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Capitalism Triumphant?
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Barney Frank, one of the more principled and courageous liberals in the US Congress, recently declared that liberals have made a major error by stressing issues that put them out of the mainstream; instead they ought to emphasize those aspects of their program that are supported by most Americans. Thus, liberals should give up on gun control, support the 65-mile-an-hour speed limit, be tougher on criminals, and proudly proclaim that they are anti-Communists who support free enterprise. Among liberals, Frank observed, "You're not supposed to say that the free enterprise system is wonderful and has worked better than any other."¹

Frank acknowledged that *in office* liberals have actually behaved the way he recommends: "they acted as if the free enterprise system was a good thing...and Communism was bad." The problem, however, has been that liberals "didn't talk about it enough."

Readers may wonder whether they somehow overlooked the many speeches on the floor of the US Senate calling for the removal of the blue and the white from the American flag; or the sharp editorials in the *New York Times* savaging the free enterprise system; or the devastating exposes in the *Washington Post* of how capitalism causes alienation, exploitation, and degradation. But, in fact, liberal criticisms of capitalism and tributes to communism have been rather muted.

It is no surprise that Reagan and Bush and their ilk have proclaimed the end of socialism. Thus, *Commentary* recently featured an article entitled "Capitalism: The Wave of the Future."² And Reagan's Interior Secretary, James Watt, it may be recalled, declared that the failure of socialism was nowhere better demonstrated than on US Indian reservations: every social problem, he claimed -- alcoholism, divorce, unemployment and venereal disease -- was exaggerated on the reservations because of "socialistic government policies."³ But today not just rightwing lunatics have proclaimed the failure of socialism: it seems as if liberals are climbing over each other in their enthusiasm to deliver the same message.

New York Times liberal columnist Anthony Lewis has written that "all about us we see the vindication of [Daniel Bell's *End of Ideology*] insight: the exhaustion of Marxism."⁴ What matters for developing nations in Africa, he says, "can be summed up in a phrase I heard somewhere in America last year: competence, not ideology." Liberal economist Robert Heilbroner has written in the *New Yorker* that the great contest between capitalism and socialism is over and capitalism has been the hands-down winner.⁵

Another noted liberal economist, Lester Thurow, in a review of a book defending capitalism, announced that the volume missed

the real issues, for the rightness of capitalism is no longer controversial. In fact, asserted Thurow, "I know of no major American economist or intellectual...who has called for government ownership of the means of production in the last 40 years."⁶ Now this is either tautological (that is, true because Thurow defines a major economist or intellectual as one who has the good sense to reject socialism) or else it's nonsensical (you don't need to read the *Socialist Register* to know that there have been some US socialists in the last four decades).⁷ But Thurow was correct when he stated as a generalization that "today intellectuals are more interested in making a lot of money by working for capitalists than they are in overthrowing capitalism"; and he would have been no less correct had he replaced the word "intellectuals" with "liberal intellectuals."

It seems like capitalism never had it so good. Taiwan and South Korea were supposedly lifted by capitalism from the ranks of the poor to become two of the most dynamic economies in the world. Communist states are moving toward free markets or else wallowing in economic stagnation. In the Soviet Union the going joke -- according to the *New York Times* -- defines communism as the "longest and most painful route from capitalism to capitalism."⁸ Is socialism dead? Is capitalism the wave of the future?

The short answer is that socialism cannot be dead because it ~~has been~~ has ever been organized along genuinely socialist lines. It's like a cop-out, a way of defending socialism by defining it so loosely that no failure could ever discredit the socialist project. It wasn't "true" socialism. Such a position has its merits; it cannot be avoided. Socialism must be defined minimally as a society in which all the major institutions are owned and controlled by the people, and by all the peoples; obviously not just capitalists, but also not just a party claiming to rule on behalf of the working class. And by this definition there has never been a socialist society.

There are many subsidiary questions that a socialist society must answer: Within the context of social ownership will there be markets, central planning, or some sort of participatory planning (my choice)?? What will the precise degree of egalitarianism be? What will the relative responsibility of producers and consumers councils be? And so on. So long as these questions are answered democratically, it would be sectarian to define a society that answered them differently from one's own preferences as not being socialist. But class rule or vanguard party rule simply cannot be considered socialism.

Therefore, debates that take place within the ruling parties of one-party states have little to do with socialism (though we may favor some decisions rather than others), just as debates in capitalist nations about whether to have a more or

less egalitarian tax system or what the minimum wage should be, while of interest to socialists (who, after all, care about people's well-being) are not about socialism. Yugoslavia does not have a system of "market socialism"; workers have considerable say over the day-to-day running of their factories, but as long as the fundamental economic and political decisions are made by the Communist party, as long as free debate is constrained, this cannot not be socialism. Sweden is probably one of the most humane societies on earth, with extensive welfare-state programs and civil liberties; but as long as private corporations are in control of the overwhelming majority of the economy, as long as workplaces are still run by managers appointed by capital, this is not socialism either.¹⁰

This said, however, it leaves many other questions unanswered. What has been going on in the "communist" countries? If socialism must be democratic, how do socialists answer the capitalist charge that all known democracies have been capitalist? I will deal with this last question, and part of the first, next month. Here I am going to consider two other questions, realizing that these are just a small piece of the larger capitalism versus socialism issue. First, do Taiwan and South Korea offer the real development model for the Third World? Do these countries prove that capitalism is the best or even the only way to move nations out of poverty. And, second, is all the leftwing talk of redistribution and equity just an excuse for failed economies? Do redistributionist policies present any opportunity for improving the lives of people in the Third World?

The NICs

There is something rather ironic in proclamations of capitalist ideological victory coming at a time when the number of homeless on our streets has never been higher, when the US economy has been bailed out once again by a massive increase in defense spending, when Western Europe has experienced its 17th straight year of increasing unemployment.¹¹ In the face of this rather abysmal showing, it has been necessary for the defenders of capitalism to try to rest their case not on the advanced capitalist nations, but on the so-called Newly Industrializing Countries -- the NICs -- Taiwan and South Korea. (Different writers include different lists of countries among the NICs; many include Hong Kong and Singapore, but these are city-states, and their situations differ from those of other developing nations. But Taiwan and South Korea are on everybody's NICs roster.) Today South Korea not only produces VCRs better than the United States, but it serves as the model of capitalist development. The NICs, it is claimed, have not only achieved astonishing levels of aggregate growth, but their income distributions are among the most egalitarian in the developing world.

There is nothing in socialist ideology that denies that capitalism can lead to economic growth; Marx, after all, was

frankly delirious in his tribute to capitalism's potential for growth. Marxists have made two claims, however, about this capitalist growth.

First, while capitalism might provide material goods, it would also increase alienation. Lenin, for example, at the turn of the century criticized a draft program of the Russian Social-Democratic Workers' Party for declaring only that socialism would satisfy people's material needs -- this, he said, the trusts could do; socialism's promise, he insisted, was "the free, all-round development of all members of society."¹² And it wasn't just marxists who saw the human costs of capitalism's material growth: the philosophical godfather of capitalism, Adam Smith, noted that the division of labor in factory work made workers "as stupid and ignorant as it is possible for a human creature to become."¹³

Second, marxists have claimed that capitalist growth tends to generate inequality. If the engine of capitalism is private profit, then some are going to succeed and some not. This is usually a description of capitalism within a single society, but there is no reason the same logic does not apply on a world scale. Capitalism can have its Horatio Algiers and its South Koreas. But since capitalist success comes precisely from beating out others, not everyone can achieve success. And indeed an examination of the NIC's experience makes it clear that their success will not be readily duplicated by other poor nations.

First of all, Taiwan and South Korea had rather unique colonial experiences. Typically, colonial powers groomed their colonies as sources of raw materials. Indeed, many nations actually experienced a decline in their level of industrialization while they were under colonial rule.¹⁴ At first Japan intended its colonies Korea and Taiwan to fulfill the same raw materials role. But this soon changed. As Alice Amsden, a leading authority on Taiwan's economy, has written:

In the 1930s, Japan reshaped its policy of transforming Taiwan into a source of food supply for the home market. The shift in policy can be understood only in the context of Japan's increasing militarism and expansionism in the Pacific. Belatedly and frantically, Japan sought to refashion Taiwan as an industrial adjunct to its own war preparations....From a few industries with strong locational advantages before 1930 (e.g., sugar and cement), industry in Taiwan expanded in the 1930s to include the beginnings of chemical and metallurgical sectors, and as World War II cut off the flow of duty-free goods, some import substitution began.¹⁵

Already by 1937, almost half of Taiwan's output was accounted for by the industrial sector.¹⁶ And the infrastructure upon which industry depends -- ports, roads, and railroads -- was

also highly developed.¹⁷

In Korea, the Japanese colonial authorities had issued a law designed to limit non-agricultural investment that might compete with Japanese industry. But the law was abolished in 1920. In the 1930s colonial policies shifted toward the creation of heavy industry and by 1939-41, 29% of Korean output was manufactured goods (up from 7% in 1910-12).¹⁸ (A majority of the industry was in what became North Korea, but the south still had 35% of the heavy industry and 69% of the light industry and dominated in textiles, machine tools, and manufactured food.¹⁹) By World War II, in the words of a specialist on the Korean economy, "manufacturing, transport, power, and the other elements of industrial infrastructure were unusually advanced for a poor country, especially one that was a colony."²⁰

And the Japanese did not just bring industry. Taiwan's agriculture, although weakened as a result of World War II, was still, after Japan's, "the most advanced" in Asia.²¹ Japan's "colonial education system left Taiwan with one of the most literate populations in Asia..."²² (Americans like to compliment themselves on the education they brought to the Philippines; in fact, however, though Taiwan started the century well behind the Philippines, the 1938 fractions of the population in school were the same for the two colonies, and the per capita expenditure on education was 50% higher in Taiwan than in the Philippines.²³) In Korea, the general level of education was, according to two specialists, "unusually high for a country at Korea's level of economic development." By 1944 approximately half of Korean children were receiving primary education and the literacy rate was said to be 22%.²⁴

One should be clear, of course, that these aspects of the Japanese colonial record had nothing to do with Tokyo's benevolence: these were policies adopted to serve Japanese interests that happened as well to spur economic development. In many other areas, Japanese interests conflicted with those of the Taiwanese or Korean people, and Japan pursued these with great arrogance and brutality. In Korea, Japanese exploitation left the majority of the population destitute: 94% of farmers were full-time or part-time tenants, a situation with "few parallels in the world," in the words of the definitive study. In 1934 the Japanese Governor General estimated that every spring about half of Korea's farmers would be scouring the countryside for bark and grass to eat.²⁵

Because Japan dominated the economies of its two colonies, the confiscation of Japanese assets at the end of World War II had a significant leveling effect.²⁶ Further leveling occurred as a result of land reforms -- along with Japan's, the most extensive in the capitalist world. Land reform in any capitalist country runs into the entrenched power of the landlords. Unique circumstances, however, enabled both Taiwan and South Korea to carry out agrarian redistribution policies.

In Taiwan, the Kuomintang rulers who had come from the mainland (fleeing the victorious Communists) had no ties to or dependence upon local Taiwanese landlords. Chastened by their defeat at the hands of Mao's peasant armies, the government moved forward with land reform, something it had never done in China proper.²⁷

In South Korea, the American Military Government, beginning in the spring of 1948, distributed 90% of the land formerly owned by the Japanese to almost a quarter of the country's farm population.²⁸ US authorities were not radicals, as their monstrous repression of the left demonstrated.²⁹ But given the near-revolutionary conditions prevailing in the rural areas of the south and the land reform carried out in the north,³⁰ US officials viewed land redistribution as necessary to pacify the population.

The US measures, however, proved insufficient to calm the Korean countryside; peasants were expropriating land, withholding rents, and killing landlords.³¹ (One tends to forget the intensity of class struggle in South Korea before the Korean War; it is estimated that 100,000 people were killed in guerrilla warfare and massacres prior to 1950.³²) Responding to the pressures of peasant militance, in 1949 the National Assembly enacted a further land reform, overriding a veto by President Syngman Rhee. The outbreak of the Korean War interrupted the reform, but the North Koreans instituted a land redistribution in territory they briefly held,³³ and when the US and Rhee retook the south, the land reform had to be resumed in order to maintain rice production and any popular support for the prosecution of the war.³⁴

The spread of education also had an equalizing effect in South Korea. This was not so much because of government policy (government spending on education has been quite low by international standards), but because of strong public pressures and the Korean people's willingness to finance the bulk of their educational expenses privately. By 1965, over 90% of primary school-age children were in school, up from two-thirds in 1953.³⁵ Another factor contributing to equalization in Korea was the Korean War, which destroyed a large fraction of all physical assets.³⁶

Taiwan and South Korea thus began their periods of industrialization with considerably less inequality than most other Third World nations.

In Taiwan, the Kuomintang also inherited the Japanese state monopolies and a state interventionist approach taken by the Japanese to Taiwanese development.³⁷ In 1952 public enterprises produced 56% of value added in mining, manufacturing, and utilities.³⁸ By way of comparison, the public sector accounted for only 4% of mining and manufacturing employment in Sweden in 1960, 9% in Great Britain (1962), and

84% in East Germany (1964).³⁷ In Korea, too, the confiscation of Japanese assets led to a relatively large public sector, or at least one criticized as too large by the United States.⁴⁰

Both Taiwan and South Korea, because of their particular Cold War role, were provided by the United States with extremely high levels of economic aid, among the highest in the world on a per capita basis. In the 1950s, nearly 40 percent of Taiwan's gross domestic capital formation was financed by foreign savings, almost all in the form of US aid.⁴¹ One scholar estimated that without US aid the annual growth rate of Taiwan's GNP would have been less than half of what it was in this period;⁴² another calculated that Taiwan would have suffered a net decline in per capita income.⁴³

In South Korea, foreign assistance -- mostly US aid -- provided more than half the total resources available for capital accumulation in every year from 1955 to 1962;⁴⁴ in 1960-62, foreign aid comprised 80% of total South Korean savings.⁴⁵ Aid from all sources to South Korea from 1945 to 1983 has exceeded \$26 billion, and from the United States alone, Korea received more total aid per capita than any other country in the world except Israel and South Vietnam.⁴⁶

Left critics have been quite right that most US (and other) foreign aid programs have had strings attached, but there is no doubt that capital formation is one of the main problems confronting poor nations and in South Korea's case foreign aid provided a considerable fraction of the needed capital. By comparison, investment by multinational firms -- the method of capital accumulation most favored by the US government -- has played a relatively smaller role in Korea; there has been about \$1.4 billion in foreign investment, half of it from Japan.⁴⁷ In neither Korea nor Taiwan do foreign investors dominate the economy.⁴⁸ Thus, the view that Third World nations can industrialize by opening their doors to multinational corporations gets no support from the experience of Taiwan and South Korea.

Fueled by foreign assistance, Taiwan and South Korea were able to begin their process of industrialization at a very fortuitous time. The 1960s were years of worldwide economic boom and global markets were wide open. An industrialization strategy based on exports could succeed, provided there were not too many competitors pursuing the same strategy. But, as economists Robin Broad and John Cavanagh have argued in a recent article ("No More NICs," *Foreign Policy*, Fall 1988), the world of the 1970s and 1980s is a very different place.⁴⁹ The international economic downturn has meant that export markets are no longer growing. (Not that world export markets were ever big enough for large Third World countries: as Stephen A. Marglin has noted, for India to duplicate the NIC achievement, Americans would have to change TVs as fast as they changed shirts.⁵⁰) In any event, however, world export markets in coming years are never going to match the growth rates of the

boom period of the past. (South Korea was also a major beneficiary of US off-shore procurement for the Vietnam War; like Japan during the Korean War, South Korea obtained the benefits of US military spending, without the costs. In 1967, 19% of Korea's foreign exchange came from the Vietnam War.⁵¹⁾

In addition to the general global economic stagnation, the industrialized countries are becoming more and more protectionist. And the protectionism is nowhere more stringent than in the textile and apparel sectors, precisely the sectors in which developing countries usually begin their industrialization.

The World Bank, the International Monetary Fund, and the United States have been urging (actually pressuring⁵²⁾ all Third World nations to emulate the NIC export-oriented development strategy. But all this does is force the developing nations to compete with one another to offer multinationals cheaper and more docile workers and more attractive financial packages in order to secure increasingly scarce export markets. For developing nations to succeed with this export strategy, they will have to compete not only with the increasingly protectionist industrialized states, but also with the NICs, as well as all the other developing states. This is a contest not likely to yield many winners from among the poor.

The rich countries are also becoming far less tolerant of Third World efforts to protect their own infant industries or of Third World "borrowing" of industrial secrets and patents -- both important components of Taiwan's and South Korea's economic success. (In this age of Asia-bashing it is important to recall that protectionism and "borrowing" were important components of US economic success as well. Two centuries ago, it was the theft of British textile technology that launched the US industrial revolution.⁵³⁾

Another reason why the NIC experience will be difficult to duplicate, according to Broad and Cavanagh, is the changed nature of technology. Taiwan and South Korea received from the advanced nations complete industrial processes, such as shipbuilding and machinery. But modern computer and communications technology has enabled multinational corporations to provide developing nations today with just small pieces of worldwide assembly lines for semiconductors, consumer electronics, textiles, and apparel.⁵⁴⁾ Developing nations are thus receiving less value-added, less technology, and less control.

For all these reasons, the NIC model will not be often duplicated, if ever at all. Capitalist, export-oriented development may have worked for Taiwan and South Korea, but other Third World nations who put their faith in this approach are likely to be sorely disappointed. And it must be noted that though Taiwan's and South Korea's growth rates have been extremely impressive, the "economic miracles" have not brought

paradise to all NIC residents.

South Korean statistics show that the bottom two-fifths of households have gone from a 19% share of total income to 15% between 1965 and 1980; the upper fifth has gone from 42% to over 46% in this same period.⁵⁵ But these figures surely understate the inequality. As one scholar has noted, among other problems the "income-size estimates for Korea are derived from surveys that exclude wealthy households, single-person households, non-farm households in rural areas, and small farmers, which results in a bias toward overrepresentation of those nearer the mean of the size distribution of income."⁵⁶

There is no doubt that Korean society has been getting more and more unequal, and this has not been *despite* government policies, but *because* of them. As a consultant to the US Agency for International Development has noted, "Government labor and agricultural policies have discriminated against peasants and industrial workers."⁵⁷ The value-added tax introduced in 1977, for example, has been regressive in its impact, hitting the poor the hardest.⁵⁸

Although tenancy in South Korea had been greatly reduced by the land reform of the early 1950s, by 1981 46% of farmers were either complete or partial tenants.⁵⁹ In 1980, 30% of Korean wage earners received less than a quarter of what a family of five needed for a minimum standard of living (according to the mainstream Korea Development Institute), and 56% received less than three quarters of the minimum.⁶⁰ The Korean Federation of Trade Unions (a generally pro-management organization⁶¹) estimates that in 1983 salaries for all workers averaged about half of the minimum, and the gap between the average wage and the minimum needed has been growing.⁶² Women's wages are less than half those of men.⁶³ In 1984 manufacturing workers had a 54.3 hour work week, "the longest in the world," according to the International Labor Organization; in 1986, the average South Korean work week was 57 hours.⁶⁴ At the Sephong Plywood factory in Kunsan the standard work week is 76 hours.⁶⁵ South Korea is also one of the world's most hazardous countries for a worker: in 1986 more than one out of every thousand workers was killed on the job.⁶⁶

Redistribution

It is interesting to note that those who applaud the NIC model and urge it on other countries, call only for following Taiwan and South Korea in terms of their commitment to capitalism, their export orientation, and their (alleged) openness to foreign corporations. (Some, it is true, also admire their authoritarian states.) But in fact, the NICs could be used to prove a rather different point: that a key to development is beginning with substantial equality and with thorough land reform.

Development itself, of course, is an ambiguous concept.

For some it means aggregate economic growth, industrialization, and increasing per capita income. It can also be viewed, however, as the improvement in the lives of the population. These two notions are related, and in the case of Taiwan and South Korea, for example, development in both senses has occurred. But it is possible for nations with substantial GNP growth to show relatively meager improvement in the lives of their citizens, and, likewise, it is possible for nations with unimpressive aggregate growth rates to register sharp improvements in living conditions.

The satisfaction of basic needs is not well measured by income, not even if income distribution is taken into account. In part this is because cross-national comparisons of income ignore differences in domestic purchasing power. (You can live on \$500 per year in Ethiopia, but you could not do so in the United States.) In addition, income-based measures of well-being omit any benefits derived outside the monetary economy, such as government subsidies. (For example, it would be misleading to assume that differences in per capita income in the USSR and the US accurately correspond to the differences in living standards given that housing, heating, gas, telephone, and other utilities are practically free in the former⁶⁷ and account for about a third of the typical family budget in the latter.⁶⁸)

An alternative to income-based statistics for measuring well-being is the Physical Quality of Life Index, PQLI, a composite index combining the infant mortality rate, life expectancy, and literacy. These three components are generally considered the most important indicators of physical well-being. Each of the components to some extent takes into account distributional effects, because if only the rich live long or are literate, the statistics will be low; to get a high score, a relatively large fraction of the population must be benefiting. (Per capita GNP, on the other hand, will be misleading if income is skewed.) The PQLI ranges from 0 to 100, with a score of 0 representing the worst performance of any society since 1950, and a 100 representing the best conceivable performance for any country in this century.⁶⁹

One study of the provision of basic human needs in Latin America⁷⁰ found that richer countries tended to perform better than poorer ones, but not invariably so. In 1980 Cuba ranked in the middle of Latin American nations in terms of per capita income but led in PQLI. Moreover, the rate at which Cuba reduced the disparity between its 1960 PQLI and a perfect PQLI score of 100 was easily the highest in Latin America and among the highest in the world. (There are some who claim that Cuba's figures have been fudged,⁷¹ and the claim cannot be rejected out of hand given the lack of free information flow in Cuba; but a highly critical scholar has concluded that "current estimates of life expectancy and infant mortality are correct."⁷²)

One fascinating study of how government policies that

emphasize redistribution over growth can enhance people's lives has been done by Richard W. Franke and Barbara H. Chasin in Kerala, one of India's states.⁷³ (Some of their findings will soon appear in their "Kerala State India: Radical Reform as Development," to be published by the Institute for Food and Development Policy, 145 Ninth St., San Francisco, CA 94103.)

India is an extremely poor country (1986 per capita GNP was \$290), but Kerala is even poorer, with a per capita GNP of \$182. Nevertheless, Kerala's adult literacy rate is 78% (compared to 43% for India as a whole), life expectancy is 66 years (compared to India's 57), and infant mortality is 33 deaths per 1,000 live births (compared to India's 86). The only low income countries in the world (defined by the World Bank as those with per capita income under \$425 in 1986) with equally good figures for infant mortality or life expectancy are China, Sri Lanka, and Vietnam (life expectancy only), all nations with a substantial commitment to redistribution.⁷⁴

An elected leftwing government has ruled Kerala on and off since 1957, sometimes in coalition. The dominant left party, the Communist Party, Marxist (CPM) has been since the mid-sixties an internationally independent communist party, and Kerala has been characterized by one observer as representing "the Euro-Communism of Asia."⁷⁵ Civil liberties have been maintained and when the left has lost an election it has retired from office peacefully. On the other hand, it should be noted that at least once the CIA used its funds in an effort to block the left's electoral victory.⁷⁶

Kerala is not, however, socialist, by anyone's definition. This may represent the narrowness of the CPM vision, and it surely reflects the pressures of coalition partners. More important perhaps is the fact that Kerala is one state within a larger nation and there are limits to what kinds of social transformation are possible on the state level. In 1959, the central Indian government dismissed the government of Kerala, showing one obvious limit. In addition, it is the central government that allocates the bulk of the tax revenues and many claim that the allocations penalize Kerala whenever the left is in power. In March 1987, Kerala's Minister for Finance charged that central government investment in industry in Kerala was less than half of the state's fair share based on population.⁷⁷ And Kerala is much less able to control capital flight and other capitalist activities than any national government would be. Despite all these limitations, however, it is still interesting to see what a government backed by powerful mass movements and committed to redistribution can do to meet the basic needs of its citizens.

Kerala has had an extremely extensive land reform program and has enacted pensions for agricultural workers, unemployment insurance and welfare, school and nursery feeding programs, educational expansion, ration shops (where government subsidized food is provided), and affirmative action (for the former

"untouchable" castes). The combination of these reforms has had a dramatic impact on inequality. In the village that Franke and Chasin studied, inequality declined by more than 16% from 1971 to 1987. In terms of quality of life, Kerala's PQLI went from 50 in 1961⁷⁶ to 70 in the early 1970s to 80 in the early 1980s -- which put it dramatically higher than India (1981 PQLI=46), and above every other low income country except Sri Lanka. Countries with PQLIs comparable to that of Kerala typically had per capita incomes many times higher: e.g., Paraguay (per capita GNP nine times that of Kerala) and Mexico (12 times). Moreover, Kerala's rate of improvement between the early sixties and eighties -- given that the higher the PQLI the more difficult it is to attain each additional PQLI point -- has been extremely impressive: more rapid than the rich countries, twice the average rate of middle income and poor countries, and more than three times the rate of India as a whole.⁷⁷

Kerala's quality of life statistics are not simply higher than India's, but the benefits are distributed far more equally between urban and rural areas, between men and women, and between castes. For India, the female literacy rate is 50% that of males, the rural rate 50% that of the urban, and the rate for former "untouchables" 60% that of the other castes. For Kerala, on the other hand, the female rate is 88% that of males, the rural 90% that of urban, and the former "untouchables" 78% that of the other castes. For infant mortality rate, the rural figure for India is twice the urban figure; for Kerala it is only a third higher. For life expectancy most countries in the world have higher figures for females than males, perhaps reflecting biological differences. But for India, female life expectancy lags a year behind that of males, while for Kerala, females live four years longer than males.

Kerala is in fact the only Indian state in which there are more females than males. Traditional biases against females are strong in India and, especially where women's contribution to household income is lowest, female babies tend to receive less food and health care and stand greater risk of dying than do male babies. This phenomenon of "excess female mortality" is not just a thing of the past; the ratio of females to males has been decreasing in many Indian states since 1921. In Kerala, however, it has increased. In part this is a function of the greater female educational levels in Kerala, including the fact that women are more than half the college students. (Kerala was the first Indian state to have a woman cabinet minister.) In addition, however, Kerala has extensive social services: nursery and school feeding programs, ration shops, and readily accessible health care. Of 22 Indian states surveyed, Kerala ranked first in the percentage of its villages containing health dispensaries, health centers, hospitals, primary schools, secondary schools, higher education facilities, and ration shops. Kerala's policies have not just benefitted the population in general, but especially those who are most often the victims of traditional development policies, namely women.

Kerala is still an abysmally poor state, and it has some extremely serious problems, in particular an intractably high unemployment rate. Unemployment insurance and other programs mitigate some of the hardship of joblessness and, ironically, the land reform has given families a cushion that may have enabled people to be more selective in taking jobs, rejecting available positions, for example, at a government-run spinning cooperative where the work is particularly arduous. But there is no doubt that Kerala's unemployment is a real burden.

Kerala is a part of a larger nation and as such cannot serve as a model for most Third World countries. It does demonstrate, however, that even amid desperate poverty people's lives can be sharply improved by redistributionist policies. Export-oriented capitalist development strategies can work for some -- they did for Taiwan and South Korea; but the external environment on which this strategy depends will not permit many others to follow in their path. A redistributionist approach, on the other hand, faces no such external limits, and there is no reason why everyone in the Third World could not have a better quality of life.

This is not socialism. But for most people in the Third World, where the per capita GNP greatly exceeds that of Kerala, the free enterprise system has not met people's basic needs. The World Bank has reported a study finding that the number of people below the poverty line has *increased* at least up to 1983-84 in Brazil, Chile, Ghana, Jamaica, Peru, and the Philippines.⁸⁰

Brazil is one of the richest countries in the Third World, and often considered one of the NIC success-stories. Yet two-thirds of its citizens do not get enough to eat, and every day a thousand children die from hunger-related causes. Only half of Brazil's children get past the first grade.⁸¹

An American researcher, Howarth Bouis, told a US Congressional committee of a sugar cutter he had met in Mindanao in the Philippines. The cutter's wife had gotten sick as a result of complications from childbirth in their one room shack. Three weeks later she died without ever having seen a doctor. The baby died soon after. No milk. "Why didn't you bring your wife to a doctor?" "No money."⁸²

This is a story that could be repeated thousands of times about much of the Third World. If capitalism is truly the wave of the future then the future is bleak indeed for millions of urban slum-dwellers and landless agricultural workers around the globe. Barney Frank might do well to visit some of these victims of capitalism before he next sings the praises of free enterprise.

NOTES

Thanks to Barbara Chasin, Dick Franke, Mary Jane Karp, Stan Karp, and Bob Rosen for helpful comments.

1. *New York Times*, 22 Dec. 1988, p. B8.
2. Jerry Z. Muller, *Commentary*, Dec. 1988.
3. *New York Times*, 19 Jan. 1983, p. A19.
4. Anthony Lewis, "The End of Ideology" *New York Times*, 29 Jan. 89, p. E23.
5. Robert Heilbroner, *New Yorker*, Jan 23, 1989.
6. Lester C. Thurow, "Who Stays Up With the Sick Cow?" *New York Times Book Review*, 7 Sept. 1986, p. 9.
7. One presumes that even if Thurow never heard of any radicals, he is surely aware of Nobel-prize winning economist Kenneth J. Arrow, who wrote "A Cautious Case for Socialism," *Dissent*, Fall 1978.
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