## Reconstructing Development Economics: Overcoming Rent for Constructing Capitalism

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- 1. Theory of development out from underdevelopment has been marginalized:
- -the micro-determines the macro
- -any differences between developed and underdeveloped economies are either levels of development, or socio-cultural differences.
- Post development equals non-economics

- 2. Rent versus profit:
- -profit depends on net investment spending
- Therefore profit depends on rising mass incomes and the empowerment of labour.
- -Where there is no empowerment of labour, there may be surplus, but little profit, and much rent, which is not primarily the result of micro structures which allow rent seeking.

- 3. The Keynesian basic:
- -those who receive surplus do not have to spend it on employment generating products, but can save.
- There is a surplus which does not empower labour.

- Because of technical efficiency accumulation requires expansion of consumption demand (Bortkiewicz 1907, later Okishio). No Leninist/banker solution.
- -because of competition capitalists and intermediate income groups cannot expand consumption demand (Rosa Luxemburg)
- -capitalism depends from its beginning on the expansion of mass demand and hence on the empowerment of labour.

- 4. Monetary Keynesians have misunderstood a temporary measure of using monetary policies for launching employment as a permanent measure.
- This has allowed to disregard the necessity of limits in accumulation of property rights, created by the limits to real accumulation in a capitalist economy.
- -Financialisation and the actual crisis on the financial markets is the consequence of this illusion

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- 5. The fundamental condition for capitalism has never been transferred the underdeveloped world.
- It was integrated into a capitalist world economy on the basis of noncapitalist structures of production and comparative advantage.
   Comparative advantage has nothing to do with capitalism, similar to the existence of markets.
- Capitalism is expansive but not contagious

- 6. The basic relation in capitalism is endangered also in today's developed world:
- -non-entrepreneurial households massively save
- -labour is disempowered on the labour market because of unemployment
- --generated internally: productivity increases outrun production increases, or
- --generated externally: low-cost competition of emerging countries on the basis of devalued currencies.

- 7. The actual new competitiveness of the Third World production sites in manufactures is not the result of low real wages, but of low international labour costs. They have become possible because of the possibility to feed in increasing labour force from the production increases in agriculture which result from the green revolution.
- -Wage restraint in the high wage economies do not improve their competitiveness, but only stabilises and reinforces underconsumptionist tendencies

 8. The real danger of this export offensive is world wide underconsumption

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 9. The absence of empowerment of labour in typical underdeveloped economies has been described in your review on the basis of marginal labour which produces less than its costs of subsistence.

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 10. Making the world safe for capitalism may require a variety of measures in different places. In underdeveloped economies it requires the removal of marginality of labour.

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- 11. Development policy consists essentially in the mobilising of rents in order to remove marginality by increasing productivity of low skilled labour in the production of wage goods
- -state led development on the basis of resources appropriated by the state, often in import substituting strategies of industrialisation consisted in the mobilisation of rent for not yet profitable investment

- -agrarian reform with redistribution of land consisted in increasing the agricultural surface where workers as owners of the land supplied labour with very low additional product so that productivity decreased but production increased
- -the English Poor Laws and other measures for income support just as in Brazil consist in withdrawal of a rent from the better off for the support of those who produce less then they need to consume in exchange for their (often imposed) readiness to engage in this very low productivity production.

 12. Redistribution of rent reduces surplus and increases mass consumption. Even very inefficient state led industrialisation strategies had the unintended effect of provoking the emergence of relatively efficient small-scale industries.

 13. Export oriented industrialisation, the main strategy of the globalisation freaks, consist in devaluation below purchasing parity, which is made possible by the mobilisation of rent.
 Discourses on the necessity of austerity miss the point.  14. The global system can accept strategiescalled beggar thy neighbour with respect to demand to a limited extent. The relevant point is to limit periods of transition to full employment capitalism by maximising multiplier effects of exports unemployment

- 15. Incurring costs for raising multiplier effects
- -relatively egalitarian societies have relatively high increases of consumption for locally produced products in case of rising employment: all larger successful cases had previous agrarian reforms
- -state measures may cause costs, but these are irrelevant if spending increases are not import dependent:
- -they can however change comparative advantage and allow accelerating exports or change income distribution and increase multiplier effects

 16. Export-oriented industrialisation works the better, the more the conditions for successful self-centred development are met: increased local local wage goods production, as well as increasing empowerment of labour.

- 17. Empowerment of labour leads to changes in the behaviour of the working class:
- -cultural impediments to labour resistance break actually down: China, Banglades, just as before Taiwan or South Korea.

 18. A solution of despair: collecting in a labour-intensive the stones in remote area has, exchangeable against foreign-exchange. What economic arguments are opposed?  19. What to do next: deconstructing neoclassical economics at the macro level by restating the basic Keynesian arguments freeing Keynesianism from its links with Western liberal political identification Create the basis for a transcultural dialogue on embedding capitalism in society.

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