terrorism. It argues that the issue of "terrorism" perfectly illustrates the utility of a postcolonial perspective and its distinctive take on globalization in advancing our understanding of the historical and contemporary issues that underlie the so-called war on terror.

The conclusion returns to the issue of the competing logics of the economy and polity that we inaugurated in the first chapter. It looks at the sites of resistance to neoliberal globalization all across today's world and argues that a central thread running through these movements is the desire to recover human agency over our own future. Rather than accepting the neoliberal argument that the economy is a natural force, these movements reassert the political: the capacity of humans to collectively alter their present as well as their future through thought and action. In the assertion of the primacy of the political over the economic, such movements have found much of value in postcolonialism and in postcolonial theory. It argues that in its main variants, postcolonialism articulates a humanist commitment to a politics of change, even as it refuses the seductions of essentialist identity, or a vacuous celebration of contingency and indeterminacy.

Chapter 1

Intellectual and Historical Background: The Story of Unequal Development from 1500 to 1900

Smith/Marx; Modernization/Underdevelopment; Globalization/Postcolonialism

Although the specific terms postcolonialism and globalization have become popular only in the past two decades or so, they emerge from a far longer intellectual history on the growth and decline of various regions and nations in the world economy and the intertwined histories of capitalism and colonialism. The pages that follow sketch out one version of this history as a backdrop for the emergence of these terms, as well as defines certain key concepts and terms that recur throughout this book.

When one looks at the world today, an inescapable fact is the vastly unequal distribution of assets, wealth, affluence, and life prospects. We live in a world where a relatively small number of people, about one-sixth the world's total population of approximately 6 billion people, have a preponderant share of the planet's wealth and resources, while a significant majority of the remaining 5 billion lead lives marked by insecurity, poverty, and misery. The relatively affluent 1 billion are largely concentrated in an area of the world often termed the "West" or the first world (which includes Western Europe, North America, Australia, New Zealand, and Japan), while the rest are distributed across the continents of Africa, Asia, Latin America, the Pacific islands, and parts of Eastern Europe and the Middle East, which together are often termed the third world.[1] Of course it should be noted that seeing the world as divided into first and third worlds can be misleading in the sense that there are many pockets of affluence in the third world, just as there are pockets of severe poverty and deprivation in the first world. Throughout this book, there sensitivity will be shown to the differences between classes, races, genders, and regions, within first and third worlds, even as it is argued that such a planetary distinction between the two worlds still holds much empirical truth and analytical utility.

As much as half of the world's population, 3 billion people, subsists on less than two dollars a day, while the world's three richest individuals' assets exceed that of the total GDP of the 48 poorest countries of the world. In 1997 the combined income of the richest 20 percent of the world's population, concentrated in the first world, was seventy-four times as much as that of the poorest 20 percent who live mostly in the third world.[2] The differences between the first and third worlds in life expectancy, literacy, per capita income, energy consumption, infant mortality rates, daily caloric intake, access to health care, and other indicators reveal the polarized world we live in today. As noted above, within the West there are areas of striking poverty and insecurity, and in the rest of the world there exist areas marked by affluence and prosperity—but this global picture of a widening inequality between first and third worlds is accurate.[3]

At an everyday level the different life prospects between first and third worlds is indicated by the large numbers of people in the latter desirous of emigrating—legally or illegally—to the former, and the marked absence of a movement of people in the opposite direction, except for tourism. The media are full of stories about the desperate efforts of would-be migrants from the third world to gain entry into the first world, be it in ramshackle boats over dangerous seas, on foot across deserts and past trigger-happy border security patrols, in container trucks, or as stowaways on international airlines. A common sight in many leading third-world cities is that of serpentine queues of men and women outside Western embassies and consulates, armed with certificates and papers, seeking work- or education-related visas for entry into the first world.

There is fairly substantial agreement that this polarization of the world into relatively concentrated areas of affluence and larger swathes of poverty is a relatively new phenomenon. It is, at best, about four or five centuries old, perhaps even less—the blink of an eyelid in comparison to the length of time that human civilizations have existed. Historical data, travelogues, memoirs of merchants, pilgrims, explorers, and other evidence show that different parts of the world were not so unequal until around 1500 A.D., and the distribution of affluence and poverty was nowhere near as polarized as it is today. According to one source, while the average per capita income of someone in Europe was about three times that of someone in the third world in 1500, that ratio had increased to five to one by 1850, to ten to one by 1960, and to fourteen to one by 1970.[4]

Over the decades, many trees have been felled as scholars from various disciplines explained the inequality of our world, and one can discern two dominant explanations in the literature on comparative economic development: the first, which is the dominant or the reigning paradigm, here labeled modernization, and the second, here termed the underdevelopment paradigm. To presage the argument, I hold that neoliberal globalization is the intellectual and political child of the modernization school, while postcolonialism traces its ancestry to the underdevelopment paradigm. Moreover, I suggest that while neoliberal globalization owes its ultimate inspiration to the Scottish economist Adam Smith, postcolonialism derives from the work of Karl Marx.

Modernization theory had its heyday in the decades immediately after World War II, experienced a brief decline in its popularity in the late 1960s and 1970s, and has made a comeback today, albeit in somewhat modified form. It explains the world since 1500 by focusing on a set of individual-level attributes seen as desirable and conducive to economic growth, political democracy, and a scientific approach to natural and social life.[5] For a variety of reasons, often left unexplained by modernization theorists, these desirable attributes happened to be more prevalent among individuals in the societies of Western Europe and relatively lacking among those in the rest of the world during the seventeenth and eighteenth centuries. A brief list of such attributes conducive to development according to the modernization school would be: (a) understanding the world in scientific rather than spiritual or religious terms, and seeing it as amenable to human action and change, rather than as incomprehensible; (b) the capacity to defer consumption or enjoyment and use one's savings for investment in productive activities that would multiply the initial capital; (c) the tendency to evaluate oneself and others through achievement or accomplishment in the material world rather than what has been inherited or by other criteria of social status such as family, ancestry, caste, or color; (d) acting in rational, self-interested ways to better one's own life and to get the most out of interactions with others and with nature; and (e) being free of medieval prejudices against profit, interest, usury, commerce, or speculative investments.

Since the source of dynamism is traced to the individual, the role of the state or of politics more generally should be limited to providing security for the individual and to underwrite the sanctity of the contract for trade and commerce. In fact, in the modernization school of thought, the individual is the center of social analysis and is in many ways the sole reality, with society, state, and other forms of collective being seen as abstractions that are less than real, that is, metaphysical. This premise, that the only "real" entity in social analysis is the individual, is often referred to as *methodological individualism* and is a key tenet of the modernization approach. To this view, the state should, by and large, stay out of direct production or interference in the workings of the economy. It should moreover not engage in wasteful expenditures that weaken the nation's currency by increasing deficits or debts (something that complements the emphasis on individual thrift and self-discipline) and should ensure that its laws and taxes do not contravene the essentially competitive and individualistic character of society, as that is the source of its dynamism and progress. Similarly, the state's provision of a safety net for its less fortunate citizens should guard against what is called the moral hazard, that is, it should never be so comprehensive that it negatively impacts their work ethic, competitiveness, and entrepreneurial drive. In other words, for genuine success to occur in a society, the possibility of failure has to be real.

Some modernization theorists offer historical explanations as to why desirable individual- and state-level attributes came to be concentrated in Western Europe in the early modern period. They emphasize the European Renaissance in the late medieval period and the efflorescence of interest in science, mathematics, astronomy, and the democratic polities of the ancient Greek city-states, which fueled both the scientific breakthroughs and the Enlightenment. They also place a great deal of emphasis on the Protestant Reformation and its multiple impacts—its focus on this-worldly life, its ascetic character in contrast to the pomp and splendor of Catholicism, its more tolerant and permissive attitude to the needs of commerce on matters like interest, and its emphasis on secular and civic associations rather than the clergy or religious order. In addition they point to the rising prosperity and power of a mercantile class of burghers, who thrived in the cities and towns in important crossroads as long-distance trade within Europe, with the New World, and with Asia increased rapidly after 1492. The political and economic rise of this class of merchants, or burghers, often at the expense of the feudal aristocracy, gave a great fillip to individual rights, freedom of religion and the press, and the rise of civic and secular institutions. The rise of this class and its emerging bourgeois ideology of individual liberty weakened the hold of a stifling and hierarchical feudal society with its equally conservative church and clergy. It was the interaction of these multiple and complex events over centuries—the Renaissance, the Reformation, the rise of the burghers, and other societal changes in Europe as a whole—that constituted the background against which the modern individual emerged first in the West.

Although attention to history is occasionally part of modernization theory, its primary mode of explanation, however, is more narrowly empirical or behavioral. That is, it looks at the Western developed world of today, sees what the dominant characteristics of individuals, states, and society are, and freezes them as always characteristic of such societies, as both lacking in other societies and worthy of emulation by them if they wish to progress. This viewing of world history and development through a particular narrative or story about the West and defining the past, present, and future of the whole world through that perspective may be defined as *Eurocentrism*. In this sense, modernization theory is essentially Eurocentric. Most importantly, modernization theory sees development as primarily a result of individual attitudes occurring within reasonably self-contained societies or regions: it is the attributes of people *within* these societies or regions that are crucial. Modernization theorists operate out of an unconsciously national cartography—they see the world as populated by distinct spatial containers (be they nations or kingdoms) of societal, state, and individual attributes that can then be assessed as modern or traditional. In other words, the methodological individualism of this approach is complemented by a methodological nationalism at the planetary level.

Economic growth and development are seen as the work of risk-taking, rational, and enterprising individuals. By definition, politics, society, and the state become at best facilitators for the actions of such individuals, and at worst interferences in the efficient and optimal allocation of resources by them. From this perspective, one can readily see why modernization theory dovetails neatly with a laissez-faire, or free market, view of the economy. Within a particular region or nation, the job of the state is limited to underwriting the legal sanctity of contracts and providing security to its citizens and their property. Thereafter, individuals, operating in a freely competitive system and equipped with modern rational value systems, can be trusted to produce the best results for society as a whole. Each of them will specialize in the production of whatever his or her unique genius best enables that person to produce. Such self-interested, rational, utility-maximizing individuals will interact in a market and exchange his or her own products with that of others at prices or terms determined by the logic of supply and demand. Skillful, well-made, and scarce products that satisfy needs or wants will command premium prices, while shoddily made, plentiful, and inessential goods will not sell. Investment and talent will flow into areas that seem likely to return a profit and steer clear of dead ends. Specialization makes each of these individuals more knowledgeable about his or her own niche of the market than anyone else, and certainly the state. Specialization impels individuals to make an infinite series of improvements and innovations under the gun of competition, and this is the fount of technological progress. The operation of this logic, when unimpeded by monopolies, price fixing, state interference, unequal access to information, and other distortions, will not only awaken each individual to give his or her best, but will redound to the benefit of society as a whole. The innate competitiveness of the process, and its relentless culling out of all those who are inefficient, ensures that it works in an ever-increasing upward spiral in terms of productivity and growth.

The first and most influential exponent of this logic of the economy was Adam Smith, a Scottish philosopher who wrote in the mid-eighteenth century. Smith placed much emphasis on specialization or the division of labor, alongside the "invisible hand of the market," to ensure the optimal allocation of resources and the societal benefit that ensues.[6] Individual producers, acting in their own self-interest, and interacting in an overall context of equal information, will rationally and inevitably act in ways that collectively produce a situation that is best for all, even if that was not necessarily their intention. This same logic is extended out of the local or national to that of the global or the international. Given that different parts of the world (like individuals with differing aptitudes working in various trades) are endowed with different kinds of material resources, geographic and climatic characteristics, and other factors, each part of the world is uniquely equipped to produce certain commodities or goods more efficiently than others. As with individuals, a global free market or unrestricted international trade among various countries with differing specializations will redound to the collective benefit of all the world's peoples.[7] The logic is compelling, commonsensical, and parsimonious, and it remains powerful and hegemonic to this day.

An exemplary work from within modernization theory is Walt Rostow's *The Stages of Economic Growth: A Non-Communist Manifesto*, first published in 1960 and an oft-cited work on development.[8] Rostow posited that every nation in this world can be placed in one of five stages of economic growth, and the whole point of development was to transition through these stages to reach the desired end point, namely, a modern society marked by high consumption, very evocative of the United States circa 1960. The first stage was the "traditional society," with "pre-Newtonian science and technology," and a ceiling on the productivity of its inhabitants. They were predominantly agrarian and their populations were largely static and at the mercy of nature. Rostow has characterized their value systems as "long-run fatalism," and their political structures were incapable of dynamism. People in such societies lacked the qualities of the modern individual—rational, individualistic, risk taking, and capable of deferring pleasure and immediate consumption. The second stage, "the preconditions for take-off," is marked by the rise of these individualistic values and first occurs in England in the late seventeenth and early eighteenth centuries, and soon becomes true of Western Europe, sometimes in autochthonous fashion and more often by war or the import of such ideas from other societies. Rostow's description of the third stage, "the take-off," essentially recounts the process of the Industrial Revolution, with science and technology revolutionizing production in both industry and agriculture, mechanization, the destruction of the self-contained agrarian estates of the previous era, and mass production. What is crucial in his story is the presence of a critical mass of those with modern values in society, a political system open to their rise to influence, and a threshold level of rates of effective investment and savings that exceed 10 percent of the national income. The multiplier effects of such rates of investment and savings transform traditional society into a modern industrialized nation. All that is left (to stay with Rostow's airline metaphor) is to attain cruising altitude and maintain it. In Rostow's terms, the fourth stage is called "the drive to maturity," and the final stage is called "the age of high mass consumption."

To Rostow, different nations are like runners poised in distinct lanes on a race track. Britain, for example, leaves the starting block as early as the late eighteenth to early nineteenth centuries during its Industrial Revolution, followed by the United States and Germany (in the mid-nineteenth century), followed even later by France and Belgium (in the late nineteenth century), and Russia in the early twentieth century. The rest of the world is either suited up and waiting to step on to the race track, entering the stadium, or at varying distances from it. The essential point is that each country's development is seen as a discrete and largely self-contained project. Each country seems to step on to the race track in conditions deemed identical, whether it was in the late eighteenth century or the mid-twentieth century: time literally stands still for it. Rostow does not entertain the notion that earlier development of some countries may have irrevocably altered the prospects of later developers. It is in that sense a static and ahistorical model. To put it differently, he believes that when it comes to development you can step into the same river not merely twice but an endless number of times.

In its emphasis on modernization or development as a largely national, self-contained, ahistorical, and autochthonous process based on individual attributes and enterprise, Rostow's work is exemplary of the modernization school. Three points are crucial about the model in light of our earlier discussion about current global inequality. First, as the success or failure of a nation to take off is seen as largely a domestic matter, today's poorer nations have largely themselves to blame for not making the transition. Second, there is no secret to the growth and development of nations: you need to cultivate individuals with modern values, have a state structure that encourages free trade, and attain a certain threshold of investment and savings. And third, given that the ideal values for progress and development were initially Western, modernization and development are equated with Westernization. Indeed, according to this Eurocentric model, the future of the entire world should be the past and present of the West.

A very different story about the world over the past five centuries emerges when one turns to the underdevelopment approach.[9] First, at a fundamental level, this approach sees politics and economics as indivisible, as inextricably intertwined. It harkens back to the eighteenth and early nineteenth centuries when there was no distinct field of economics but rather that of political economy. This field, which included among its adherents Adam Smith and Karl Marx, emphasized that the realm of the economy cannot and should not be understood apart from the overall polity that it was embedded within, that economic choices always had political implications, and vice versa. From an underdevelopment perspective, laissez-faire or free trade is better understood as a particular political choice made by the state and leading sectors of the market as the most ap-

propriate policy at that time. There is nothing timelessly true or rational about laissez-faire, and efforts to make it appear natural or commonsensical are themselves political claims that should be contested. In contrast to the modernization school of thought, which emphasizes the negative impacts of politics on the freedom of trade and the rational choices made by investors and consumers, the underdevelopment approach sees politics as the domain of ethics, as the place from which one resists the often impoverishing and unequal effects of economic development based on private enterprise.

From the underdevelopment perspective, it is instructive that often the world's leading economic power in a particular epoch is invariably supportive of laissez-faire globally (as was Britain in the nineteenth century or the United States for close to three decades after the end of World War II). With their competitive edge over others, it is in their self-interest to have a relatively unrestricted world economy in which their products can outsell everyone else and their investments go unimpeded all over the world. Unsurprisingly, the leading world economy becomes a major proponent of the universal "logic" of free trade and presents it as natural and commonsensical. In contrast, the second-rung nations and others further behind invariably find laissez-faire a recipe for losing their economic sovereignty and their own industries being swamped out of existence by the cheap imports from the leading power. Such nations (for example, the United States or Germany vis-à-vis Britain in the nineteenth century, Japan vis-à-vis the West in the late nineteenth century, or third-world nations relative to the developed nations in the twentieth century) are less inclined to see laissez-faire as either natural or commonsensical, and view it as good for the leading power but disastrous for themselves if applied indiscriminately.

Indeed, one could make a persuasive case that tensions on the issue of free trade and the desire of a growing second-rung economy to protect its infant industries from the world's premier industrial power were in substance partly why the thirteen colonies in northern America seceded from Great Britain to form the United States. One of the founding fathers of the new country, Alexander Hamilton, wrote his *Report on Manufactures* in 1791, which remains an eloquent critique of laissez-faire from the perspective of a society trying to ascend the industrialization ladder by initially protecting its fledgling manufacturing base from premature exposure to imports from the advanced nation.[10] Similarly, Friedrich List, the German nationalist and philosopher, wrote his *The National System of Political Economy* in 1841 in which he argued the case for protectionism from free trade as a necessary step in the evolution of self-reliant and mature economies.[11] The Meiji regime in Japan argued an essentially similar case for that country beginning in the late 1860s—in fact, they explicitly based their argument for economic nationalism on the writings of Alexander Hamilton and Friedrich List, among others.

The underdevelopment approach begins its explanation for the global inequality of our times by posing the following questions: Is it a coincidence that the rising prosperity and affluence of a handful of nations in the West occurred during the same centuries as the conquest of the New World and the colonization of Asia and Africa? Is there any relationship between, on the one hand, the discovery and plunder of gold and silver from the New World, the profits from the slave trade, and monopoly trade with Asia by the trading companies of Europe, and, on the other hand, the rising powers of the bourgeois class, and the occurrence of the Industrial Revolution first in the societies of Western Europe? Can one better understand the economic success and political stability of a particular region or nation in terms of the innate attributes of its citizens, or is it more useful to focus on the ways in which that particular nation or region has interacted with the rest of the world economy in preceding decades and centuries?

These questions are rhetorical in the sense that the underdevelopment approach considers the answers to be obvious. To this view, it is *not* a coincidence that the growing inequality of the world in recent centuries was coeval with conquest and colonialism; and development *should* always be understood as taking place in an interconnected world economy rather than within nation-states. This approach argues that development and underdevelopment are simultaneous and interrelated global processes best understood at the level of an integrated world economy. The word *underdevelopment* is crucial in this regard. It suggests that the third world was not *un*developed during the centuries in which countries like Britain, the United States, or Germany achieved their take-offs, but was actively *under*-developed during that time. An undeveloped society—akin to what Rostow describes as a traditional or "pre-Newtonian" society—is one that is premodern and has minimal trade and other relations with the rest of the world, whereas an underdeveloped society is one that was part of the world economic system of trade and exchange but in a subservient position and exploited in ways that primarily benefited the Western colonial powers. Although a certain degree of economic growth and prosperity did occur as part of underdevelopment, it was confined to narrow enclaves and benefited only the elite classes, while leaving the rest of society worse off.

Thus, Latin America had its mineral wealth (gold and silver) forcibly extracted and siphoned off overseas beginning in the early sixteenth century, while much of its indigenous population was wiped out by genocide and its political regimes destroyed. The arrival of settlers from Spain and Portugal, along with the emergence of the idea of private property in land (in contrast to previously existing communal forms of access to lands for all sections of the people), converted the Latin American countryside into giant landed estates, or *latifundias*, producing cash crops and livestock for export to Europe rather than for the needs of domestic society. The *latifundias* used highly coercive forms of labor organization, including slavery, which precluded the rise of democratic or individualistic values. Instead, it froze social relations along deeply hierarchical and racist lines. On the industrial front, imposed free trade made Latin America an importer of manufactured goods paid for by its mineral and agricultural exports. Given the narrow and elitist character of the domestic market and the imposition of free trade, the Latin American colonies imported their manufactured goods from Europe rather than manufacturing them locally. This form of extraverted growth represented the underdevelopment of Latin America. To this day, the countries of Latin America remain among the most unequal societies in the world, with incredible concentrations of wealth among a few, usually of Iberian ancestry, and generalized poverty and squalor for the rest.

Underdevelopment was much more than the transfer of wealth or profits overseas. It profoundly changed the socioeconomic, political, and cultural structures of these countries. This process is briefly illustrated through the exemplary instance of India. The British East India Company established its first trading depot in western India in 1600 at a time when the ruling Mughal dynasty was at the apex of its power, wealth, and control in that country. From then until about the mid-eighteenth century, it had a monopoly on British trade with India, and the profits from this trade steadily made it an important player in British politics and power. From around the early decades of the eighteenth century, the Mughal dynasty in India went into a slow decline. As its power receded and various regional satraps began to assert their autonomy, the East India Company became embroiled in contests between rival kingdoms and heirs to power. It became a political and military player in India and by the mid-1700s had acquired the rights to collect land revenue in the province of Bengal. Having organized a powerful militia to protect its factories and warehouses in India, increasingly armed with the latest weapons invented in Europe, and informed by European developments in the organization of armies, the

East India Company began to dictate terms to the regional kingdoms and principalities, and its conquests brought it to power over an ever-widening territory in India.

The decades after the initial acquisition of political power in Bengal (i.e., from the 1750s onward) saw the further political fragmentation of India alongside the growing political and economic rise of the East India Company. This period, coinciding with the first Industrial Revolution in Britain, marked the decisive colonization and underdevelopment of India. From here on, the Indian economy was steadily extraverted—that is, designed to meet the economic needs of Britain rather than her own domestic population. India was forced to specialize in the export of minerals, raw materials, and agricultural commodities, often at unremunerative prices, and to import industrial or manufactured goods from Britain. In a matter of a few decades, around the turn of the eighteenth century, India's once flourishing textile and handicrafts industries were wiped out by the cheap machine-made imports from Britain. Almost overnight, India went from being one of the world's largest exporters of textiles and clothing to being a major exporter of raw cotton and an importer of finished goods. At the same time, British-imposed free-trade policies on India prevented the rise of any significant domestic manufacturing entities to absorb the millions displaced from work by the deindustrialization of the textile and artisanal crafts. In Britain the serfs thrown off the land during the enclosure movement and the agricultural revolution that followed it were gradually (if violently) redeployed in the growing industrial sector, a process now termed urbanization. In contrast, in India, displaced workers, artisans, and craftsmen moved in the opposite direction—from towns and cities to villages, swelling the numbers trying to eke out a living from agriculture—a process that one might term forced ruralization. In the villages, the institution of private property in land replaced previously existing communal rights of access to land, making it alienable. This, alongside ever-increasing demands by the colonial state for land revenue, led to the immiserization of landless peasants, small farmers, and other rural classes. The nineteenth century saw the creation of one of the most manifest signs of underdevelopment in India—a mass of rural, impoverished landless and small peasants eking a precarious living, alongside a narrow class of absentee landlords who were supporters of colonial rule, and an alien colonial elite living in high style.[12]

The human costs of such colonization were truly staggering. In a recent work Mike Davis meticulously delineates the interaction of the collapse of

community in rural areas due to the introduction of the ideas of private property in land; the climatic variations due to El Niño currents, especially on monsoon rains; the imposition of ideas of free-trade, market economics; and hostility to state intervention, even during a climatic disaster, on societies like India, China, northern Africa, and Brazil during the Victorian age, in the second half of the nineteenth century. By his estimates, anywhere between 31 million and 61 million farmers, landless laborers, and their families, perished during this time in these countries due to famines attributed to the vagaries of nature.[13] Davis argues convincingly that these were preventable deaths occurring as they did during years when colonial governments continued to export food (alleged grain surpluses) from neighboring regions rather than use them to avert starvation. Davis deliberately uses the word "Holocaust" to describe this human-engineered catastrophe rather than the more commonly used terms natural disaster, act of nature, or famine. He connects the emergence of modern economic ideas to this disaster, in other words, he emphasizes the dialectical nature of development and underdevelopment, when he notes:

> We are not dealing, in other words, with "lands of famine" becalmed in stagnant backwaters of world history, but with the fate of tropical humanity at the precise moment (1870–1914) when its labor and products were being dynamically conscripted into a London-centered world economy. Millions died, not outside the "modern world system" but in the very process of being forcibly incorporated into its economic and political structures. They died in the golden age of Liberal Capitalism; indeed, many were murdered . . . by the theological application of the sacred principles of Smith, Bentham and Mill. . . . Although crop failures and water shortages were of epic proportions—often the worst in centuries—there were almost always grain surpluses elsewhere in the nation or empire that could have potentially rescued drought victims. Absolute scarcity, except perhaps in Ethiopia in 1889, was never the issue. Standing between life and death instead were new-fangled commodity markets and price speculation, on one side, and the will of the state . . . on the other.[14]

In colonial India, without factories to absorb the millions thrown off the land, unemployment and underemployment were rising. The lack of innovations or investment in agriculture alongside ever-increasing and efficient collection of land revenue by the colonial regime made for agrarian stagnation. The culmination of the Victorian-era holocausts examined by Davis came decades later in the Great Bengal famine of 1943 (just four years before Indian independence from Britain) in which a colossal 3 million Indians died, at a time when Britain continued to export food from her Indian colony to various parts of the world in the war against the Axis powers. Although the millions killed during the Holocaust in Germany and Poland, or the tremendous loss of life in the Soviet Union, or in Japan, during World War II have received a great deal of attention and caused much debate among historians, the deaths of 3 million people in India during that same period has often gone virtually unnoticed. Underdevelopment is thus an omnibus term that refers to agrarian stagnation, underemployment, deindustrialization, small enclaves of growth in sectors that are parasitic off the colonial regime, and extraversion of the entire economy to suit the needs of an alien government and people.[15] The consequent creation of mass poverty and lack of economic dynamism has political, social, cultural, and psychological ramifications that are powerful and enduring.

Variations of Indian underdevelopment during British colonialism characterized nearly all of Afro-Asia and Latin America, thereby creating the third world over the course of these centuries. In Latin America, formal independence from Spain and Portugal was achieved relatively early, in the nineteenth century, but the structural effects of colonial underdevelopment continued unabated. The political and economic elites were largely Iberian, and the pattern of economic development was oriented toward the interests of this narrow elite and of their European forebears. The domination of their economies after independence by European nations and the United States and their political subservience to the latter, exemplified by the Monroe Doctrine, indicated the continued colonial status of much of Latin America.

Unlike Rostow's supposition that all countries come to the development race track at varying points in time with roughly similar assets or endowments, the underdevelopment approach argues that neither the runners nor the track is the same over time. The early development of the frontrunners came at the expense of the latecomers and decisively handicapped the latter in their efforts to catch up with the former. The underdevelopment approach sees free trade or laissez-faire not as economic commonsense but rather as a political ideology imposed by leading powers on weaker nations and a critical instrument in their exploitation and colonization. The individual attributes prized by the modernization school—rationality, independence, competitive drive—are not intrinsic characteristics unique to the West or any specific set of peoples, but are themselves socially or historically produced in certain contexts and precluded in oth-

ers. Just as underdevelopment was a product of the interaction between global politics and economics, development of the third world would also have to come from active state or political engagement with the economy, and not merely by relying on the benign dispositions of a so-called free market or the inculcation of modern values from the West.

The linkage between the underdevelopment of the third world and the rise of the first world was more complex than just direct plunder and a transfer of wealth from the former to the latter, although the latter should never be minimized.[16] Although both Marx and Smith agree that the role of monopoly profits from colonial trade and of plunder and pillage in the early rise of the West was critical, there is a crucial difference in emphasis between them. Consider the following quotes from their works about the role of such "primitive accumulation" prior to the onset of modernization and development in the West during the seventeenth and eighteenth centuries. Here is Marx on the subject:

> The colonies secured a market for the budding manufactures, and through the monopoly of the market, an increasing accumulation. The treasures captured outside Europe by undisguised looting, enslavement, and murder, floated back to the mother-country *and were turned into capital*. . . . As a matter of fact, the methods of primitive accumulation are anything but idyllic. . . . In actual history, it is notorious that conquest, enslavement, robbery, murder, briefly force, plays the great part. . . . In fact, the veiled slavery of the wage workers in Europe needed, for its pedestal, slavery pure and simple in the new world. . . . Capital comes [into the world] dripping from head to foot, from every pore, with blood and dirt.[17]

Adam Smith, writing nearly ninety years before Marx on the same issue:

> The discovery of America, and that of a passage to the East Indies by the Cape of Good Hope, are the two greatest and most important events recorded in the history of mankind. Their consequences have already been very great. . . . One of the principal effects of those discoveries has been to raise the mercantile system to a degree of splendour and glory which it could never otherwise have attained to. . . . The countries which possess the colonies of America, and which trade directly to the East Indies, enjoy, indeed, the whole shew and splendour of this great commerce. . . . Europe, however, has hitherto derived much less advantage from its commerce with the East Indies, than from that with America. . . . *By opening a new and inexhaustible market to all the commodities of Europe, it gave occasion to new*

> *division of labour and improvements of art, which, in the narrow circle of ancient commerce, could never have taken place for want of a market to take off the greater part of their produce. The productive powers of labour were improved, and its produce increased in all the different countries of Europe, and together with it the real revenue and wealth of the inhabitants.* The commodities of Europe were almost all new to America and many of those of America were new in Europe. A new set of exchanges, therefore, began to take place which had never been thought of before, and which should naturally have proved as advantageous to the new, as it certainly did to the old continents. *The savage injustice of the Europeans rendered an event, which ought to have been beneficial to all, ruinous and destructive to several of those unfortunate countries.*[18]

Smith highlights the impact of production for larger markets, virgin territories with new resources, and the huge expansion of trade on European social division of labor (specialization) and technological improvements and innovations ("improvements of art"). He is clear that political factors ("the savage injustice of the Europeans") ensured that benefits of such expanded trade were confined to Europe and led to immiserization of the Americas. Although this constitutes an important recognition of the centrality of colonial conquest and trade to the rise of the West, and moreover something that twentieth-century modernization theorists (like Rostow above) are loath to even admit into their analyses, the emphasis in Smith is on the beneficial effects of trade that an expanded market brings in its wake. To Smith, the essential engine of change that leads to the rising prosperity of the West was the expanded market and a larger range of goods, resulting in specialization and technological innovations. It is in this sense a trade-centric or "circulationist" logic of explanation for the rise of the West.

This characteristic of the Smithian logic prevails in mainstream or liberal economics to the present and constitutes a core tenet of many variations of contemporary globalization, especially what has come to be called neoliberal globalization. The expansion of international trade and exposure to competition through the dismantling of (political) protectionism will awaken the always already present enterprise of individuals in a society, their innate tendency to "truck, barter and exchange one thing for another," in Smith's language,[19] and will culminate in development and prosperity for all. The focus on expanding trade often comes at the expense of attention to issues such as class conflict, inequality, and regional variations in the growth that is thus generated. The assumption that trade and exposure to international competition will inevitably raise the GNP (which it undoubtedly does) and that this increased GNP will inevitably percolate down to all classes within society (an assumption repeatedly belied in the economic history of third-world nations) is central to proponents of globalization in its present avatar—and its genealogy to the Smithian logic should be obvious here.

However, Smith's emphasis on the liberatory aspects of expanded trade and markets cannot explain why, in that case, Spain and Portugal did not emerge as vanguards of industrial modernity in the West. They were, after all, first to conquer the New World and to find the new sea route around the Cape of Good Hope (South Africa) to eastern India. Instead, after a burst of conspicuous consumption by the state and elites (i.e., construction of magnificent capital cities, palaces, and cathedrals), Spain and Portugal subsided into second-rung European powers over the next few centuries. What accounts for the difference in the longer run fortunes of Spain and Portugal on the one hand and Britain or Holland on the other? The answer lies in the contrasting emphases in Smith's and Marx's accounts above.

Marx tellingly argues that the treasures looted from the New World and the profits of the monopoly trade with Asia floated back to Europe and "*were turned into capital.*" It is their conversion into a new socioeconomic and political entity, namely, "capital" that is critical here. Capital is not merely wealth or money, and it becomes capital only in the context of crucial changes in the class character of a society, of changes in the social, economic, and political context of its entry. For plundered wealth and profits from long-distance trade to serve as capital, social changes that have created a class of competing producers interested in reinvesting profits and expanding production, generalized commodity production, and monetized wages, laborers alienated from any rights to personal or communal lands and working for wages, and a state committed to the expansion of the economy through the reinvestment of surplus rather than spending it for its own glorification, are all indispensable components. Marx argues that primitive accumulation in this period (seventeenth to early eighteenth centuries) interacted with and energized a profound ongoing social and political revolution in northwest Europe, especially England, and together inaugurated a distinctively ~~new,~~ dynamic, and continuously innovating form of production, that of capitalism.

This period in the social history of Britain saw the consolidation of previously fragmented landholdings into giant estates (as a consequence of the "enclosure movement"), which produced wool and other commodities central to her growing foreign trade. The declining military power of feudal lords relative to a centralized state occurred alongside the rise of an independent class of tenant cultivators who were more attuned to production for exchange or the market. The alienation of the serfs from their traditional plots on the lords' estates, from access to communal lands (the Commons) due to the enclosure movement, as well as from the tools of their craft, created a relatively mobile labor force or working class. Whereas home-based artisans had previously been organized by guilds that jealously guarded their skills, controlled membership through a process of apprenticeship and in other ways ensured their economic status and survival, the power of the guilds was now broken as production was being centralized and as skilled artisans were being replaced by mechanization. The demise of home-based artisanal production systems and the creation of a mobile and uprooted labor force had profound implications for the division of labor within the household, for patriarchy, for gender relations, and the raising of children. This artisan class now had no means of survival except offering its labor power to the factory owners or capitalist farmers in return for cash wages. Production was relocated from highly dispersed households using the worker's own tools and materials to a centralized system with tools, materials, and workspace (the factory) all owned by the capitalist. The laborer was theoretically "free" to not work in the factories, but given the lack of access to land (personal or communal), the demise of feudal traditions of noblesse oblige, and the need to earn wages in order to buy all necessities of life for himself and his family, this freedom was more apparent than real. Other social changes such as the decline of wealthy churches (as their lands were alienated) and the repeal of laws that guaranteed a certain ceiling on the price of bread (for example, the abolition of the Corn Laws in Britain in 1846) or other staple foods further rendered the situation of the laboring classes more precarious. Quite simply, one had to work in order to live.

This system of organizing production through the provision of capital (the factory, tools, and materials) by the owner, and the "free" laborer working through the day in exchange for a fixed wage, in a competitive system, has historically proven to be an incredibly dynamic and efficient form of production. It vastly exceeds the productivity of labor and of profits produced by other, prior forms of organizing production, whether on feudal estates or slave-based plantations or home-based craftsmen. The monetization of economic exchange and the improved exaction of revenues by the state interacted to pressure tenant farmers to increase their

yields and the productivity of their lands. Unlike prior social epochs, when such pressures would have been met by increasing the overt and "extra-economic" coercion of the serfs, in the prevailing political conditions (the weakness of the feudal nobility, the dispersal of the erstwhile serfs, a strong and centralized state, and the rising political power of the bourgeoisie), that was not as easy. The result was an agricultural and industrial revolution in England based on improved technology and the "superior" organization of free labor, where the pressures of the market and possible loss of livelihood served as the impetus to enhance labor productivity rather than explicit coercion (slavery or serfdom) as in preceding epochs.

Among other things, the exploitation of "free" labor by the pressure of the market and by the need to earn wages in order to ensure one's subsistence hid the political character of such exploitation. Although in feudalism or slave society the intertwined character of political and economic power of the lord or the slave owner was inescapable and stared the laborer in the face, under this new regime of production, the political and economic aspects seemed to diverge and embody separate realities. The emerging divide between the public/political and the private/economic, itself a constitutive moment in the emergence of modernity, concealed (or better still, naturalized) the exploitative character of capitalist production. Alongside the emergence of ideas of individual liberty, equality of all before the eyes of the law, secularism or separation between church and state, and other significant bourgeois freedoms, economic inequality was subtly taken out of the domain of the political or the contestable and placed within that of the natural. If you were poor, it was now up to you to show the dynamism, energy, drive, and discipline necessary to succeed. The political domain, or the state, was committed to no more than the minimalist liberal provision of equality before the law and the equality of opportunity for all. Beyond that, it was up to the individual to determine his or her economic fate in this world.

Although the English agricultural revolution and its role in creating conditions for the Industrial Revolution merit a fuller analysis than is possible here, for our purposes the crucial point is this: the influx of wealth from plunder in the New World and the profits from the triangular global trade under European dominance that linked Latin America, Africa, and Asia, for the first time in human history, were not frittered away in an orgy of conspicuous consumption by the state and elites or in military adventurism. Rather, the interaction of this wealth with the profound social changes in northwest Europe—that is, its conversion into capital—is crucial.

This uniquely new social structure for accumulation based on competition, private production, and the separation of the worker from the means of production, what we call capitalism, therefore emerged from the depths of the English countryside. It was the first system of organizing humans for production oriented not so much toward the fulfillment of necessities, or the ostentation of state or king, but of accumulation for accumulation's sake. The overwhelming purpose of capital is to multiply itself, to transmute itself into more of itself through reinvestment of profit, to intensify the returns.

Marx and Engels, writing in their *Communist Manifesto* in 1848, convey a graphic sense of the energy, enterprise, dynamism, and earth-shattering power of this new method of production led by the bourgeoisie:

> The bourgeoisie cannot exist without constantly revolutionizing the instruments of production, and thereby the relations of production, and with them the whole relations of society. Conservation of the old modes of production in unaltered form, was, on the contrary, the first condition of existence for all earlier industrial classes. Constant revolutionizing of production, uninterrupted disturbance of all social conditions, everlasting uncertainty and agitation distinguish the bourgeois epoch from all earlier ones. All fixed, fast frozen relations, with their train of ancient and venerable prejudices and opinions, are swept away, all new-formed ones become antiquated before they can ossify. All that is solid melts into air, all that is holy is profaned, and man is at last compelled to face with sober senses his real condition of life and his relations with his kind. . . . The need of a constantly expanding market for its products chases the bourgeoisie over the entire surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere. The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian, nations into civilization. The cheap prices of commodities are the heavy artillery with which it forces the barbarians' intensely obstinate hatred of foreigners to capitulate. It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilization into their midst, i.e., to become bourgeois themselves. In one word, it creates a world after its own image. . . . The bourgeoisie, during its rule of scarce one hundred years, has created more massive and more colossal productive forces than have all preceding generations together. Subjection of nature's forces to man, machinery, application of chemistry to industry and agriculture, steam navigation, railways, electric telegraphs, clearing of whole continents for cultivation, canalization of rivers, whole populations conjured out of the ground—what earlier century had even a presentiment that such productive forces slumbered in the lap of social labor?[20]

With the advent of capitalism, and its distinctive social relations of production, the quantitative gap between the northwest of Europe and the rest of the world now widened into a qualitative difference between first and third worlds. Those parts able to resist the political, economic, and social domination of England and other early industrializers were able to join them as developed societies in due time, and those that could not were invariably colonized and underdeveloped as a result. Thus, the thirteen colonies that coalesced to form the United States asserted their political and economic sovereignty from England on the issue of imposed free trade and controlled their own destiny. Fragments of capitalist England established in distant parts of the world as settler colonies, aided by the genocide of the indigenous or aboriginal populations therein, as in Australia, New Zealand, and Canada, became part of the developed West. Similarly, societies like France, Germany, Holland, Scandinavia, and Japan, which were able to protect their economic sovereignty, did likewise at later times.[21] Russia retained its economic and political sovereignty from Western imperialism, but through a communist revolution in 1917–1918 that enabled it to resist colonialism and capitalism by withdrawing from the world economy. China was never fully colonized in the way that India was, but the unequal treaty port system and the depredations of various colonial powers through this mechanism ensured its underdevelopment, until 1949, when a peasant-based communist revolution took it out of the ambit of Western dominance and the world market.[22] By the late nineteenth century, Britain, France, Germany, the United States, and smaller powers like Italy, Belgium, and Japan established new colonies in various parts of the third world. At the start of the Great War (World War I) in 1914, the entire planet was divided into either colonizer or colony.

The advent of capitalism was thus both a result of an ongoing social revolution in the northwest of Europe and a cause of tumultuous and unprecedented changes there and in the rest of the world. Although it would be impossible to depict all of these changes, the period from the late seventeenth to the late nineteenth centuries can be seen as the inauguration of modernity on a planetary scale. The late nineteenth-century analytical division of political economy into the distinct domains of politics and economics was an important sign of the emerging modern. It hinged on a division between public and private and between political and civil society. It was a key step in the consolidation of a liberal imagination in which politics is deemed to be the domain of public affairs, matters of state and governance, maintenance of law and order, and increasingly, of parties and elections—while economics, or the production of wealth and its distribution, was now the realm of the private, the nonpolitical, and the individual. This distinction between public and private, and the consignment of economic matters to the domain of the private or civil society, is of enormous significance in the emergence of modernity. Inter alia, it depoliticizes issues of economic inequality because, in the liberal imagination, the state has to be merely neutral, and everyone should be equal in the (blindfolded) eyes of the law. Thereafter, each individual succeeds to the extent of his or her ability, hard work, and good fortune. Innate competitiveness is the engine of societal development and not to be dampened in any way. This "minimalist" definition of equality (limiting it to equality before law, rather than equality of assets, wealth, or material circumstances) is premised on the prior separation of politics and economics as distinct domains. It is this same separation that allows for the "logic of the economy" to be presented as something natural, scientific, and, if allowed to work on its own, redounding to the collective benefit of everyone. Thus, justifications of free trade or contemporary globalization on grounds that "the economy" should not be sullied by political interference arise from this prior separation of economics and politics—a separation that has been described as itself a profoundly political act and at the core of a liberal order. The excision of overt discussion of the politics of economic inequality, of the history of the unequal distribution of property and wealth between classes and nations, and the growing fascination with the quantitative idiom in contemporary neoclassical economics can be traced back to this original separation.[23]

The contrast between Smithian and Marxian theories of development and their roles as progenitors of globalization and postcolonialism can now be thrown into relief. The Smithian/modernization approach emphasizes free trade and commerce as the engine of national and international development, irrespective of historical, political, social, and other factors. Given its (essentialist)[24] belief that humans have an innate proclivity to truck, barter, and trade, that commerce awakens their innate creativity and competitiveness, it argues that liberalization of the economy will inevitably result in development for everyone. The consequent emphasis is on the free market and limiting intervention of states or political factors in the freedom of commerce. Indeed, this approach is actively suspicious and hostile to the domain of politics and urges the liberalization of domestic and international trade in order for everyone to develop. In its contemporary form, this understanding of the primacy of international trade in economic development can be called neoliberal globalization. The in-

tellectual lineage from selective readings of Smith, through modernization theory, to contemporary proponents of neoliberal globalization should be apparent here.

In contrast, with its focus on interrelations between economic, social, and political domains, the Marxian/underdevelopment approach argues that trade and commerce do not always work like a deus ex machina to produce development everywhere. The history of capitalist development shows that political and economic domination of some countries or regions by others (colonialism), and some classes by others, ensures that the fruits of development are distributed highly unequally. It argues that historically development and underdevelopment are two sides of the same interrelated process, that the class structure of a society and the actions of the state are critically important in determining whether trade and commerce will have a positive impact on general well-being. Postcolonialism is the intellectual child of the Marxian/underdevelopment approach, and its contemporary concerns reflect a clear lineage to that tradition of inquiry. For postcolonial works, the simultaneous and related production of development and underdevelopment represent both the dynamism of capitalism and its greatest flaw.[25] From this perspective, capitalism and colonialism are understood as the seminal processes of the past few centuries. They underlie the global inequality that is seen today and are a quintessential part of modernity itself, not some aberration from an otherwise pacific and progressive story of development.

Capitalist colonialism has rendered our understanding of the world Eurocentric, and we are unable to think outside the categories and concepts that emerged in post-Columbian Europe. Answers to regional, national, and international inequalities are not to be found in the mantra of free trade or liberalization—if anything, history teaches us the opposite. It is only through the relentless focus on the world historical experience of capitalist colonialism and its contemporary manifestations everywhere that we can begin to understand and reverse its effects and embark on human development. Such human development must, of necessity, also be an act of profound decolonization that tries to reverse the political, social, economic, and cultural domination of the rest by the West. The underdevelopment approach emphasizes the role of the third world in the making of Europe. The latter would not be what it is without the material, social, intellectual, and cultural interactions with the colonial world over the past few centuries. Thus the West and the third world are seen as mutually constitutive entities that have emerged with their distinct characteristics due to their interaction. The idea that one of them (the West) is the source of modernity and that the other (the third world) has to learn how to modernize itself through imitation is fundamentally flawed for this reason. This emphasis on the interrelated historical contexts of colonialism and capitalism and their constitutive role in the emergence of modernity makes underdevelopment theory one of the important sources of postcolonial thought. In its wake, postcolonialism, unlike globalization, is motivated by a desire not for mimesis but rather for a form of human development that is decolonized and beyond Eurocentrism.

Chapter 2

Independence or Neocolonialism? Third-World Development in the Twentieth Century

INTRODUCTION

In the previous chapter, the historical and intellectual genealogy of modernization and postcolonialism as narratives was examined. Tracing these two narratives back to the iconic figures of Adam Smith and Karl Marx it was shown that although modernization accounts for the rise of the West in terms of its individualism, free markets, and its supposedly rational and scientific outlook, postcolonialism emphasizes colonial plunder, a complex structure of underdevelopment and external political control, in explaining the decline of the East. This chapter will examine the developments from the beginning of the twentieth century until the present in the relative fortunes of the first and third worlds. The figures of Smith and Marx remain as salient as ever in the competing explanations and economic strategies attempted by various nations in their efforts to reach the exalted club of developed nations.