Correcting the Southern Bias in Development Economics: Issues and Tensions in Global Structural Transformation

Abel B.S. Gaiya*

Draft Paper†

Abstract

In order to be neutral to, or actively aid, the industrialization of poorer countries, rich countries must intervene within their domestic economies to internalize the costs of industrial adjustment. Interventions include industrial policy to aid the rapid reallocation of capital & generation of new industries and innovations; social policy to aid the rapid reallocation, upskilling, reskilling, and transitional welfare nets for labour in and from import-competing industries; and fiscal policy to mitigate the negative macroeconomic shocks from intensified import competition. Thus, being neutral to the industrialization of emerging countries does not actually require industrialized nations to take a "hands-off approach" in the sense of simply not placing barriers to the converging country. However, this is also a tensile endeavour, as forces within global industrial capitalism and economic hegemony make such interventions by industrial incumbents very difficult. This includes a limited manufacturing share of global GDP (saturation point of Engel's law), the embeddedness of expansionary interests of merchants and capitalists in the state, and the domestic and international pressures for regional and global industrial great powers to be the hubs of economic liberalism.

Keywords: structural transformation, global development, industrial policy, international political economy, social policy

* This is a revised version of a paper presented at the 10th Annual International Institute for Promoting Political Economy (IIPPE) conference, themed "Envisioning the Economy of the Future, and the Future of Political Economy", at the University of Lille, France.

1. Introduction

Since the early modern era, it has always been recognized by many that development and structural transformation are international processes. Foreign trade, foreign investments and foreign markets were key adjuncts to domestic trade, structural change and investment. However, what mercantilism entailed was an aggressive and ravenous international development environment. Mercantilism formed the corollary of nationalism and imperialism (Barth, 2016). Therefore, foreign economic policy of mercantilist powers pursued the suppression of the trade and manufactures of neighbours, peripheral and semi-peripheral economies; and subjected colonies to systematic mercantile regulations.

At the same time, the victims of such mercantilist great powers have always called their oppressors to provide at worst a “neutral” environment for international development. This was advocated by 17th to 19th century thinkers from the global periphery and semi-periphery, such as the Ireland’s William Molyneux, Scotland’s Andrew Fletcher (Hont, 2008), Switzerland’s Emer de Vattel (Alimento, 2019), France’s Marquis de Mirabeau, West Africa’s Olaudah Equiano (Gunn, 2010), Germany’s Frederich List, America’s Alexander Hamilton and Latin America’s Simon Bolivar (Helleiner and Rosales, 2017). At best, great powers have been called to provide a more benevolent international environment for developing countries by providing foreign aid and assistance and robust development policy space. This was advocated at least since Sun Yat-sen in 1919 (Helleiner, 2014) and developing countries during the great depression and following the Second World War.

However, in order to maintain “neutrality” and avoid externalizing the costs of industrial adjustment to other countries, the industrial incumbent must intervene domestically. Interventions include industrial policy to aid the rapid reallocation of capital & generation of new industries and innovations; social policy to aid the rapid reallocation, reskilling, upskilling and transitional welfare nets for labour in and from import-competing industries; and fiscal policy to mitigate the negative macroeconomic shocks from intensified import competition (Cimoli and Porcile, 2011). Thus, being neutral to the industrialization of emerging countries does not actually require industrialized nations to take a “hands-off approach” in the sense of simply not placing barriers to the converging country. This form of ‘neutrality’ creates domestic Polanyian counter-movements which seek to protect against import penetration and mature deindustrialization, reduce competition for foreign markets and prevent the industrialization of other countries. Rather, neutral development policy space requires industrialized countries to exert positive effort into enabling a smoother reallocation, upskilling and upgrading of capital, labour and technological capabilities, respectively, for a more rapid process of structural change, or else regressive counter-movements more strongly emerge in favour of protectionism and free trade imperialism.

This paper argues that this was indeed recognized since the early modern period, but structural conditions gave preference to aggressive measures for externalizing the costs of industrial development. Social and fiscal policy were limited options for structural reasons – limitations in bimetallic monetary systems, warfare taking up the majority of public expenditure, and weak labour classes unable to adequately press for social policy. Protectionism, settler colonialism, imperialism and unequal treaties were major means of externalizing the costs of industrial adjustment and pacifying domestic class conflicts. With much of these options foreclosed from the mid-20th century, and with the structural advances made in the possibilities for social and fiscal policy, the options of industrial, social and fiscal policy as means of internalizing the costs of industrial adjustment became more salient. Yet they have not been brought into the mainstream of both general economics and development economics.

It may then be argued that studying economics for regional and global hegemons should come with a 'hegemonic premium' – that is, recognition of the large regional and global developmental externalities demonstrated and demonstrable by large developing and emerging economies, and the most industrialized economies in a region or globe. Studies of industrial, fiscal, social, trade and development policies among hegemonic nations must therefore not take such nations as 'just another country' where general economic and development theory is applied.

Yet these requirements for global structural transformation are ridden with tensions. Due to a saturation point for Engel's law with respect to the manufacturing share of global GDP, countries are competing for a stable share of global manufacturing in GDP. Therefore, in addition to the short-to-medium term industrial, social and fiscal policies for internalizing the costs of industrial adjustment during the industrialization of newcomers, rich countries must establish "stable" post-industrial polities, institutions, social-economies and political settlements; and poor countries must establish mini-industrial capabilities, institutions and social-economies. Yet regional hegemons often become the bastions of economic liberalism, and their merchants and capitalists promote aggressively expansionary foreign economic policy. Moreover, long-term transformations are needed at a time when the labour class is relatively weak, in a financialized post-industrial hegemon and structurally-heterogeneous and segmented pre-industrial regional hegemons of the global periphery. However, the latter can partly prepare legacies which may permit less aggressive foreign economic policies in the future, including land redistribution and rural development.

This paper makes these arguments using secondary literature. It also adopts a trans-historical approach, drawing from and contextualizing pre-20th century economic thinkers. The next section outlines the domestic requirements for avoiding a complete externalization of the costs of industrial adjustment, as well as the reason why these measures were not pursued in the early modern and 19th century periods. The section after that highlights the structural, political and class tensions involved in adjustment internalization. It also suggests some means by which pre-industrial regional great powers may prepare themselves for regional internalization.

2. Correcting the Southern Bias in Development Economics

Development economics typically focuses on industrial, social and macroeconomic policies of developing countries, while the developed countries are simply expected to be neutral or positive in their allowance or aid to the former's development. What is often left out is that the industrial, social and fiscal policies of the developed countries are just as critical in determining their developmental attitudes and policies towards the developing world. Protectionist policies against competing manufactured consumer goods exports of industrialized countries are important for developing countries and studied in development economics (Cimoli and Dosi, 2009). Yet it is at the expense of the export sectors, capital and labour in the industrialized country, as well as short-term terms-of-trade and macroeconomic shocks, which is often neglected in development economics and moves into the purview of developed country-focused macroeconomics where the link to the developing country is lost and the analytical starting point is that the shocks are exogenous.

Although some of these interrelations are considered by international economics, the sub-discipline does not fully appreciate the complexities involved. Factor endowments evolve as developing countries, with their lower labour costs (due to labour abundance) and Listian industrial policies (which facilitate technological learning), move from primary goods producers to labour-intensive manufacturing. The industrialized country's specialization shifts over time towards production of high-productivity and capital-intensive goods (due to capital abundance and product space proximity), which includes some deindustrialization and servicification (Samaniego and Sun, 2016). This structural change for the industrialized economic is partly enabled by “implicit reciprocity” – that is, rising capital goods demand from the industrializing economy (Cimoli and Porcile, 2011).

However, the increased demand for capital goods is often insufficient for the industrialized country to quickly absorb capital and labour from declining industries. This is due to capital and skills heterogeneity, the lower employment elasticity of the capital-intensive industries, and the financial instability risks and income/wealth inequalities which come with financialization linked to mature deindustrialization (i.e. deindustrialization occurring due to an evolution of factor endowments after structural transformation has peaked). Moreover, some capital exits the country to situate production in the lower-wage emerging economies. And although this increases production efficiency and profits for multinational corporations, weakens wage growth, labour power and worsens tax competition. Many of these problems were debated from the very beginning of industrial capitalism, during the late 17th century post-Glorious Revolution Anglo-Irish and early 18th century Anglo-Scottish rich country-poor country debates (Hont, 2008), the mid-18th century rich country-poor country debates (Schumacher, 2016), their early 19th century more empirically-oriented counterparts (Elmslie and Criss, 1999), and the mid-20th century birth of modern development economics (Endres and Fleming, 2004).

The problems of negative external shocks, unemployment, financial instability, higher inequality and lower bargaining power of labour (due to technological specialization, off-shoring and capital outflows) then emerge for the industrialized country. The manufacturers, labourers and politicians in the import-competing industries and regions employ their instrumental, structural and political power to lobby for protectionist policies, a narrowing of the global development policy space (as the Washington Consensus, Structural Adjustment Programmes, and breakdown of the Bretton Woods institutions represented), imperialism (Hobson, 1905; Chamberlain, 1984) and neo-imperialism (Harvey, 2003). In other words, catch-up by a significant number of industrializers entails economic shocks for industrial incumbents, triggering reactions from the latter and enabling a “global development cycle” (Ocampo and Parra, 2006). For the hegemons, these reactionary debates were also present in the 19th century when the industrialization of the U.S. and Germany intensified industrial competition for Britain, and when Germany, Japan and East Asia did the same to the U.S. in the 1980s (Bhagwati and Irwin, 1987).

Generally, the late 17th to early 19th century rich country-poor country debates which searched for means by which the industrial leader can adapt to converging economies, focused on industrial policy (promoting technological innovation, industrial restructuring and low-wage labour immigration), with a stark neglect of commensurate fiscal and social policy in the modern sense. Externalization of these costs through protectionist barriers, colonial impositions and unequal treaties substituted for fiscal and social industrial adjustment policies. John M. Keynes in the 20th century inter-war period proposed fiscal policy as an alternative to reactionary protectionist policy in the face of external trade shocks and domestic class conflict for developed countries. He could not advocate it earlier because of the fiscal and monetary constraints imposed by the gold standard (Eichengreen, 1984). Indeed, even the 19th century gold standard was progressive given the serious monetary constraints which prevailed under the preceding bimetallic monetary systems, because it enabled some delinking of money supply from the external shock of changes in the trade balance (Knafo, 2006). Under bimetallic monetary systems, the centrality of metallic coins in circulation "provided little elasticity for the supply of money since the increase of provided little elasticity for the supply of money since the increase of the stock of money required the addition of new gold or new silver" (Knafo, 2006: 86). Even states' agricultural and industrial concerns suffered from liquidity shortages and volatility, and the attraction of bullion from other countries posed a zero-sum solution internationally which was inimical to international economic and monetary cooperation (Knafo, 2006: 91-92). Banknotes were only over-issued to fund regime-imperative activities such as war, rather than a welfare state (Knafo, 2006: 98). Nonetheless, the gold standard still required strict adherence to orthodox fiscal discipline and adjustment through specie flows.

In addition to the liquidity constraints arising from the structural problems associated with the currency, there was a major budgetary constraint. Comprehensive poor relief was unviable because war-making was a key part of the state development and finance (Tilly, 1975). It is estimated that "Until the nineteenth century, states spent about two-thirds of their income on war" (Torres-Sánchez, Brandon and Hart, 2018: 4). Hoffman (2011: 57) notes that in France, for example, military expenditure was about 3 to 7 per cent of GDP in a year of peace of 1752, "a fraction comparable to defence spending in the US or the USSR at the end of the Cold War". In Eastern Europe, "Much of the imported capital was indirect in the form of loans to state governments which were used for military purposes, to cover budgetary deficits and for building up the state apparatus, and only a small proportion found its way into what might be termed productive investments” (Aldcroft, 2006: 24). It was only from the 1840s, when the free trade movement won political supremacy, till 1880 that Britain’s per capita spending on civil government began to rise, with civil government expenditure remaining a little over 20% of total government expenditure for the rest of the century (Harling and Mandler, 1993: 57). This covered spending on education, public health, and public works.

The major means of alleviating poverty was not through social policy and expenditure. Although England was a pioneer in state-delivered and tax-funded poor relief, and in its scale, due to the social dislocations caused by an emergent capitalist system, poor relief did not get substantially expanded (Patriquin, 2007). Proposed solutions to poverty beyond the domestic market’s capacity to absorb ranged from assisted emigration as a form of coercive social policy (Seeleib-Kaiser, 2019) and settler colonialism (Anievas and Nişancıoğlu, 2015: 150-152), to land redistribution (Cowen and Shenton, 1996: 239-242) and a land tax to break monopolization of land and open it up for productive purposes (Veracini, 2020: 438). Alleviating domestic overpopulation problems and poverty by exporting the “surplus population” to colonies through networks of empire was therefore not unusual. As Wagner (2016: 46) insists, “colonial emigration redressed the world’s demographic imbalance, caused by overpopulation in Europe on the one hand and deserted territories overseas on the other”. Hirschman (1980: 442) suspects that “the history of Europe in the 19th century would probably have been either far more turbulent or far more repressive and the trend toward representative government much more halting, had it not been possible for millions of people to emigrate toward the United States and elsewhere”. Joseph Chamberlain in the 1890s, although proposing the protectionism (and imperial internalism) which Keynes opposed, proposed social policies to aid upskilling and reskilling labour (Cowen and Shenton, 1996: 256).

It was therefore not surprising for Friedrich List, the most prominent among the 19th century neo-mercantilists, not to pay much attention to potential problems for the industrial incumbent given catch-up from late industrializers. In his 1841 book, he insisted that the best way for a dominant power to maintain its global position was through free trade policies that would prevent its firms from suffering from “retrogression and indolence” (Helleiner, 2020: 3). He thus did not propose means by which an industrial leader could quickly adapt to converging industrial states. This makes sense if List’s “industrial geography” is kept in mind. List wrote at a time when a substantial portion of the world – the tropical zones such as Latin America, Africa and Asia (Boianovsky, 2013) – was thought to serve as reserves for an industrialized country’s externalization of these costs of industrial adjustment. Hence in the late sixteenth century, Richard Hakluyt – the leading Elizabethan advocate for colonization – promoted North American settlement to reverse the trade deficit with Scandinavia for naval stores, "so we should not so exhaust our treasure." (quoted in Barth, 2016: 269). 18th century French colonial and re-export trade allowed France to compensate for trade imbalances with Great Britain, Central Europe and Asia in peacetime (Marzagalli, 2014: 116). Portuguese colonial mineral extractions from Brazil enabled it to sustain persistent trade imbalances with Britain (Watson, 2017: 261). Late 19th century Britain was only able to remain "neutral" to 19th century American and German industrialization (Bhagwati and Irwin, 1987) because it externalized the costs of adjustment onto India. Colonial rule over India allowed its trade surplus with the colony to fund its current account deficits with Germany, the U.S. and Britain's white Dominion states (Arrighi, 1994: 263; Anievas and Nişancıoğlu, 2015: 262).

For Henry Carey, protectionism was a means of displacing manufactures from Britain to America, thereby enabling American productivity growth, broader improvements and "raise the value of labour until the most damaging aspects of [industrial] exploitation were undone" (Veracini, 2020: 430). The idea that trade restrictions could help defend workers' interests emerged as a core rationale for the protectionism of the early modern Republican Party and remained influential in Republican circles and US politics more generally well into the twentieth century (Goldstein 1993). Indeed, Helleiner (2020: 6) invokes Huston (1983) in noting that it was not until Roosevelt undertook to protect workers through domestic labour legislation that U.S. trade policy began to move in a more liberal/'neutral' direction. As Huston (1983: 56–57) puts it, 'unions finally replaced tariffs as the means of insuring the worker a decent standard of living'. Henry Carey thus "differed from List in arguing that protectionism was an appropriate policy for the dominant economic power of his day – Britain – to embrace". For him, while some benefits from free trade accrued to Britain, such gains were concentrated among elites. On the other hand, workers and other domestic groups suffered from free trade in the same way as their counterparts in other countries (Helleiner, 2020: 6).

Carey also believed that settler colonialism was another way of displacing class conflict, the contradictions of capitalism and ensuring a 'harmony of interests' for Carey (Veracini, 2020). Others argued that if many settlers left through the westward expansion on North America, "the position of the urban workers who remained would be strengthened" (Veracini, 2020: 428). When, by the 1870s, there was no more surplus land to settle, Henry George followed Carey's reasoning to propose a land tax which would break land monopolies and put monopolized land to productive use in order to return to a harmony of interests and obviate the need for revolution (Veracini, 2020: 431-43). It is possible to extrapolate from all this and argue that if all options became foreclosed, due to an absence of 'surplus land' to settle, large swathes of unused monopolized land to revitalize, the redundancy of protectionism due to the international competitiveness of national industries and labour, and continued class conflict despite industrial progress, social policy to mediate between international trade and the domestic labour class may arise as a solution for protecting labour from global capitalism's vicissitudes.

Given that Britain was the most industrially-advanced nation of the 19th century, it was where thinking about how to maintain a position of industrial advancement or supremacy was most advanced in from late 17th (Hont, 2008) to early 19th centuries (Elmslie and Criss, 1999). Early (Elmslie and Criss, 1999) and late (Cowen and Shenton, 1996) 19th century thinkers recognized the need for British technological innovation and industrial renewal to avoid deindustrialization and decline due to catch-up by poorer countries.

Therefore, both large scale fiscal and social policy were infeasible prior to the 20th century, thereby making protectionism and colonialism major channels of externalization of the costs of industrial adjustment. Yet these generated trade imbalances for other countries beyond the empire (Marzagalli, 2014: 116). In other words, industrial adjustment without industrial, fiscal and social policies relied upon repressing the developmental potential and achievements of other economies.

However, a crisis of liberal capitalism followed the Great Depression, and the rise of Keynesian fiscal policy theory, social democratic and social policy movements across Europe, and the growing acceptability of industrial policy. From the onset of modern (post-war) development economics, it was recognized by many that rich countries would need to be industrially adaptable in order to profit from the industrial growth of poor countries, rather than respond with protectionism (Staley, 1945: 188-189). Staley (1945: 197-217), drawing upon William Beveridge, Allan Fisher, Joseph Schumpeter and Colin Clark (Endres and Fleming, 2004: 211), presented a comprehensive set of "adaptation" policies to smooth out adjustments through stimulating industrial mobility and distributing the burden of changing economic conditions by having the state provide assistance to contracting industries. These included industrial policies such as active competition policy and research and development policy (Staley, 1945: 201-202), as well as active labour market and social policy (Staley, 1945: 204-205). Indeed, post-war developing countries argued that, instead of seeking to protect against import penetration, developed countries should consider the proposition that “dislocation caused by structural adjustment could, with proper planning and retraining, be eased on the Swedish model” (ODI, 1976, 4).

The situation was even more beneficial for re-industrializing Western Europe and industrializing East Asia. East Asia, including Japan, benefited from a post-war bargain offered by the emergent hegemon, the U.S. Due to the strategic value of East Asia to the world power, and the anti-communist mandate it upheld, the U.S. offered the region:

> …a postwar bargain: it would provide Japan and other countries with security protection and access to American markets, technology, and supplies within an open world economy; in return, Japan and other countries in the region would become stable partners that would provide diplomatic, economic, and logistical support for the United States as it led the wider, American-centred anti-communist postwar order. (Ikenberry, 2004:355).

The developmental orientation of the U.S. to Japan was so positive that it “promoted the import of Japanese goods into the US during the 1950s so as to encourage Japanese postwar economic growth and political stability” (Ikenberry, 2004: 355). Generally, the U.S. actively supported the export-oriented development strategies of Japan and the smaller Asian Tigers by being willing to accept the imports of these countries and to live with huge trade deficits. This was only politically tolerable because of security alliances with Japan, South Korea, and other Southeast Asian countries (Ikenberry, 2004: 355).

For other regions which received less support due to their lower geo-strategic and security significance to the U.S., such as Latin America, Africa and the Middle East, the post-war “embedded liberal” order (Ruggie, 1982) fostered the “Golden Age of Development” (Ocampo and Parra, 2006: 8) not only because of decolonization and development policies carried out by formally independent nations. It was also because, compared with the “disembedded” liberal order of the 19th century and inter-war periods, economic openness was facilitated by industrial nations “through compensatory policies at the domestic level that responded to the volatility and economic transformation that accompany international economic integration” through “capital controls, active labor market policies, robust welfare state policies, and Keynesian demand management” (Goodman and Pepinsky, 2021: 414).

Post-war U.S. undertook industrial policy for technological innovation and industrial renewal through "hidden developmental states" (Block, 2008) and subnational developmental states (Bateman, 2012). Just as the domestic structures of the British, Spanish, French and Japanese colonial powers influenced their colonial economic policy (Cheney, 2019; Kohli, 2004), those of the post-war great powers also affect their foreign economic policy (Spaulding, 1991: 356-358). Liberal market economies like the U.S. tend to rely on macroeconomic policies and market solutions, and tend to export the costs of industrial adjustment to other countries given their lack of means to "intervene selectively in the economy" (Katzenstein, 1985: 23). Whereas coordinated market economies such as Japan are better able to pre-empt the costs of economic change (Katzenstein, 1985: 23; Hays, 2009). Japan's maintenance of long-term industrial policy, social policy and fiscal policy enabled it to combine its industrial upgrading with a facilitation of the most successful case of regional diffusion of industrial capabilities to date, the famous "flying geese pattern" of East Asia (Akamatsu, 1962). Small open coordinated and hybrid market economies such as Sweden and Denmark employ both industrial policy and social policy to adjust to external shocks and long-term structural change (Katzenstein, 1985). Unfortunately, the post-war sub-discipline of macroeconomics, following Keynes who paid very little attention to structural change (for instance, his *Notes on Mercantilism* focused on monetary drivers of the balance of trade doctrine), failed to incorporate these concerns into the field. Macroeconomics merely acknowledged that full employment in rich countries could help maximize demand for poor countries to develop.

3. Tensions in the Hegemonic Premium

Thus far, these complexities operate at the neutral level – that is, maintaining "neutral" development policy space and access to foreign markets by the industrialized nation requires domestic positive exertions in industrial, social and fiscal policies. Maintaining "positive" provisions require greater exertions. Post-war colonial France, when seeking to implement a more modernizing or inclusive imperialism also worried that "the process might result in the 'exhaustion of the Metropole'" (Cooper, 2018: 8). The persistent demands by the Fabian Colonial Bureau for more

Australia's "employment approach" of using expansionary macroeconomic policy as a means to a positive provision of access to foreign markets (Scott, 2010: 8) – for instance demonstrated in the developmental stimulation of Vietnam War spending in East Asia (Stubbs, 1999: 344-

349) – incurs the risk of excessive inflation for the hegemon, especially if it does not possess complementary labour institutions to minimize wage inflation (Streeck, 2011). It also hastens its deindustrialization and loss of export markets if the industrializing country has achieved international competitiveness and yet still maintains protectionist barriers without actuating reciprocity (as the U.S. complained about industrializing East Asia). Japan, which is prominent for catalysing the post-war flying geese (Akamatsu, 1962) pattern of East Asian development through a positive RID, has had the costs of this measure (which includes banking and institutional inertia, contributing to the poor state of its banking system and economy) often ignored (Ozawa, 2001). Maintaining positive development aid of course simply requires a greater percentage of rich countries national income dedicated to foreign aid. And maintaining positive development policy space requires the construction of an accommodating international financial and trade policy architecture which permits and regulates the use of capital controls, trade policy tools, and other tools development policy tools, yet enabling rules on graduation as Akyüz (2009) proposes.

This is not only a task meant for industrialized economies. In order to aid the developed countries' in their domestic efforts at maintaining neutral or positive regimes of international development, structuralist development economists also propose the developing countries' use of fiscal policy to sustain demand for capital goods, and their reinvestment of foreign reserves (Cimoli and Porcile, 2011).[3] Additionally, persistent export-led development associated with slow or little internal integration could lead to persistent global imbalances (Palley, 2011) which puts pressure on industrial incumbents, which may undermine its internal stability. Therefore, industrializing countries must also be encouraged to foster internal integration and not rely on continuous wage and labour repression as has been characteristic of developmental states.

A traditional measure has also been to embed the logic of graduation by reducing trade barriers when international competitiveness of infant industries has been attained, as Alexander Hamilton and Friedrich List maintained. Yet the political economy of removal of such barriers introduces rigidity to this process, and thus external multilateral or unilateral influence is often required. On development aid, the developing country "support" is supposed to come in the form of effective use of foreign aid so that development occurs (rather than the aid going into

[3] Although the reinvestment of the foreign reserves in the hegemon's economy also feeds into its excess liquidity, financialization and asset price bubbles, as occurred with East Asian investments in American real estate, thus contributing to the housing bubble of the early 2000s.

consumption), aid fatigue is averted, and the country requires less aid over time. More is then left for other poor countries, and the process of graduation continues.

There is no world government or parliament through which developing countries could vote for and enforce their demands for neutral environment for international development. With independent nations and unequal supranational institutions, the coordination of these processes is not in any way easy. Consensus on such issues seemed impossible to attain at the regional level under the socialist Council for Mutual Economic Assistance in Eastern Europe (Dragomir, 2015). It was also difficult at the global level within the League of Nations Economic Consultative Committee (ECC) whose private sector representatives "exhibited a highest degree of heterogeneity…, held different doctrinal views, showed different ideological intensities, and bore different class interests" (D'Alessandro, 2007: 25). The difficulty of coordinating global structural change may even be seen at the national level, for instance in 17th to 19th century Britain where regional economic heterogeneity and inequality stifled successful attempts at national consensus and collective action on economic interests within producer associations and workers associations, respectively (Langton, 1984: 150-155).

It has typically been under the pressures of large-scale war, crises or revolution that societies have been forced to redistribute wealth significantly (Scheidel, 2017). This reflects internationally in the fact that many of the propositions for reform of the inter-state system came in the context of the disruptions of war: Émeric Crucé's plan was within the backdrop of the Thirty Years War (1618-1648); Charles de Saint-Pierre's plan in the context of the War of Spanish Succession (1701-1713); Immanuel Kant's plans for perpetual peace and Jean-Baptiste 'Anarchasis' Cloots' plans for a world republic in the context of the French Revolution (1789-1799); Russia's League of Armed Neutrality in the context of the American Revolutionary War (1775-1783); Britain's 'world's first comprehensive development plan' (Hopkins, 2002) in the aftermath of the Napoleonic Wars (1803-1815); Simon Bolivar's League of American Nations in the context of the Latin American Independence Wars (1808-1826); the League of Nations and Sun Yat-sen's International Development Organization in the context of World War I (1914-1918); the Inter-American Bank and Roosevelt's Good Neighbour Policy towards Latin America in the context of the Great Depression (1929-1933) and inter-war security threats from Germany; the French post-war imperial developmentalism, British Colonial Development and Welfare Act of 1940, the American Marshall Plan (1940-1945) and the Soviet Molotov Plan in the context of World War II, communist insurrections and anti-communism; and the 1974 UN General Assembly Declaration for the Establishment of a New International Economic Order followed the 1973 global oil shock. It would therefore only be consistent if a new and more redistributive global economic order only emerges after significant devastation of some sort.

There is even a bigger problem than short-term transition costs for the industrialized countries, which raises the long-term costs for industrialized countries in allowing poorer countries to emulate them. In a world with a saturation point for Engel's Law, it is impossible for all countries or regions to all have a manufacturing majority share of the national GDP. The interlocutors of the 18th and 19th century rich country-poor country debates focused on the supply side, with the debated condition being whether the nature of technology and innovation limited or made infinite a country's capacity to grow its industrial sector.

On the demand side, David Hume and others who supported luxury consumption saw it as an endless source of demand for industrial products and continuous diversification (Hont, 2008) which all countries could industrialize upon. Luxury becomes a passion that continuously "increases both the quantity and quality of consumables" (Berry, 2008: 55). For Hume, the rich country would retain industrial capabilities if they re-specialized in higher value-added industrial goods, structurally made possible by continuous technological innovation on the supply side, and continuous production of new demand for new types and qualities of luxury goods on the demand side (Hont, 2008). There was thus no conceptualization for Hume, Adam Smith and other classical economists of a post-industrial stage of development within their stadial theories of development. This was not unexpected, since the industrial space was still narrow, and incomes still low enough for income growth to continue increasing the manufacturing share of GDP in line with Engel's Law. David Hume, Josiah Tucker and Adam Smith expected that when faced with poor countries' low wages attracting industrial relocation, rich countries would retain manufacturing which used high-skilled labour for high value-added products, enabling them to maintain employment and wealth in manufacturing. For Smith, division of labour "provides the variety to cater for these endless human wants" (Brewer, 1998: 85), while for Tucker endless technological innovation enabled the sustenance of rich countries' industrial growth.

For mercantilists, on the other hand, who argued that the rich country's manufactures would be undermined by those of an emerging economy, the argument was often based upon the latter's low wages and an implicit sense of a quantitative limit to the industrial sector. The suppression of other countries' industrial aspirations, and the subjection of colonies to the status of absorbers of metropolitan manufactured goods then become a way of escaping the limitations of industrial relocation. Veron de Forbonnais, one of the members of the French Gournay Circle of anti-physiocrats, was one of the few to propose a post-industrial stage in which the deindustrialized state remained rich (Hont, 2008: 273-274). This was a stage of financialization, where rich countries can remain rich by lending capital to poor and industrializing countries at exploitatively high interest rates, entailing the creation of an informal empire based on making poor countries financially dependent (Hont, 2008: 273-274).

Early modern, 19th century, and even 20th century thinkers, expected that rising incomes in the developing countries would expand manufacturing demand for industrialized countries' products; or manufacturing growth in developing countries would increase their incomes and expand export markets for industrialized countries. The latter was Sun Yat-sen's argument to entice industrialized countries to fund China's development. It was not realized that with a saturation point for a dispersion of household spending (Chai and Rhode, 2012), growing incomes for developing countries would indeed increase the global market for manufactured goods, but at a decreasing rate and until a saturation point which does not accommodate all countries simultaneously having a majority manufacturing-share of GDP and employment. In other words, there appears to be some truth to the mercantilists' argument that being 'neutral' would cause poorer countries to take manufacturing and trade away from them. However, if many thinkers before the 20th century believed that a vast swathe of the world – the "tropical zones" of Latin America, Africa and Asia – were climatically unable to develop industrial products, then they would not have had to worry about a saturation point for the manufacturing share of global GDP. Such a share would cover countries of the "temperate zone" (North America and Europe), while the Global South would serve as a perpetual market for their manufactured products. Colonial and neo-colonial penetration of the markets of tropical zones would provide an outlet for increasing their industrial production and thus their manufacturing share of exports, GDP and employment.

Notwithstanding, even within the countries of the "temperate zone", there were limitations to industrial expansion before the industrial revolution. Reinert (2005: 273-274) argues that the aggressive protectionist tendency of the pre-industrial revolution era was indeed partly the result of the limited industrial space and technological capabilities. He notes that "There were a limited number of goods that benefited greatly from mechanization in the early modern period, and there were thus few opportunities for mutual trade of manufactured articles" (Reinert, 2005: 273). This is the case given that structural transformation in the modern sense did not occur for any economy until the 19th century. Indeed Britain, the leading mercantilist state by the late 17th century (against which the classical economists were emerging to rebut), had about 31% of the male workforce was employed in industry by the end of the 17th century (Wallis et al., 2018: 866) when Britain had bested the Dutch in commerce through navigation acts and Anglo-Dutch wars. Hence even for those mercantilist countries that had the greatest manufacturing capabilities, the share of the sector in the domestic economy was small and productivity growth was much less than that of the 19th and 20th centuries. Around 1800, only about 6% of the Prussian population was employed in manufacturing (Kopsidis and Bromley, 2014: 9).

The share of global manufacturing in global GDP would therefore also be very small, especially with the low global income per capita relative to later centuries. Although no global-level data exists for periods prior to the 20th century, if the manufacturing share of global output and employment between 1970 and 2010 (with the post-war period having the highest global incomes up till then) stood at 14% and 16-17% respectively (Felipe and Mehta, 2016: 148), then early modern to 19th century shares would have been much smaller. It therefore "became clear that all could not reap the benefits of importing raw wool and exporting finished textiles simultaneously" (Reinert, 2005: 274). Yet the superior profits, state revenues and national wealth that the manufacturing trade yielded made it instrumental in the pursuit of defence, power and plenty, as recognized by Antonio Serra in 1613 and subsequent economic thinkers. It was clear that "Whoever controlled the mechanizable textile industries – the main activity where technological progress change and increasing demand combined, as in Verdoorn's Law of 1949 – therefore stood to gain a huge economic advantage over those who did not" (Reinert, 2005: 273). England thus sought a monopoly in supplying the world of manufacturing. Indeed "the major writers on the subject rejoiced along Cary's lines that 'almost the whole World is supplied by our labour.'" (Cary, 1695: 132, quoted in Reinert, 2011: 95).

Even the form of embodiment of technology made it less easy to diffuse and produce high growth in total factor productivity, thus increasing competition for the available technology and its embodiments. In the late 15th and early 16th centuries, the fact that such technical knowledge was very practical and "based on know-how jealously guarded by the single craftsman", meant that the diffusion of technical knowledge therefore "depended first and foremost on the migration of those in possession of that self-same know-how, rather than on the proliferation of technical treatises" (Belfanti, 2006: 328). It was therefore a common view of the times, including the 17th century, that

> "If trade follows the skilled workman, and the skilled workman is a commodity of which the quantity is strictly limited, it is clear that the gain of one State implies the loss of another; and that State is likely to be more prosperous which can gain over, by fair means or foul, the greater portion of this rare commodity" (Sargent, [1899] 2004: 31).

In modern times, Keynes' introduction of aggregate demand constraints, because it did not focus on structural change, did not allow the new field of macroeconomics, or its application in development economics, as it emerged in the post-war period to detect the problem of the saturation point of Engel's Law. Hence by 2008, Foellmi and Zweimuller (2008: 1318) could argue that to the best of their knowledge, "other papers rationalizing structural change and steady growth in a unified framework have focused exclusively on technological differences across sectors". Even with Engel's Law promulgated in 1856, it is only in 2012 that Chai and Rohde (2012) fully postulate a saturation point. In fact, only in 2016 did Felipe and Mehta (2016) discover that the manufacturing output and employment shares of global output and employment have remained at constant levels of 14% and 16-17% respectively over 1970-2010 for 64 countries, using what "appears to be the most comprehensive database of manufacturing employment shares available to date" (Felipe and Mehta, 2016: 148). They thus conclude that "Studies of deindustrialization in which countries are the basic unit of observation provide an incomplete picture of the structural trends at play" (Felipe and Mehta, 2016: 151).

The 20th century was a 100-year period of a great experiment, an experiment to see the extent to which the majority of the world, hitherto regarded as a consumption reserve for the manufacturing sector of colonial powers, could undergo structural transformation as formally politically independent nations. This has, however, been a failed experiment. First, Africa only had about 20 years for its experiments with industrialization, before the 1980s when the counter-movement against Germany, Japan and East Asia re-industrializing, catching up and producing a global crisis of overproduction emerged (Arrighi, 1994; Brenner, 2006). Moreover, Atolia et al. (2018: 27-28) suggest that the limited manufacturing share of global GDP imposes limitations on countries wishing to seek enhanced economic growth through rapid industrialization since they are all competing for a stable share of world output. They therefore note that this has contribute to several middle-income economies such as Brazil, Malaysia, Mexico, and Peru having recently experienced premature deindustrialization, as Rodrik (2015) documents. In other words, there is a fundamental structural constraint to simultaneous global structural transformation without industrial incumbents first establishing stable post-industrial institutions, cultures (such as moving away from measuring social well-being using GDP) and political settlements. This was not realized prior to the 20th century not only because it was until the 19th century that the industrial revolution expanded the global industrial space. It was also because most of the world was deliberately excluded from the process of structural transformation since by 1914 over 84% of the world's land surface was occupied or controlled by Europeans, up from 35% in 1800 (Kennedy, 1987: 150). Perhaps an additional reason is that to the extent that opportunities for industrial development (which would have drawn some of the global manufacturing share of GDP) have existed for Africa, Latin America and the Caribbean, South Asia and other parts of the Global South, domestic constraints in political settlements have represented strong impediments (Whitfield et al., 2015). It is within this "margin of domestic importance" that development economics which does not emphasize transitions in the Global North implicitly operates.

With a saturation point for Engel's Law limiting the manufacturing share of GDP, in order to better enable other countries to possess significant industrial capacity, a country would need to convert a higher percentage of increased national income into greater social development. It is therefore imperative that industrializing and industrial societies transform their socio-economic structures earlier towards a social economy that reduces labour pressures for protectionism and external demand stimuli, as Galbraith (1958) proposes in *The Affluent Society*. In light of the saturation point and pressures for premature deindustrialization, the threats of automation and climate change (and the need for degrowth), not only do rich countries have to create viable post-industrial societies, poor countries also have to develop viable mini-industrial (economic systems at an equilibrium of incomplete structural transformation) societies. This may take various forms of Evans' (2010) 'capability-enhancing democratic developmental state', which he proposed partly in acknowledgement of the structural constraints to industrialization today. In the absence of unlimited intensive economic growth and extensive growth through imperial dispossession of other societies, domestic redistributive institutional ecologies take centre stage in a mini-industrial socio-economy, and is the Southern corollary to Galbraith's (1958) affluent society. This nonetheless entails an intensification of domestic class struggles for both rich and poor countries, as it requires a high wage and social spending share of GDP and egalitarian conditions at a time when labour's power may be reduced. It would also be more difficult to achieve with certain national economic structures – such as structurally heterogeneous ones (Franzoni and Sánchez-Ancochea, 2013) – and firms' product market strategies than others, variations which influence the viable emergence of certain varieties of capitalism than others (Hall and Soskice, 2001).

Nonetheless, for regional great powers around the world which have not yet begun industrializing, several policies may be undertaken to enable a less intractable institutional path towards fostering a neutral or positive regional development environment. Such states must resist the English and Witte-Russian models of rural peasant and poor evictions from land and compensatory export-oriented industrialization. Such a path worsens rural poverty and over-urbanization (wasting the productive potential of rural peasants and rural and urban poor), while externalizing the costs of such unnecessary surplus labour upon neighbours and other countries due to emigration of unskilled workers and greater pressure for industrialists to seek markets for finished goods abroad rather than from growing rural demand. Instead, the Prussian and East Asian models of rural land redistributions and rural development must be adapted. These enabled the creation of larger peasant middle classes and growing rural incomes to enable greater inward demand for national manufacturing, and thus enable greater leeway to absorb the exports of regional neighbours and to promote regional aid of manufacturing capabilities.

Indeed, the father of late 19th century Russian modernization, Minister of Finance (1892-1903) Sergei Witte, argued that in contrast to Western powers whose small sizes enabled them to saturate their domestic markets and were forced to pursue an aggressive colonial policy, Russia's huge expanse and population allowed a "pacific exchange of her surplus" and therefore "does not have to have a colonial cultural character" (quoted in von Laue, 1951: 182). Witte thus argued that "Russia's mission in the East must be a protective and educational mission" (quoted in von Laue, 1951: 182). Yet as liberals like Leonid Slonimskii observed when the Witte System was actually put in place, the Russian economy developed "rather slowly and faced a large internal demand for internal products. Yet, the state constantly searched for foreign markets, as if it was as constrained within its borders as English or German merchants were within theirs" (Fedyashin, 2009: 796). The peasants faced both food deficits even as agricultural exports were abundant, and higher prices for finished goods due to the protectionist policies aimed at industrial development. For Shanin, this was because the state treated agriculture as a milking cow while "growth" happened elsewhere in the city (Fedyashin, 2009: 800). Thus, for these critics, the Ministry of Finance's focus on the trade balance as a measure of success allowed an agrarian crisis to emerge and persist, with the agency captured by both major commodities exporters and the entrepreneurial elite.

Low and slow-growing rural incomes and consumption worsens the aggressive pursuit of foreign trade as a means of expanding national wealth. It is recognized in the literature on sub-imperialism that a developing country attracting capital through the "super exploitation of the working class, based on wage repression and the growth of a huge reserve army", thereby disconnecting from domestic consumption and pressuring the search for foreign markets (Flynn, 2007: 11). Although England had experienced the emergence of agrarian capitalism, domestic wage and consumption growth were slow. Very low rural incomes meant that a country would be stuck in an under-consumption trap for manufactured goods for the towns (Kopsidis and Bromley, 2014: 14). The enclosures replaced communal property with private property, but this also involved the enclosing of multiple small landholdings into multiple large ones. This created a large mass of landless labourers, rural poor and urban poor. As a result, "the sterility of domestic trade was a conviction shared by all 17th century authors…At that time, foreign trade was the driving force of development" (Perrota, 2016: 221). As Appleby (1976: 500) observes:

> "The balance-of-trade explanation of how nations grow wealthy had focused attention upon production in such a way as to obscure the dynamics of consumption. Inside England the most noticeable consumers were the very rich and the very poor, and there was little in their patterns of spending to encourage a re-evaluation of consumption"

In France, the "poor" and "destitute" may have formed one-third to one-half of the population in 1789 (Patriquin, 2007: 174), and its poor relief continued to be moderate throughout the 19th century (Patriquin, 2007: 178). Gregory King had estimated in the late 17th century that half the families in England were poor, owing to unemployment and underemployment (Laslett, 2000). Laslett (2000: 46) deems it:

> "probably safe to assume that at all times before the beginnings of industrialization a good half of all those living were judged by their contemporaries to be poor, and their standards must have been extremely harsh, even in comparison with those laid down by Victorian poor law authorities."

Indeed, while England for a variety of reasons began expanding its economic hegemony over Europe with the advent of the Tudors in the late 15th century, other states sought to follow its lead out of national paucity", since "poverty and hunger killed no less than war and conquest" (Reinert, 2005: 272). It would only be with early 19th century Prussia that "the first market-oriented 'growth with equity' rural development strategy" emerged as a solution to rural poverty, through boosting rural incomes, in opposition to the English model of enclosures, dispossessions and game laws which created larger masses of rural and urban poor (Kopsidis and Bromley, 2014: 15).

With concerns over overpopulation and poverty in the metropole, in addition to national glory, empires provided an external source of capital and a foreign market for manufactures. It was thus the external demand, coming from the Atlantic trade, which enabled England to escape the limits of agrarian capitalism (Anievas and Nişancıoğlu, 2015: 149-169). Surplus labour from the commodification of land and low agricultural productivity was exported through colonial settlement and expansion at the expense of indigenous peoples (Anievas and Nişancıoğlu, 2015: 150-152), and importation of millions of Africans as slaves on American land in order to overcome the limits of labour scarcity in the Americas.

Additionally, with high levels of domestic poverty, it would be politically infeasible domestically to propose assistance to far off polities within and beyond the empire. When Joseph Chamberlain made the call for developing Britain's imperial estate at the turn of the 20th century, Prime Minister Campbell-Bannerman (1905-1908) responded by saying:

> "We desire to develop our undeveloped estates in this country; to colonise our own country; to give the farmer greater freedom and greater security in the exercise of his business; to secure a home and a career for the labourer, who is now in many cases cut off from the soil. We wish to make the land less of a pleasure ground for the rich and more of a treasure house for the nation." (Cowen and Shenton, 1996)

The pattern of agricultural transformation not only increases the success of industrial policy, but actually makes it more viable to less frictionally absorb the exports of neighbouring and fellow Southern economies, or at least to reduce the aggressiveness of response to Southern import penetration. It is therefore no coincidence that the most successful case of regional diffusion of industrial capabilities, the East Asian flying geese pattern, was driven by Japan which had undertaken significant land redistribution and rural development following the Meiji Restoration (Hundt and Uttam, 2017). On the other hand, the most prominent settler colony with a white minority in Africa, South Africa, failed to absorb as much regional exports as would have been possible if the Black majority had enjoyed redistributed land and more transformative rural development efforts (Arrighi Aschoff and Scully, 2010). Hence "The low wages of non-whites make South Africa's domestic market small, so that capital seeking to reinvest must either move itself outside South Africa or develop export markets large enough to produce economies of scale" (Legassick, 1975: 262-263). Similarly, with colonial Brazil being divided by the Portuguese Crown into just fifteen large land tracts, postcolonial rural development has been limited (Kay, 2009: 118-120). Having 4% of landowners owning 79% of the land (Kay, 2001: 755) has partly limited Brazil in absorbing the exports of its neighbours in South America and intensified the urban bias and rural neglect of its post-war import-substitution industrialization (ISI) strategy.

Early development economics failed to explicitly draw a connection between the type of rural agricultural transformation and a country's foreign economic policy because of the prevailing methodological nationalism. The urban bias hypothesis which criticized the neglect of agricultural transformation in favour of urban and industrial development among many postcolonial states, elaborated most prominently by Lipton (1977), had a national focus. Even Arthur Lewis' (1954) two-sector model which emphasized the role of growth in the industrial sector in absorbing surplus rural labour was national in focus; this is the same for Schultz (1953) who emphasized directly improving agriculture to stimulate development. As Kay (2009: 114) notes, the urban bias "thesis is firmly located at the national level and does not engage with the international system". Where recent writings by Lipton (2005) explore an international dimension, it is in terms of the impact of OECD agricultural policy upon international agricultural prices, incentivizing urban-biased policies among peripheral countries (Kay, 2009: 114). Additionally, as Lindstrom (2019: 404) observes, "When landless or semi-landless groups are studied, it is most often in relation to the transition problem", and not in relation to foreign economic policy. However, the incomplete capitalist transition and low level of rural development provides an additional source of expanding demand for Southern states. In this sense, each additional landless poor living in rural or urban poverty in excess of what the national capitalist system's productive capacity and investments can absorb while land remains untilled, represents lost demand which could have absorbed national and regional manufacturing growth.

The pattern of agricultural transformation not only increases the success of industrial policy, but actually also improves the ease with which an industrializing state adopts encompassing social policies due to the increased economic and political power of rural proletariat and narrower income inequality, as evinced by the East Asian cases (Hundt and Uttam, 2017).

However, rural development is not a complete constraint against the pressures to pursue an aggressive regional foreign economic policy. The greater productivity growth in industry over agriculture means that industrial production capacity growth will outpace rural income growth, forcing industries to seek foreign vents to match the surplus productive capacity. This is a concern which Robert Torrens held at the international level (between industrial economies and non-industrial ones) in the early 19th century (Elmslie and Criss, 1999: 140). Rural development only helps in reducing the domestic productivity growth gap between urban and rural areas, not eliminating it altogether. In addition, rural development and land redistribution are often limited by the power of landed elites and commodity exporters who block such land reforms. It typically takes the threats of insurrection for large-scale land reforms to be politically feasible.

Adam Smith pointed to one domestic cause of aggressive foreign economic policy: merchant influence upon statesmen. Cheney (2019) indeed argues that this accounts for some of the variation in French, Spanish and British colonial economic policy. In the wake of the Seven Years' War (1756-1763), French enlightened administrators "were conscious of the narrow, self-interested perspective of metropolitan merchants who had hitherto dominated debates about trade policy, and their drive to reform helped to encourage institutions that gave voice to colonial public opinion" (Cheney, 2019: 77). Thus, Colonial Chambers of Commerce and Agricultural societies were established to provide a counterweight to the relentlessly protectionist views of metropolitan merchants. This was possible because of the absolutist nature of the French monarchy which weakened the voices of merchants in the state (Cheney, 2019: 78), compared with the "fanaticism and greed" which the English parliamentary system produced (Alimento and Stapelbroek, 2017: 31). Katzenstein (1985), an exponent of a similar view for the modern era has been linked with the advocation of international political economy's attention to the domestic structural determinants of foreign economic policy. Katzenstein points to domestic governance structures, identifying this as determinant of industrial adjustment strategies among the U.S., France, Japan and small open economies.

Yet there is some endogeneity to this phenomenon. The most structurally-transformed societies tend to have the largest and most diversified classes of elites and economic power. This tends to produce limitations on the monarch or executive, and a large space for them to influence state policy. Hence England's constitutional monarchy and the bourgeosification of its parliament followed the rise of merchant and capitalist elites (Khan, 2018). France and Spain, which saw weaker bourgeois classes during the 16th, 17th and 18th centuries, experienced lesser influence of merchant classes upon their commercial policies. In other words, the most industrialized nations from which much regional and global developmental beneficence is expected, tend to be the ones with the most mercantile influences upon their foreign economic policies which prevents such beneficence. For late developers, this is partly offset by late development enabling a greater role for the state (Coates, 2014) and a basis for robust industrial, fiscal and social policy.

Besides this domestic source of mercantile power, regional hegemons also face international pressure to adopt conservative policies. They become the regional headquarters of capital (hence receive the most influence from capitalists and financiers), attract the most immigrants (thereby making conventional social policy more challenging), and receive the most pressure to maintain conservative macroeconomic policies to secure monetary leadership (Walter, 2006; Lapavitsas, 2019). They also produce the strongest intra-continental multinational corporations and the most regional foreign direct investment (FDI) with power across the region, and benefit more from liberalization and free trade than other economies of the region given their technological superiority. They also have the strongest capacity to externalize the costs of industrial adjustment through their disproportionate soft (as the prime regional creditor, FDI source, regional foreign aid source and major export destination) and hard (military size and capabilities) power over regional multilateral institutions, and capabilities for unilateral action and influence.

Thus, there are strong pressures for them to become hubs of economic liberalism (Panitch and Gindin, 2005), in opposition to the forces and institutions needed to enable equitable regional industrial development. Thus, although England pioneered state-funded poor relief due to it being where the tensions of the capitalist system and primitive accumulation was most advanced (Patriquin, 2007), it was instead in Germany that the welfare state first emerged; and although the U.S. New Deal outpaced Sweden's social policy in the 1930s (Swenson, 2002: 3-4) due to it being the centre of the crisis of liberal capitalism, it was in Scandinavia that the welfare state subsequently saw the broadest and most intensive development. The nature of capitalist competition also means that the regional great power's merchants and capitalists would always seek to capture regional export markets to the exclusion of regional competitors.

Additionally, the systematic nature of capitalist business cycles and economic downturns increase the lure of seeking to spur aggregate demand through the penetration of neighbouring regional markets through neo-colonial and sub-imperial means. The strength of labour over capital within a hegemon does not guarantee a neutral or positive development space for developing countries. As Hobson (2005) recognized, working class imperialism is also a phenomenon, whereby domestic tensions are externalized through imperialism, supported by a hegemon's working class instead of internalized through social policy. Hence labour could be enlisted to support the externalization of the costs of adjustment through protectionism and imperialism. This was in contrast to Marx's expectation that the socialist revolution, brought about by the immeserization of the working class in the advanced industrial nations, could pave the way for backward countries to bypass the capitalist stage of development through 'the generous assistance and full support of those countries where the socialist revolution had triumphed' (NCMPR, 1982: 224).

4. Conclusion

Maintaining a neutral or positive international development environment does not entail a *laissez faire* policy stance among hegemons and industrialized states. It requires intentional industrial, social and fiscal policy to enable the reallocation of capital and labour, and pacification of protectionist counter-movements in light of the pressures for industrial development caused by catch-up of developing countries. Prior to the middle of the 20th century, global bellicosity, monetary and budgetary limitations, and international acceptability of colonialism and colonial settlement enabled the costs of industrial adjustment to be viciously externalized onto other societies and economies. The structural conditions of the 20th and 21st centuries allow an industrialized country to partly absorb or internalize some of the costs of industrial adjustment through industrial, social and fiscal policy.

Nonetheless, neo-colonial and neo-imperial channels of externalization still exist even though formal colonial occupation and settlement are now largely anathema. The development of progressive adjustment through industrial, social and fiscal policies is also in tension with the pressures for hegemons to be bastions of economic liberalism based on normative free trade, residual social welfare nets and conservative fiscal and monetary policies. Besides, deindustrialized/post-industrial societies also face the constraints of financialization and servicification which increase inequality and weaken the power of labour and social policy especially. The declining power of hegemons due to deindustrialization therefore precipitate movements for re-industrialization which may involve negative neo-mercantilist development environments for developing countries.

The invocation of the interrelations among the economic phenomena outlined therefore implies that Northern bias of general economics and the Southern bias of development economics must be corrected. The sub-disciplines of development economics, international economics, international political economy, macroeconomics and economics of social policy must be systematically integrated and taught together when learning about economy as a truly global system. Structural transformation is a global process, and it is not only the Global North that needs industrial policy; neither are social and fiscal policy optional for rich countries.

Developing countries also have a role to play in preparing themselves for the development of institutions and conditions to enable regional development and neutral regional development environment, as well as to ease the turbulence faced by industrialized nations required to undergo industrial adjustment.

There are some who may argue that the absence of bellicist pressures truncates state-building and development in developing countries today. However, in addition to the benefits of lower war-related deaths and destruction especially for the conquered, it frees developing countries from the same bellicist pressures to regionally monopolize manufacturing capabilities which Britain and other Western European and neo-European powers faced (Reinert, 2011). Although industrialization may still fuel nationalism (Gellner, 1983), the addition of bellicist pressures for aggressive nationalism is heavily reduced in present times, creating some (though not perfect) space for "shared industrialization" within the margins of domestic importance.

Nonetheless, it is clear that there should also be a greater dispersion of international power across classes. Evans (2008) recognizes that the influence of capital and states are substantially international whereas the influences of labour and other non-state actors remain largely national. Therefore, crises within the hegemon may easily lead to the fall of any "embedded liberal" order since such breakdowns are not adequately contested at the international level. Evans (2008) gives a "cautious/conditional optimistic" call for a "counter-hegemonic globalization". Counter-movements against global economic unilateralism are needed to systematically defend global societal economic and developmental interests, just as organized labour does so at the national level. In addition to their independent operations at the global level, broader transnational movements should be embedded within institutions of global economic governance. More internationally-coordinated efforts can be taken to limit the externalization of the costs of adjustment.

Within Africa, there is therefore a hegemonic premium for large states (such as Ethiopia in East Africa, Nigeria in West Africa, South Africa in Southern Africa and Egypt in North Africa). The premium is to institutionalize or lay the foundations for pre-emptive industrial (with a strong egalitarian agricultural component), social and fiscal policy, where windows of opportunity present themselves, oriented towards absorbing, promoting and enabling the manufacturing supply and capabilities of their neighbours. This is to enable a less unequal process of regional development.

The recognition of a hegemonic premium means that scholars need to clearly empirically explore the dynamics of regional development across the world and across time. The literature would undoubtedly benefit from case studies and quantitative analyses of the regional consequences of the industrialization of Britain and France in North-Western Europe, Egypt in North Africa, South Africa in Southern Africa, Japan in East Asia, India in South Asia, Germany in Central Europe, Russia and the USSR in Eastern Europe, Brazil in South America and the U.S. in the Americas.

5. References

Akamatsu, Kaname (1962). Historical Pattern of Economic Growth in Developing Countries. *The Developing Economies*, 1: 3–25.

Akyüz, Yilmaz (2009). "Industrial Tariffs, International Trade, and Development", 144-174, in Cimoli, Mario, Dosi, Giovanni & Stiglitz, Joseph E. (2009). *Industrial Policy and Development: The Political Economy of Capabilities Accumulation* (Eds.). New York, Oxford University Press.

Aldcroft, Derek H. (2006). *Europe's Third World: The European Periphery in the Interwar Years*. Hants, UK: Ashgate.

Alimento, Antonella (2019). "The French Reception of Vattel's *Droit des gens*: Politics and Publishing Strategies", 135-163, in Koen Stapelbroek and Antonio Trampus (Eds.). *The Legacy of Vattel's Droit des gens*. Cham, Switzerland: Palgrave Macmillan.

Alimento, Antonella and Stapelbroek, Koen (2017). "Trade and Treaties: Balancing the Interstate System", 1-75, in Alimento, Antonella and Stapelbroek, Koen (Eds.). *The Politics of*

Commercial Treaties in the Eighteenth Century: Balance of Power, Balance of Trade. London: Palgrave Macmillan.

Anievas, Alexander and Nişancıoğlu, Kerem (2015). *How the West Came to Rule: The Geopolitical Origins of Capitalism*. London: Pluto Press.

Appleby, Joyce (1976). Ideology and Theory: The Tension between Political and Economic Liberalism in Seventeenth-Century England. *The American Historical Review*, 81(3): 499-515.

Arrighi, Giovanni (1994). *The Long Twentieth Century: Money, Power, and the Origins of Our Times*. London: Verso.

Arrighi, Giovanni, Aschoff, Nicole and Scully, Ben (2010). Accumulation by Dispossession and Its Limits: The Southern Africa Paradigm Revisited. *Studies in Comparative International Development,* 45: 410–438.

Atolia, Manoj, Loungani, Prakash and Marquis, Milton and Papageorgiou, Chris (2018). "Rethinking Development Policy: Deindustrialization, Servicification and Structural Transformation", *IMF Working Paper WP/18/223*. Washington, DC: IMF.

Barth, Jonathan (2016). Reconstructing Mercantilism: Consensus and Conflict in British Imperial Economy in the Seventeenth and Eighteenth Centuries Source. *The William and Mary Quarterly*, 73(2): 257-290.

Bateman, M. 2017. 'Bringing the Local State Back into Development: The 'Local Developmental State' and the Promotion of Sustainable Economic Development and Growth from the Bottom-Up'. Paper presented at the 29th Annual Conference of the European Association for Evolutionary Political Economy (EAEPE), Budapest, 19-21 October.

Belfanti, Carlo M. (2006). Between Mercantilism and Market: Privileges for Invention in Early Modern Europe. *Journal of Institutional Economics*, 2(3): 319-338.

Bhagwati, Jagdish N. and Irwin, Douglas A. (1987). The Return of the Reciprocitarians — US Trade Policy Today. *The World Economy*, 10(2): 109-130.

Block, Fred (2008). "Swimming against the Current: The Rise of a Hidden Developmental State in the United States", *Politics & Society* 36(2): 169-206.

Boianovsky, Mauro (2013). Friedrich List and the Economic Fate of Tropical Countries. *History of Political Economy*, 45(4): 647–691.

Berry, Christopher J. (2008). “Hume and Superfluous Value (or the Problem with Epictetus’ Slippers)”, 49-64, in Wennerlind, Carl and Schabas, Margaret (Eds.). David Hume’s Political Economy. New York: Routledge.

Brenner, Robert (2006). *The Economics of Global Turbulence: The Advanced Capitalist Economies from long Boom to long Downturn, 1945-2005*. London: Verso.

Brewer, Anthony (1998). Luxury and Economic Development: David Hume and Adam Smith. *Scottish Journal of Political Economy,* 45(1): 78–98.

Cary, John (1695). *Essay on the State of England in Relation to its Trade, its Poor, and its Taxes, for Carrying out the Present War against France.* Bristol: Bonny.

Chai, Andreas and Rohde, Nicholas (2012). Addendum to Engel’s Law: The Dispersion of Household Spending and the Influence of Relative Income. Mimeo: Griffith University.

Chamberlain, M.E. (1984). “Imperialism and Social Reform”, 148-167; in Eldridge, C.C. (ed.). “*British Imperialism in the Nineteenth Century*”. London: Macmillan Publishers Ltd.

Cheney, Paul (2019). “The Political Economy of Colonization: From Composite Monarchy to Nation”, 71-87, in Steven L. Kaplan & Sophus A. Reinert (Eds.). *The Economic Turn: Recasting Political Economy in Enlightenment Europe*. London: Anthem Press.

Cimoli, Mario and Porcile, Gabriel (2011). Global Growth and International Cooperation: a Structuralist Perspective. *Cambridge Journal of Economics*, 35(2): 383–400.

Coates, David (2014). The UK: Less a Liberal Market Economy, more a Post-Imperial One. *Capital & Class*, 38(1): 171-182.

Cowen, Michael P. and Shenton, Robert W. (1996). *Doctrines of Development*. London: Routledge.

D'Alessandro, Michele (2007). *Seeking Governance for World Markets: The League of Nations between Corporatism and Public Opinion, 1925-1929*. Paper presented at XIth Annual Conference of the European Business History Association, Geneva, 13-15 September.

Dragomir, Elena (2015). The Creation of the Council for Mutual Economic Assistance as Seen from the Romanian Archives. *Historical Research*, 88(240): 355-379.

Eichengreen, Barry (1984). Keynes and Protection. *The Journal of Economic History*, 44(2): 363–373.

Elmslie, Bruce and Criss, Antoinette J. (1999). Theories of Convergence and Growth in the Classical Period: The Role of Science, Technology and Trade. *Economica,* 66(261): 135-149.

Endres, Anthony M. and Fleming, Grant A. (2004). *International Organizations and the Analysis of Economic Policy, 1919-1950*. Cambridge: Cambridge University Press.

Evans, Peter (2008). Is an Alternative Globalization Possible? *Politics & Society*, 36(2): 271-305.

Evans, Peter (2010). "Constructing the 21st Century Developmental State: Potentialities and Pitfalls", 37-58, in Omano Edigheji (Ed.). *Constructing a Democratic Developmental State in South Africa: Potentials and Challenges*. Cape Town, South Africa: HSRC Press.

Fedyashin, Anton A. (2009). Humane Modernization as a Liberal Ideal: Late Imperial Russia on the Pages of the "Herald of Europe", 1891–1904. *The Historian*, 71(4): 780-804.

Felipe, Jesus and Mehta, Aashish (2016). Deindustrialization? A Global Perspective. *Economic Letters*, 149: 148-151.

Flynn, Matthew (2007). Between Subimperialism and Globalization: A Case Study in the Internationalization of Brazilian Capital. *Latin American Perspectives*, 34(6): 9-27.

Foellmi, Reto and Zweimüller, Josef (2008). Structural Change, Engel's Consumption Cycles and Kaldor's Facts of Economic Growth. *Journal of Monetary Economics*, 55(7): 1317-1328.

Franzoni, Juliana M. and Sánchez-Ancochea, Diego (2013). Can Latin American Production Regimes Complement Universalistic Welfare Regimes? Implications from the Costa Rican Case. *Latin American Research Review*, 48(2): 148-173.

Galbraith, John K. (1958). *The Affluent Society*. New York: Houghton Mifflin Company.

Gellner, Ernst (1983). *Nations and Nationalism*. Oxford: Basil Blackwell.

Goodman, Sara W. and Pepinsky, Thomas B. (2021). The Exclusionary Foundations of Embedded Liberalism. *International Organization*, 75(2): 411-439.

Gunn, Jeffrey (2010). Creating a Paradox: Quobna Ottobah Cugoano and the Slave Trade's Violation of the Principles of Christianity, Reason, and Property Ownership. *Journal of World History*, 21(4): 629-656.

Hall, Peter and Soskice, David (2001). *Varieties of Capitalism: Institutional Foundations of Comparative Advantage* (Ed.). Oxford: Oxford University Press.

Harling, Philip & Mandler, Peter (1993). From "Fiscal-Military" State to Laissez-Faire State, 1760-1850. *Journal of British Studies,* 32(1): 44-70.

Harvey, David (2003). *The New Imperialism*. Oxford: Oxford University Press.

Hays, Jude (2009). *Globalization and the New Politics of Embedded Liberalism*. Oxford: Oxford University Press.

Helleiner, Eric (2014). Southern Pioneers of International Development. Global Governance, 20(3), 375-388.

Helleiner, Eric (2020) The Diversity of Economic Nationalism. New Political Economy. DOI: https://10.1080/13563467.2020.1841137.

Hirschman, Albert O. (1980b). Exit, Voice, and Loyalty: Further Reflections and a Survey of Recent Contributions. *The Milbank Memorial Fund Quarterly*, 58(3): 430-453.

Hoffman, Philip T. (2011). Prices, the Military Revolution, and Western Europe's Comparative Advantage in Violence. *Economic History Review,* 64: 39–59.

Hobson, J.A. (1965). *Imperialism: A Study*. Ann Arbor: University of Michigan Press.

Hont, Istvan (2008). “The ‘Rich Country-Poor Country’ Debate Revisited: The Irish Origins and French Reception of the Hume Paradox”, 243-323, in Wennerlind, Carl and Schabas, Margaret (Eds.). *David Hume’s Political Economy*. New York: Routledge.

Hopkins, Anthony G. (2002). “The ‘New International Economic Order’ in the nineteenth century: Britain’s first Development Plan for Africa”, 240-264, in Law, Robin (Ed.). *From Slave Trade to 'Legitimate' Commerce: The Commercial Transition in Nineteenth-Century West Africa*. Cambridge: Cambridge University Press.

Hundt, David and Uttam, Jitendra (2017). *Varieties of Capitalism in Asia: Beyond the Developmental State*. London: Palgrave Macmillan.

Huston, James (1983). A Political Response to Industrialism. *Journal of American History,* 70(1): 35–57.

Ikenberry, John G. (2004). American hegemony and East Asian order. *Australian Journal of International Affairs*, 58(3): 353–367.

Katzenstein, Peter J. (1985). *Small States in World Markets: Industrial Policy in Europe*. Ithaca and London: Cornell University Press.

Kay, Cristobal (2001). Reflections on rural Violence in Latin America. *Third World Quarterly*, 22(5): 741-775.

Kay, Cristóbal (2009). Development Strategies and Rural Development: Exploring Synergies, Eradicating Poverty. *The Journal of Peasant Studies*, 36(1): 103-137.

Kennedy, Paul (1987). *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000*. Random House: New York.

Khan, M.H. 2018. 'Power, pacts and political settlements: A reply to Tim Kelsall', *African Affairs* 117 (469): 670–694.

Kohli, Atul (2004). *State-Directed Development: Political Power and Industrialization in the Global Periphery*. Cambridge: Cambridge University Press.

Klinger, Bailey (2009). Is South-South Trade a Testing Ground for Structural Transformation? *UN Policy Issues in International Trade and Commodities Study No. 40*. Geneva: UNCTAD.

Knafo, Samuel (2006). The Gold Standard and the Origins of the Modern International Monetary System. *Review of International Political Economy*, 13(1): 78-102.

Kopsidis, Michael and Bromley, Daniel W. (2014). The French Revolution and German Industrialization: The New Institutional Economics Rewrites History. *Discussion Paper No. 149*. Halle, Germany: Leibniz Institute of Agricultural Development in Transition Economies (IAMO).

Langton, John (1984). The Industrial Revolution and the Regional Geography of England. *Transactions of the Institute of British Geographers*, 9(2): 145-167.

Lapavitsas, Costas (2019). *The Left Case against the EU*. Cambridge: Polity Press.

Laslett, Peter (2000). *The World we have Lost, Further Explored* (3rd Ed.). London: Routledge.

Legassick Martin (1975). “South Africa: Forced Labor, Industrialization, and Racial Differentiation”, 229–270, in Richard Harris (Ed.). *The Political Economy of Africa*. New York: Wiley.

Lewis, Arthur W. (1954). Economic Development with Unlimited Supplies of Labour. *The Manchester School of Economic and Social Studies*, 22(2): 139–191.

Lindstrom, Jonas (2019). Labouring Poor in Early Modern Sweden? *Scandinavian Journal of History*, 44(4): 403-429.

Lipton, M. (1977). *Why Poor People Stay Poor: Urban Bias in World Development*. London: Temple Smith.

Lipton, M. (2005). Urban bias. In: T. Forsyth, ed. *Encyclopedia of International Development*. London: Routledge, pp. 724–26.

Marzagalli, Silvia (2014). “The French Atlantic and the Dutch, Late Seventeenth–Late Eighteenth Century”, 103-118, in Oostindie, Gert and Roitman, Jessica V. (Eds.). *Dutch Atlantic Connections, 1680-1800: Linking Empires, Bridging Borders*. Leiden: Brill.

National Commission of the Mongolian People's Republic (NCMPR) (1982). “Theory and practice of development in Mongolia”, 222-258, in UNESCO (Ed.). *Different Theories and Practices of Development*. Paris: UNESCO.

Ocampo, José A. and Parra, María A. (2006). “The Dual Divergence: Growth Successes and Collapses in the Developing World since 1980”, *DESA Working Paper No. 24*. New York: United Nations Department of Economic and Social Affairs (UN-DESA).

Ozawa, Terutomo (2001). “The "Hidden" Side of the "Flying-Geese" Model of Catch-Up Growth: Japan's Dirigiste Institutional Setup and a Deepening Financial Morass”, *East-West Center Working Paper No. 20*. Honolulu: East-West Center.

Palley, Thomas (2011). The Contradictions of Export-Led Growth. *Public Policy Brief No. 119*. New York: Levy Economics Institute of Bard College.

Panitch, Leo and Gindin, Sam (2005). “Euro-Capitalism and American Empire”; in Coates, David (Ed.). *Varieties of Capitalism, Varieties of Approaches*. New York: Palgrave Macmillan.

Patriquin, Larry (2007). *Agrarian Capitalism and Poor Relief in England, 1500-1860: Rethinking the Origins of the Welfare State*. New York: Palgrave Macmillan.

Perrota, Cosimo (2016). “Serra and Underdevelopment”, 214-233, in Rosario Patalano and Sophus A. Reinert (Eds.). *Antonio Serra and the Economics of Good Government*. New York: Palgrave Macmillan.

Polanyi, Karl ([1944] 2001). *The Great Transformation*: The Political and Economic Origins of Our Time. Boston: Beacon Press.

Reinert, Sophus A. (2005). Cameralism and Commercial Rivalry: Nationbuilding through Economic Autarky in Seckendorff’s 1665 *Additiones*. *European Journal of Law and Economics*, 19: 271–286.

Reinert, Sophus A. (2011). *Translating Empire: Emulation and the Origins of Political Economy*. Cambridge, MA: Harvard University Press.

Rodrik, Dani (2015). Premature Deindustrialization. *Journal of Economic Growth*, 21: 1-33.

Helleiner, Eric and Rosales, Antulio (2017a). Peripheral Thoughts for International Political Economy: Latin American Ideational Innovation and the Diffusion of the Nineteenth Century Free Trade Doctrine. *International Studies Quarterly*, 61: 924-934.

Stubbs, Richard (1999). War and Economic Development: Export-Oriented Industrialization in East and Southeast Asia. *Comparative Politics,* 31(3): 337-355.

Ruggie, John G. (1982). International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order. *International Organization*, 36(2): 379-415.

Samaniego, Roberto M. and Sun, Juliana Y. (2016). Productivity Growth and Structural Transformation. *Review of Economic Dynamics*, 21: 266-285.

Sargent, Arthur J. ([1899] 2004). *The Economic Policy of Colbert*. Kitchener: Batoche Books.

Scheidel, Walter (2017). *The Great Leveler: Violence and the History of Inequality from the Stone Age to the Twenty-first Century*. Princeton: Princeton University Press.

Schultz, Theodore (1953). The Economic Organization of Agriculture. New York: McGraw-Hill.

Schumacher, Reinhard (2016). Adam Smith and the "Rich Country – Poor Country" Debate: 18th Century Views on Economic Progress and International Trade. *European Journal of the History of Economic Thought*, 23(5): 764-793.

Scott, James (2010). Developing countries in the ITO and GATT negotiations. *Journal of International Trade Law and Policy*, 9(1): 5-24.

Seeleib-Kaiser, Martin (2019). Migration, social policy, and power in historical perspective. *Global Social Policy,* 19(3): 266-274.

Spaulding, Robert M. (1991). German Trade Policy in Eastern Europe, 1890-1990: Preconditions for International Trade Leverage. *International Organization*, 45(3): 343-368.

Staley, E. (1945). *World Economic Development: Effects on Advanced Industrial Countries*. Montreal: International Labour Organization Studies and Reports Series B No. 36.

Streeck, Wolfgang (2011). The Crises of Democratic Capitalism. *New Left Review*, 71: 5-29.

Swenson, Peter (2002). *Capitalists Against Markets*. New York: Oxford University Press.

Tilly, Charles (1975). "Reflections on the History of European State-Making". In *The Formation of National States in Western Europe*. Princeton: Princeton University Press.

Torres-Sánchez, Rafael, Brandon, Pepijn and 't Hart, Marjolein (2018). War and Economy. Rediscovering the Eighteenth-Century Military Entrepreneur. *Business History*, 60(1): 4-22.

Von Laue, Theodore H. (1951). The Industrialization of Russia in the Writings of Sergei Witte. *American Slavic and East European Review*, 10(3): 177-190.

Veracini, Lorenzo (2020). Henry Carey's 'Entire Bad Joke' and Henry George's 'Idle Taunt': Displacement, Settler Colonialism and Revolution in Nineteenth-Century America. *Settler Colonial Studies*, 10(3): 422-441.

Wagner, Florian (2016). Colonial Internationalism: How Cooperation Among Experts Reshaped Colonialism (1830s-1950s). *Doctoral Thesis*. Fiesole, Italy: European University Institute.

Wallis, Patrick, Colson, Justin, & Chilosi, David (2018). Structural Change and Economic Growth in the British Economy before the Industrial Revolution, 1500–1800. *The Journal of Economic History*, 78(3), 862-903.

Walter, Andrew (2006). “Domestic Sources of International Monetary Leadership”, 51-71, in Andrews, David (ed.). *International Monetary Power*. Ithaca: Cornell University Press.

Watson, Matthew (2017). Historicizing Ricardo’s Comparative Advantage Theory, Challenging the Normative Foundations of Liberal International Political Economy. *New Political Economy*, 27(3): 257-272.

Whitfield, Lindsay, Therkilsden, Ole, Buur, Lars and Kjær, Anne M. (2015). *The Politics of African Industrial Policy: A Comparative Perspective*. New York: Cambridge University Press.