



*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

*No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.*



Project for Quantitative Research  
in Economic Development

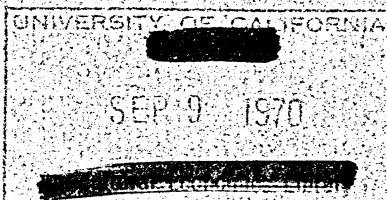
GIANNINI FOUNDATION OF  
AGRICULTURE & ECONOMICS  
LIBRARY

AUG 8 1977

CONTRADICTIONS  
IN CAPITALIST DEVELOPMENT:  
THE CASE OF PAKISTAN

by

Arthur MacEwan



ECONOMIC DEVELOPMENT SERIES

The Center for International Affairs

HARVARD UNIVERSITY

CONTRADICTIONS  
IN CAPITALIST DEVELOPMENT:  
THE CASE OF PAKISTAN

by

Arthur MacEwan

Economic Development Report No. 159

July 1970.

PROJECT FOR QUANTITATIVE RESEARCH  
IN ECONOMIC DEVELOPMENT  
Center for International Affairs,  
Harvard University,  
Cambridge, Massachusetts.

CONTRADICTIONS IN CAPITALIST DEVELOPMENT:

THE CASE OF PAKISTAN

Arthur MacEwan

Harvard University

Paper to be presented to the conference on Economic Growth and Distributional Justice in Pakistan, the University of Rochester, July 29 to July 31, 1970.

The author wishes to express his gratitude for advice from Frank Ackerman, Samuel Bowles, Margery Davies, Richard Edwards, Carl Gotsch, Thomas Weisskopf and other members of the Cambridge seminar of the Union for Radical Political Economics. This study was supported by AID Contract CSD 1543 and NSF Grant 1914 to the Project for Quantitative Research in Economic Development, Harvard University. The views expressed do not necessarily reflect those of AID or NSF.

Contradictions in Capitalist Development:  
The Case of Pakistan

Arthur MacEwan  
Harvard University

1. Growth and Crisis

To understand the present political crisis in Pakistan, it is of primary importance to recognize that in the years leading up to the crisis Pakistan experienced a period of economic success unusual in the underdeveloped countries. This success began to become clear in 1965 when Pakistan completed the Second Five Year Plan. When rapid growth continued through the next few years, many "observers" began to herald Pakistan as a success story for capitalist development.<sup>1</sup>

Gross national product increased by over 60% from 1959-60 to 1968-69. Even with rapid population growth, average income increased by almost 30%. Those who felt the decade was a sign of new hope for Pakistan could point to what seemed to be several favorable aspects of the growth: rapid expansion of the industrial sector, some important successes in agriculture, some growth in East Pakistan, rapidly expanding exports, and an increased savings rate.<sup>2</sup> All this took place in the relatively stable, though not

---

<sup>1</sup>For the most thorough presentation of the Pakistan experience in terms of a capitalist success story, see G. Papanek (1967); also, see Haq (1963) for elaboration of the capitalist model in the Pakistan context.

<sup>2</sup>Some critics have argued that the official Pakistan statistical methods -- the use of a highly distorted price structure to measure GNP, for example -- yield a large overstatement of the degree of success, and anyone who has worked with the official data cannot be unsympathetic to that view. Nonetheless, without placing much faith in the particular numbers, one must acknowledge that real and significant growth of output took place during the 1960's.

trouble-free, political environment which had been created under the regime of President Mohammed Ayub Khan.

In late 1968, however, the political situation began to fall apart. With little clear indication of their cause, except "anti-government discontent," riots began to occur in all of the major cities of Pakistan. By early March 1969, the situation had developed into a full blown national crisis. Because the opposition to the government had no organization around which to coalesce and because the hostility was directed personally against Ayub and his family, it was possible for the country's elite to hold off any serious social change. Ayub, who as leader of the army had come to power in a military takeover ten years earlier, was removed and replaced by the military under its leader, General Yahya Khan. Martial law was imposed throughout the country and the riots ceased. Today (July 1970) the country awaits general elections which have been promised for this fall, and, due to the uncertain political situation and the lame-duck nature of government economic agencies, the economy sits in an uneasy state.

One must begin to analyze the crisis by accepting the fact that it did not arise out of a failure of the economy to grow. There was no failure of investment, no decline in exports, no difficulties in labor supply. This is not to say, however, that the crisis did not have its roots in the economy. It is the thesis of this essay that the crisis grew out of the organization of the economy which led to the economic growth of the 1960's, and in that sense, the growth and the crisis are intricately bound up with one another.

The process of capitalist development -- and Pakistan's growth in the 1960's is an archetypal case of capitalist development -- necessarily generates a social structure and distribution of economic benefits that are extremely unequal. At the same time

as capitalism creates this new and unequal society -- a society characterized by urbanization and geographic mobility -- it destroys traditional values and local community. These processes, which will be explained below, are concomitant with the success of capitalist development; indeed, capitalist development depends upon inequality and the destruction of tradition and local community. Nonetheless, these processes can lead and often do lead to social and political turmoil which ultimately inhibit economic growth and threaten the entire system. This seems to me to be an important contradiction in capitalist development. The purpose of this essay is to explain the operation of that contradiction in the Pakistan context.<sup>3</sup>

In section 2, I sketch some of Pakistan's modern history with the purpose of analyzing the class relations upon which the economy is organized. The nature of these class relations needs to be specified in order to understand both the growth and crisis of the 1960's. In section 3, I analyze certain mechanisms of the growth of the 1960's in an effort to make clear the basic contradiction arising though the creation of inequality and the destruction of tradition and community. In section 4, by presenting a brief discussion of the "green revolution," I try to clarify the argument which I hope will add to an understanding of the present situation. I then attempt briefly to draw out some of the implications for the possible future development of Pakistan.

---

<sup>3</sup>I am using the term "contradiction" to describe a social process which has been directly generated by a (logically) prior social process and which tends to negate that prior process. Here, for example, I have asserted (and will explain below) that the successful capitalist growth process generates an unequal social structure and income distribution. This inequality tends to negate the successful growth by generating a tumultuous situation in which the growth, and maybe the system, cannot survive. It is a dialectical model in which success yields failure.

## 2. Historical Origins

The social structure of Pakistan today has its genesis in the peculiar history of Pakistan's origin as a nation. Although pre-1947 conditions are obviously not irrelevant, it is an interesting feature of Pakistan that one can see in its short and unusual history social transformations which are usually spread over much longer periods.

While the official basis for the geographic division of India was the location of religious groups, the ultimate effect was to create Pakistan from the economic backwashes of British India. In all of the areas which now contain Pakistan's 120 million people, prior to 1947 there was not a single major urban economic center. Although parts of the Punjab could be classed as wealthy agricultural areas (by Indian standards), the wealth was based more on natural conditions than on any economic or social structure which could play a dynamic role in the country's development.

As underdeveloped as the Pakistan areas were, they were in no sense isolated economic units. Both parts of Pakistan had important ties, primarily through India but also directly, to the international capitalist economy. That is, both East and West Pakistan were important suppliers of agricultural raw materials to industrial centers in India and abroad. Areas now in East Pakistan were the center for world production of jute which was sent to India or abroad for processing. (There was not a single jute mill in the East Pakistan area prior to Partition.) Areas which are now in West Pakistan exported large quantities of raw cotton and supplied wheat to urban centers.

The creation of Pakistan as an independent nation broke



these traditional trade patterns.<sup>4</sup> Furthermore, the creation of the new nation eliminated the major portion of the class which had been associated with commerce and, however small, industry. With some exceptions, capital had been dominated by Hindus (and, to some extent, minority groups) who migrated to India at the time of partition.<sup>5</sup> The simultaneous breakup of existing commercial patterns and the removal of the class which had previously dominated the capitalist sector created a power vacuum in the Pakistan economy.

The vacuum did not last for long. It was soon to be filled by Muslims who were quick to form an essentially new class of industrial capitalists. It is this class which has continually grown in power and influence during the succeeding twenty years.

---

<sup>4</sup>"In 1948-49, trade with India accounted for more than 50 percent of the total foreign trade of West Pakistan and for about 80 percent of the total foreign trade of East Pakistan, on private account. It dropped to about 3 percent of Pakistan's total foreign trade in 1951. The share of Indo-Pakistan trade in the total foreign trade of Pakistan did not rise above 6 percent between 1951 and 1960." M. A. Rahman (1963), p. 101. Frank (1967), in the context of Latin America, has developed a general analysis of capitalist underdevelopment in which he sees underdevelopment being maintained through trade dominance by the advanced capitalist countries. The dominance is not always direct, but is often maintained through a chain of metropolitan-satellite relationships. Frank finds part of the support for his theory in the favorable growth experience of several countries during periods when trade ties have been broken. Pakistan would probably fit well within his general analysis.

<sup>5</sup>See H. Papanek (1970) who cites the following statement by Vakil (1950): [In the Western Punjab] ... nearly 80 percent of the industrial undertakings belonged to [non-Muslims] .... They owned 167 factories out of a total of 215 indigenous factories in [Lahore]. The entire money market in West Pakistan was controlled by non-Muslims [and] the bulk of the trade of West Pakistan was manned by non-Muslims. Even with respect to foreign trade carried on in the port of Karachi, 87 percent of the concerns were controlled by non-Muslims."

The class of Muslim industrialists which developed in Pakistan following partition was new, first, in that many of its members had not previously been industrialists. Of those Muslims who were industrialists in Pakistan in 1959, only 17 percent had been, as their prime occupation, industrialists prior to Partition. Only four percent had been industrialists as a secondary occupation.<sup>6</sup> In other words, the individuals were new to the class.

Of greater importance for our purposes, however, is that the class itself was new as a class. Regardless of how many of them had previously been capitalist industrialists, they had not constituted a cohesive group with a common set of interests working in consort to shape their society. Insofar as they had been in the modern capitalist sector of pre-Pakistan India, the Muslim capitalists of Pakistan had been submerged in a milieu dominated by Hindu capitalists and British imperialists. It was only with the formation of Pakistan that they were able to emerge as a distinct class and to begin to develop a relationship with the new state.

It is in its relationships with the state that a new class asserts its dominance. In molding a new system capital cannot limit itself to the purely economic realm. The capitalist class, in establishing its dominance, needs the state to organize policies and shape new institutions, and the success of the capitalist class depends on its operating in a self conscious manner. That is, the existence of a class is an objective phenomenon and depends upon members of a group having a common relation to the means of production; but in order for a class to rule it must be

---

<sup>6</sup>See G. Papanek (1967), p. 41. The majority of industrial assets in 1959 were controlled by persons who had been in commerce prior to 1947.

aware of itself as a class.<sup>7</sup>

At the crucial period in Pakistan, the years immediately after Partition, the embryonic capitalist group found itself with a state that was particularly favorable to its interests. While the beginnings of growth in the industrial sector and the concomitant growth of the industrialist class were a response to the disequilibrium existing at the time of Partition, government policy was by no means neutral.<sup>8</sup> The early period saw the government impose a set of import controls highly favorable to the protection of new industry and the growth of the industrial class. The impact of the import controls was augmented by export taxes on raw jute and cotton which greatly enhanced the incentives to invest in the processing of these fibres. These export duties, combined with the government's decision not to devalue after the Korean War boom collapse, kept agricultural prices very low, thus assuring low import costs and low wage costs to the industrial sector. While the expansion of industry caused the agriculture-industry terms of trade to shift back in favor of agriculture in the late 1950's and early 1960's, by that time the growth of industry was well underway and the position of the industrial class seems to have become relatively secure.<sup>9</sup>

---

<sup>7</sup>See Edwards, MacEwan, et al. (1970) for a review of this analysis of the state. Also, Sweezy and Magdoff (1969) offer some specific insights on the necessity and nature of the relationship between capital and the state.

<sup>8</sup>Lewis (1969) offers a thorough analysis of the industrial growth during the 1950's and early 1960's precisely in terms of policy and adjustment to the disequilibrium created by Partition. While other authors -- Power (1963) and A. R. Khan (1963), for example -- disagree somewhat on the bias of policy within the industrial sector, none seem to dispute the general policy bias in favor of industry as a whole sector. These descriptions of growth and structural change, however, almost always abstract from the concomitant changes in class power relationships.

<sup>9</sup>See Lewis and Hussain (1967) regarding agriculture-industry terms of trade in the 1951-64 period.

The position of industrial capitalists in Pakistan, however, was not unchallenged. In spite of the fact that it was favored by a government bent on modernization, the industrial elite was not in control during the 1950's. The political chaos of these years reflected the failure of the industrialists to fully establish their dominance or to form a working coalition with other elites -- the agricultural elite of West Pakistan, the military, the elite civil service, the commercial elite. The political instability prevented the full development of the economic potential of the new class. Growth took place in the industrial sector, but the economy as a whole stagnated throughout the 1950's.

The significance of Ayub Khan's rise to power lies in the political stability that ensued. Ayub was able to impose a coalition, or at least peaceful coexistence, among the contending elites. In an economic atmosphere where economic power is unhindered by political or social checks, the advanced capitalist sector, if already established, will continue its ascendancy.<sup>10</sup>

---

<sup>10</sup>It has been noted above (see fn.6) that a large segment of the industrial class had its origins in the commercial sector. The direct import controls of the 1950's which led to large windfall profits falling into the hands of commercial interests, no doubt provided a financial basis for the shift from commerce to industry. The chief impact of the move from direct to indirect controls which has taken place in the 1960's seems to be a shifting of the benefits of trade restrictions from commercial interests to the state. With industrial interests in control of the state, the shift can be seen as marking the dominance of the industrial sector over commercial interests. If Lewis (1969), esp. pp. 86-87, is correct that the direct import controls had no clear net bias within the manufacturing sector, then the main impact of the "liberalization" of the 1960's should be seen as a shift in class bias of policy rather than a "rationalization" within the industrial sector. While the 1960's seem to mark the dominance of the (cont., next page)

It is important to recognize that the policies of the 1950's and the stability and policies of the 1960's which were favorable to the growth of the industrial capitalist class also led to the rapid growth of the 1960's. Indeed, that is exactly the point: the success of a strong capitalist sector has been Pakistan's growth strategy. It is a strategy which was initiated by the particular circumstances and then supported by formal policy. In addition this strategy has had the support of the imperialist powers. Regardless of favorable circumstances and policies, the growth success of Pakistan would probably never have materialized had it not been for the large injections of economic and technical aid.<sup>11</sup> Also, the political success of the Ayub regime might have been impossible had it not been for the politico-military support of the imperialist powers.<sup>12</sup>

The consequences of this capitalist development strategy, however, cannot be confined to the shifts of power among the elites and the rise of average GNP. In order to appreciate the significance of the crisis which has developed in Pakistan, it is necessary to examine more fully the mechanisms of capitalist development.

---

industrial elite over the commercial, it seems that with regard to the agrarian elite, accomodation more than dominance, perhaps, has been the mode of operation. Certainly in the 1960's programs favorable to the agrarian elite have been adopted. The adoption of so-called "green revolution" policies is an example to which I shall give some attention below.

<sup>11</sup>See Mason (1966), who emphasizes aid as the single most important explanation of Pakistan's success and presents figures showing that aid per capita rose from 10.8 rupees in 1960-61 to 25.8 rupees in 1964-65 -- i.e., from \$2.20 to \$5.40 at the official rate of exchange.

<sup>12</sup>See H. Alavi (1962) for complete presentation of this point.

### 3. Mechanisms of Capitalist Development<sup>13</sup>

Capitalist systems are characterized by inequality in the ownership of the factors of production.<sup>14</sup> The unequal distribution of factor ownership directly yields an unequal distribution of income, because under capitalism individuals derive their incomes from selling the services of the factors they own. Furthermore, the sale of productive factors takes place in the market, e.g., the labor market, where prices are determined and factors are allocated according to supply and demand conditions. Individuals who only own a factor which is in relative abundance will receive a low price for its sale and consequently receive a low income. In Pakistan, as in other capitalist countries, the large majority of the population must rely primarily upon its labor as a means of obtaining income. Relative to the supply of

---

<sup>13</sup> In discussing the mechanisms of capitalist development, I will emphasize what I see as the basic or system-defining institutions of capitalism. These include: the market in labor, in which labor is treated as a commodity and allocated on the basis of the highest bidder; control of the work process by those who own and control capital, including the concomitant loss of control by the worker over his activities during the hours of work; the legal relations of ownership, by which income distribution is determined through payments to owners for the use of their productive factors; individual gain incentives and the associated system of personality traits; and the ideology which abstracts and organizes "reality" in such a way as to justify and facilitate the operation of the other institutions. See Edwards, MacEwan et al. (1970) for elaboration and discussion of the implications of these institutions in a more general context. Many of the ideas presented in this section were developed in that paper.

<sup>14</sup> While unequal factor ownership is partly derived from the preceding historic system, it should become clear in what follows that unequal factor ownership is itself generated by capitalism. The process is a circular one: unequal factor ownership leads to unequal incomes; those on the top of the income distribution are able to accumulate more capital, thus making the distribution of factors more unequal.

labor, however, in Pakistan capital is very scarce. The relative scarcity of capital is equivalent to a low demand for labor, because the demand for labor depends upon the availability of capital with which it can be employed. Consequently, the operation of the labor market means that in Pakistan labor receives a very low wage. This basic income inequality is directly along class lines.<sup>15</sup>

Within the laboring classes capitalism requires income inequality in order to induce labor mobility. Even without great reward, workers and peasants can be expected to perform their task to some extent, for they have no choice. But to insure the expansion of capital, workers must be induced to leave the security and stability of traditional occupations to be available for the modern sector. Furthermore, within the modern sector, income differentiation is necessary to induce workers to acquire and apply productive skills.

Forces effecting inequality operate within the elite class as well as between classes and within the laboring classes. First, substantial reward differences are needed in order to induce entrepreneurs to perform their social functions as innovators, production organizers, and risk takers. Second, given economies of scale (either in production or those deriving simply from market power, etc.), and given the basic institutional association between capital ownership and control of the production process, concentration of ownership necessarily develops.

---

<sup>15</sup> Meade (1965), Chapter 1, implicitly assuming the institutional framework of capitalism, has illustrated very clearly how prices that may yield an "efficient" allocation of resources can lead to an extremely unequal distribution of income. His examples refer both to underdeveloped, "labor surplus" economies like Pakistan and to advanced nations.

Furthermore, in a market setting, the capacity to adjust to changes -- to exploit profitable innovations, for example -- depends upon the ability to raise capital. Once inequalities begin to develop (or given historic inequalities), this ability is unequally distributed. It is always those who have the most resources who are able to adjust and take advantage of the new situations most readily. (As often as not, this adjustment means being able to capitalize on the failure of others.) Thus during periods of rapid change, and especially during periods of growth, inequality breeds more inequality. This is precisely the type of experience that Pakistan has undergone during the twenty-three years of its existence.

Capitalist development not only generates but also depends upon inequality. Without an entire alteration of the system, there is really no alternative. One of the basic institutions of capitalism is a system of individual gain incentives. Individuals perform economic tasks only to the extent that they receive personal rewards from those tasks. Thus, in Pakistan, investment in industry is explained by "the structure of incentives" which means, first, that those investing received high rates of profit and, second, that there were sufficient possibilities for transforming those profits to personal consumption.<sup>16</sup> If things were organized differently, the capitalist elite would not perform its functions of accumulation and organization, and there is no

---

<sup>16</sup> Obviously, capitalist development will be all the more successful insofar as the need for consumption on the part of the capitalist is repressed and profit making in and of itself is a strong motivation; thus the importance of Weber's Protestant ethic and the attitudes which Marx describes with the famous statement, "Accumulate, accumulate! That is Moses and the prophets!" In Pakistan, however, this aspect of the classical model which emphasizes the capitalists' self denial has only limited application.



other group which can perform those tasks. Likewise, were inequality to be substantially altered, workers would not readily perform the tasks that are their burden in capitalist society. A reduction of inequality would mute incentives and many would choose traditional life styles in preference to the capitalist environment.

Furthermore, it is the capitalist class which dominates the political apparatus. Thus, distributional measures through the political system which are against the interests of that class seldom take place. Indeed, the government of Pakistan has pursued a conscious policy of assuring an unequal distribution of economic benefits. Taxes which might have a progressive incidence and redistributive welfare programs have been ruled out.<sup>17</sup> Alternatives are not really possible. First, the constraints of political power do not allow alternatives. Second, because the government is operating within the confines of capitalism, pursuit of a more equal income distribution would tend to inhibit growth.

It is difficult to determine exactly what has happened to the size distribution of income in Pakistan during the last twenty years. Direct evidence is not available. While international data presented and analyzed by Kuznets (1966) is sometimes used to support the argument that growth is associated with increasing

---

<sup>17</sup>The most thorough explanation and justification of such policy can be found in Haq (1963). He writes for example: "The under-developed countries must consciously accept a philosophy of growth and shelve for the distant future all ideas of equitable distribution and welfare state." Or, in justifying a regressive tax policy: "The government should not hesitate to place major reliance on indirect taxes, like excise duty and sales tax, for capturing a high proportion of the national product. The emphasis on indirect taxes may be criticized as 'reactionary' in an age which takes progressive taxes for granted, but it is indispensable in an underdeveloped country where average incomes are too low to extend the coverage of income-tax and the control of average consumption levels is a matter of national necessity." While not an official statement of policy, it would seem fair to take Haq's statements as reflecting official sentiment.

equality, that data applies to countries at different stages and in different historical periods than Pakistan. A recent study by Weisskoff (1969) implies that for very poor countries in today's world there may be a positive association between growth and inequality.

The indirect evidence which is available for Pakistan is at least consistent with the position that inequality has increased during the period of rapid industrial growth. Khan (1967) in a study of real wages in the industrial sector from 1954 to 1962-63 found no evidence of a trend, either positive or negative, in East or West Pakistan. Bose (1968) in examining the conditions of the poorest segment of society, rural laborers in East Pakistan, found that their real wages seemed to show no significant positive trend throughout the period 1949-1966.<sup>18</sup> If, as these studies imply, real wages of the poor classes have remained constant while the income of society as a whole has grown, then, unless there are compensating shifts in class composition or employment rates, income distribution must have become more unequal. Other rough indicators of inequality are consistent with the findings of Khan and Bose: little if any positive trend in the per capita availability of food grains and rapid rises in food prices, especially during the late 1960's, in the context of growth of average GNP tend to indicate increasing inequality.

---

<sup>18</sup> Bose's findings are subject to some dispute in interpretation, however. After a sharp drop in the early 1950's, the real wage of the rural laborers in East Pakistan rose almost steadily, reaching the 1949 base again in 1961 and rising somewhat above the base by 1964. But 1965 and 1966 then saw sharp declines in the real wage, again bringing it well below the 1949 base. Continuing rises in the price of rice in the late 1960's make it seem unlikely that there was any significant recovery for the wage of members of this sector of the population in the two or three years following those for which Bose gathered data.

Regardless of exactly what has been happening to income distribution, the economy as a whole has been growing, and the wealth of the few has been becoming more and more visible. The masses, who have been brought into close contact with the modern sector, have not experienced an appreciable improvement in their material position. The success of the capitalist development depends upon increasing the mobility of the masses and moving them into urban sectors. It also depends upon their sense of inequality becoming more acute so that incentives will have a greater impact. Thus, it seems likely that successful capitalist development will breed an increasing awareness and resentment towards inequality. The maintenance of stability will then depend upon the extent to which the illusion of mass mobility can be maintained and the extent to which an ideology can be spread which justifies the status quo.<sup>19</sup>

A further point that needs to be emphasized is that destruction of traditional values and of local community accompanies the development of inequality and its perception. This process is, of course, the counterpart of what is euphemistically termed "modern-

---

<sup>19</sup> Islam has been used as official ideology in Pakistan and has served at least two important functions. First, it reinforces the belief that circumstances are out of the control of the individual and that the existing order must be accepted. Second, Islam is effective in preventing the full realization of class differences through substituting a concept of unity among Muslims. Nationalism, and, to an extent, regionalism have played similar functions in Pakistan. Each serves to inhibit the recognition of class antagonisms and to focus animosities on some source other than the system itself. The difficulty is that each of these ideologies has certain aspects which run counter to capitalism. Islam preaches equality and brotherhood, not inequality and competition. Nationalism can lead to "an unfavorable investment climate." And regionalism, especially when regional division closely parallels class division, can itself, as has been seen, be a force for social disruption.

zation." Without idealizing the traditional Pakistan community, it should be evident that it provides certain bases for security and stability which are destroyed by capitalism. The extended family, for example, in spite of all its oppressive aspects, provides security and can often not be maintained in the new circumstances.

In Pakistan it seems that the majority of the population movement from rural to urban areas has been "voluntary" in the sense that there has been no mass displacement of peasants from the land or introduction of labor saving techniques of production.<sup>20</sup> Nonetheless, the poverty in the rural areas has forced masses of Pakistanis to seek jobs in the urban areas where the modern, capitalist sector holds out a vision of jobs. Whether they are able to enter the industrial work force or whether they add to the ranks of the lumpenproletariat, much of what provided security in the traditional environment is abandoned.

Those who are successful in obtaining employment in the modern sector do so at the expense of their control over a portion of their lives. They enter into an alienated work environment in which their labor power is at the disposal of the capitalist. Regardless of any improvement in their material standards, this aspect of life in the capitalist sector is a far cry from production activity in the traditional community.<sup>21</sup>

---

<sup>20</sup>Gotsch (1970) argues, however, that in West Pakistan recent advances in agricultural technology have created the potential for a rapid displacement of labor from the agricultural sector. Significantly, he is exceedingly pessimistic about developing, within the current capitalist framework, policies and institutions capable of either controlling the application of technology or of dealing with the problems of those who are likely to be pushed off the land.

<sup>21</sup>Polanyi (1957) discusses these same issues in the context of the industrial revolution in the now advanced capitalist countries.

To cite these forces operating within the capitalist transformation of Pakistan is not to argue that the masses of people are made "worse off" by that process. The point is that these social circumstances lead toward a situation of tension and instability. In league with these forces, the pressures resulting from the inequality which accompanies capitalist growth can lead to the turmoil and violence which developed in Pakistan during 1968 and 1969.

Thus, disruption is always just below the surface during capitalist expansion. When the expansion accelerates, the forces which tend to produce disruption become more intense. If the disruption occurs it tends to negate the expansion and can possibly destroy the system.

The actual manner in which political disruption may be set off can vary. In Pakistan in 1968 and 1969 two factors seem to have served as immediate catalysts. One of these was the general failure of the political system. Corruption had become increasingly blatant, and more and more segments of society had come to see themselves as excluded from political processes. A second factor which precipitated the turmoil was the increasing regional crisis. The continued failure of the government to deal with disparity between East and West Pakistan was clearly moving the country towards some sort of crisis throughout the 1960's.<sup>22</sup>

---

<sup>22</sup>In general I have not given much attention to regional issues in this essay. Partly this is a limitation imposed by time and space. However, while there is no doubt that the political importance of the regional issues is currently paramount, it is my own feeling that they are ultimately not the basic problem. An independent East Bengal under capitalism would be faced with the same problems which confront the entire nation today. What is particularly relevant here is that capitalism exacerbates regional inequalities in the same general manner as personal inequalities. Investment is undertaken, because it is more productive in the region with the better resource base, and that investment further exacerbates the disparity. Furthermore, interest groups in the region that is economically more powerful are able to control political institutions and enhance their own positions.

When spontaneous opposition to the regime erupted in street demonstrations, masses of people joined in. Nonetheless, if the argument I have put forward is correct, the more basic issues in the crisis emanated from the nature of the organization of the economy, and any number of events could have precipitated the disruption.<sup>23</sup>

#### 4. Agriculture and Implications

In order to clarify the arguments I have been making with regard to contradictions in capitalist development, let me return in more detail to the agricultural programs currently being adopted in Pakistan. During the past few years there has been much talk about the progress in agriculture being brought about by the introduction of new varieties of rice and wheat. The program is Pakistan's part of the international so-called "green revolution." In West Pakistan the program has already begun to appear successful in terms of wheat and rice output.

The expansion of output serves as an impetus to and, in turn, is increased by the advance of capitalism in the countryside. The new seed varieties open up opportunities for profitable expansion, especially if the production process is reorganized and "rationalized." This is true because the new seed varieties are especially sensitive to proper fertilizer use and irrigation. Thus, it can be profitable, and according to Gotsch (1970) has begun to happen, that landlords will expel tenants from their land in order to control the production process more directly. This extension of the owners' control of production is in itself an expansion of

---

<sup>23</sup> In roughly similar circumstances a political crisis in Brazil was set off by a foreign exchange deficiency which put even more than the usual social-economic pressure upon the masses. There, as in Pakistan, a crisis followed a period of seemingly successful capitalist growth; and just beneath the surface were the basic social contradictions which capitalist growth creates. There, an otherwise commonplace economic problem served the catalytic function which the political problems served in Pakistan.

capitalism. Also, it is necessarily accompanied by increased reliance on the labor market and a closer relationship between income received and the sale of one's factors of production. Finally, under the influence of these institutions, individual gain incentives come to play a greater role in the economy..

This process of change in the agricultural sector directly destroys traditional life styles, and security and stability are immediately threatened. In addition, the success of the "green revolution" tends to exacerbate income inequality.<sup>24</sup> As Falcon (1970) points out, "Although in theory the new seed varieties and fertilizers are neutral to scale, in practice they are not." With fertilizer and irrigation rationed, as they are in Pakistan and elsewhere in Asia, the large farmers are able to exercise their power to gain preferential access to these inputs. Furthermore, it is the large farmers who have access to credit, human capital, and information which facilitate the thorough introduction of the new technology, including mechanization. Not only do small farmers have poorer credit, less human capital, and less information, but in addition, small farmers operating on the edge of subsistence are simply not in a position to take the risk of altering their traditional practices.

The success of the new seed varieties leads to a significant rise in land values, and, with the development of rural capitalism, activity in the land market can be expected to increase. Those farmers, usually the large ones, who are successful at the outset of production expansion, will likely move towards an enlargement of their holdings. This process combines with the expulsion of

---

<sup>24</sup> Carl Gotsch has pointed out to me that the existence of traditional income inequality has significantly different social implications than the process of creating inequality. This is especially so because there is no ethic or ideology by which to rationalize the process of increasing inequality.

tenants from the land to augment the landless labor force.

The poor peasants and dispossessed laborers will not be oblivious to the process going on around them. They will quickly realize that there is a large increase of output which they are not receiving. Having been detached from traditional bases of security, the laboring masses in agriculture, perceiving what is happening, could become an explosive force.<sup>25</sup>

Thus the current developments in agriculture exemplify and are a part of the more general phenomenon of capitalist development in Pakistan. The political and social disruption towards which the "green revolution" is leading has begun to be widely recognized, and it has become popular to pose the question, "Is the Green Revolution turning Red?"<sup>26</sup> Similarly, one might take the general argument put forth in this paper and infer that history is about to create a socialist revolution in Pakistan.

History alone, however, will not do us the favor. Periods of crisis have come and gone in many capitalist countries without leading to a socialist transformation of those societies. In fact, spontaneous street demonstrations such as those which took place in Pakistan last year can often have a reactionary nature or impact.

A socialist revolution can emerge from a crisis situation only when there is a class, or coalition of classes, which is in a position to seize power and transform the society in its own interests. It seems clear that progressive class forces are not

---

<sup>25</sup>In India such a situation has already led to bloody battles between agricultural workers and the landlords' hired "armies." Press coverage in Pakistan is so poor that we cannot be sure what has happened there, but it would seem that the same problem exists.

<sup>26</sup>Falcon (1970) provides a review of the problems and the literature.



sufficiently strong in Pakistan at the present to accomplish this task. Nonetheless, the social changes which have been analyzed in this essay offer some clues as to where we might look for positive developments.

The events which have been described as transpiring in the agricultural sector not only exemplify the general process of capitalist development: they may be the source for altering the entire society. Peasants are often viewed as a conservative social force, but whether or not this is true in general, the new developments in Pakistan may make the situation very different there. With the introduction of capitalist farming to a traditional agricultural sector, the peasants are squeezed, transformed, and possibly brought together in such a way as to make them a potentially revolutionary class.<sup>27</sup>

The speed with which social transformation is taking place in Pakistan means that the peasantry always has close ties to its former members in the urban areas. If those ties can be firmly maintained, it may be possible to unify the peasantry with the proletariat in the modern sector and with the lumpenproletariat to form a coalition of all those classes which suffer the oppression of capitalist development.

---

<sup>27</sup> Egbal Ahmed in discussion has made reference to Marx, who, in The 18th Brumaire of Louis Bonaparte, while discussing the conservative nature of the peasantry in 19th Century France, comments that the peasants form a class "much as potatoes in a sack form a sack of potatoes." That is, while their relation to the production process is the same, there is nothing which holds them together and allows them to consciously act as a class. Egbal Ahmed has built on the analogy and points out that current developments in Pakistan are turning the peasantry into mashed potatoes -- a single and unified substance. (While I am grateful to Egbal Ahmed for his remarks, he should not be held responsible for my presentation of them.)

REFERENCES

- Alavi, Hamza, "Pakistan: The Burden of U.S. Aid," New University Thought, Autumn 1962.
- Bose, S. R., "Trend of Real Income of the Rural Poor in East Pakistan", Pakistan Development Review, Autumn, 1968.
- Edwards, Richard C., Arthur MacEwan and the staff of Social Sciences 125, "A Radical Approach to Economics", American Economic Review, May 1970.
- Falcon, Walter P., "The Green Revolution: Generations of Problems", paper to be presented to the summer meeting of the American Agricultural Economic Association, Columbia, Missouri, August 9-12, 1970.
- Frank, Andre Gunder, Capitalism and Underdevelopment in Latin America, Monthly Review Press, 1967.
- Gotsch, Carl, "Price Policy and Agricultural Development in West Pakistan: Some Observations on the 'Green Revolution'", Harvard Development Advisory Service Memo, 1970.
- Haq, Mahbub ul, The Strategy of Economic Planning, Oxford University Press, 1963.
- Khan, A. R., "Import Substitution, Export Expansion and Consumption Liberalization: a Preliminary Report", Pakistan Development Review, Summer 1963.
- Kahn, A. R., "What has been Happening to Real Wages in Pakistan?", Pakistan Development Review, Autumn 1967.
- Kuznets, Simon, Modern Economic Growth, Yale University Press, 1966.
- Lewis, Stephen R., Jr., Economic Policy and Industrial Growth in Pakistan, George Allen and Unwin, Ltd, 1969.
- Lewis, S. R., Jr., and S. Mushtag Hussain, Relative Price Changes and Industrialization in Pakistan 1951-64, Monographs in the Economics of Development, no. 16, The Pakistan Institute of Development Economics, Karachi, June 1967.
- Mason, Edward S., Economic Development in India and Pakistan, Harvard University, Center for International Affairs, no. 13, September 1966.

Meade, J. E., Efficiency, Equity and the Ownership of Property, Harvard University Press, 1965.

Papanek, Gustav F., Pakistan's Development: Social Goals and Private Incentives, Harvard University Press, 1967.

Papanek, Hanna, "Pakistan's New Industrialists and Businessmen: Focus on the Memons", paper presented to the Conference on Occupational Cultures in Changing South Asia, University of Chicago, May 15-16, 1970.

Polanyi, Karl, The Great Transformation, Beacon Press, 1957.

Power, John H., "Industrialization in Pakistan: A Case of Frustrated Take-Off?", Pakistan Development Review, Summer 1963.

Rahman, M. Akhlaqur, Partition, Integration, Economic Growth and Interregional Trade, The Pakistan Institute of Development Economics, 1963.

Sweezy, Paul and Harry Magdoff, "Notes on the Multinational Corporation", Monthly Review, October and November, 1969.

Vakil, C. N., Economic Consequences of Divided India, Vora and Co. Publishers, Ltd., Bombay, 1950.

Weisskoff, Richard, "Income Distribution and Economic Growth: An International Comparison", unpublished doctoral dissertation, Harvard University, 1969.