Modernism and anti-modernism on development strategies: Lenin and the theory of dependency

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– Lenin and the Theory of Dependency –

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In various realms Marxists are now being forced into sharp self-criticism in their theory and ideology. In the circumstances I have been studying "socialism" as my dominant subject; and I have maintained that we Marxists have to turn our attention straight to modern economics whose serious discussion we have avoided for a long time (H. Ohnishi, 1992a, b, 1993). It is not only because I am making a study of "modern economics," but also because it is the modern economics that contains a lot of ideas of Marxism.

In relation to "self-criticism forced on Marxists," there is another subject matter as important as that of socialism. It is on "the Third World." In recent years, I have been shifting priority in my studies from "socialism" to developing countries (or global unequal development), which I will discuss in the following.

1. Modernization and Dependency Theory
Modernization Theory on Development Strategies

Our "Third World" theory as well as "Socialism" theory is under pressure of forced self-criticism. In either theory considerable justification for forcing such self-criticism is the "facts" in the actual society (economy). Needless to say, in socialism, the fact of inefficiency of centrally planned economy has been made known to us. The fact in the third world is the rapid economic growth in some of the third world countries, particularly in NIES or ASEAN countries. Dependency theory, the most influential in Marxists' discussion of the Third World (although,
as mentioned below, dependency theorists were not Marxists), argues against possible growth of developing countries under imperialism, but the "foreign oriented growth" in those countries of the Third World shows evidence against the theory.

Initially advocated in Latin America as leftists' critique of Western modernization theory on progress of developing or the "Third World" countries, the dependency theory was established in late 1960s by André Frank (1975), S. Amin (1971, 1973a) and others. Then what is the theory of those who were criticized by them like?

Advocates of the theory are roughly classified into two schools of thought. One is represented by Walt W. Rostow (1960) who simply postulates stages of economic growth. According to his theory, all countries pass through five stages of (1) the traditional society; (2) the preconditions for take-off; (3) the take-off; (4) the drive to maturity; and (5) high mass consumption society. The theory gives a simple and very optimistic prospect that developing countries could also "take off" for economic growth sooner or later. The theory is framed in such simple terms as encourages global industrialization, and consequently, expansion of industrialized world suggests dissemination of industrial capability from developed countries to developing countries. For such dissemination Rostow justifies intervention by a developed country in the affairs of a developing country, which met with disapproval. For instance, he went as far as to say:

"There is no doubt that without the affront to human and national dignity caused by the intrusion of more advanced powers, the rate of modernization of traditional societies over the past century-and-a-half
would have ben much slower than, in fact, it has been." (Rostow, 1960, p.28)

"Colonies were often established initially not to execute a major objective of national policy, nor even to exclude a rival economic power, but to fill a vacuum; that is, to organize a traditional society incapable of self-organization (or unwilling to organize itself) for modern import and export acidity, including production for export." (Rostow, 1960, p.109)

In Vietnam today its southern part enjoys higher economic growth rate than its northern part. There is a recent argument in favor of Japan's pre-war colonization of South Korea and Taiwan which allegedly contributed to their present economic development (K. Hori, 1993). Rostow's prophetic views predicting such fact or argument were very challenging, but it will be easy guesswork that Rostow's statements met with objection by the leftist.

The "take-off" of a developing country, however, was actually not so easy as it seemed. There was another school of thought on "modernization theory," and the UNCTAD (United Nations Conference on Trade and Development) was at the center. It is called the "Singer Plebush theory," named after its original theorists, H. W. Singer and R. Plebush. The theory attributes difficult progress of a developing country to worsening terms of trade of primary commodities. According to Plebush, the income elasticity of demand for primary products is lower than that for industrial products, and so their growth in production is lower than that of industrial products. As a result, developing economies specializing in primary commodities suffer worsening terms of trade and
low growth rate of GDP. While technological progress brought about increased income in industrialized countries, it resulted in falling-off of commodity prices in developing nations (Singer, 1975).

Therefore, it is to be noted that under the theory developing countries' disadvantages are due to their specialization in primary products. For it follows that no growth of developing countries would be possible without "industrialization," or that modernization should be clearly set as one of their definite goals. In the theory as proposed by Rostow, the goal is the more "involuntary" industrialization, whereas in the theory under discussion it is the more "intentional" industrialization. However, it should be noted that both theories have the common goal of industrialization. That is why these theories are grouped under the "modernization theory."

**Formulation of Dependency Theory**

However, what would happen if "underdevelopment" of developing countries is due to "modernization" itself, and not to unsatisfactory "modernization?" For instance, concentration on monoculture of developing countries may not have resulted from its independent development, but from having been incorporated into a system of world capitalism. Such inspiration led to the evolution of dependency theory, under which "modernization is not a goal," but the very "cause of underdevelopment." That is, modernization is to be discouraged, and not to be encouraged.

In order to make such an assertion, Frank, referred to earlier, extracted a world structure peculiar to capitalism, and theorized that imperialist countries dominating the "center" exploited "peripheral"
developing nations and forced them into a state of "underdevelopment" by depriving the "peripheries" of accumulation of internal capital. He criticized the argument that "capitalism" is naturally identified with "development," saying that a system formed among "peripheries" also comprises an integral part of "world capitalism." According to the dependency school, lack of "capitalist conception" does not cause "underdevelopment," but incorporation into a system of "capitalism" itself leads to "underdevelopment." Then such radical concept invited Amin's fine theory on connection of "modes of production" as well as Amin and A. Emmanuel's theorization of international unequal exchange(Amin, 1973b, Emmanuel, 1969), which developed into a school of thought.

I consider that it was not simply because of their theoretical finesse and strictness that their theories became well known quickly. For as soon as, for instance, they declared by themselves that their theories were based on the labor theory of value, they had to mention differences in assumptions between themselves and Marx; and it remains to be argued whether or not their explanation of the differences is persuasive. Or in reality there is a question of how to interpret the fact that developed countries extend enormous amounts of aid to developing nations. How can it be said definitely that the total amount of "exploitation" is larger than that of such aid? Or should such aid be rejected? There were a large number of points to be argued. Developing countries, however, had been certainly in severe economic difficulties until some time after the end of World War II. They could not be solved promptly by the "introduction of the capitalist system." That is, broadly speaking, the "realities" of developing countries were the most reliable
supporters of their theories, and could be regarded as providing the very foundations of their theoretical success.

In a sense, however, their problem began to develop from the realities. A theory supported by "reality" will fall into a critical situation when the reality changes. Actually, sharp economic growth of NIES (NICS) challenged their basic logical foundations. They stated that involvement in a system of "world capitalism" caused economic difficulties to developing nations, and their remedy for it was separation from world economy (in some cases, going as far as to nationalize all foreign capital). Aiming at, instead, the introduction of foreign capital and expansion of foreign trade, some developing countries succeeded in achieving economic progress. The OECD lost no time in becoming aware of the success and issuing a report entitled "Challenge of Newly Industrializing Countries" in 1979. In response to the report, Frank admitted by himself that the dependency theory was reduced to being meaningless. It will be seen how shocking the report was. In a sense the shock could be compared to the astonishment that "socialists" at large experienced at the news of the collapse of the former Soviet Union and Eastern Europe.

2. Rapid Economic Growth of NIES and ASEAN, and Marxism

World Capitalism as Seen by Lenin's Unequal Development Theory

It is 15 years since the above OECD report. In the course of time the world economy saw surges of economic development in not only NIES but also ASEAN countries and China, and failure of the dependency theory is now indisputable. It can be compared to the crash of the traditional "socialism theory" due to the collapse of the former
Soviet Union and Eastern Europe. In the circumstances the "modernism" is eventually right in the theories on "socialism" and developing economies which are two major historical issues preferred to discuss by Marxists.

I, nevertheless, still would like to raise a question. Does "failure of the dependency theory" really mean "that of Marxist theory?" For instance, the dependency theory stated as above that "incorporation into a system of world capitalism was not desirable to developing nations." Does that view really sound "characteristic of a Marxist?" Differentiated from the dependency theory strictly, what theory did Marxist theory have on developing countries? Lenin's "theory of imperialism," "Marxist" legitimate theory in the era of imperialism, will be examined to look for the answer.

Lenin's theory of imperialism is developed as "theory of uneven development," and the "uneven development" means that less developed countries catch up with and overtake developed countries. Meanwhile, "unequal development" in Amin(1973a) means that developing countries' progress lags behind that of developed countries (or unequal). It is important to note the difference. Consequently, even if Japan's or Germany's economic power overtakes that of the United States, and the NIES and ASEAN countries and China follow suit, it does not produce "evidence against" but "substantiates" Lenin's theory.

The reality of Lenin's theory also lies in the theoretical framework from which "uneven development" is derived. The "uneven development" is caused by international capital movements; difference in profit rate between nations leading to the capital movement is due to wage differential and so on between developed and developing countries.
To put it in a fashionable way, "uneven development" is a "hollowing out abroad of domestic industry" seeking the cheap labor in a host country. Thus Lenin's ideas realistically theorize modern economic phenomena. Particularly, Lenin explains that wage differential between developed and developing countries is based on a "law," and so is "uneven development;" which should be noted. It follows that developing countries' catching up today is recognized as "inevitable" and not as just "accidental." If economic growth spreads to India and Latin America as well as the NIES, ASEAN countries, and China in the future, the authenticity of Lenin's theory stating that "uneven development" is based on a "law", will be more firmly confirmed.

Furthermore, Lenin's theory characteristically says that the international capital movement plays a positive role in expansion of world capitalism. In Lenin's words:

"The export of capital in the countries where it is introduced has a great influence on capitalist development, which it strongly accelerates. If then, it arrests to some extent the development of countries which export it, it nevertheless always extends and intensifies the capitalist development of the world as a whole."(Lenin, 1917, p.72)

The theory is verified in the following graph prepared by plotting the results of policy analysis based on our Lenin Type Post War Pacific Rim Econometric Model (H.Ohnishi, 1994, 1995).
Graph: Effects of Rise in Saving or Reduced Consumption by 1 Billion $ in 1953 in ASEAN Region on Japan, the U.S. and 'ASEAN'

The graph examines how it would have affected GDPs of Japan, the United States, and 'ASEAN' countries if three ASEAN nations had reduced consumption or increased savings by one billion dollars in 1953. It shows rise in savings leads to increased investment, and that the favorable effect ripples across Japan and the United States as well over the simulating period. In short, a good effect in a country produces the same effect in another, which, it can be surely said, proves interdependence among economies. In other words, our world economy is not so framed as the dependency school claims that "development of an economy determines underdevelopment in another." At least in terms of GDP or GNP, the proved relationship is that "development of an economy conditions that of another."

Essential Features of Marxism

Lenin made such a statement as above, but there should be no
misunderstanding: capital movements to developing countries are not free from contradiction, or not comfortable. Needless to say, Lenin's "Theory of Imperialism" stated that the advance of imperialism into foreign countries was "imperialistic oppression and exploitation of the majority of nations." Of much importance, however, is that even if the imperialistic advance is accompanied by "oppression" and "exploitation," Lenin's strategy is not to reject them totally but to "transform the resultant struggle between imperialists into a civil war." Precedence in his strategy is to know whether or not the imperialistic advance is "inevitable." As long as it is "inevitable," what we have to do is not to prevent it.

The problem is particularly important because such an idea is essential to Marxism. In the case of Marx, the question was how to cope with capitalism and industrialization which were "inevitable." For example, when the introduction of industrial machinery brought skilled workers into elimination, Marx did not oppose the mechanization in sympathy with them. It was the Luddites and not Marx who opposed mechanization. If Marx had had "leftist" sentiment, he would have tried to help them out of economic difficulties; he, however, did not do so. How much sympathy the workers may have aroused, if their elimination due to mechanization was inevitable, Marx's strategy was to abandon them.

Looking at it from a different point of view, the question was what "capitalism" was like to Marx, and my answer is as follows. Marx did not reject a social system of capitalism, and at least accepted transition from feudalism to capitalism. More precisely, capitalism as social reality was inevitable until its justification (suitable for increase
in productivity) was lost. No doubt Marx described the capitalist society as "modern slavery," and fully recognized its contradictions and inhumane nature. However, Marx perceived that such drawbacks themselves did not warrant "abolition" of capitalism, and that he had to keep up with it until its historical mission (advance in productivity of the times) was achieved. If its inhumane nature is only one reason for acceptance or rejection of capitalism, there is no need for "science," and attitude toward "capitalism" will be determined readily. As a matter of fact, that was "utopian socialism." Conversely, attempts by Marx and his followers to show that socialism was a "scientific necessity" were to oppose such idealism and, first of all, to ascertain the extent and limitation of historical legitimacy of "capitalism," "mechanization," and so on. Anyway we have known that the key elements of Marx's essential theoretical strategy are "science," "scientific view of history," "historical materialism" and "awareness of inevitability."

Then the point at issue is "oppression and exploitation by imperialism" we are now dealing with. Imperialism is considerably as inhumane as "capitalism" as the dependency theory emphasizes. From a Marxist point of view, however, that is not a reason for "prevention." The point is to ask whether or not increase in productivity is possible without imperialism, or whether or not imperialism is "inevitable." That is why I make a careful distinction between the dependency theory and Marxism, and claims that the failure of the dependency theory does not mean that of Marxism.

3. Three Strategies for Economic Development and the Cold War
Dependent Development and Industrialization Directed from "Above"
Consequently, problems to be dealt with are (1) theoretical explanation of dependent development under "imperialism" ascertained by fact and (2) explanation of the reason why the dependency theory nevertheless conversely theorized it. More or less, the answers to the problems have been already given, but further details of them will be discussed in the following.

The reason for (2) was given in outline in 1 above. That is, a certain length of the run-up to "dependent development" or "growth encouraged by foreign capital" was required before it achieved a high growth rate. For instance, according to the data that we have on Japan, the United States and 'ASEAN', their growth rates in US dollar terms from 1950s to 1960s were as follows:

Table 1 GDP Growth Rates between 1951–1970 in 'ASEAN', Japan and the US (%)

<table>
<thead>
<tr>
<th></th>
<th>'ASEAN'</th>
<th>JAPAN</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951–55</td>
<td>4.3</td>
<td>16.0</td>
<td>6.9</td>
</tr>
<tr>
<td>1955–60</td>
<td>-0.1</td>
<td>14.4</td>
<td>5.3</td>
</tr>
<tr>
<td>1960–65</td>
<td>3.9</td>
<td>14.6</td>
<td>6.5</td>
</tr>
<tr>
<td>1965–70</td>
<td>2.2</td>
<td>17.4</td>
<td>7.6</td>
</tr>
</tbody>
</table>

It will be seen that the growth rates of 'ASEAN' during the period were very stagnant in contrast with those of Japan and the U.S.A. In other words, the ASEAN region became more and more dependent on and was left far behind the U.S.A. and Japan in economic power during
the period; which was the very phenomenon the dependency theory described"(5). It was not quite a coincidence that the dependency theory evolved during the same period.

That is why many countries attempted to achieve economic development by other approaches. Their typical examples are Nehru's India, Nasser's Egypt, Soekarno's Indonesia, Castro's Cuba and Nkrumah's Ghana. Strategies "directed from above" for development in those countries succeeded in producing an immediate effect and were supported by their growing nationalism because they were "independent" or without outside help. As a matter of fact, the nationalism, combined with the slogan of "anti-imperialism," can be regarded as a major contributing factor in preventing steady application of a "strategy for dependent development."

Here is a case study of growing nationalism in Russia today, and the nationalism is that which has been needless under an older way of industrialization, because the way has been 'nationalization' and nationalization is essentially a way to be against foreign powers. In other words, the way of industrialization "directed from above" may have been supported by nationalism in the former Soviet Union and Eastern Europe. Therefore, abandonment of the strategy due to the collapse of the U.S.S.R. certainly made itself antinationalistic.

For instance, giving priority to the stabilization of currency, the IMF (International Monetary Fund) insisted on suspension of expenditure on massive state subsidies for the protection of state-owned enterprises (increase in currency issue) and that of schemes indexing a pension to prices. Such suspension has forced hardships on pensioners; and brought about ruining of domestic industry, allowing foreign businesses to make
inroads into Russia. Isolated from other people, foreigners staying there on business are enjoying an extremely high quality of life thanks to the exchange rate gap. These situations are common to all developing countries, but must have been difficult to put up with for the Russians who seldom experienced "dependence on others." It was under the circumstances that, particularly supported by pensioners and workers of state-owned enterprises, there was the rise of extreme nationalists represented by V. Zhirinovsky.

What is mentioned above is the issue of nationalism in Russia, but not limited to the commonwealth. The U.S.A., which once controlled petroleum and the automobile industry in the world, forced motorization on Japan and ruined Japan's coal industry (in 1960 anti-Japan-U.S. Security Pact demonstrations were staged). Before S. Allende took office in Chile in 1970, at issue was also control of mines and telephones by American capitals⁶. It was a major issue whether or not developing countries' strategy for development was dependent on others. That was why the "dependency theory" which radically criticized "dependence" could establish itself in society.

A Third Peasantry Approach

Even though the circumstances as mentioned above made it difficult to adopt an "approach to dependent development," the alternative approaches by Nehru, Nasser, Soekarno, Castro and Nkrumah were also not so firmly established. Some of them were frustrated by coups d'êta, and gradually began to split into lines. It was because as long as their "capitalistic economic arrangements directed from above" were "industrialization," primitive accumulation of capital for it had to
be done through exploitation of agriculture. This is quite the case with the former Soviet Union whose industrialization was brought about by exploitation of agriculture. Naturally, peasants fiercely went against such approach. If the industrial sector (factory workers and industrial capitalists) had no initiative over the authority unlike in the former Soviet Union and Eastern Europe\(^{(7)}\), it was inevitable for them to give it up. In China such approach evolved into an agriculture-oriented idea of "industrialization supported by agriculture" during the period of Great Leap Forward; and the term "peasants socialism" was invented in the "Third World." Distinguished from the second approach attaching importance to industry, this approach was interpreted as being suitable for the "Third World." The term "the Third World" appeared for the first time in China where peasants' initiative was powerful, and many sympathizers emerged in the countries of the Third World. Under the circumstances the school of the dependency theory including Amin tried to support the approach.

As the first two strategies had advantages and disadvantages, the third peasantry approach could not achieve a high growth because it tried to maintain the traditional society, as it was the case with peasants. So it can be said that the approach was conservative or not interested in innovation \(^{(8)}\). Thus each of the three strategies for economic development is found to have its own advantages and disadvantages. The following Table 2 is a summary of them.

Here are additional remarks which I would like to make. First, when growth at a later stage of the first approach is compared with that at an early stage of the second approach, the former is "dependent" and the latter "independent." In addition, there is a difference between them
Table 2 Comparison of Three Approaches to Development

<table>
<thead>
<tr>
<th>Approach to development</th>
<th>Economic Development</th>
<th>National independence</th>
<th>Status of agriculture</th>
</tr>
</thead>
<tbody>
<tr>
<td>dependent development</td>
<td>Stagnant → Growing</td>
<td>Dependence</td>
<td>Decline due to industrialization</td>
</tr>
<tr>
<td>industrialization</td>
<td>Growing → Independence</td>
<td></td>
<td>Exploitation of agriculture</td>
</tr>
<tr>
<td>directed from above</td>
<td>Stagnant</td>
<td>Independence</td>
<td>Not exploited</td>
</tr>
<tr>
<td>peasantry approach</td>
<td>Stagnant</td>
<td>Independence</td>
<td>Not exploited</td>
</tr>
</tbody>
</table>

that the former (the first approach) is based on market mechanism and the latter (the second approach) is not. The difference results in a gap in growth between them at their respective later stage, because competition in a market economy has more powerful forces to compel improvement in productivity and innovative techniques and management than a state-controlled economy. Therefore, it is impossible to achieve a developed capitalism without such a market force. The market economy involved in the "first approach" which allows market penetration by foreign businesses results in ensuring a host country growth in its whole economic activity(9).

Second, the post-war division of the world or the Cold War itself is considered to have been connected with these three approaches. The
economies which chose the first approach in the table formed an alliance with the Western powers led by the U.S.A. (for example, SEATO, CENTO, OAS, U.S.A.–Korea Treaty, etc.); the countries which adopted the second approach went for the Soviet Union; and the nations which opted for the third approach were mostly influenced by China. The third approach nations, however, did not necessarily develop into forming a "China bloc" because they did not have such a system of economic specialization within the bloc as the other two approaches, and stayed in just a political solidarity. Even if there is no such reason associated with international relations, and if a system for economic development does not succeed, the system will not be maintained continuously, which can be deemed as a more sufficient reason for extinction of the "bloc." If the dependency theory asserted that the third world should be interpreted to form a part of the "world system of capitalism," it seems that the "world system" should be described as consisting of the "cold war" structure between the U.S.A. and its allies and the Soviet Union and its allies, and the third power countries opposing the structure.

4. Conclusion – from Dependency to Independence

A general view of the changes in the Third World theory has been given as above contrasting the dependency theory refuted by facts to the modernization theory, and it has been seen that countries had their own objective strategies for economic development corresponding to each of the theories. It is an irrefutable fact that the theory of dependency failed, and no theoretical development is indeed possible without admission of the failure. But it will not follow that the dependency theory was truly exploded, unless what had supported the theory was
made clear anyway instead of just stating that it was "wrong." The viewpoint of Marxists' historical materialism is that the dependency theory also was an objective reality as an ideology, and that the theory is only a subject to be explained as part of the superstructure. This is identical to say that, on the issues of the "socialism," objective grounds for the existence of Stalinism should be clarified instead of just rejecting it by saying 'it was wrong.'

In other words, being a kind of meta-theory, Marxism "expounds" that ideologies such as the dependency and modernization theories and social systems such as capitalism and imperialism have objective grounds to exist. Left wing activists can not understand the point, and they despised Marxism as a "tool of struggle" and only the "leftist theory." This despising came near taking the life of Marxism together with the dependency theory. Marxism should be clearly distinguished from the dependency theory.

After a long spell of trials due to dependency, developing countries have achieved a high economic growth at last, and are now embarking on solution of a wide range of social problems by their improved productivity, such as gradual winning of economic independence through augmentation of domestic capital and democratization of political system as well as elimination of a purely economic issue of poverty. Improved productivity is a base for progress of any superstructure – that is why I would like to reconfirm the proposition of historical materialism.

Notes:
(1) This comment is based on, for instance, N. Nakagawa(1979).
(2) I. Wallerstein, who draws on the ideas of the dependency theory, is recently attempting to revise the theory by arguing about the possibility of developing countries to be a 'center' of the world system. The change, however, is discussed simply as "possibility," and not as a "inevitability." In this respect he is different from Lenin, showing that he has a "flavor of the theory of dependency." See T.K. Hopkins, I. Wallerstein and others (1979).

(3) In our model, only Indonesia, Thailand and the Philippines are incorporated. Therefore, 'ASEAN' means only the three countries, in this paper.

(4) This is not concerned with developing countries, but a modern reality of Lenin's "Imperialism" is shown in trade frictions between developed countries. For the Japan–U.S. trade frictions, for instance, is conditioned by "uneven development" of productive forces between Japan and the U.S.A., and transformed to a political friction. That is, "market opening," "abolition of non–tariff barriers, and so on are struggles to determine the market share of Japan and the U.S.A. in their respective domestic market, and such division of market is carried out as a political struggle. In other words, the economic issue of market division has become politicized, and is on the same level as a "war between imperialist powers for market domination."

(5) Lenin stated, "The possibility of the export of capital is created by the entry of numerous backward countries into international capitalist life: the most important railway lines are either built or being built there: the elementary conditions for industrial development are in existence, etc." (Lenin, 1917, pp. 70–71)
Developing nations placed under strategy of "dependent development" were forced to remain stagnant while arrangements for such conditions were being made. So, countries already equipped with those conditions did not have such a stagnant run-up period.

(6) Another example is "the swing of pendulum" between acceptance and rejection of foreign or the UN forces in Cambodia today.

(7) In other words, this is a "case of a country where the powers of industrial workers still politically premature because of underdevelopment of industry." Difference in stages of objective economic growth underlies political conditions, and the opposite is not true.

(8) This is also the case with Mao Tse-tung's collectivization of agriculture. The creation of people's communes was not a progressive strategy.

(9) The present high economic growth in China is by distancing itself from the second approach and holding market system as the result. Nevertheless it goes without saying that the transition from Maoism (the third approach) to the new policy supported by Deng Xiaoping was also an essential condition for the growth.

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