes were up to ten times as high as the purchasing power of their local wages in international currency [Chen, *et al.* (1994)]. The priority of the exchange rate in explaining the cheap international cost of labour is glaringly obvious when Western conservatives warn their workers [already described by

Marx (1867: 700)] that there are workers in the rest of the world who work for 1/50 of the cost. As no worker in a Western industrialised country can survive at 1/50 of his salary, the low-cost export workers in the newly exporting countries of the South can only be based on the availability of wage goods at cheaper prices than in the West. A rising working population in the new manufacturing exporters can only survive if local agriculture produces a food surplus for these additional export workers as well as for those workers in industry who have to produce additional wage goods for that same rising number of export sector workers [Elsenhans (2002: 67f.)].

Export-oriented manufacturing will lead to an expansion of the internal market if earnings of the workers in the export sector increase. Multiplier effects of their additional incomes on the rest of the local economy also lead to more employment and, if strong enough, scarcity of labour. If workers have an alternative, even alternative low sources of income, export producers have to attract additional labour by offering better wages. Korean economists saw a turning point when wages no longer only increased in the export sectors but also for those producing for the internal market [Bai (1982:122)]. Through an increase in their numbers and their incomes, increasing demand from workers in the export sector will lead to more local production of mass consumption goods with more multipliers and more employment in the internal market oriented production lines.

More egalitarian societies are able to benefit more from export-oriented manufacturing than in egalitarian ones. Expanding internal markets on the basis of increasing mass incomes has been important for the better growth performance of countries like South Korea, Thailand, China, and Vietnam in comparison to countries like the Philippines, India and Pakistan [even within one country: Lange (2009: 127)]. The successful export-oriented industrialising countries initially had an egalitarian distribution of income and food self-sufficiency.

The requirement of empowerment of labour as a positive component to the success of export-oriented manufacturing is not contradicted by the increasingly unequal income distribution in these countries: this inequality has not precluded rising mass incomes. Partly it is a statistical artefact as the poor predominantly consume products where the prices correspond to the strategy of devaluation and are considerably cheaper than on the world market, whereas the prices of the products consumed by the rich are aligning more or less with world market prices as they are internationally tradable luxuries.

As long as export workers consume mostly local products, the supply of local products in greater quantities does not raise the international price of this labour. This depends ultimately on the capacity of local agriculture to produce a surplus for the emerging market, which is constituted by the additional purchasing power of workers who receive wages in the export sector even if their incomes are so low that they cannot buy the same food from the world market. This surplus would otherwise not have been produced for the market—constituting a rent.

Devaluation is costly. Productivity is not uniformly lower in underdeveloped countries in relation to the technological world leaders. The range of products appropriate for local production increases if rates of devaluation increase. Particularly in the case of goods with low price-elasticity of demand, exports which have been competitive even before further devaluation have to be taxed if losses in foreign-exchange should be avoided. The model example is the blocking of textile machinery imports by South Korea

when their textile exports faced an increasingly price in elastic demand on the world market [Haggard (1983: 83); Mytelka (1986: 258)]. Textile exporters had to order locally produced expensive textile machinery (which were initially expensive) from their spare part suppliers to whom they transferred their technical knowledge. The additional cost of the locally produced machines was charged to the textile exports with limited losses in export earnings given the low price elasticity of demand. The described mechanism is not completely different from the appropriation of rent by an oil country for financing industrialisation programmes.

Under the conditions of globalisation, state intervention and rent appropriation are important instruments for enlarging competitiveness. Export-oriented manufacturing as the centrepiece of liberal development thinking does not imply the dominance of the market, but the intelligent utilisation of the market in order to combine market and state intervention.

The conditions of successful export-oriented industrialisation are very similar to the conditions of self-centred growth and social reform-based growth of the variants of modernisation theory mentioned above or growth based agrarian reform. In all these three variants of interventions the success in overcoming development depends on the impact of the measures on reducing marginality. In all three variants, overcoming underdevelopment requires complementing the market via empowerment of labour and mass demand wherever the market does not lead to high levels of employment.

4. GLOBALISATION AND OVERCOMING UNDERDEVELOPMENT

Underdevelopment is characterised by the simultaneous availability of surplus [Bagchi (1973: 20)] and the absence of economic agents who can transform that surplus into investment via their entitlements on the market. Potentially available surplus may not be produced for various reasons, notably overvalued exchange rates or unemployment. Due to its availability, some agents gain access to the surplus on the basis of market imperfections and state failure. This private nonmarket access to surplus appears to the public as corruption. Even states which defend the interests of their masses cannot avoid the particularistic strategies of regional administrations, enterprises, party sub-organisations etc., which ultimately subvert their lines of communication and their formalised command structures [Elsenhans (1996: 275–301)]. States always can only use top down orders like formal law for guiding their administrations. Democratic participation implies always a problem of delegation with the risk of representatives becoming independent from their constituencies.

An early inception of the capitalist mechanism would strengthen less personalised channels of command and communication and thus help to successfully channel inevitably emerging rents into overcoming underdevelopment: expansion of mass incomes will trigger market oriented investment to the detriment of those rents the state cannot appropriate for investment. The demand of small and medium industries for locally produced investment goods does not only create the technical capabilities for further technical development, but additional demand from which profit can emerge. Reconstructing development theory brings together the basis of development theory with a Keynesian theory of capitalism. On the basis of such theories of overcoming underdevelopment, strategies can be formulated which combine the elements of

expanding mass demand, promotion of industries through state subsidies, and the disempowerment of traditional rentiers. In formulating such policies for different economies, the political dialogue can be re-constituted in many countries where the political impact of the Washington consensus liberalisation and, in parallel, rent-based private enrichment has led to political polarisation.

Globalisation presents opportunities for such strategies. It can create expanding markets for all underdeveloped economies capable of devaluation. It discharges the state apparatuses from some major tasks in economic regulation, especially reducing, albeit not abolishing, the state's role in investment in the manufacturing sector while subverting those that have fallen prey to systemic corruption. Although state intervention may accelerate the achievement of international competitiveness by state-financed manipulation of comparative advantage, the steps towards export orientation can start without such state intervention. State intervention can be introduced long after the growth of manufacturing production, when safeguards against self-privileging and corruption in the newly emergent state apparatus have already been installed.

Export orientation based on the employment of the large mass of unskilled labour causes a shift in political power. The struggle for participation in economic growth and wider economic and political enfranchisement becomes easier for the large mass of unskilled workers. It allows for gradualism in the upgrading process as new industries do not have to adjust to always limited internal demand but can avail themselves of the whole world market in case of appropriate exchange rates.

Export-oriented industrialisation goes with the displacement of high income jobs in the former industrialised world by relatively poorly paid jobs in the catching up world, which in addition are 'sold' on the world market at an undervalued exchange rate. The implied under consumption threats could be overcome if the industrial world proceeded to rapid structural adjustment by deliberately increasing its own mass consumption and developing new branches of production to create new jobs, for example in energy saving technologies. Business in the West has often argued that the loss of jobs in the leading industrialised countries is less due to relocation of production to the South, but to sluggish growth in the West. In states of under consumption, productivity growth outstrips production growth [Erber (2012: 3); Hsieh (1973: 16)]. This is the usual hallmark of under consumption [Woytinsky (1935:165)] and indicates that industrial countries have not managed to engage in accelerating growth in order to achieve structural adjustment.

Reasons include the increasing heterogeneity of industrial countries' working classes, the increasing importance of non-material needs, and the shift of even the lower income strata to saving for the future. Increased savings for a myriad of reasons and increasing blockages for increasing mass incomes all contribute to decelerating demand.⁴

The new competitiveness of the South through devaluation intensifies these problems in the West, but the solution does not lie in limiting export orientation in the South but in simultaneous expansion of demand in the West and in the South.

Accelerating growth in the South by rapidly overcoming underdevelopment would contribute to maintaining capitalism at the global level. It would create legitimacy for

⁴The reasons are multiple and cannot be discussed at length here [Elsenhans (2014:214f.)], but all these tendencies are reinforced by the competition between the West and the South for growth-promoting demand.

purposeful redistribution and state intervention in the underdeveloped economies. Such an approach could appear to the sceptics of Washington consensus visions of capitalism as a pragmatic and non-dogmatic approach. It could act as a discussion platform for critical forces in the Global South.

One form of increasing consumption is the production of goods through environmentally safer methods. Preserving capitalism by increasing this type of qualitatively 'better' consumption fits with the environmentalist critiques of capitalism and does not jeopardise profit. More environmentally-minded production leads to substantial investment and hence to more profit as profit is not residual, rather is the result of spending on investment.

Where state-led attempts at overcoming underdevelopment have failed, the political and moral discredit of the old, mostly secular, state classes has led to the rise of new cultural identitarian movements which present their own versions of capitalism through moral economy [Elsenhans (2012); Elsenhans, Ouaisa, Schwecke, and Tétreault (2015)]. The arguments of these movements may vary, but they uniformly set limits against the accumulation of wealth, the (over-)exploitation of labour, and the discretionary power of the owners of property. By insisting on the conditions of capitalist growth with mass demand a similar scenario emerges as a condition for the maintenance of capitalism.

It would therefore be worthwhile to establish whether those interested in maintaining the progressive elements of capitalism against rent seeking/rent-based structures and the followers of moral economy from whatever cultural background can establish a fruitful dialogue on how to re-orientate the world economy in order to avoid the globalisation of rent. For Keynesians, this may allow the globalisation of profit while for others, such as new cultural identitarian movements, this will be the successful defence of moral principles in society. Inevitable divergences on the interpretation of these outcomes should not block dialogue on possible agreements on pragmatic regulations. The alternative would be the continued committal to a non-realistic interpretation of capitalism, which in reality defends rent while destroying capitalism. Mainstream opinion still creates the illusion of being capable of organising a feasible worldwide cooperation between social forces for managing the world economy. Keynesians and new cultural identitarian political movements share their opposition to this view for different reasons, but should seek to find a common plausible understanding on practical issues and pragmatically converging strategies in order to compete against the current Washington-type consensus.

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