



# UNIVERSITY OF CAPE TOWN

## SCHOOL OF ECONOMICS

### **The neo-Roman conception of freedom in developmentalism: A historical perspective.**

A dissertation submitted to the University of Cape Town in accordance with the requirements of the degree of MASTER OF COMMERCE in the School of Economics.

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## Abstract

Does the statism of developmentalism have no regard for freedom? This paper re-examines the political and theoretical premises of the developmentalist tradition in economics and argues that it embeds a concept of freedom known as *neo-Roman freedom*, distinct from that of the liberal tradition and more recently, the capability approach. To this end, the writings of four key periods/schools in the developmentalist tradition, which form the case studies of this paper, are reviewed. These are: Early Modern Europe, the American School, Meiji Japan and the Latin American School. While both the liberal tradition and capability approach focus on the individual as the primary unit of analysis, the neo-Roman concept views the freedom of the individual as derivative of the freedom of the collective, embodied by the state. Thus, this analysis – the legacy of the Roman Republic and the concept of the *free state* as formulated by Niccolò Machiavelli – sees in national sovereignty the path to securing individual freedoms. Also discussed is why developmentalism, through history, has aimed at industrialisation of countries in the periphery. This paper suggests that the answer is more political than economic, that is, industrialisation provides the material basis for national autonomy through the development of autonomous productive capabilities.

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## **INTRODUCTION**

The developmentalist discussion of the necessity of industrial policies has returned to public and academic debate (Mazzucato, 2021; Chang and Andreoni, 2020; Tucker and Sterling, 2021; Rodrik, 2022). Developmentalism, since the 1970s when it started to suffer reversals in the intellectual field, has been largely supplanted, first, by neoliberalism which gained a foothold in the 1980s, and more recently, the growing school of ‘new institutional economics’.<sup>1</sup> Neoliberalism argues that the pro-active actions of the state meant to accelerate development only constrained the freedom of private actors and by interfering with the efficient market allocation, hampered the process of structural transformation (Krueger, 1974; Bhagwati, 1982; North, 1990). New institutional economics, for the most part, maintains the basic passivity of the state in the economic sphere, except to enforce property rights and maintain a commitment to democracy.<sup>2</sup> Contrary to developmentalism, neoliberalism and neo-institutionalism, sought to limit the involvement of the state in the economy to the protection of private property rights while giving private actors the freedom to make production and investment decisions, as ever greater degrees of globalisation opened up national and international markets.

In the late 1990s however, an emerging literature on human development and capabilities broke with the neoliberal view of freedom and the “statism” of the

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<sup>1</sup> For the purposes of this paper, the meaning of “neoliberalism” is restricted to the ideology which started to gain ascendancy in the 1980s, that prescribed for policy problems, the default solution of a market mechanism, and all burden of argument lies with an advocate of state regulation or management. This has also been referred to as “positive non-interventionism” or “market fundamentalism”. See Peck, J. A. (2023). *Milton's Paradise: Situating Hong Kong in Neoliberal Lore*. *Journal of Law and Political Economy*, 1(2).

<sup>2</sup> Reinert (2006, p. 2) describes ‘new institutional economics’ as neo-classical economics with some static institutions (mainly property rights) added. To that, I add democracy, as was argued in Acemoglu and Robinson’s *Why Nations Fail*, one of the important works of this school.

developmentalist tradition (Sen, 2000; Alkire, 2002; Alkire, 2005; Nussbaum, 2011). Sen, in his influential book *Development as Freedom*, no longer viewed national industrialisation as synonymous with development, as is the case in the developmentalist tradition. Rather, he called for the progressive elimination of various impediments that prevented individuals from realising their own rational agency in political, social and economic affairs, which is what he understood freedom to mean. This analysis in turn differed significantly from the view of freedom espoused in neoliberalism, as it required a pro-active state that went beyond simply not interfering in markets, towards building up the political, economic and social capabilities of the individual as an autonomous agent (Prendergast, 2005; 2011).

Despite these differences, both the neoliberal and capability approaches shared important critiques of developmentalism. Lal (2000) argues that for neoliberalism, state intervention in markets and the alteration of prices to effect the desired allocation of resources towards key sectors as designated by the state (but not necessarily by the “free” market) would involve a sacrifice of freedom in exchange for industrialisation. On the other hand, Sen (2000) argued that the overriding focus on national industrialisation projects meant that individuals, their capabilities and how those might be enhanced such that they may take a more substantial control of their own lives – the true core of any development project – would be neglected.

Considering these conceptions of freedom in neoliberalism and the critiques of the human capabilities approach, it is worth asking whether national industrialisation as the key pillar of the developmentalist tradition lacks any concern about freedom. This paper re-examines the political and theoretical premises in the developmentalist tradition and argues that it embeds a conception of freedom distinct from that shared by the neoliberal and human

capability approaches. In other words, this paper is descriptive of a normative tradition rather than being first-order normative. This paper is structured as follows. Chapter one is a literature review of the different conceptions of freedom. It is shown here that the conceptions of freedom are not exhausted in those of the neoliberal and the capability approaches, and that there is another conception known as *neo-Roman freedom*, which may simply be defined as the “absence of arbitrary dependence” which, when applied to the interstate system, “demands a State that is free and sovereign, so that its citizens can live without being in servitude to any foreign power” (Ahumada, 2023). While the neoliberal and capability approaches focus on the individual as the primary unit of analysis, neo-Roman freedom sees the freedom of the individual as derivative from the policy freedom of the state. With this analysis, the legacy of the Roman Republic and the concept of the *free state* as formulated by Niccolò Machiavelli, freedom belongs first and foremost to the collective embodied by the state. Thus, national collective action is the way to secure it.

Chapter Two presents the methodology used in this paper, namely, an historical literature review which draws on a comparative case study method. The main questions asked in the case study analysis of the following chapters are elaborated here.

In Chapters Three to Six, I argue that this conception of freedom, defined as non-dependence, forms the normative foundation of developmentalism. To achieve this, I review the writings of key periods/schools in the developmentalist tradition.<sup>3</sup> It is worth noting that while the term developmentalism only came into general use in the 1980s, it connotes the

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<sup>3</sup> The analysis of this paper builds on that of José Miguel Ahumada’s article titled “Bringing back freedom to developmentalism: industrialisation as national independence” with two major case studies: Early Modern Europe and Meiji Japan. See Ahumada (2023).

theory and policy tools, of which there is a high degree of continuity, used by nations during the transition from an economy dominated by raw material production to one dominated by manufacturing, starting during the late 1400s and lasting until the post-World War II period. The core idea behind developmentalism is that the productive structure of an underdeveloped nation ought to be improved by active state policy. Whether explicit or not, developmentalism is based on the idea that economic development is activity-specific, that is, some economic activities are more conducive to growth and creating wealth and generalised welfare than others. In developmentalist theory, wealth is created by dynamic imperfect competition which generates industrial rents that are shared between the capitalist in the form of higher profits, workers in the form of higher wages and the state in the form of higher tax revenue (Reinert, 2010). Thus, developmentalism, from the policies starting in England with Henry VII in 1485 through to the policies of the East Asian tigers in the 1980s, has been to industrialize: to diversify the economy away from a dependency on agricultural and other raw material extraction.

In Chapter Three, the early modern period of Europe, in which the first rudiments of developmentalism emerged, is reviewed. Of particular interest in this chapter is what was known as “jealousy of trade” (Hont, 2005; Vietor, 2007). This, it shall be seen, was really nothing more than desire on the part of weaker states to maintain their autonomy in an era in which commerce and conquest were inextricably linked, and the greatness of a nation’s commerce invariably depended on the specialisation of that country’s economy, that is, manufacturing or production of raw materials for export. In Chapter Four, I review the writings of what are perhaps the three most influential writers of the American School namely Alexander Hamilton, Henry Charles Carey and Friedrich List. Many regard the USA during its push for industrialisation as the first modern developmental state (Cohen & DeLong, 2016, p. 100; Suarez-

Davila, 2019). In these writings, it is well articulated that national industrialisation had the express purpose of freeing the USA from dependence on Great Britain, the predominant manufacturing power of the day, and was, for that reason, desirable for the sake of national autonomy.

In Chapter Five, I review the writings of Fukuzawa Yukichi, the most influential Japanese policy intellectual of the Meiji era during which Japan experienced rapid industrialisation with the view of catching up to Western Europe and the USA.

In Chapter Six, the writings of both the structuralists (Raul Prebisch, Celso Furtado, Osvaldo Sunkel) and the dependency theorists (Fernando Henrique Cardoso, Enzo Faletto) of the Latin American School are reviewed. Despite the differences between structuralism and dependency theory, national freedom as the goal of national industrialisation was well articulated in both these branches of the Latin American School.

The chief hypothesis of these authors from different times and in different places, though all of them firmly in the developmentalist tradition, is twofold. First is that the capitalist interstate system, or “world system” as Wallerstein (2004) called it, is one of domination by hegemonic nations that have an industrial monopoly, complemented by the economic servitude of the periphery that specialises in primary production of raw materials. The second flows from the first, and it is that if a country in the periphery wants to achieve freedom (as non-dependency), the path to that is through national industrialisation which develops locally, the necessary pillars of capital accumulation and expansion, for which they were previously dependent on the industrialised core. Such pillars include both the tangible such as physical and institutional infrastructure; and the intangible such as the financial system and skills of the workforce.

Finally, in the Conclusion, I discuss to what extent a revival of the neo-Roman concept of freedom as the goal of development in the developmentalist tradition will help the contemporary analysis of development, particularly for low-income countries. Sanusi Lamido Sanusi, the former Governor of the Central Bank of Nigeria, authored an article titled “Neither the Washington nor the Beijing Consensus” in which he argued that Africa needed to chart its own development path based on pragmatic commitment to progressive change (Sanusi, 2012). Sanusi was not making an argument for reinventing the wheel in terms of what low-income African countries need to do to make significant development progress. Rather, he was making a case for African independence in the neo-Roman sense – the ability to choose her own policies based on her own best interests which must necessarily involve building up a strong domestic manufacturing sector (Okello Ayai, 2023). Sanusi is not alone in his calls for policy independence. Chang (2002) and Rodrik (2012), among others, have criticised the global trade architecture for restricting the policy space available for developing countries to implement policies to help their industries to catch up.

Ahumada (2023) posits that the revival of the neo-Roman concept of freedom in developmentalism would potentially help the contemporary analysis of economic development in two ways. First, it would invert the idea of industrial policy as encroaching on the freedom of private actors, which justifies legal protections of market freedom from interventions by the state, arguing that such actions are self-defeating. Proponents of industrial policy argue, instead, that such restrictions impede the *necessary* use of state power to support and enhance autonomous productive powers which alone secure national independence and freedom. Second, by understanding the development of national productive capabilities as the means to national freedom, it is able,

unlike the liberal view, to consider the effects of international income and technological inequalities on the sovereignty of peripheral countries.

In addition to this, contemporary discussions of neo-imperialism will be able to distinguish between *de jure* and *de facto* political sovereignty with the decisive factor being the relative strength of a country's industrial sector rather than the ideology of the ruling political elite.<sup>4</sup> And finally, it can suggest a global trade regime that is flexible enough to permit middle and low-income countries, in the name of freedom, to protect their industries rather than demanding a one-size-fits-all regime that removes the policy space necessary for such countries to catch up to the OECD economies.

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<sup>4</sup> The present shift of African countries towards a bloc of "southern" countries led by China or India would not be seen as more or less desirable than the previous alignment with the West. In both situations, Africa is still ostensibly unfree by the neo-Roman standard, owing to a relatively underdeveloped industrial sector.

## **CHAPTER ONE: FREEDOM AS NON-DEPENDENCE**

As introduced in the previous section, the motivations for industrialisation have a political dimension which is distinct, though not quite separate from the economic dimension. This political dimension has “national sovereignty” and “reducing dependence” as its primary concerns (De Bolle and Zettelmeyer, 2019). This chapter shows these concerns to be essential and integral components of a concept of freedom referred to by Skinner (2003) as “neo-Roman freedom”, a concept quite distinct from the dominant views of freedom in the mainstream. These find their classic expression in Berlin (1958) as negative and positive freedom, which in turn are the philosophical underpinnings of the neoliberal conception of freedom and the human capabilities approach, respectively.

According to Berlin, the historical experience and conversation had generated two different concepts of liberty – one ‘negative’ and the other ‘positive’. The negative conception of freedom is primarily concerned with the interference of external agents, particularly the government, on choices of goals and actions by individuals. It is an absence – the freedom of an agent *from* external interference. Berlin (1958) argued that this necessitates a clear demarcation between the public sphere which is governed by laws, and the private sphere in which an individual may do as they please provided their freedom does not impinge on the freedoms of others. For Hobbes, however, the assertion of an inviolable private sphere free from coercion or the threat of it meant that any State, regardless of the type of government, limited freedom regardless of how beneficial the law might be in terms of providing public security, amenities, material wellbeing, et cetera (Skinner, 1990; 2006).

Contrary to Hobbes's view that freedom was to be protected through the actions of an absolute sovereign, in the classical liberal tradition, freedom was to be protected through the separation of powers, and this idea found its expression in the economic sphere in the sanctity of the market (Vermuele, 2023). The basis of this view is Locke's idea of the natural entitlement of people to the fruits of their labour, thus strictly limiting public authority over private property. In the tradition of liberalism, the market is not only the engine of economic progress but also guarantor of this kind of freedom. At least as far back as Smith (1776), competitive markets, along with the division of labour and technical progress in the production process springing from rational self-interest, were understood by liberals to be the mechanism by which economic growth could be sustained. Also worth noting is the hypothesised transformative power of competitive markets that allow for the expression of the agents' passions as rational self-interest, thereby adopting the view of self-interest as a source of order and economic progress through the invisible hand rather than a source of conflict (Hirschman, 1997).

Liberalism saw in the sanctity of the market an institutional protection of negative freedom because here, the exchange of goods and services, at least theoretically, is based on voluntary contracts among agents in a *horizontal* and spontaneous manner. This enabled individuals to exchange according to their own self-interest without *arbitrary* exogenous imposition from the State (Marshall, 2013; Palermo, 2014). The very existence of the market in this form, as conceived by classical liberalism, was predicated on the negative view of freedom, and for its efficient operation, required this view to be upheld. The market, assumed to be independent of the State, limits the power of governments and staves off totalitarianism (Hayek, 1944; Friedman and Friedman, 1980; Friedman, 2002).

Thus, in the negative perspective of freedom, at least four key elements stand out. First is the individual as the unit of analysis, whose freedom is defined exclusively as a domain in which public constraints do not apply. Margaret Thatcher, the former Prime Minister of the UK and one of the great champions of neoliberalism, encapsulated this view in her famous remark, “There is no such thing as society.”. Second, in the economic field, the market is the sphere in which this freedom is expressed. Third, the market is characterised *ab initio* by horizontal power relations as participation is, at least in theory, voluntary. Fourth, the expansion of the market sphere beyond state borders can secure an efficient allocation of resources in the international sphere, common economic progress and the equalization of economic outcomes.<sup>5</sup>

The understanding of what it means to be free, and thus of its constraints, is different in the positive conception of freedom. According to Berlin (1958), the positive conception of freedom refers to the ability of the agent to be their own true master. Unlike the negative conception of freedom that exclusively focuses on external interference, positive freedom considers the importance of individual self-realisation. In this sense, positive freedom sets a higher bar for what it means to be free, that is to say, positive freedom requires substantive autonomy. For Taylor (1979), freedom, to be substantive, meant the removal of hindrances either external or *internal* (such as fear and ignorance) that could get in the way of self-actualisation, and thus, self-reliance. Seen this way, an individual may not be free even though they are not being interfered with if they are under internal restrictions or, as Sen (2000), in his capability approach put it, they lack the political, economic and social capabilities that would allow them to exercise their own autonomy. As Alkire (2005, p. 122) notes, the main proposition of the capability approach is that the organisation of society should

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<sup>5</sup> See Samuelson’s (1948) theory of factor-price equalization.

be evaluated according to how much freedom people have to achieve what they value, or to put it another way, reach self-actualisation. The welfare state and universal basic income have often been defended on these grounds.<sup>6</sup>

However, some contemporary philosophers have gone beyond Berlin's dichotomy, adding a third, and older, tradition of freedom known as "neo-Roman" or "republican" (Pettit, 1997; Skinner, 2003; Dòmenech, 2019; de Dijn, 2020; Dawson and De Dijn, 2022). Skinner (2003) called it the neo-Roman view of freedom because it was the jurists, moralists and historians of ancient Rome who articulated it, with the key source being Justinian's digest of Roman Law. Skinner explained that according to neo-Roman theorists, the question of whether one was free was synonymous with whether one depended on the will of another. As shall be seen, this view differs but is not mutually exclusive from positive liberty since it does not operate under the preconception that freedom solely consists in the ability to realise a pre-conceptualised private goal. At the same time, neo-Roman freedom differs fundamentally from the negative conception of freedom because unfreedom in the neo-Roman sense simply means being at the mercy of a will that is not one's own, regardless of whether one is actively interfered with.

Neo-Roman freedom is, perhaps, best understood via *negativa*, by analysing its opposite – slavery. Ahumada (2023, p. 5) describes a slave, in this view, as one whose very possibilities of action are dependent on the will of another – the master. Whether the slave *also* suffers arbitrary external interference in their individual sphere is a secondary matter. As Skinner (2003) pointed out, the central issue here is that of not being in one's own power, that is to say, the state of dependency. Contrary to classical liberalism, the question of whether one is

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<sup>6</sup> See Standing (2017)

free is not contingent on interference but rather on a hierarchical relationship in which one's actions are dependent on, or subject to, the will of another, regardless of whether that translated into actual interference (Dawson and De Dijn, 2022). Put another way, even if the life of a slave is not interfered with by the master, such that the slave enjoys a great degree of (negative) freedom, and the master is so benevolent as to provide the slave with the resources to develop his or her capabilities, the slave is not free as long as the autonomy and the resources to enjoy that autonomy are subject to the will of the master (Pettit, 1997; 2006).

Unlike Hobbes, for whom freedom only existed where the law was absent, or as he put it, 'silent', freedom in the neo-Roman sense considers how laws are made rather than their quantity (Van Mill, 1995). If freedom entails the removal of a discretionary and arbitrary power of some over others, then a specific form of government is required in which the rules that govern the interactions between members of society emerge from the *free* members of that very society rather than the *arbitrary* will of a ruler. Seen in this light, the fact that the laws that determine the political life of a society are representative of the will of the people of that society, and not an alien or arbitrary will, bestows more freedom than laws that are imposed regardless of whether the imposed laws are fewer or even confer more material welfare to the population (Skinner, 2003; De Dijn, 2020). Laws formed in this manner are thus seen to support, rather than erode, freedom. This view presupposes two major things. The first is that the representatives of the people consider themselves as servants of the public good, that is, the common weal as opposed to their own private interests. This idea of the common weal being more important than the private benefit is a recurrent theme of the civic humanism that flourished in the Renaissance period in which Machiavelli wrote. The second is an absence of coercion in the law-making

process of a society by foreign elements with the aim of passing laws that neither reflect the interests nor the will of the public.

Skinner was aware that this fundamental difference had important institutional implications. Berlin had implied that freedom could be enjoyed under any type of government. At least in theory, as long as an individual's rulers did not actively interfere in their life, then that individual could be said to be free from the point of view of negative freedom. Berlin formulated it thus: "*freedom in this [negative] sense is not, at least not logically, connected with democracy or self-government*". Actually, negative freedom and autocracy, or the absence of self-government, are not mutually exclusive. In contrast, for the neo-Roman theorists, as Skinner points out, individual freedom can only be achieved in a *free state*, that is, a political arrangement in which the citizens are subject to their own collective will. Machiavelli's defence of the *free state* expresses the link between freedom and how laws are made (Machiavelli, [1531] 1984). For Machiavelli, the free state was one that was not in a state of servitude, either within the state or outside. The rise of a tyrant, or indeed an oligarchy, or dependence on an external power would mean that the rules and laws of that society are no longer the will of the people but rather that of an arbitrary power, resulting in a loss of individual freedom. It is in this analysis that the freedom of the collective comes to be seen as the precursor, or the base, on which that of the individual rests. To this end, Machiavelli advocated a self-governed republic protected from any forms of dependence or servitude both from within and without (Skinner, 1983; Bellamy, 2013).

Contrary to the position that later neo-Roman theorists would adopt, Pocock (1975) argued that there was a positive conception of freedom at the core of republicanism. The positive concept of freedom, in Berlin's words, attempts to answer the question "*What, or who, is the source of control or interference that*

*can determine someone to do, or be, this rather than that?"* (1969, p. 121–122). While theorists of positive freedom attach more importance to internal factors affecting the degree to which individuals act autonomously and meaningfully, there are those in this tradition that view political action as a means for the individual to achieve positive freedom such as Rousseau, Hegel, Marx and T. H. Green. This political form of positive freedom, it is argued, is best achieved through collective action. According to Rousseau, civic participation in the process whereby one's community exercises collective control over its own affairs in accordance with the "*general will*" is the path to individual freedom. For example, a democratic society, is, in this sense, a free society, and an individual is free to the extent he or she participates in the democratic process. This view stretches much further back to Aristotle's idea of the virtue of the citizen which later formed the core of civic humanism of the 15<sup>th</sup> century (Castiglione, 2005, p. 457). Participation is the watchword of this collectivist view of positive freedom.

However, this view was challenged by Pettit (1997) and Skinner (2003) who saw the central idea in classical republicanism as being freedom as non-dependence and not moral civic virtue through participation in the political process. In this interpretation, the virtues of the citizen are said to ensue from freedom, rather than being constitutive of it. Dawson and De Dijn (2022, p. 6), invoking Machiavelli and his seventeenth-century heirs, agreed with Skinner's distinctive view on republicanism, arguing that the *primary* duty of a free people was that they should rule themselves, and considerations of the nature of the ruler being the best or most virtuous were only secondary.

Historically, this concept of neo-Roman freedom, with its central tenet of non-dependency culminating in the free state, has formed the basis of the normative political discourse of subject peoples who sought to become independent, from

the Thirteen Colonies during the American War of Independence against Great Britain, to the independence movements in Latin America against Spain (Sabato, 2018).<sup>7</sup> I recognised this and pointed out that *‘it is perhaps not always sufficiently emphasized that the decisive act of defiance on the part of the thirteen colonies took the form of a Declaration of Independence; that is, a declaration of an end to their state of dependence upon -and hence enslavement to the British crown’* (2008, p. 50).

The normative structure of this political vocabulary was used as a basis by many nineteenth century colonies or states that found themselves in a relatively weak position to guide their strategies for independence, and since then, has been appropriated in other discourses that have detected novel manifestations of dependency and domination (Gourevitch, 2014; Dòmenech, 2019; Dawson and De Dijn, 2022). The discourses focused on in this paper are writings in the following contexts: the early modern period in Europe during which most mercantilist and cameralist works were written, the mid-nineteenth century in the USA during which an “American School” of political economy developed to counter the dominant British liberal school of the day, the Meiji Restoration in late nineteenth century Japan, and finally, the mid-to-late twentieth century in Latin America during which the Latin American School of structuralism and dependency theory was developed.

As I shall show, the writings of these periods constituted themselves as schools of economic thought, creatively using the same vocabulary of domination and

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<sup>7</sup> Ahumada (2023, p. 6n) notes the use of the Phrygian cap, one of the main symbols of republicanism, in the arms a number of Latin American countries such as Argentina, Bolivia, Colombia, Cuba, El Salvador and Nicaragua. This symbol is also used in the USA, dating back to the period of the War of Independence. For example, on the Seal of the Senate, and state flags of many states such as West Virginia, Idaho, New York, New Jersey, Iowa, among others.

non-dependence to make sense of the international economic system in which politically independent peripheral nations were inserted, and demanded a shift from economies dominated by agriculture to those dominated by manufacturing as a condition for the possibility of severing the ties of dependence that linked them to the powerful nations in a concealed manner. These discourses, it will be seen, constituted not only economic theories for industrialisation as has been traditionally understood, but also political theories that, steeped in a neo-Roman view of freedom, understood the international sphere in terms of domination and dependency, and thus established a proper political strategy for economic independence.

Juxtaposed with the neoliberal and human capability approaches, neo-Roman freedom affirms nationalist sentiment by perceiving the nation as a protector of freedoms, provided that the people who make up this nation are not subject to an arbitrary will either from within or from without. In the twentieth century, the desire to achieve national freedom (in the neo-Roman sense) was a key plank of aggressive nationalist movements most notably fascism. The fascist articulation of nationalism, for example, laid enormous stress on escaping the “shackles” of international trade and finance, to be achieved through competitive autarchy and deliberate efforts to forcefully commandeer the resources of other countries.

This paper, however, takes a more nuanced view of nationalism, as affirmed by the principle of neo-Roman freedom in the developmental state. The developmental state is here considered as an ideal type in the Weberian sense, while leaving open to what extent the “classic” fascist regimes fall within it.<sup>8</sup>

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<sup>8</sup> Also not considered in this paper are historical cases that tended more towards autarchy for its own sake but did not much emphasize the principle of non-dependence through industrial development such as Francoist Spain and New Zealand before 1987.

The economic policy of the developmental state, as an ideal type, from the policies starting in England with Henry VII in 1485 through to the policies of East Asia in the 1980s, has aimed at industrialisation and lifting the national economy out of dependence on primary production (agriculture and extraction of raw materials). The political side of this coin, as it shall be demonstrated in the case studies from Chapter Three onwards, was the express aim of enjoying a greater degree of national political autonomy – in a word, neo-Roman freedom. The distinction between the developmental state *in pursuit of neo-Roman freedom* as an ideal type and nationalist perspectives on the economy, especially aggressive ones, is particularly important for liberals whose advocacy for the sanctity of the market was as much a reaction to fascism as it was to communism, as Hayek (1944) famously argued. This distinction was alluded to by Reinert (2010) when he called developmentalism one of the spectacularly successful ideologies of the twentieth century practised across the whole political axis from fascism via social democracy to communism.

The idea of freedom as non-dependence has been utilised in contemporary literature in debates that mostly focused on defining which institutional order (cosmopolitan state, multilateral system, international equality, etc.) is most appropriate to limiting international arbitrary powers in an international arena with multiple forms of domination (Bohman, 2004; Besson and Martí, 2009; Halldenius, 2010; Buckinx, 2011; Wood, 2015; Laborde and Ronzoni, 2016). In the following chapters, I shall argue that the discourses reviewed emphasised the *fundamental* idea of the free state (and with it, neo-Roman freedom) and answer the question of why earlier developmentalist schools of thought regarded national industrialisation as the path to overcoming domination.



## **CHAPTER TWO: METHODOLOGY AND CHOICE OF CASE STUDIES**

### *Methodology*

This paper draws on the history of thought as an analytic tool. While the history of thought is disregarded and, sometimes, openly disparaged by mainstream economists as a form of antiquarianism, Schumpeter (1954) in his “History of Economic Analysis” provided methodological advice about why the history of thought is necessary and is more than simply watching old movies (Heilbroner, 1979, p. 192; Blaug, 2001, p. 145; Bögenhold, 2014). According to Schumpeter, the study of history of thought can bring with it new ideas and new insights into the ways societies function. In reading “old” theories, new interpretations of ideas may arise. Schumpeter (1954, p. 4–5) wrote that “our minds are apt to derive new inspirations from the study of the history of science” and included a telling example of this: the fundamental ideas that formed the theory of special relativity first occurred in a book on the history of mechanics. Another reason Schumpeter gave deals with the study of economies, which he describes as unique historical processes. While the history of economic thought does not fundamentally differ from analogous processes in other fields of knowledge, Schumpeter (1954, p. 6) notes that: “*much more than in, say, physics is it true in economics that modern problems, methods, and results cannot be fully understood without some knowledge of how economists have come to reason as they do. In addition, much more than in physics have results been lost on the way or remained in abeyance for centuries*”.

Krugman (1995, p. 74) once claimed that “economists are notoriously uninterested in how people think or feel”. Mokyr (2009, p. 1), echoing

Krugman, also wrote, “Economic change in all periods depends, more than economists think, on what people believe.”. This paper makes the case that developmentalism *through history*, with its primary focus on industrialisation, has had a normative element characterised by a strong sense of, or aspiration to, freedom in the neo-Roman sense. Thus, Schumpeter’s insights as a plea for the increased use of the history of thought as an analytic tool are aligned with the objectives of this paper.

History of economic thought has elements of historiography. The term “historiography”, which literally means “the writing of history”, is described by Bögenhold (2014) as having two components between which it oscillates, namely, data collecting and synthesizing for economies and societies on the one hand, and a methodological tool to arrive at a deeper understanding of actual processes on the other hand. These two meanings of historiography, though not always clearly separated in practice, are quite distinct. Klaess (2003, p. 491) writes:

*“On the one hand, it refers to historical accounts of the past, in contrast to the past itself. On the other hand, the term is used in a meta-theoretical sense as the reflection on how historians account for the past.*

*Historiography in this second sense has two aspects. It may refer either to the particular historical methods employed by the historian, or to a broader reflection on the methodology underlying her historical research. According to the broader interpretation, historiography is to the practice of the history of economics what the methodology of economics is to the practice of economics. An additional complexity arises because both history and methodology of economics are meta-discourses ... in respect to the discipline of economics, which increasingly draw upon one another”*

This paper attempts to show that the idea of freedom as non-dependence has formed a central part of the normative structure of developmentalism. In this sense, much of the analysis in the following chapters takes the form of meta-discourses as described by Klaess (2003, p. 491). To that end, the intellectual history of the idea of neo-Roman freedom in developmentalism is traced through different schools of thought which form the case studies of this paper.

### *Case studies and case selection*

The case studies in this paper are four substantively important bodies of theoretical work, namely: the writers of the Early Modern period in Europe; the American School of political economy that was most influential in the mid-to-late nineteenth century; the intellectuals of Meiji Japan; and the Latin American School from the 1960s through to the 1980s. What follows explains, in sequential order, why each of these periods/schools of thought were chosen.

### *The economic theorists of the Early Modern period in Europe*

Political economy emerged in the early modern period in Europe in which some states grew wealthy while others became poor, and liberty and greatness were secured by violent economic competition in industry, commerce and the control of sources of raw materials (Colvin, 1926). These rivalries were the subject of the famous essay by David Hume titled “Of The Jealousy of Trade”, first published in 1758.<sup>9</sup> This language emerged as observers in the early modern period realised the increasingly existential importance of international trade. Comparative commercial wealth, then, as now, was a measure of relative might,

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<sup>9</sup> While Adam Smith famously denounced the “mercantile system”, in continental Europe, it was known as the “jealousy of trade”. See Hont (2005); Reinert (2009).

both between individuals and polities (Reinert, 2011).<sup>10</sup> Jealousy of trade was, thus, also a fear of falling into the power of one's richer, and consequently, more powerful neighbours, in a world where trade, war and ultimately national independence were intertwined (Gundersheimer, 1993, p. 32).

In the ancient discourse of classical antiquity, power was equated with the ability to impose laws. Therefore, to be in a state of liberty was to be subject only to one's own legislation. Indeed, the precise meaning of autonomy, in the original Greek was to 'have one's own law'.<sup>11</sup> The alternative to this was to be subject to the laws of someone else and thus be in their power rather than one's own, or *alieni iuris* as the condition was later codified in Roman law. In the tradition of the time, society was conceived of as a body politic, and according to Justinian's Digest of Roman Law, men and communities alike had to be 'in their own power' and not 'under the power of someone else' if they were to be considered free (Skinner, 2008, p. x–xii; p. 63–72; p. 173–177).

These modes of understanding, which were previously used to signify *de jure* servitude and military defeat that were the lot of the conquered, came to be deployed by laggard states that bore the brunt of the unequal economic relations in the Early Modern Period. This gave rise to the political philosophy of *raison of state* which viewed the acquisition of wealth as the means of making polities materially viable, and in so doing, free in the neo-Roman sense, in a world of ruthless economic competition. This was the source of the much-maligned preoccupation with balances of trade and power. Thus, mainstream economic theories and policies at the time aimed to develop national productive capacity by strengthening domestic manufactures. Looked at this way, most of the

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<sup>10</sup> A good example of this is how Scotland lost her independence to a union dominated by England in large part due to the failed Darien Scheme that almost bankrupted Scotland's economy.

<sup>11</sup> See Tuck (1999, p. 226) for a similar interpretation.

policies that would later be subsumed under the label ‘mercantilism’ may be seen as proto-developmentalism in pursuit of neo-Roman freedom and thus form an important case study of this paper.<sup>12</sup>

### ***The American School***

Commenting on the developmental state model that gave rise to the so-called East Asian Tigers, Financial Times columnist Martin Wolf remarked that, “*It was America and Hamilton that invented that idea.*” (Cohen and DeLong, 2016, p. 100). Here we see developmentalism and its relationship with economic nationalism as a form of economic and political organisation that involves effective state intervention. The three core policies of the developmentalism of the American School were protecting industry through selective high tariffs and subsidies, government investments in infrastructure targeting internal improvements, particularly in transportation, and a national bank to finance the growth of enterprises that are in the national interest.

What makes the case of the American School worthy of focus here are the parallels between the relatively underdeveloped USA, facing the industrial powerhouse of Great Britain, and low-income countries today trying to develop in the shadow of high-income countries. Of particular interest in this case study is how the theorists of the American School rejected the free trade regime defended by the British liberal school on the basis of *freedom*. The question then is: what concept of freedom did the Americans have in mind when they rejected free trade of the British liberal school? As I shall show, the American School understood freedom firstly in terms of the nation, not the individual, and

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<sup>12</sup> See, for example, Perrotta, C. (2023). *Mercantilism: A Project for Development*. Economic Policy and the History of Economic Thought (eds. Drakopoulos, S. and Katselidis, I.) Routledge.

that freedom as non-dependence. The writings that are reviewed in this case study are those of Alexander Hamilton, Friedrich List and Henry Charles Carey, three of the most important writers in the American School.

### *The intellectuals of Meiji Japan*

Developmentalist ideology is most often strongly associated with the East Asian region. Scholars highlight the strength of the model of the developmental state and developmental mindsets in Japan, South Korea, China, Singapore and Taiwan (Haggard, 2018; Thurbon, 2016). The historical roots of East Asian developmentalism are often located in the ideas of the Western neo-mercantilists, particularly Friedrich List, imported into Japan soon after the Meiji Restoration and also exported to other countries in the region, by way of their emulation of Japan's developmental success in the post-WWII era.<sup>13</sup>

The writers of Meiji Japan bemoaned the unequal trade treaties that followed immediately after the end of the isolation policies of the Tokugawa Shogunate and how economic liberalism in the form of free trade with the more industrialised Western nations was detrimental to Japanese autonomy while increasing their dependence on the Western nations. Also noteworthy about the Japanese writers during this period is how they distinguished between autarchy and non-dependence and strove towards the latter. I shall show that Meiji Japan was driven towards horizontal relations with other countries, which limited their leverage over Japanese sovereignty. Here again, as was the case with the American School, there is a rejection of the prescriptions of the liberal school along with its conceptions of freedom, in favour of the affirmation of national

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<sup>13</sup> The term “neomercantilism” has a specific meaning. Helleiner (2021, p. 4), who coined the term, defines it as “*a belief in the need for strategic trade protectionism and other forms of government economic activism to promote state wealth and power in the post-Smithian age.*”

independence in the neo-Roman sense. The writings reviewed in this case study are mostly those of Fukuzawa Yukichi along with Ōkubo Toshimichi who were in the view of Helleiner (2021, p. 12), two of the most prominent pioneers of developmentalism in Meiji Japan.

### ***The Latin American School***

The previous cases studies have dealt with schools of thought that developed in relatively underdeveloped, or laggard, countries and limited their field of analysis only to their own countries. The American School focused mostly on the USA in relation to Great Britain, and dominant ideas in Japan were likewise nationalist, concerned only with Japan in relation to the dominant powers in Europe at the time. In the middle of the twentieth century however, the study of economic development was generalised to include all underdeveloped regions, and the Latin American School, as part of this new field, developed the concepts of structuralism and dependency theory to explain the mechanisms of domination of industrialised countries over non-industrialised ones (Kay, 1989).

Raúl Prebisch developed the two insights that would define the Latin American School. The first was that the global economy was divided into a “centre” and a “periphery”. The second was that countries on the periphery that relied on exporting primary commodities faced declining terms of trade with the industrialised countries in the centre. This unequal, hierarchical relationship between centre and periphery was thus seen as an obstacle to economic development, directly challenging the belief in specialisation in international trade based on Ricardian comparative advantage – the key pillar of nineteenth century economic liberalism. Once more, the familiar pattern of developmentalism and economic nationalism as an alternative to economic

liberalism is seen. The writings of Fernando Henrique Cardoso, Raúl Prebisch, Celso Furtado and Osvaldo Sunkel are reviewed in this case study.

### **CHAPTER THREE: FREEDOM AS NON-DEPENDENCE IN EARLY MODERN EUROPE**

Adam Smith, in the concluding passage of *The Wealth of Nations* observed a striking discrepancy between England's relative power and "the real mediocrity of her circumstances" (Smith, 1976, p. 486). Strangely enough, Smith himself had, in an earlier chapter of the same book, explained this seeming puzzle. Paraphrasing Thomas Hobbes, Smith wrote that "wealth is power" (Smith, 1976, ch. I, p. 35; Hobbes, 1651, ch. 35, p. 41). From a contemporary perspective, the phrase "wealth is power" might seem a banality, but it was the cornerstone of political economy in the early modern period. The relative might of people and polities depended to a greater extent on comparative wealth, thus, the study of power closely coincided with that of how to become and remain wealthy in the fiercely competitive environment that was the early modern period (Reinert, 2011). As is the case with modern developmentalism, industry in the early modern period was viewed as the key to wealth. But wealth was not an end in itself. In a world of violent economic rivalries, in which some states grew rich and others poor with the effect that the richer states dominated the poorer states, the struggle for wealth may be seen in its true light as a struggle for liberty in the neo-Roman sense. This chapter aims to show the link between freedom, perceived in the neo-Roman sense, and the proto-developmentalism of the early modern period in Europe that arose from the economic policies of competitive emulation.

This chapter contains four sections. The first concerns the usage of the classical idiom of "giving" and "receiving laws" in the early modern period, by which freedom and unfreedom were understood. The second section deals with the related concept called "jealousy of trade" which itself grew out of the realisation that wealth could achieve what in previous ages could only be achieved through military might, namely, *empire*. The third section concerns how this modern form of empire was achieved primarily through commercial means. In the

fourth and final section, emulation in industry as the progenitor of modern developmentalism is discussed. The conclusion from this chapter is that the precursor of modern industrial policies, as practiced all over the world, have their basic origin in an emulation drive on the part of laggard countries, and that this drive was based on considerations of freedom in the neo-Roman sense.

### ***Giving and receiving laws***

In classical antiquity, at least as far back as Thucydides, power was equated with the ability to “give laws” and from that idea developed the understanding of freedom in a neo-Roman sense: that freedom demanded subjection only to one’s own legislation (Skinner, 2008, p. 63–72; p. 173–177). Using the etymology of the word “jurisdiction”, which is derived from the Latin words “juris” meaning “law” and “diction” meaning “the act of saying”, it may thus be said that being unfree simply meant being in a position in which others might “speak” the law to you, that is to say, being in the jurisdiction of another. The right to give laws, according to the famed French jurist Jean Bodin and Giovanni Botero, one of the progenitors of the reason of state tradition, was the reserve of the sovereign and indeed, the very essence of sovereignty (Bodin, 1576, p. 173; Botero, 1589, p. 144, p. 303). Utilising the same political vocabulary, the great theoretician of natural law, Emmerich de Vattel described in his 1758 *Law of Nations* “political equilibrium” or “balance of power” as a disposition of things whereby “no power is able to absolutely predominate, or to prescribe laws to others.”<sup>14</sup> John Locke put it thus: “what can give Laws to another, must needs be superiour to him.” (Locke, 1988, p. 367– 368; Greenfeld, 2001, p. 1–58). In Emperor Justinian’s *Digest* of Roman law, men, like states, “had to be in their own power” and not “under the power of

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<sup>14</sup> See the Abbé Coyer in Greenfeld (2001, p. 136).

*someone else*” if they were to be considered free (Skinner, 2008, p. x–xii). Denis Diderot, the prominent French Enlightenment philosopher argued that “*political liberty is the situation of a people who have not alienated their sovereignty, and who either make their own laws or are associated to some degree in their legislation.*” (Diderot, 1992, p. 186).<sup>15</sup> It follows from this that *who* gives the law is of prime importance.

In the tradition of “republicanism” or the “neo-Roman theory of free states”, a state may lose its freedom either through “colonisation or conquest” or by the nature of its “internal constitution” (Skinner, 2008, p. 49–50). The focus of this chapter is on the former. Many early writers on political economy, as I shall show in this and the following chapters, recognised that purely economic means could suffice to establish dominion over another country without physical conquest. The recognition of this was usually accompanied by anti-English (later anti-British) sentiment as a result of the predominance of England (and later Great Britain) as the leading commercial and naval power in the eighteenth century.<sup>16</sup> In the works of some of the foremost writers on political economy in the eighteenth century such as Vincent de Gournay, Antonio Genovesi and Alexander Hamilton, England’s ability to give the laws to others through trade had become a recurrent motif (Melon, 1736, p. 9; Montesquieu, 1989, p. 328–329; Genovesi, 1757–58, ch. I, p. lxxxv–lxxxvi, 35n–36n, 220n–221n, p. 367, and ch. II, 31n–32n). This led to the development of another closely related concept that characterised the global economy which the writers of the time

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<sup>15</sup> Also see Hamilton in Walling (1999, p. 23).

<sup>16</sup> This anti-English (later anti-British) sentiment, otherwise known as anglophobia, was meant to rouse the desire to end dependence on England. See Haynes, S. W. (2010). *Unfinished Revolution: The Early American Republic in a British World*; Crapol, E. P. 1968. *‘America for the Americans’: Economic Nationalism and Anglophobia, 1876 – 1896.*

called “jealousy of trade” which is the subject of the next section (Hont, 2005).<sup>17</sup>

### *Jealousy of trade*

The presumed pacifying influence of commerce on international relations in eighteenth century is often attributed to Montesquieu, who declared trade to be “gentle” and “sweet”, contrary to the Machiavellianism of great power politics that involved violence. Hirschman, in his contention that the roots of capitalism could, at least in part, be explained by the attempt to neutralise violence with commerce, conceded that history had proved Montesquieu wrong (Hirschman, 1977, p. 117–118). Indeed, history does show, contrary to Montesquieu’s *doux commerce* thesis, a way of thinking about the role of commerce in the politics of the early modern period, that was decidedly confrontational.

Thomas Hobbes, in his *Leviathan*, explained that although individuals were rarely found in a state of war, “*in all times, Kings, and Persons of Sovereigne authority, because of their Independency, are in continuall jealousies, and in the state and posture of Gladiators; having their weapons pointing, and their eyes fixed on one another; ... which is a posture of war.*” (Hobbes, 1651, Pt. 1, Ch. 13, p. 90). Mirroring Hobbes, David Hume would in 1758 publish his famous essay titled “*Of the Jealousy of Trade*”. At the time, the political and military survival of nations had come to depend to a greater extent on success in international economic competition. Thus, there was a theatre of perpetual commercial war, a conjunction of politics and the economy, that Hume attacked as “corruption” arguing that trade and war followed fundamentally opposite logics.

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<sup>17</sup> Earlier sources include Filangieri (2004, ch. II, p. 150–163); Hume (1758, p. 187–189); Tucker (1763, p. 40).

Trade, though not altruistic, could only continue on the basis of reciprocity. Hume argued that the home nation benefits from being able to buy and sell goods with its neighbours, and thus, greater prosperity of the neighbouring countries ultimately meant greater prosperity for the home nation as this meant that the neighbouring countries would buy more goods from the home nation. This commercial interdependence formed the basis of the belief that free trade would make the globe increasingly more peaceful. The recurrent dream of liberalism has been to pacify international relations by substituting commerce for conquest, and goods for gladiators (Caton, 1988, p. 464; Gerace, 2004). War, on the other hand, was fundamentally a zero-sum game, typically associated with the logic of power politics that came to be known under the term “reason of state”. Reason of state applied both within and between polities, where rulers practiced politics independently of moral or ethical considerations to advance or maintain their own power at home and abroad. These ideal types and the accounts of the past created along these lines them may have some analytical and rhetorical use but tend to oversimplify the reality of the political contexts. The term ‘jealousy of trade’ came to signify the messy overlap of the pure models when adapted to reality.

‘Jealousy of trade’ may simply be defined as looking at other nations’ wealth with envy. Smith and Hume both thought that commerce ought to be a bond of union and friendship between men and nations but instead it became the “*most fertile ground of discord and animosity*” especially among the great European trading nations (Walraevens, 2017, p. 11 – 36). Hume particularly attacked the doctrine of the favourable balance of trade, in which jealousy of trade found its practical application in economic policy. In Hume’s view, trade barriers that prohibited the export of certain commodities were the natural consequence of “jealous fear, with regard to money”. He argues that it was this that led nations

to impose barriers to free trade, to avoid an imbalance of imports over exports that would decrease the stock of gold and silver money, and the nation would be poorer. Against the doctrine of the balance of trade, Hume offered his now well-known price-specie flow mechanism, which states that the quantity of money in circulation is *naturally* proportional to the industry, commerce, and commodities of a nation. If the quantity of money fell, wages and prices would fall, exports would be more competitive, and money would enter the country. Conversely, if the quantity of money rose, wages and prices would rise, exports would be less competitive, and money would leave the country. Attempts by nations to manipulate this natural and proper level by artificial means like trade barriers and restrictions on the outflow of money were not only ineffective but destructive.

The mercantilist thesis of the favourable balance of trade, quite unlike the representations of Smith and Hume which are nearer to bullionism and chrysohedonism, held that a favourable balance can be obtained by selling abroad finished goods in exchange for raw materials, wage-goods or semi-processed goods (Perrotta, 2004, p. 215).<sup>18</sup> In mercantilist literature, finished goods were mostly luxury goods whose production process had already activated all the labour that is possible, unlike wage-goods, raw materials and semi-processed goods, which would re-enter the production process and activate more labour. It follows that even the exchange of nominally equal values can have an unequal impact on the productive capacity and, thus, wealth of the countries involved. This depends on where the goods are in the production stage, that is, whether the goods are primary, intermediate or finished goods, and this reservation concerning nominally equal exchange was well articulated

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<sup>18</sup> The literature on the misrepresentation of the mercantilist thesis of the favourable balance of trade by the classical school is substantial. In the case of the Spanish mercantilists, for example, see Vilar (1962); Iparaguirre (1963); Grice-Hutchinson (1978) and Baeck (1988).

in theories of productive labour prior to Adam Smith. Though later overshadowed by classical theory of international trade which had Ricardian comparative-cost theory for its main proposition, the experience of high-income areas and low-income areas has led to the rediscovery of this same truth that was well known in pre-Smithian theory, namely, an exchange done on the basis of comparative-cost theory yields more advantages to the country that exports products which are more technologically advanced or which are produced by highly skilled labour over the country that exports primary products.

This mercantilist view, institutionalised in the early modern period by the likes of Jean-Baptiste Colbert, that true wealth could only be achieved by competitive value-added exports, was influential in Europe at the time. The obvious problem with it was that not everyone could export manufactured goods and import raw materials at the same time. There simply were not enough trades characterised by increasing returns due to technological progress such as the manufacturing of textiles, to go around. Few economic activities could compete with the manufacturing of textiles as engines of economic growth prior to the advent of coal-driven industrialisation, and some argue that it is so even today (Griffin, 1969; Nseera, 2014; Keane and Te Velde, 2008). The dominance of this view led to fierce competition for markets giving the politics of international trade a heightened importance which led Hume to remark that trade had become an affair of state (Hume, 1994, p. 51–57, p. 52). Thomas Mun, one of the famous “mercantilists”, wrote that, “*The Trade of Merchandize is the verie touchstone of a kingdomes prosperitie.*” (Mun, 1621, p. 1).

Jealousy of trade may, thus, be seen as a desire on the part of laggard states to avoid dependence on the wealthier states who also had greater commerce than their less wealthy rivals. Colbert, as Controller-General of Finances under Louis XIV, underscored the importance of commerce when he wrote, “*Commerce is*

*the source of finance, and finance is the sinew of war.*” (Reinert, 2011, p. 17). Given this context, there was no reason for a country *not* to fear its wealthier neighbours. The view of wealth, and thus, liberty, as positional goods in an economic hierarchy contributed to the bellicosity of the international system which led Charles Davenant, the English economist, to apply Machiavelli’s views to international economic relations thus: “*No Wise State, if it has the Means of preventing the Mischief, will leave its Ruin in the Power of another Country*”; and this included the interruption of “*the too sudden growth of any neighbour nation.*” (Davenant, 1771, ch. II, p. 254). French philosopher Guillaume Thomas François Raynal summed it up thus: “*one knows that jealousy of trade is nothing but jealousy of power.*” (Raynal, 1780, p. 598). Just how trade and power were intertwined is the subject of the next section.

### ***Freedom, commerce and conquest***

One of the more prominent works that expounded on the difference between the ancient “spirit of conquest” and the modern “spirit of commerce” was Jean-François Melon’s 1736 *Political Essay on Commerce* (Hont, 2005, p. 30–36; Robertson, 2005, p. 340–346). His model of international trade portrays an imaginary archipelago in which the separate islands specialise in distinct goods such as grain, textiles, or beer. In his view, the differences in these economic activities would cause variation in the economic outcomes of each of the islands. The island that progresses from primary production to manufacturing would gain two significant advantages, namely: a bigger population and with that, a larger proportion of the money available to facilitate commerce (Melon, 1736, ch. 4 – 6). The issue was national competitiveness and he showed that trade organised in a certain manner could make an island “*less plentiful, less peopled*” and in time, “*subdued, by another island, which formerly had fewer inhabitants.*” This dynamic would thus break “*the balance of equality*” and

obtain for the dominant island “*a superiority of power*” and the ability to “*give Laws to the other Islands*”. New political principles would then arise in the dominant island to support manufacturing, encouraging the trade in raw materials from the islands with whom she does not compete while destroying the trade in finished goods of other islands whose competition might alarm her (Melon, 1736, p. 1–11).

Because differences in economic power imposed hierarchical relationships between polities, deliberate acts to administer the world and regulate economic relations became the means by which decision-makers could influence the welfare and destiny of their polities. Where a state was in the global economic hierarchy, by virtue of what it produced and the strength of its commerce, had implications for the political autonomy of the state. Later, this was explicitly theorized by the Neapolitan political economist and jurist Michele de Jorio, building on the Antonio Genovesi’s earlier work which suggested that a more important determinant of political freedom in Europe was a country’s position in the economic hierarchy rather than civic virtue or representation – a view overlooked by historiography (De Jorio, 1979, ch. I, p. 91–93; Genovesi, 1757–58, ch. I, p. 28, p. 247–248). It would not suffice for a nation to isolate itself from the vicissitudes of international competition by closing itself off as the aggressive power of the great trading nations could not be long resisted.<sup>19</sup> Davenant (1771, ch. II, p. 75), underscoring the competitive nature of international trade, commented that trade in its nature was a pernicious thing, a necessary evil given the posture and condition of other countries.<sup>20</sup> De Jorio, on the other hand, did not consider commerce evil (even though necessary) like Davenant. And, unlike Machiavelli who distrusted the influence commerce had

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<sup>19</sup> This was a lesson Japan would learn later at the hands of Commodore Perry, ending the isolationist policy of the Tokugawa Shogunate.

<sup>20</sup> This is discussed differently in Pocock (2003, p. 443). See similarly De Jorio (1979, ch. I, p. 152; p. 169).

on *virtù*, De Jorio argued that civic virtue and political freedoms flowed from opulence. According to him, it was “*a mistake to believe that riches which are the daughters of commerce*” were “*incompatible with valour,*” adding that “*one should not search for the model of civic virtù in a poor and military Nation, [for] a State cannot really be happy, and formidable, if it is not opulent.*” (De Jorio, 1979, ch. I, p. 105, p. 127). That commerce was necessary to make a nation formidable was also recognised by one of its staunchest critics, Rousseau (1761, p. 15–16), who had argued that “*commerce, which daily tends to preserve itself in equilibrium, taking from certain powers the exclusive advantages which they have derived from it, at the same time deprives them of the great means which they had of giving laws to others.*”<sup>21</sup>

Unlike Hume and Locke who held that commerce and empire followed fundamentally different logics and thus commerce was an *alternative* to empire, Melon’s view was that commerce was a *better instrument* of achieving empire than military conquest (Robertson, 2005, p. 371). While Melon, it should be noted, agreed with Hume and Locke that commerce and war followed fundamentally different logics, for him, that only meant that the empire each one achieved was of a different nature, rather than dispensing with empire altogether. Melon (1736, p. 79–91) draws on Locke’s dichotomy of the destructive *esprit militaire* of the ancients and the modern *esprit de commerce* to make his point. He argued that unlike the “spirit of conquest”, the “spirit of commerce” was “always accompanied by the Wisdom necessary for Preservation.” (Reinert, 2010). The conquests of Rome, like those of the Arabs and the Mongols, were in his view, precarious because the conquerors had not applied themselves to commerce. The civilizations of antiquity tended to manifest either *esprit militaire* or *esprit de commerce*, paradigmatically

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<sup>21</sup> Like Machiavelli, Rousseau argued that commerce attenuates virtue. See Rousseau’s first discourse (1750), and Hanley (2008) for a discussion of Rousseau’s first discourse.

represented in the conflicts between Rome and Carthage or Sparta and Athens, respectively (Ataç, 2006, p. 648). But while in ancient times, *esprit militaire* had notable triumphs over *esprit de commerce*, Charles-Irénée Castel, *abbé de Saint-Pierre* noted that, “*Rome and Carthage are no longer here, and there is no longer a military people which subjects a mercantile people . . . [now] one always finds the superiority of troops where there is a superiority of money.*” (Bonno, 1948, p. 51).

Robertson (2005, p. 343) goes a step further, noting that a modern nation might reduce its neighbours without ever having to cross their frontiers. It was in this same vein that De Jorio had warned in the late eighteenth century that “*commerce*” had bestowed upon England “*dominion*” even where it sent no troops – “*a different kind of Empire.*” (De Jorio, 1778–83, ch. I, p. 21, p. 24).<sup>22</sup> Commenting on this nexus between politics, war and economics, Montesquieu, in a section of *Spirit of the Laws*, also warned on the dangers of economic empire. He wrote about England’s decimation of Ireland’s wool industry through the Irish Woollen Export Prohibition Act of 1699.<sup>23</sup> He wrote that England had given Ireland “*its own laws,*” “*enslaved*” it and forced it into a state of “*great dependence*” by economic means, but as a result it possessed “*a great commerce,*” and its “*navy*” became “*superior to that of all other powers.*” Economic empire, in other words, was a *synergy* and not merely a union between *esprit militaire* and *esprit de commerce*, military strength and commercial wealth, that blurred the line between conquest and commerce.<sup>24</sup>

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<sup>22</sup> On how popular awareness of these mechanisms fed the Anglophobia and the American Revolution, see Breen (2004, p. 329–331).

<sup>23</sup> For the context of the Irish Woollen Export Prohibition Act of 1699, see Kelly (1980).

<sup>24</sup> It was precisely this synergy that inspired both Anglomania and Anglophobia. On Anglomania and Anglophobia see Acomb (1950); Grieder (1985); Perrot (1992, p. 305–331); Buruma (1999).

### *The spirit of emulation*

As has been seen earlier in this chapter, the writers of the early modern period in Europe understood that wealth and freedom in the neo-roman sense were competitive pursuits determined by their position in the economic hierarchy. However, this hierarchy was not stationary and while some states rose to glory, others fell from grace. This section deals with how, in the view of the writers of the early modern period, a state would attain that confluence of wealth, political liberty and military might that would enable them to dominate their neighbours – a state the Italian humanists referred to as *grandezza*. Their explanations were economic rather than martial in nature, thus their writings were, quite simply, about how a polity might grow rich – not unlike modern developmentalism.

Hobbes, in his translation of Aristotle's *Rhetoric*, defined envy as "*grief, for the prosperity of such as ourselves, arising not from any hurt that we, but from the good that they receive.*" Emulation, on the other hand, he defined as "*grief arising from that our Equals possess such goods as are had in honour, and thereof we are capable, but have them not; not because they have them, but because not we also.*" (Hobbes, 1681, p. 66–69). These definitions of emulation were seemingly already part of the lexicon of the time. Elisha Coles's *English Dictionary* defined "*Emulation*" as "*a striving to excel others,*" and so did Nathan Bayley in his *Orthographic Dictionary* who explained that emulation meant "*to strive to exceed one*".<sup>25</sup> Ephraim Chambers's great *Cyclopædia* defined it "*a noble jealousy.*"<sup>26</sup> Hobbes's delineation of the "grief" that arises from being excelled in wealth and power by another nation into "good" or "positive" grief that rouses the energies towards emulation in the hope of

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<sup>25</sup> Coles, 1677, unpaginated entry for "Emulation"; Bayley, 1727, unpaginated entry for "To Emulate." See also Bayley, 1800, unpaginated entry for "Emulation."

<sup>26</sup> Chambers, 1738, 1, unpaginated entry for "emulation."

attaining that which one does not presently possess and “negative” grief which was simply jealousy of another’s prosperity even when one was unaffected, was part of the taxonomic approach that was typical of scholarship in the early modern period in Europe especially during the Enlightenment.

Taxonomies are inherent in the idea of emulation, because if there are things worth emulating, then by the same token, there are things that are *not* worth emulating. It has been argued that this insight is what shaped the development of political economy in early modern Europe which, from its conception, was a science of imitating the productive structure of wealthy nations in the laggard ones. Around the seventeenth century, Venice and the Dutch Republic offered models to emulate while Spain whose deindustrialisation and gradual decline was evident from the 1550s onwards, despite having gold and silver mines in the Americas, served as an example to avoid (Perrotta, 1993; Reinert and Reinert, 2003; Reinert, 2004; Reinert and Reinert, 2005).

In keeping with this taxonomic approach, the mercantilists held that some economic activities were better suited towards generating wealth than others, that is, economic development was a result of specialising in specific activities namely manufacturing or industry as opposed to production of raw materials for export. This separation of manufacturing or industry from primary production, from the standpoint of economic policy, was, of course, understood in earlier times such as Tudor England in 1485, when the export of woollen cloth was encouraged at the expense of raw wool by increasing the export duties on raw wool. At that time, England and Spain, two large producers of fine wool, which was in high demand by the weavers of Flanders and Italy, had acute problems of beggars while Flanders and Italy abounded in wealth. There were scattered references to the wisdom of England’s policies aimed at remedying her situation, among which one of the famous examples is Luiz Ortiz’s

memorandum to King Philip II of Spain (Ortiz, 1588). Ortiz repeats many times over that Spain is making herself poor by selling her raw wool to foreigners only to pay a much higher price for the finished woollen cloth produced using the raw material they had exported in the first place. Having identified wealth with production and thus, the increase of wealth with the increase in production, Ortiz argued that money should not have been allowed to leave the kingdom for imported goods, especially luxuries, but rather utilised for internal improvements such as canals and mills, and for establishing manufacturing industries to transform Spanish raw materials into finished products for domestic consumption and export (Perrotta, 2004, p. 112).

While Ortiz explored why Spain would inevitably lose her *grandezza* despite the rich gold and silver mines of the New World because she continued to export raw materials and import finished goods, in France, Barthélémy de Laffemas, Controller General of Commerce under Henry IV, explained in detail why ending France's dependence on, and subsequent subjection to, foreign powers required the development of competitive domestic industry (Laffemas, 1597, p. 17; Laffemas, 1602, p. 123). Laffemas's point about the importance of competitive domestic manufactures for freedom would inform the commentary on the politics of international trade that followed the 1703 Methuen treaty which stipulated customs-free exchange of Portuguese wine for English textiles. David Ricardo's famous illustration of comparative advantage, in which England and Portugal specialise in cloth and wine respectively, shows that both countries would consume more wine and cloth as opposed to a scenario of autarky. However, outside the narrow bounds of pure economic theory, many writers perceived Portugal as economically *enslaved* to the English merchants and policy due to its state of dependence, a far cry from Adam Smith's passages on the benevolence of the natural order and the virtues of free trade as

illustrated by Ricardo (Genovesi, 1777, ch. II, 202n, 255n).<sup>27</sup> The island manufacturing woollen textiles, had, as in Melon's model, proven superior, and arrived at "giving the law" rather than receiving it.

Two economists in the early modern period stand out for their precocious explanations as to why manufacturing was the key to generalised wealth: Giovanni Botero and Antonio Serra. For Botero, the answer had to do with the differentiation in manufacturing industries – foreshadowing what Adam Smith later called the "division of labour", technical change and the high value added to imported raw materials. Serra, whom Schumpeter (1954, p. 195) referred to as "the first to compose a scientific treatise... on economic principles and policy", added to Botero's analysis by arguing that the development of cities, in which manufacturing industries were based, was the result of increasing returns to scale, the falling unit costs found in manufacturing but not agriculture that created virtuous circles.<sup>28</sup> Serra wrote of increasing returns: "*the products of manufacturing industry can be multiplied, and this is a source of profit. Agricultural produce, on the other hand, cannot be multiplied. If a given piece of land is only large enough for the sowing of a hundred tomoli of wheat, it is impossible to sow a hundred and fifty there. This is not the case with manufacturing industry; its products can be multiplied not just twofold but a hundredfold, and at a proportionately lower cost.*"

This importance of this dichotomy between raw materials and manufacturing would have political consequences. The historian Richard Goldthwaite argued

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<sup>27</sup> Compare the historical understanding behind Smith (1976, ch. I, p. 522–523), to Justamond (1798, ch. III, p. 366). See also Genovesi (1777, ch. II, p. 204), and Torres (1781, ch. I, p. 109), on how Britain "gave the law" to Portugal, in addition to Pombal (1986, p. 76). See also Shaw (1998).

<sup>28</sup> Former World Bank Chief Economist Justin Yifu Lin wrote, 'Except for a few oil-exporting countries, no countries have ever gotten rich without industrialization first' (Lin, 2012, p. 350).

that what is generally regarded as Europe's "commercial revolution", from the twelfth century onwards, was in fact a process of import substitution of manufactured goods from the Levant. It is also in this period that European polities overtook Asia to achieve predominance in wealth and power (Goldthwaite, 2009, p. 6–8). This process, by which a nation might grow its wealth and power, was anything but natural. Genovesi argued that it would be a total error to think that the wealth and greatness of England was the work of chance. Rather, the only reason England's manufactures had achieved predominance in world markets was the singular art and diligence by which they had been cultivated. The view of economic policy as remedying the deficiencies of nature was for Genovesi, as it was for Montesquieu and Serra before him, central to how England had risen to greatness by the eighteenth century. Thus, Genovesi (1757–58, ch. I, p. i–iii) argued, "any other nation" could achieve the same, though of course taking into account its own internal circumstances.

### ***Conclusion***

Jealousy of trade, Alexander Hamilton among others, pointed out, had historically been extremely effective at spurring emulation (Madison, Hamilton and Jay 1987, p. 104–108). In early modern Europe, the centre of the European economy shifted from the Hanse towns and the city-states of Italy, then to the Netherlands en route to England, and to a lesser extent, France, as the new nations mastered the synergies between wealth and war better than those they supplanted. Underpinning this all was the understanding that both wealth and liberty were competitive pursuits from which the discipline of political economy, as the science of how a polity might grow wealthy emerged. Here the emergence of the timeless goal of developmentalism, that is, industrialisation – the diversification of the economy away from the dependence on agriculture

and raw materials alone, is seen not only as having had economic motivations but decidedly political ones, namely, freedom in the neo-roman sense.

## **CHAPTER FOUR: FREEDOM AS NON-DEPENDENCE IN THE AMERICAN SCHOOL**

The American School was among the earliest attempts to develop an alternative to the economic liberalism espoused by British classical school. The focus of the American School was production, that is, the creation of wealth, as opposed to that of British classical economics, namely, the study of barter, trade and

exchange. This, for them, meant nothing less than the development of a robust local manufacturing sector. Today, it is widely acknowledged that these policies laid the groundwork for the industrial powerhouse that the United States would later become. Having achieved industrial supremacy, the United States, following in the footsteps of Great Britain prior, proceeded, in the period after the Second World War, to become a major proponent of free trade policies and the concomitant ideas of freedom as expressed in liberalism. Thus, an element of the American School that is often disregarded is the concept of freedom as non-dependence, which formed a major impetus in their push for industrialisation. This chapter revisits the writings of key proponents of the American School strategy: Alexander Hamilton, Henry Carey and Friedrich List.

Commenting on the developmental state model that gave rise to the so-called East Asian Tigers, Financial Times columnist Martin Wolf remarked that, “*It was America and Hamilton that invented that idea.*” (Cohen & DeLong, 2016, p. 100). As is well known, Alexander Hamilton, the first Secretary of the Treasury, formulated a plan to redesign the economy of United States, shifting it away from the agricultural model imposed on it by Great Britain. Sen (1984) notes that for nationalists like Hamilton, there are several reasons for industrialisation as their foremost objective. Firstly, the spill-over effects (externalities) of industrialisation have a positive effect on the economy that spur its overall development. These include but are not limited to higher wages and higher productivity resulting from higher levels of technical progress. Secondly, industry is associated with economic self-sufficiency and with it, a degree of political autonomy. Thirdly, and in the view of Gilpin (1987), the most important, industry is prized because it is the basis of modern military power and central to national security in the modern world.

This nationalist objective of industrialisation, Gilpin (1987) notes, is itself a major source of conflict. At least in the case of the USA, Reinert et al (2017, p. 42) share this view of the bellicose foundations of international trade, arguing that the right for the necessary protection of new technologies had to be won twice, first in 1776 with the American War of Independence and then with the American Civil War, in which the diametrically opposed economic systems of the industrial North and the agricultural South staged a showdown. The American Civil War, it could be said, was part of a more protracted ideological split which began with the contest between Hamilton's Federalists and the Democrat-Republicans of Thomas Jefferson. While Hamilton and Jefferson arguably shared similar views on republican freedom which necessarily involved ending the economic dominance of Great Britain over the United States of America, they differed significantly in what they regarded as the means to achieve it. Hamilton was more original in his developmentalist vision that would create an industrial bourgeoisie dominating civil society and the republic, whereas Jefferson saw in free trade, like Adam Smith, an institutional mechanism to eliminate rents and hierarchical relations of economic domination, hence his support for competition among small agricultural proprietors. Thus did Hamilton and Jefferson arrive at such different economic prescriptions despite a shared concern for neo-Roman freedom.

In his *Report on the Subject of Manufactures* (1791), Hamilton noted the pitfalls to which reliance on private actors to spontaneously develop a manufacturing sector would lead, necessitating that government intervene to stimulate its development. Hamilton recommended, for example, the creation of a national bank to finance infrastructure spending, or "internal improvements" as they were referred to then; a protective tariff which had the twofold purpose of discouraging imported manufactured goods and raising revenue to fund bounties (or subsidies, as they are better known today) to industry; and tax

exemptions for strategically important national manufacturing interests.<sup>29</sup> By contrast, Jefferson's ideas based on emphasising competition between numerous small agricultural proprietors favoured free trade with Great Britain, whose markets the farmers of the South depended on to sell their produce.

The "Jeffersonian Road", as Cohen and DeLong (2016) describe the set of ideas that favoured the agrarian South, was "designed to please the merchants of Bristol".<sup>30</sup> Reinert and Reinert (2005) go a step further, regarding the essence of colonialism to lie in nothing less than the economic domination of the colony by virtue of the higher state of industrial development in the colonial power. Thus, like Hamilton who equated "critical manufacturing capabilities" with "the ability to defend the new republic against empire building by Britain, France, the Netherlands, or Spain", Reinert and Reinert (2005) see in national industrialisation the basis of national autonomy. Short of this, the US would, at best, be "*dependent on unwanted and unfair foreign alliances*". Indeed, as Ben-Atar (1995, p. 393) put it, "*[Hamilton] believed that economic independence was inseparable from political independence and was dismayed by the American addiction to manufactured British imports*". The agrarian economy implied maintaining a relationship of servitude and dependence on the former colonial power, not to mention the institute of slavery on which it depended for its success, and as such was not compatible with national political independence.

It is at least worth asking, then, whether the US was lucky, in a quite ironic sense, that its predominantly agriculturalist half adopted a social form built

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<sup>29</sup> Regarding the protective tariff, it is worth noting that the American home market would go on to be the most protected home market in the world from Abraham Lincoln's presidency up to the Second World War. See Lind, M. (2013). *Land of Promise: An Economic History of the United States*. HarperCollins.

<sup>30</sup> One of the major ports in Great Britain at the time.

around slavery that made compromise between Hamiltonian and Jeffersonian visions ultimately impossible. Abraham Lincoln's uncompromising attitude toward the expansion of slavery beyond the South illustrates this. For example, in a private letter in 1860, Lincoln wrote, "*Entertain no proposition for a compromise in regard to the extension of slavery. The instant you do, they have us under gain; all our labor is lost, and sooner or later must be done over.*" (Burlingame, 2008). What is less well-known, however, are the series of compromises prior to Lincoln, from the Missouri Compromise in 1820 to the Compromise of 1850 to the unsuccessful Crittenden Compromise of 1860. In each case, however, Southerners tried to push beyond them and thus, Lincoln's uncompromising attitude may be seen as a reaction to the uncompromising attitude of the Southerners which sought to protect slavery in the South in perpetuity and secure its westward expansion, to the disadvantage of the free labour in the industrial system of the North.<sup>31</sup>

In the realm of practical matters, away from ideological plane of the rift between the systems of free labour versus slave labour of the North and South respectively, it is notable that Southern propaganda usually listed the North's second great crime against it – after the allegation of encouraging slave revolts – as being the “imposition” of national import tariffs which contrasted sharply with their free trade advocacy (Palen, 2013). Historian Norton Garfinkle wrote, "*From the start, much of the South opposed tariffs because their main purpose was to protect domestic manufacturing, largely a Northern enterprise. At the same time, in the Southern view, tariffs threatened the Southern economy, which was critically dependent on trade with Great Britain. Great Britain was by far the United States' largest trading partner in the antebellum era, and the most*

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<sup>31</sup> For the ultimate failure of compromise due to the unyielding attitude of Southerners, see Walther, E. H. (1992). *The Fire-Eaters*. Louisiana State University Press; and Heidler, D. S. (1994). *Pulling the Temple Down: The Fire-Eaters and the Destruction of the Union*. Stackpole Books.

*important export to Britain was Southern cotton.*” (2009, p. 281). The protection and development of domestic manufacturing, was, for the North, the path to the free state, and it was this idea that would dominate the works of Henry Charles Carey and Friedrich List.

Henry Carey was perhaps the leading nineteenth century economist in the tradition of Hamilton, and one of the first who made an explicit reference to an “American school” of political economy. While initially an advocate of free trade, he later became an open critic following the Panic of 1837 and the perceived success of the protectionist Tariff of 1842. Carey lived through a period in which the economic interests of the North and the South became increasingly divergent. The “American system”, of which he was the chief proponent in his time, was the economic program of the more industrial North. He was also a senior adviser to President Lincoln and many of Lincoln’s ideas concerning the need for structural transformation of the US to overcome economic dependence on Great Britain were influenced by him (see Wade 2017; Philips, 2019).

For Carey (1856), the natural evolution of societies was from the basis of agriculture towards one of manufacturing. The process of the shift from an economy dominated by agriculture to one dominated by manufacturing was characterised by a virtuous cycle of increasing returns to labour, a growing home market because of increased demand, a harmony of interests, and individual freedom. For example, iron production would increase the number of people employed in blast furnaces, which would expand the steel industry from which the blast furnaces were obtained, wages would rise, the demand for the necessities of life such as food and clothing would increase, along with their prices, would increase, and thus, the prosperity of the manufacturers and that of the agriculturalists, and the rest of the society in general, were tightly bound in

Carey's system. The systemic effects of economic development that Carey elaborated would be described in contemporary terms as linkages – a complementarity of demand in which the increase in the demand in one industry leads to an increase in demand in another industry and so on, creating a virtuous cycle (Hirschman, 1958). The “diversification of employments” brought about by manufacturing generated positive externalities, both on the production side in the form of increased productivity and on the demand side in the form of increased aggregate demand due to higher wages (Carey, 1869).

The virtuous cycle resulting from this economic dynamism brought forth not only increasing wealth but also led to a distinctly political phenomenon: the possibility of furnishing the material basis for the freedom of individuals and the nation. Carey states, “*The natural laws of the production and distribution of wealth tend not to slavery, but to freedom*” (1853, p. 42). Freedom, as Carey understood it, was the opposite of ‘*servile dependence*’. He thus implied that freedom meant being able to interact with others on a horizontal basis, in which there was mutual benefit to both parties without one side dominating the other, as opposed to a hierarchical basis which is brought about by dependence. This was as true of individual labourers as it was of nations. Carey contrasted the effects on individual labourers and perceptions of labour of stagnant agrarian economies with dynamic ones based on industry. While agrarian economies always sought cheap labourers, desiring to purchase “*at their own prices, the bone, the muscle and the sinew required for their purposes, selling at the dearest rate the produce of the labour of their slaves*”, in industrial economies, the labourer “*fixed the price of his own labour and profited by his own exertions*”. In agrarian economies, thus, labour was held in low esteem while in industrial economies, labour was seen as a way of acquiring “*honest independence*” (1854, p. 28). Where demand for labour was low, such as in an agrarian economy, workers possessed little power, forcing them to submit to

both industrialists and/or landlords to get a job. In other words, they were obliged to sell their labour as cheaply as possible to survive. The consequence of this cheapening of labour was its de facto *enslavement*. This, for Carey, is what caused labour to be held in “low esteem” in such systems. On the other hand, in a highly productive order based on industry and its attendant complementarities, the increase in the demand for labour would “dissolve personal ties of dependency” into an “web of impersonal interdependencies” giving workers more freedom and income.

In the case of nations, Carey’s view was that a highly productive industrial nation, much like a highly productive worker, would be able to establish horizontal, not hierarchical, relationships with other nations. In his words, “*with every increase in the productiveness of their labour, they [nations] are more enabled to determine for themselves their own course of action, uninfluenced by that of surrounding nations. With every diminution therein, they are more and more compelled to shape their course of action by that of others, losing the power of self-government*” (1856, p. 224). A nation’s autonomy, and thus equal treatment on the international scene, depends first and foremost on the complexity and productivity of its economic structure which forms the material basis of freedom. Thus, freedom of trade was, for Carey, only feasible once a nation had an established industrial economy which allowed it to enter horizontal relationships with other nations. As he put it, “*the road towards... real freedom of trade was to be found in the pursuit of a policy leading to industrial **independence***” (1869, p. 9).

This natural evolution of economies from agrarian to manufacturing in the process of economic development, and the gradual increase in freedoms, both for the labourer and the nation, were interrupted by economic domination carried out by Great Britain in the name of ‘free trade’. Carey perceived Great

Britain's policies as having the aim of constraining the development of manufactures in other countries, and thereby creating a monopoly for its home manufacturers, as nothing less than "*warfare*" (1869, p. 14). Carey cites a report made to the British Parliament in which it is stated that labour in Britain may be employed, even at a loss in bad times, to "*destroy foreign competition and to gain and keep possession of foreign markets*" (1869, p.14). The report further states that "*the large capitals of [Great Britain] are the great instruments of warfare against the competing capitals of foreign countries and are the most essential instruments now remaining by which our manufacturing supremacy can be maintained.*" (1869, p.14). After consolidating her industrial monopoly, Great Britain imposed free trade on the rest of the world with the aim of creating an international division of labour that would reduce other countries to the role of suppliers of agricultural products to her industries while maintaining sole control of the industrial core.

Because of this industrial monopoly, British free trade stunted the natural development of latecomer countries; the synergies that ought to have developed between agriculture and manufacturing were severed and the forward and backward linkages that bring about increased productivity and capital accumulation could not take root. Without a system based on the economic dynamism inherent in an industrial economy, aggregate demand would decline, thus causing investment and wages in turn to decline as well. The political consequence of this would be an increased dependence of the working classes on industrialists and landlords which would be shortly followed by the submission of the whole nation to England. In this sense, Carey identifies the national interest with that of the working classes, for they form, in any society, the majority of the population. The freedom of the nation thus could only be realised by the freedom, that is, the relative independence, of the working classes, and for this to happen, high demand for labour was necessary. The

subjection of the working classes, Carey warned, would reverse the virtuous cycle of industry, wealth and power into a vicious cycle of agriculture, poverty and servitude. He concludes that the impact of England's free trade policies was to "*prevent the application of labor elsewhere than in England to any pursuit but that of agriculture ... to prevent advance toward civilization and **freedom***" (1856, p. 97).

The only way to break this monopoly, Carey argued, like Hamilton before him, was through protectionist tariff measures and state incentives to infant industry. This would set the nation back on the natural path from agriculture to manufacturing, and with it, the growth of a home market characterised by horizontal relations. In opposition to liberal trade policies, he writes "*whereas the whole proceeds of the former [free trade] had been so applied as to promote the perpetuation of American dependence, those of the latter [protectionism] had gone, and must continue to go, in the direction of promoting the growth of American wealth and independence*" (1869, p. 24). It is interesting to note Carey's choice of terms when describing the protectionist tariff of 1824, referring to it as "***American legislation** fostering American industry*" as opposed to liberal trade policies that he calls "***foreign legislation** cherishing foreign industry*" (1869, p. 55). This calls to mind the idioms of the classical period in which unfree people were those living under a law that was not their own but that dictated to them by their conquerors (Reinert, 2011). The tariff measures protecting industry in the US, he declares, "*carried the slave rapidly onwards towards freedom; and attained for the nation that political Independence which has in all other countries grown with the growth of industrial independence*" (1869, p. 47). Thus, for Carey, breaking the ties of dependence on Britain through protectionist policy was the way to individual and national freedom.

Friedrich List, the well-known German-American economist, also made important contributions to the reasoning within the American school of the links between protection, industrialisation and freedom. The goal of industrialising was not merely sustained economic growth, but to overcome economic domination (particularly by Great Britain) and aspire to wealth, power and national independence which he understood as freedom in the neo-Roman sense.

The starting point of List's critique of the theoretical propositions of the British liberal school lies in his sharp demarcation between the 'cosmopolitical' economy of Adam Smith and a truly political economy which for him was one in which national interests were paramount.<sup>32</sup> Although Adam Smith himself adopted a clear nationalist standpoint in some of his writings, later classical British economists assumed the view that what is best for the all the nations as a whole, must ipso facto be best for each individual nation. Put another way, the dominant assumption was that cosmopolitical and national interests coincide, and it was against this view that List builds the core of his rebuttal. He writes, "*I would indicate, as the distinguishing characteristic of my system, nationality. On the nature of nationality, as the intermediate interest between those of individualism and of entire humanity, my whole structure is based.*" (Preface, p. xliii). List's system of political economy is emphatically national.

Contrary to what the liberal school suggested, List held that the system of free trade did not generate freedom and prosperity for all nations involved, but rather

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<sup>32</sup> It must be noted, however, that List's criticisms of Adam Smith and his writings are not entirely accurate. Some of the views he attributes to Adam Smith were not actually expressed in Smith's writings but were rather the prevailing opinions of the British liberal school of the day, whom he refers to as "Smith's successors". See the introductory essay by J. Shield Nicholson in the 1909 translation of *The National System of Political Economy* by Sampson S. Lloyd.

a greater degree of domination by the pre-eminent manufacturing power. The importance of manufacturing, for List (as it was for Hamilton), could not be overstated in any discussion regarding free trade, for manufacturing generated technological spillovers in positive feedback loops that benefited the rest of the economy. A virtual monopoly on such activities, as Britain had at the time, would, in a situation of free trade, create an international division of labour resulting from different growth patterns between nations and leading to increased power, and therefore, wealth asymmetries. List, referring to British economic power, argued that *“a nation that managed to monopolize all manufacturing life on the globe and limit the economic development of other nations, reducing it to producing nothing but agricultural and raw materials and exercise only the essential local industries, this nation would necessarily reach universal domination”* (List, [1841] 1944, p. 31).

Where List saw universal domination, J. B. Say saw a ‘universal republic’, by which he comprehended the idea of general free trade. Say writes, *“We may take into our consideration the economical interests of the family with the father at its head; the principles and observations referring thereto will constitute private economy. Those principles, however, which have reference to the interests of whole nations, whether in themselves or in relation to other nations, form public economy. Political economy, lastly, relates to the interests of all nations, to human society in general.”*. To List, however, this ‘universal republic’, bringing together nations with unequal productive capacities through free trade would entail *“the universal dependence of the peoples to the supremacy of the preponderant power in manufacturing, commerce and navigation ...”* (ibid., p. 119).

List explicitly links national independence to the strength of the manufacturing capacity of the country. Criticising the liberal school for not including this in

their analysis, he writes, “*The school fails to perceive that under a system of perfectly free competition with more advanced manufacturing nations, a nation which is less advanced than those, although well fitted for manufacturing, can never attain to a perfectly developed manufacturing power of its own, nor to perfect **national independence**, without protective duties*” (ibid., p. 231). In this critique, List subtly distinguishes between concepts of freedom, that is, freedom understood in a mostly negative sense by proponents of free trade, and freedom understood as non-dependence. For List, the nature of the economy has a profound impact on the kind of political institutions that develop.<sup>33</sup> An agricultural economic regime is characterised by servitude and an arbitrary political authority resulting from weak productive capacity and dependence on foreign manufacturing powers. An economy characterised by manufacturing on the other hand would have both greater civil liberties and a greater degree of national independence. Echoing Ferdinando Galiani, List considered manufacturing and factories “... *the mothers and daughters of civil liberty, of lights, of the Arts and the Sciences.*”<sup>34</sup> (ibid., p. 127). The liberating effects of a manufacturing base extend also to the external sphere, bringing about autonomy from dominant foreign powers by augmenting the nation’s productive powers.

Like Carey, List points out that free trade impedes, what in his view, is a natural progression towards development of manufacturing in laggard countries, and this maintains the mechanisms of servitude. He writes, “... *in the case of international trade the highest degree of individual liberty may consist [sic] with a high degree of protective policy. Indeed, it is even possible that the greatest freedom of international trade may result in **national servitude** ...*” (ibid, p. 45). It should be noted though, that List was not an uncompromising

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<sup>33</sup> For a more thorough discussion on the direction of causality between economic activities and the institutions with which they co-evolve, see Reinert (2006).

<sup>34</sup> “From manufacturing you may expect the two greatest ills of humanity, superstition and slavery, to be healed” (Galiani, 1770, p. 121).

protectionist. Like De Gournay and Galiani, he argued that free trade would initially benefit a nation with hardly any manufacturing industry insofar as these trading relations stimulated the inhabitants of the more agricultural country to aspire to industry (Reinert, 2013). This phase would then be followed by a phase of emulation, in which methods of production that were hitherto foreign are applied locally. It is for this phase that List argued vehemently against the view of classical economists, whom he regarded as advocating premature liberalisation. Protectionism was a form of ‘industrial education’, the importance of which went beyond the pecuniary in his vision of national independence. The main error that the liberal school made, in List’s view, was conceiving reality as a sphere in which the prime consideration was exchange between individuals disconnected from their political and social institutions. This led to disregard for the *“the existence of the nation and, consequently, the principle of the education of the nation for its independence”* (ibid., p. 27). Thus, he sees in the ‘industrial education’ under protectionism, an education for freedom understood as national independence. A nation whose manufacturing sector had attained competitiveness could then do away with the protectionist policy and participate in free trade, much to the benefit of both parties. Though List has a reputation for being a champion of protectionism, this disregards his support for free trade that was predicated on the condition of the participating countries having achieved a similar level of development. List notes, *“...restrictions are but means, and **liberty, in its proper sense, is an end**”* (1841, p. 64).

List’s views are unabashedly nationalist vis-à-vis the international system, seeing in the servitude and dependence of backward nations to the predominant manufacturing powers, the basis of unfreedom. This servitude was based on an international division of labour in which Britain controlled manufacturing while the laggard countries specialised in agricultural products by imposition of the

international free trade system. Just as Machiavelli before him argued for a national army and Italian unification to ward off foreign threats, List believed that each nation must raise up its own manufacturing sector. To achieve this, policies and measures were required that exalted the common good above any sectional interests. Although tariffs hampered the negative freedom of individual citizens and artificially increased the price of imports, List deemed the independence of the nation more important and such measures were crucial for securing its material basis.

## **CHAPTER FIVE: FREEDOM AS NON-DEPENDENCE IN MEIJI JAPAN**

The writings reviewed in this chapter are mostly those of Fukuzawa Yukichi, and to a lesser extent, Ōkubo Toshimichi, both of whom were, in the view of Helleiner (2021, p. 12), two of the most prominent pioneers of developmentalism in Meiji Japan. The writings of Fukuzawa Yukichi, arguably

Japan's most famous intellectual during this period, cast light on the link between the neo-Roman concept of freedom as national autonomy and the elimination of economic dependence through the development of a robust local manufacturing sector. This chapter draws mostly from the two works that are considered his most influential. The first is *An Encouragement of Learning* (1872-1876), a series of pamphlets that made the case for modern education and culture. The second is *An Outline of the Theory of Civilization* (1875), widely regarded as his most important work, that was aimed at public intellectuals and scholars in Japan, especially the Confucian ones, who were still holding on to traditional values and in his view, neglected the practical benefits of absorbing Western values and principles in Japan's push to rank among the 'civilized' nations of the world. These closely related texts reveal the core tenets of his philosophical outlook: the tendency towards freedom and equality as natural to human nature, freedom (understood to mean non-dependence) as the goal of the individual *and* nation, and the modernisation of Japan as the key to advancing in a rapidly evolving political and cultural world.

The following quote was taken from the founding manifesto of Japan's National Economics Association, established in 1890: "*Power is created by wealth. It is unheard of that power can exist where there is no wealth. The competition which is occurring at present between nation and nation is nothing but a competition of strength and productive power. Thus, the problem of independence is a problem of wealth. ... In these circumstances, the only approach that we should adopt is that of national economics, i.e. the economic philosophy that each nation must treat its own self-defence and independent development as the most important factors.*" (Morris-Suzuki, 1989, p. 61). This idea that, as a rule, the power and wealth of the nation were mutually reinforcing and inseparably connected, exemplified in East Asia by the ideology of *fukoku kyōhei* (rich nation, strong army), formed the guiding principle of

Meiji Japan (Vries, 2021, p. 2). The sway of this ideology, and the industrialisation that it inspired, was largely due to what Rostow would later call “reactive nationalism”, a reaction against the infringement of sovereignty by more advanced nations, not, primarily, as a desire to make more money but because given the power dynamic status quo, a traditional society would, in all likelihood, lose its independence to foreigners. Rostow described reactive nationalism as a “*sentiment rooted in a perception of the link between industrialization and effective power in the world arena – (that) came to be an extremely important factor in leading men to take the steps necessary to unhinge and transform the traditional society in such ways as to permit growth to become its normal condition Without the affront to human and national dignity caused by intrusion of more advanced powers, the rate of modernisation of traditional societies over the past century-and-a-half would have been much slower than, in fact, it has been.*” (Rostow, 1959, p. 6).

The affront to Japan’s national dignity came in the form of the *Ansei* treaties – pacts with the US, Great Britain, France, Russia and the Netherlands. Mirroring the other imperial pacts, particularly those extracted by Great Britain from Qing China by force, these treaties came to be known more aptly – and denigrated in Japan – in later years as the *Unequal Treaties*. They contained provisions for extraterritoriality, denied Japan the freedom to set her own tariff rates, and included most-favoured nation status for the Western signatories but not Japan.<sup>35</sup> The conclusion of these unequal treaties in 1858 would form the backdrop against which the worldview of the Japanese would undergo a transformation during the Meiji era, marking the beginning, and not the end, of Japan’s real struggle with the West (Beasley, 2018, p. 116).

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<sup>35</sup> The treaty between Japan and the US was officially titled the “Japan-United States Treaty of Amity and Commerce”. On this and the other *Ansei* treaties, see the introductory essay of Auslin, R. (2004). *Negotiating with Imperialism: The Unequal Treaties and the Culture of Japanese Diplomacy*. Harvard University Press.

During the Iwakura Embassy to Europe from 1871 to 1873, Germany's Imperial Chancellor, Bismarck, gave a speech in which he highlighted the importance of national power and warned Japan to be wary of Britain and France. Among those in the embassy was Ōkubo Toshimichi, then Finance Minister who would later become one of the most powerful figures in the Meiji government in his role as Minister of Home Affairs from 1873 to 1878. Some scholars have noted that Ōkubo was particularly impressed by Bismarck's speech and returned from the Iwakura mission deeply committed to closing the gap between Japan and the West (Sagers, 2006, p. 96; Brown, 1962, p. 189). His biographer, Masakazu Iwata, is, however, downplays the influence of this speech on Ōkubo's economic views writing that Bismarck's speech was merely a reiteration of the views Ōkubo already held that "vindicated his policy of *fukoku kyōhei* for Japan" (Iwata, 1964, p. 159).<sup>36</sup> Ōkubo launched a state-led industrialisation drive guided by his 1874 Memorandum on the Promotion of Production and Encouragement of Industry earned him the description of "Colbert of Japan" and "Japan's mercantilist" (Brown, 1962, p. 197; Lockwood, 1954, p. 504). State-run factories were established which Ōkubo claimed were "*absolutely necessary*" even though they "*went against the rules of political economy*". The 'rules of political economy' to which he referred was the economic liberalism of the British liberal school that had acquired considerable authority in the early Meiji years (Hane, 1969). Ōkubo's defence of an active role for the state in the economy was largely based on pragmatism, as in his view, Japan was "different" and therefore needed "different laws" to develop (Pyle, 1978, p.

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<sup>36</sup> See also the views of Kume (2002, p. 74) on the Iwakura Embassy in late 1872 before the meeting with Bismarck: "*If a country is to exercise its national rights fully and protect its interests, it is necessary that all the people, high and low, must give full priority to the creation of wealth in order to achieve economic prosperity and military strength.*"

100).<sup>37</sup> Ōkubo noted that “*a country’s strength is dependent on the prosperity of its people*”, and that industrial promotion was the best way to “*strengthen the foundations of national wealth and power.*” (Brown, 1962, p. 194).<sup>38</sup> One of Ōkubo’s colleagues on the Iwakura embassy, Kume Kunitake, echoed this, writing that failure to successfully industrialise could reduce a nominally independent country to the status of a colony, finding itself “*subject to the mercantile laws*” of the great trading nations (Kume, 2009, p. 484).

The entire political spectrum of Meiji Japan, from the fairly ‘liberal’ in favour of ‘Westernization’ to the extreme conservatives calling for the expulsion of the foreign ‘barbarians’, was marked by the conviction that Japan needed to become a ‘first-class country’ rather than a (semi-)colony of the West as had happened with Qing China (Vries, 2020, p. 47). This conviction formed the major theme of the writings of Fukuzawa Yukichi. Although without a role in government, he is best known for his extensive efforts to introduce Western “civilisation and enlightenment” to Japan in a bid to encourage emulation. As shall be seen, the motivation behind this was for the Japanese nation to have greater freedom in the neo-Roman sense.

Fukuzawa places great emphasis on ‘civilization’ as both the means to and end of national independence. Civilization, as he understood it in its broad sense, meant “*not only comfort in daily necessities but also the refining of knowledge and the cultivation of virtue so as to elevate human life to a higher plane. . . .*”

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<sup>37</sup> Also see the second chapter of Marshall, B. K. (1967). *Capitalism & Nationalism in Prewar Japan: The Ideology of the Business Elite, 1868-1941.*

<sup>38</sup> See also the views of Kume (2002, p. 272–273) in late 1872: “*The peoples of the East and the South Seas have failed to devote their attention to manufacturing and so have simply relinquished all the profit to be derived from it to Europe. The peoples of Asia and the Pacific, that is to say, use the bounty of nature to pay for the manufacturing power of the West . . . it is by the cumulative effect of the work done with the use of machines that they have attained their present wealth and strength.*”

*[Thus] it refers to the attainment of both material well-being and the elevation of the human spirit. . . . [But] since what produces man's well-being and refinement is knowledge and virtue, civilization ultimately means the progress of man's knowledge and virtue.*" (Dilworth and Hurst, 2008, p. 45-48). While in *Outline*, Fukuzawa mainly references F. Guizot's *General History of Civilization in Europe* and H. T. Buckle's *History of Civilization in England*, his early thought on the subject of civilisation was deeply influenced by J. H. Burton's *Political and Social Economy: Its Practical Applications* which he translated (Yagi, 2023, p. 35).<sup>39</sup> Burton's *Political Economy*, distinguished between the 'barbarous state' and the 'civilized state' and asserted that nations progressed from the former to the latter. Burton maintained that because 'inferior passions' of men flourish and moral virtue develops weakly in the barbarous state, there are low levels of social trust and a lack of institutions that enhance generalised welfare. The reverse, however, is true of the civilised state where inferior passions are tempered and institutions in the general interest appear. Burton then notes that freedom in primitive and semi-primitive societies is mostly a freedom to starve, pursue despotism or incessant tribal warfare, quite unlike – and *inferior* to – the freedom allowed under the laws of a civilised state (Yagi, 2023, p. 36).

The progress of civilisation did not proceed uniformly, and Burton, as did Fukuzawa later, ordered nations according to their level of civilisation. He refers to the 'savage' stage as that in which men exist in a primitive state without any laws or government.<sup>40</sup> Even so, not all nations with a government

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<sup>39</sup> For a discussion on the influence of J. H. Burton's *Political Economy* on Fukuzawa's early thought, see Craig, A. M. (2009). *Civilization and Enlightenment: The Early Thought of Fukuzawa Yukichi*. Cambridge University Press.

<sup>40</sup> Burton and Guizot wrote shortly after Hegel, who had elevated this kind of construction of the relationship between civilization and the state – a theme which was much in the zeitgeist – into high philosophy. The first fully fledged Japanese translation of Hegel was published in

could be regarded as civilised. Such nations, he referred to as ‘half-civilised’ – corresponding with Fukuzawa’s ‘semi-civilised state’ – into which fell the nations of Asia. Burton also recognised that civilisation did not progress evenly within nations. He likened uneducated people in civilised nations to ‘savages’ and the regions in which such people formed the majority of the population ostensibly lagged behind in the level of civilisation. Thus, in Burton’s theories, there are disparities in the level of civilisation both within and between nations. Burton discusses such disparities indifferently vis-à-vis their effect on power. However, Fukuzawa perceives the hierarchy of civilisation as a hierarchy of power in which the ‘civilised’ nations of the West dominated the ‘semi-civilised’ and ‘barbarous’ nations of Africa and Asia. The Western ‘civilised’ nations entered the Eastern ‘semi-civilised’ nations and exerted their advantages over Asian nations that maintained outdated traditions, which, for Fukuzawa, were represented by Confucianism in Japan. The domination of the Western nations also extended to the ports of Japan and Fukuzawa remarks on this in a speech at the opening ceremony of a trading company.<sup>41</sup> He asked, “*How do the foreigners live who reside in our trading ports? From where does their subsistence come? Riding beautiful horses, sitting in fabulous coaches, they spend millions or take them back to their home countries. That money. . . is nothing but the outcome of our toil and trouble.*” (Sugiyama and Mizuta, 1988, p. 50). For Fukuzawa, the distance between the levels of civilisation brought forth a relationship of domination and subjection and in *Outline*, he writes, “*when some countries are more advanced than others, it is natural for the advanced to control the less advanced and the less advanced to be controlled by the advanced.*” (Yagi, 2023, p. 36).

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1905, though earlier there were a few short and abridged translations. See Takeshima, A. (2020). *The Reception and Translation of Hegel in Japan*. *Verifiche*, 49(1-2), 147-158.

<sup>41</sup> At the time, foreigners were limited to within thirty miles of treaty ports.

Following his observation of the domination of Asia by the civilized Western countries, Fukuzawa's concern was for Japan to rise from the middle stage of 'semi-civilized' to that of civilized, on an equal footing with the Western countries. He describes the semi-civilised state thus: "*there is the stage of civilization wherein daily necessities are not lacking since agriculture has been started on a large scale. Men build houses, form communities, and create the outward semblance of a state. But within this façade, there remain very many defects. Though book learning flourishes, there are few who devote themselves to practical learning (jitsugaku). ... Men are adept at imitative craftsmanship, but there is a dearth of original production. They know how to cultivate the old, but not how to improve it. There are accepted rules governing society, but slaves of custom that they are, they could never form rules in the true sense. This is called the semi-developed stage. It is not yet civilization in the full sense.*" (Yagi, 2023, p. 37). For Japan to progress into the civilised stage of the Western nations, Fukuzawa recommended the cultivation of the 'spirit of independence' which was just as important, if not more so, than the external forms such as machines, construction and institutions. He describes the civilised state thus: "*Their spirits enjoy free play and are not credulous of old customs. **They act autonomously and do not have to depend upon arbitrary favors of others.** They cultivate their own virtue and refine their own knowledge. They neither yearn for the old nor become complacent about the present. Not resting with small gains, they plan great accomplishments for the future and commit themselves wholeheartedly to their realization. Their path of learning is not vacuous; it has, indeed, invented the principle of invention itself.*" (Yagi, 2023, p. 37).

His conclusion was that Japan was being held back from becoming civilized for the want of true scientific exploration (*kyūri no gaku*) and a sense of independence (*dokuritu-shin*). Regarding the 'spirit of independence',

Fukuzawa embraced some liberal ideas most notably those of John Stuart Mill's influential publication, *On Liberty* (Hane, 1969, p. 262). Fukuzawa held that freedom and diversity of thought are needed for the advancement of civilisation, as new ideas are always introduced by those who disagree with established orthodoxy. He decried the military dictatorship of the Tokugawa Shogunate that concentrated power in the hands of the ruling class which controlled all elements and phases of life. This created a tyrannical environment in which the people were timid and subservient with the result that 'the spirit of independence' was stifled.

However, Fukuzawa's notion of freedom for the individual went beyond both the negative and the positive conceptions of freedom. He states: "*freedom and independence refer not only to the private self, but to the nation as well*" (Dilworth, 2012, p. 5). To him, national independence entails a duty on the part of the citizens to defend the prestige and glory of the nation and thus clearly puts the nation before the individual. This echoes the neo-Roman conception of the free state in which the freedom of the collective upholds the freedom of the individual. Always keeping the goal of national independence in mind, Fukuzawa held that personal independence was necessary to achieve it, and that national independence and personal independence were, in a sense, mutually reinforcing. The independent person, in his view, was the one who was not dependent on others. He writes: "*Independence means to manage one's own personal affairs and **not to have a mind to depend upon others**. The person who can himself discern the right and wrong of things, and who does not err in the measures he takes, is independent of the wisdom of others. The person who makes his own livelihood through his own physical or mental labors is independent of the financial support of others. **If people do not have these independent qualities of mind and are merely reliant on the power of others, the entire nation will be dependents and there will be no one to support***"

*them.*” (Dilworth, 2012, p. 21). In this argument, reminiscent of Carey who argued that the material prosperity, and thus independence, of the working classes who form the majority of the population in any country coincided with that of the state as a whole, Fukuzawa makes the case for national independence through personal independence.

How, then, might personal independence, en route to national independence, be achieved? Fukuzawa advocated *jitsugaku*, or practical and scientific learning through the application of reason, observation and verification (which was then identified as ‘Western’ learning), instead of the study of the Chinese classics which he deemed to be without practical value. Fukuzawa’s exhortations for Japan to embrace Western learning as opposed to the old traditional education call to mind List’s arguments that centred around building the productive powers of the nation. Fukuzawa held that if the people embraced *jitsugaku*, the tyrannical tendencies of government over ignorant people, that is, those who do not possess useful practical knowledge, would be checked, creating a virtuous cycle in which higher levels of learning would contribute to higher levels of freedom and vice versa. He writes, “...*if people want to avoid tyrannical government, they must forthwith set their mind to the pursuit of learning, so as to elevate their own talents and virtues to a position of equality with the government*” (Dilworth, 2012, p. 17). Here, Fukuzawa echoes Ferdinando Galiani, Henry Charles Carey and Friedrich List in viewing industry as the key to greater freedom for the broader population by making labour more prosperous, and thus less dependent.

Hitherto, Fukuzawa’s views on what needed to be done to preserve Japan’s national independence from a strictly domestic point of view have been discussed. What follows deals with the same, but regarding other nations. The

key issue here is Japan's foreign trade which was, for the most part, dictated by unequal treaties that favoured Western countries.

Fukuzawa's nationalism characterises his views on foreign trade as well. He perceives the inevitable unequal exchange between a nation dominated by manufacturing, and another dominated by agriculture. He writes, "*If one looks at the trade between Japan and foreign countries, one sees that the Western countries are the manufacturers and Japan is the grower . . . . In economy, the wealth of a nation depends far less on the plenitude of natural produce than on the skill of human arts. For example, there is India, on the one hand, where land is fertile and yet people are poor, and there is Holland, on the other, where there is scarcely any natural produce and yet people are rich. Therefore, in trade between a manufacturing country and a growing country, the former makes use of unlimited human power and the latter, the limited produce of land . . . . This is exactly the case with trade between Japan and foreign countries. We cannot but be on the losing side.*" (Dilworth and Hurst, 2008, p. 238). He mentions three negative effects of free trade on Japan, namely: the retardation of the productive powers of Japan due to the loss of industry and the associated skills as a result of importing industrial goods and exporting raw products; substantial balance of trade deficits and the inability of the prevention of the primacy of Western merchants over Japanese.

Regarding trade, by importing mostly manufactured goods and exporting raw materials, Japan risked losing, or failing to create, manufacturing skills that were essential for the accumulation of national wealth over time, and with that, national independence. He writes, "*...our tea and silk are exported unmanufactured, whereas what we receive from them is their manufactured commodities. There are even cases in which they manufacture our raw silk and export manufactured silk cloth back to Japan. . . .If in such a way, out*

*manufacturing trades should be taken away to the foreigners' profit, our nation's basic riches would daily go west until the Japanese would eventually fall into the condition of labourers at their beck and call.*" (Fukuzawa, [1898] 1925). Thus, he was of the opinion that imported manufactured commodities should either be restricted or heavily taxed. Regarding balance of payments, when the value of exports outstrips that of imports, the difference is simply an external debt of Japan. External debt was, for him, nothing more than the manifestation of a relationship of dependence brought about by reason of an underdeveloped manufacturing sector, which was antithetical to his goal of national independence. It was in this vein that he denounced militarism, which, though ostensibly claiming to strengthen the nation, increased dependence on manufactured goods from abroad. He writes, "*In countries where there is an imbalanced emphasis on military strength there is apt to be no sense of proportion – indiscriminate military expenditures drain the national treasury and thus undermine the country. Now, while warships and cannon can be a match for an enemy with warships and cannon, they cannot be a match for the enemy of debt. Even in present-day Japan our military needs for everything from warships to rifles and even uniforms are met almost entirely by foreign-made products.*" (Dilworth and Hurst, 2008, p. 253). The third negative effect – the loss of national independence, is but the culmination of the first two. He cites the de facto subordination of Turkey to British and French economic power to illustrate this point: "*Turkey too, while nominally independent, has become a monopoly of British and French business interests. Its national products decline day by day, as a result of the [sic] free trade.*" (Dilworth, 2012, p. 92).

Though Fukuzawa points out the harmful effects of free trade to Japan at the time, he acknowledges that foreign trade can be beneficial. He was aware of the ideological battle between advocates of free trade (mostly in Great Britain) and

those of protectionism (mostly in the USA). What is important, he asserts, is that “*both free trade and protection are, after all, in the interest of their own country*” (Sugiyama, Omori & Takemoto, 1993, p. 296).<sup>42</sup> Fukuzawa, in this sense, had a relativist conception of political economy, which, being a moral science, cannot be universal since the advocate of any theory is under the influence of his time and place. It is worth noting that Fukuzawa did not favour autarky, holding the view that commercial relations with other countries were necessary to keep up to date with improvements in production methods introduced elsewhere. He likens autarky, such as that enforced under the Tokugawa Shogunate and that of the Qing Dynasty in China, to the state of a social pariah, and contrasts this with the “*natural freedom*” characterised by horizontal, rather than hierarchical, relations with other countries which are realised by improving a country’s competitiveness in international markets through carefully designed policy to that end (Dilworth, 2012, p. 6).

To conclude, Fukuzawa considered the end goal of Japan becoming ‘civilized’ and national freedom in the neo-Roman sense as synonymous, and that these had both a moral and material basis which reinforced each other. For him, the moral basis of ‘civilization’ was the ‘spirit of independence’ which applied *both* to individuals and to the nation, and these are mutually reinforcing. Regarding the material basis, Fukuzawa recognised that a highly developed manufacturing sector was indispensable for the goal of Japan catching up and ranking among the ‘civilized’ nations of the world. For example, he wrote, “...*our manufacturing techniques are not yet highly developed, but the fact that these manufacturing techniques are undeveloped is proof that the country’s civilization is not yet ripe.*” (Dilworth & Hurst, 2008, p. 253). To this end, he

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<sup>42</sup> Another important figure of the Meiji era, Maeda Masana shared this relativist conception of political economy. Maeda wrote, “*Why should we adhere absolutely to theory? English free trade or American protection is neither good nor bad. It is nothing more than a policy to protect things appropriate to that country’s situation.*” (Sagers, 2006, p. 133)

advocated for a Western-style education that emphasised scientific, practical, useful knowledge, which would both check tyrannical tendencies of the government by making the people more prosperous and increase the wealth of the nation by augmenting its productive powers. For Fukuzawa, the development of the manufacturing sector was the means, and freedom, in the neo-Roman sense, or ‘civilization’ as he referred to it, was the end. Henry Dyer, a Scottish engineer who contributed much to the advent of Western-style technical education in Japan, perhaps summed up best, in 1904, the aspirations to neo-Roman freedom that underlay the rise of Japan, in a book with the compelling title, *Dai Nippon, The Britain of the East*: “*The sense of honour which cannot bear being looked down upon as an inferior power – that was the strongest of motives. Pecuniary or industrial considerations were only awakened later in the process of transformation.*” (Dyer, 1904, p. 32).

## **CHAPTER SIX: THE LATIN AMERICAN SCHOOL**

The Latin American critical tradition in the social sciences in the period following World War II was marked by a growing regional consciousness of “underdevelopment”; that is, the realisation that from a dynamic point of view, Latin America was not progressing along a developmental path that would bring the countries of the region closer to the socio-political and economic structures

of more industrialised countries (Palma, 2016, p. 388). As has been seen in the previous chapters, the schools of thought that developed in the laggard countries limited their field of analysis only to their own countries. The focus of the American School were the Anglo-Saxon countries, and the dominant ideas in Japan were likewise nationalist, concerned only with Japan in relation to the dominant powers in Europe at the time. In the middle of the twentieth century however, the study of economic development was generalised to include all underdeveloped regions, and the Latin American School, as part of this new field, developed the concepts of structuralism and dependency theory to explain the mechanisms of domination of industrialised countries over non-industrialised ones (Kay, 1989).<sup>43</sup>

For the structuralists, what was needed was a specific set of structural changes in the economies of the region that would foster economic activities with the positive externalities and spill-over effects that could bring about dynamic economies of scale, increasing returns and so on.<sup>44</sup> Latin American structuralism had its origins in French economic structuralism (Blankenburg et al., 2008). Perroux (1939), who was one of Furtado's main influences, defined "structural economics" as the science of the relations characteristic of an economic system (ensemble) situated in time and space. Unlike the analysis of neoclassical economics that took place in an atomistic and static framework, structural economics concerned itself with the evolution of institutions and structures over time, going beyond the neoclassical analysis which treats preferences, resources, and technology as exogenous. One of Perroux's main contributions was his theory of domination, according to which the economic world was made up of hidden or explicit relationships of force and power

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<sup>43</sup> For a detailed review of the differences between structuralism and dependency theory, see Farjado, M. (2022). *The World That Latin America Created*. Harvard University Press.

<sup>44</sup> The structuralists whose writings are considered in this chapter are Furtado, Prebisch and Sunkel; and the dependency theorists are Dos Santos, Cardoso and Faletto.

between dominant and dominated entities, rather than relationships between equals, as assumed in standard neoclassical analysis (Palma, 2016, p. 389). Central to the structuralist analysis of underdevelopment was that productive structures in the core and periphery differed substantially. It viewed the typical economic problems of the periphery such as slow productivity growth, inflation and unemployment, as associated with the economic structure that had developed from the interaction with the core – an economic structure that was characterised by a weak manufacturing sector and backward domestic agriculture.

The international division of labour enabled the core to grow wealthier than the periphery, and with that, the domination of the latter through its dependency on the former in a vicious cycle. Prebisch (1981, p. 203) understood dependency to mean a relation in which the periphery is subjected to decisions made in the core, or one in which governance agents in the periphery are compelled to make decisions that go against their interests. This subjugation results from the more enhanced productive powers in the core countries which form the basis of their control of industrial and financial assets, enabling them to sustain capital accumulation. The control of these resources bestowed structural power of the core over the periphery, whose capital accumulation depended on access to these resources.<sup>45</sup> The periphery was defined by its position in an international system whose key pillars were in the hands of countries in the core, making the periphery dependent. Cardoso and Faletto (1979, p. xxiii) argued: “*Capitalism is a world system. But some of its parts have more than their share of leadership*

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<sup>45</sup> One historical example of the overt use of such structural power was the prohibition of the emigration of skilled workers and ban on the export of machinery from the British Empire in the eighteenth century to developing peripheries seeking to establish their own manufactures, particularly the USA. See Ben-Atar (1995), where the origin of patent laws in the USA, and how they enabled American manufacturers to successfully pirate British technology, is discussed.

*and an almost exclusive possession of sectors crucial to production and capital accumulation, such as the technological or financial sectors. They require complementarity from dependent economies, but the crucial elements for the capital expansion on a cumulative and amplified scale at their disposal.”.*

Cardoso and Faletto (1979) liken the hierarchical relationship between core and periphery to that between creditor and debtor. This example not only highlights the power asymmetries in the unequal relationship, but also harkens back to arguments put forward by earlier schools of thought that saw in a negative balance of trade, an avenue for domination by another nation through the ensuing external debt.

This view of the relationship between core and periphery as one of domination is central to the Latin American School. According to this perspective, ‘underdevelopment’ did not only mean ‘economic backwardness’ or poverty but also domination. Furtado (2000, p. 265) observes: “*underdevelopment is the manifestation of complex relations of domination-dependence among people and tends to self-perpetuate under changing forms.*”. Cardoso and Faletto (1979, p. 21) concur in their definition of underdevelopment as “*a situation of objective economic subordination to outside nations and enterprises and, at the same time, of partial political attempts to cope with ‘national interests’ through the state and social movements that try to preserve political autonomy.*”. These partial political attempts to assert national interests with the goal of preserving the political autonomy of the periphery and the core’s reaction to these attempts are the primary forces that drive political history. Furtado wrote: “*the rapid process of accumulation and technical advance that are inherent to that civilization enabled some peoples of Europe to put almost the entire planet under their control. Modern and contemporary history is largely a reflection of this enterprise of planetary domination and of the inverse effort of the dominated peoples to liberate themselves*” (1979, p. 45).

This conception of autonomy and dependence was not without its critics. Bernstein (1979, p. 91) viewed the advanced capitalist countries as “no more autonomous than the underdeveloped countries” thus rejecting the usage of the concept of autonomy in defining dependence. He writes, “*Underdevelopment theory cannot have it both ways. If the field of analysis is world economy, if the centre needs the periphery for modes of exploitation that off-set the tendency of the rate of profit to fall, if the circuit of capital in general is realized on the international plane, then there is no capitalist formation whose development can be regionally autonomous, self-generating or self-perpetuating. ‘Development’ cannot be conceptualized by its self-centred nature*” (1979, p. 92). Brewer (1980, p. 178) and Leys (1977, p. 95) likewise criticised the concept, preferring to speak of “relations of interdependence”. Ray (1973, p. 4–20) argues that it is impossible to achieve a state of non-dependence in an interdependent world. Dos Santos (1970), one of the pioneers of dependency theory, also held this view, equating dependency with *mere* participation in the “capitalist” world market and suggested that non-dependency could only be achieved by breaking away from that market. His implicit assumption is that economic relationships among nations were/are somehow different outside the capitalist world market, that is, in the socialist trade bloc (Ray, 1973, p. 3). Despite the apparent irreconcilability between the Marxian viewpoint and that denying the existence of either autonomy or dependence in favour of interdependence, there is a fundamental agreement on what dependence means, that is, a situation that is *not* autarky. Dos Santos modifies this slightly, ostensibly to fit his Marxian viewpoint, by introducing the dichotomy of a capitalist bloc and socialist bloc in which the capitalist bloc is exploitative, by definition, while the socialist one is not.

Cardoso and Faletto (1979, p. 12) counter this by asking about the forms that interdependence takes, and in so doing, resurrect the view, which dates at least as far back as the early modern period in Europe, of economic development as dependent on the specific nature of the activities in which a country specialises in the international division of labour.<sup>46</sup> This view is based on the understanding that not all economic activities are equally feasible as starting points for the self-reinforcing positive feedback system referred to as economic development. This led to a dichotomy of economic activities in which the “right” economic activities are the ones which, among other things, are skill-based, not resource-based, and are characterised by increasing returns, not diminishing returns (Reinert, 2019, p. 50). Cardoso and Faletto (1979, p. xxi) draw on this dichotomy of “good” and “bad” activities to show the inequalities in the interdependent relationships, and the concomitant effects on national autonomy, between countries that was precisely the central point of dependency theory. They write: “*While some national economies need raw material produced by unskilled labour, or industrial goods produced by cheap labour, others need to import equipment and capital goods in general. While some economies become indebted to the financial capital cities of the world, others are creditors. Of course, bankers need clients as much as clients need bankers. But the ‘interrelationship’ between the two is qualitatively distinct because of the position held by each partner in the structure of the relationship. The same is true for the analysis of ‘interdependent’ economies in world markets.*”

Cardoso and Faletto’s conception of non-dependence is, therefore, not to be understood as autarky, but rather boils down to an economic relationship that is horizontal rather than hierarchical. What determines the nature of the economic

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<sup>46</sup> For a good exposition of the roots of the theory of development economics in early modern Europe, see Reinert, E. S. (2019). *The Visionary Realism of German Economics: From the Thirty Years’ War to the Cold War*. (ed. Rainer Kattel). Anthem Press.

relationship between countries are productive structures, and free trade between two countries that both have well developed manufacturing sectors is beneficial to both without the side effect of one dominating the other. Reinert and Kattel (2004) refer to such economic integration as “Listian” and is between nations at roughly similar levels of GDP per capita, that all have a comparative advantage in increasing return activities. This encourages economic integration to avoid de-industrialising, de-skilling or creating large-scale unemployment in any of the partner countries.<sup>47</sup> This view of non-equivalent exchange also confutes Dos Santos’s Marxian view by putting the highly industrialised socialist countries on par with the “imperialist” ones, making the industrialised countries of global North “universal exploiters” of the poor countries of the global South (Anderson, 1976).

Because the main issue of development is the dependence of the periphery on the core, development policy, in the view of the Latin American School, ought to be primarily concerned with measures to that would allow the periphery to achieve autonomy and self-determination. identified self-determination as the goal of development policy of the periphery, calling this “autonomous development” by which he meant the primacy of national interests in the periphery as opposed to those of the core (Furtado, 1979; Blaney, 1996). He argued that “*the struggle to overcome underdevelopment and to preserve a national character with self-determination are dialectically integrated in political action*” (Larraín, 1989, p. 151). In a similar vein, Sunkel (1967, p. 46; p. 56) points out that “*together with the aspiration to greater material well-being, one of the basic objectives of development policy is the affirmation of the*

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<sup>47</sup> Friedrich List argued that countries that had developed their manufacturing sectors ought to do away with trade restrictions. This part of List’s analysis is less well-known than that advocating protection for infant industries. See Shafaeddin, M. (2000). *What did Frederick List actually say? Some Clarifications on the Infant Industry Argument*. UNCTAD Discussion Papers 149, United Nations Conference on Trade and Development.

nation” and added that “*the nationalism of development is an effort for national affirmation, an aspiration to self-determination and sovereignty...*”.

The solutions offered by the structuralists hinged on two prescriptions that complemented each other, namely, import-substitution industrialisation (ISI) and regional integration. The general pattern of import-substitution is that initial industries which are generally consumer goods or building materials producers, with relatively simple technology and low capital requirement per worker and per unit of output, are then followed by consumer goods industries requiring more sophisticated technology and higher capital concentration, subsequently developing into industries producing relatively complex consumer durables, steel, engineering and chemical products (Okello Ayai, 2022). Latin America’s ISI was not any different, at least in theory. The stage of the production of consumer goods would give way to that of capital goods, generating a long-term dynamism. Cardoso and Faletto (1979, p. xx) noted the importance of this, regarding an economy to be dependent, at least from the economic point of view, when the accumulation and expansion of capital cannot find its essential dynamic component *inside* the system. This meant the *creation* of new technologies and continuous expansion of the production of capital goods, that is, machinery and equipment. This propagation of technological progress would also help to reduce structural heterogeneity, a situation brought about by the uneven distribution of the fruits of technological progress, both between nations and within nations (Pinto, 1965; Cardoso and Faletto, 1979, p. 12; Kay, 1989, p. 44).

Regional integration was proposed to complement ISI. The theme of regional integration in the Latin American School has its origins in ECLAC’s “Manifesto of 1949” which voiced some misgivings concerning Latin American industrialisation (Prebisch, 1950). The Manifesto of 1949 considered the

internal market to be too limited for industry to realise economies of scale when technology adopted was relatively capital intensive (Kay, 1989, p. 39). Prebisch proposed collective action among Latin American states to establish a common protected regional market that would secure the financial viability of the manufacturing enterprises so they could take the time to absorb new technologies and thus put them on a horizontal footing with the core in dynamic sectors (Dosman, 2008).

The dependency theorists, on the other hand, sought to radically reform the structuralist analysis by considering the politics of uneven development. Prior to the formulation of dependency theory, capitalism in Latin America (and the periphery in general) was seen as historically progressive but being impeded by an alliance of imperialism and traditional elites.<sup>48</sup> The bourgeois-democratic revolutions of the popular fronts, which had emerged from the anti-fascist struggles favoured by the Seventh Congress of the Comintern, were viewed as the emerging forces of production of the periphery breaking the shackles of pre-capitalist modes of production. According to this view, this change pitted the rising industrial bourgeoisie and the traditional oligarchies against each other, that is, industry and land, capitalist and pre-capitalist modes of production. As Palma (2016, p. 393) notes: “*Because it was the result of the pressure of a rising class whose path was being blocked in economic and political terms, this revolution would bring not only political emancipation but economic progress, too.*” Thus, rapid industrialisation in the periphery was a key part of this anti-imperialist stance to bring about capitalist emancipation – a necessary stage on the road to socialism.

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<sup>48</sup> See the survey of dependency theory in Palma (1978).

The turning point would come with the Cuban Revolution within the wider context of the Cold War, in which the local bourgeoisies were no longer considered a progressive force. Popular democratic fronts were argued against in favour of immediate transitions towards socialism as was first attempted in Latin America in Cuba with Fidel Castro's rise to power. This new approach, broadly termed "dependency theory" argued against the feasibility and necessity of capitalism in the periphery on the road toward socialism. While there are important nuances in dependency theory, the most prominent group of dependency theorists regarded dependency as a theory of inevitability of capitalist underdevelopment.<sup>49</sup> Baran (1957), the progenitor of this view, took the position of the Sixth Congress of the Comintern which held that the economic and political needs of imperialism, and those of the industrialisation and hence, economic development, of the periphery could not be reconciled. According to this view, the internal power structures of the periphery would ally themselves to the external power structures of the core to defend their mutual interests, while becoming a fetter on the development of the productive forces in the periphery.

This analysis was most notably picked up by Frank (1967) who attempted to prove that the only solution to this quandary was a socialist revolution. Without defining what he even meant by it, Frank credits capitalism, and nothing else but capitalism, for the creation of cores and peripheries which must result in underdevelopment. For Frank, the choice was between a dead-end capitalism and socialist revolution. He wrote: "to support the bourgeoisie in its already played-out role on the stage of history is treacherous" (Frank 1967, p. xvii). Palma (2016, p. 395), however, criticised this theory as mistaken, not only because it did not fit the facts – as capitalism was certainly developing Latin

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<sup>49</sup> Palma (2016, p. 394) provides a good exposition of the nuances in dependency analyses.

America's forces of production – but also because its formal and mechanical nature rendered it static and ahistorical. Much of the analysis was focused, not on understanding how new forms of capitalist development offered avenues of opportunity for the periphery to industrialise, but rather on asserting the claim that capitalism had never had a historically progressive role.<sup>50</sup> Even so, there seems to be some agreement, on a very basic level, between Frank's assessment, and that of Palma (2016, p. 400) and also Reinert (2016, p. 6n), who saw in Latin America what the USA might have been if the South had won the Civil War. The common thread here is that dominant local interests in both cases were allied with – and dependent on – foreign interests as opposed to cultivating their independence which, of course, would require the material basis of a successful national industrialisation programme.

To conclude, the Latin American School, in its conception of the world system, saw hierarchies among states based on relative asymmetries of power. At the top of this hierarchy were the core countries of the world system, which, by reason of their industrial might, could subject peripheries to their will or as Cardoso and Faletto (1979) argued, compelled the domestic power structures in the periphery to serve the interests of the core rather than their own. Thus, the Latin American School championed endogenous, or “self-centred development” as Sunkel and Paz (1970) described it, in which their growth was not subject solely to external signals. This meant the establishment of local mechanisms of accumulation independent of the core and linkages in the production and consumption that would bring about cohesion and render their economies less vulnerable to splintering due to external economic forces.

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<sup>50</sup> An example of what was then a new form of capitalist development that created opportunity for the periphery to industrialize was the offshoring of manufacturing by multinational corporations looking to cut costs and expand their global reach – what Milanovic (2019) called the “second unbundling”. This had a big role in the success stories of the East Asian Tigers.

Ultimately, the Latin American School took a radical Marxist turn with calls for immediate socialist revolution as the solution to dependency. It seems unlikely that this would have happened without the context of the Cold War that gave rise to right wing authoritarian regimes in the region. Perhaps there's an irony here: the structuralist movement that directed critical focus on dominance of the periphery by the core was itself thrown off course by dynamics in the core. This ideological drift arguably choked off what might otherwise have been a productive assessment by economists of the prospects for industrial policy. In fact, some dependency theorists tried to prevent this by reformulating the classical ECLAC structuralist analysis from the perspective of the obstacles to national development rather than appeals for revolution (Economic Commission for Latin America and the Caribbean [ECLAC], 1963).

The Latin American debt crisis of the 1980s saw most ISI regimes collapse under rising inefficiencies and unsustainable debt levels, leading to the general view that ISI had been an utter failure, especially when Latin America is compared to East Asia. It should be noted, however, that this view of ISI as an utter failure is contested. Hira (2007) argues that the “failure” of ISI in Latin America in the 1980s is better understood as resulting from ineffective state intervention rather than state intervention per se, and above all, the volatility of the global economy in the 1980s and 1990s that did not spare even those countries that adopted neo-liberal policies such as Argentina in the late 1990s, and even East Asia during the 1997 financial crisis. Even so, ISI had not delivered the successes that were hoped, and this strengthened the convictions of the dependency writers reviewed earlier who denied the possibility of any type of dependent capitalist development while the ECLAC writers were faced with the problem of explaining the unexpected consequences of their policies.

The result, Palma argues, was a failure to distinguish between a (well-justified) socialist critique of capitalism and any analysis of whether capitalism was able to develop the productive forces of the periphery.<sup>51</sup> A similar dynamic seems to be developing with the current debate in the present as well, with economists like Mazzucato and Rodrik supporting productive industrial policy with strong and purposeful state intervention, and on the other hand, the re-emergence of socialist economics such as Piketty's suggestion of a wealth tax as a panacea for growing inequality. It is hard to say if the two sides will get entangled, as was the case in Latin America, though it is my contention that it is likely. Though Marx avoided the populist trap of confusing a well-justified socialist critique of capitalism and its historically progressive nature in the periphery, much of left-wing thought has been marked by the failure to make this distinction ever since Lenin's 1916 pamphlet on imperialism. Perhaps the key challenge for those (traditionally on the Left) who favour purposeful state intervention in implementing a progressive development agenda lies precisely in avoiding this trap.

Nevertheless, the classic developmentalist themes of national industrialisation led by the state and freedom, defined as non-dependence, were still prominent through all these vicissitudes. Like the other schools of thought that preceded them that have been treated in the previous chapters, the Latin American School explicitly defined the relationship of dependency and saw in national industrialisation the way to end this domination, whatever their disagreements over what should replace it.

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<sup>51</sup> Though the manufacturing industry that emerged from ISI was not internationally competitive, Pérez (2008) argues that what was developed around ISI proved to be growth-enhancing in the long run.

## **CONCLUSION**

This paper has attempted to show that developmentalism, in its prominent manifestations since at least the 15<sup>th</sup> century, was at its most basic level, a desire to realise, and protect, freedom in the neo-Roman sense, for the nation and only derivatively the individual within the nation. In analysing developmentalist

policies where they have been implemented, it is perhaps this desire and aspiration to neo-Roman freedom that is the deciding factor of success or failure. For example, Palma (2016, p. 412) likens import substitution industrialisation in Latin America to a “carrot” for the capitalist elite that did not come with the “stick” of performance related conditionalities, as was the case with the East Asian Tigers. Another interpretation of this observation would be that there was no serious commitment, in Latin America, to cultivating the spirit of national autonomy, or freedom in the neo-Roman sense, and this is why ISI failed.

Ahumada (2023) posits that the revival of the neo-Roman concept of freedom in developmentalism would potentially help the contemporary analysis of economic development in two ways. First, it would invert the idea of industrial policy as encroaching on the freedom of private actors, which justifies legal protections of market freedom from interventions by the state, arguing that such actions are self-defeating. Proponents of industrial policy argue, instead, that such restrictions impede the *necessary* use of state power to support and enhance autonomous productive powers which alone secure national independence and freedom. Second, by understanding the development of national productive capabilities as the means to national freedom, it is able, unlike the liberal view, to consider the effects of international income and technological inequalities on the sovereignty of peripheral countries.

In addition to this, contemporary discussions of neo-imperialism will be able to distinguish between *de jure* and *de facto* political sovereignty with the decisive factor being the relative strength of a country’s industrial sector rather than the ideology of the ruling political elite.<sup>52</sup> And finally, it can suggest a global trade

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<sup>52</sup> The present shift of African countries towards a bloc of “southern” countries led by China or India would not be seen as more or less desirable than the previous alignment with the West. In both situations, Africa is still ostensibly unfree by the neo-Roman standard, owing to a relatively underdeveloped industrial sector.

regime that is flexible enough to permit middle and low-income countries, in the name of freedom, to protect their industries rather than demanding a one-size-fits-all regime that removes the policy space necessary for such countries to catch up to the OECD economies.

It was in this vein that Sanusi Lamido Sanusi, the former Governor of the Central Bank of Nigeria, authored an article titled “Neither the Washington nor the Beijing Consensus” in which he argued that Africa needed to chart its own development path based on pragmatic commitment to progressive change (Sanusi, 2012). Sanusi was not making an argument for reinventing the wheel in terms of what low-income African countries need to do to make significant development progress. Rather, he was making a case for African independence in the neo-Roman sense – the ability to choose her own policies based on her own best interests which must necessarily involve building up a strong domestic manufacturing sector (Okello Ayai, 2023). Sanusi is not alone in his calls for policy independence. Chang (2002) and Rodrik (2012), among others, have criticised the global trade architecture for restricting the policy space available for developing countries to implement policies to help their industries to catch up.

Considerations of national sovereignty would also help in creating a more functional global trade regime overall. As Rodrik (2018) argues, the World Trade Organisation, as well as every other trade agreement since, has been predicated on the a priori assumption that economic practices in different nations would eventually converge. This has not been the case as evidenced by trade disputes in recent years between the US and China over China’s alleged non-conformity to “fair trade practices”. The problem with this view is that there is no good reason to expect economic models to converge in the first place

and regardless of what China does, there is need to change the rules of world trade to accommodate economic diversity.

Rodrik views the trade agreements concluded in the early post war period under the old GATT favourably when compared with the WTO. The old GATT applied only to import tariffs and quotas, while services and agriculture were excluded. Countries generally had more policy space to protect their manufacturing industry; in the case of lower-income countries, because it was fledgling and needed protection in order to become internationally competitive and in the case of higher-income countries, because an influx of cheaply imported goods from lower-income countries would threaten, in Rodrik's words, "economic dislocation", that is to say, sharp rises in unemployment with all its attendant consequences. He cites the example of high-income countries that were able to resort to a re-imposition of quantitative restrictions in the early 1970s when faced with a sudden increase in cheap garment imports from lower-income countries in Latin America and Asia. The WTO changed all that, reaching inside the borders of member states and, wittingly or not, constraining domestic policy space pertaining to intellectual property, health and subsidies. The distinction between what is or is not considered a trade restriction has been blurred as any domestic regulation that has the effect of reducing imports could now be construed as a trade restriction even though it might not necessarily be so. Later trade agreements continued this trend of the prioritisation of trade and foreign investment over domestic concerns.

The complaints about China's defiance of the spirit, if not the letter, of the WTO rules on intellectual property and subsidies reveal the ahistorical nature of the assumptions that underlie the WTO (Rodrik, 2018). China's policies of catching up are not markedly different from those embraced by the US and in Europe as they tried to catch up to the technological leaders of their day. For

example, the US Patent Office granted patents to many an “introducer” of a technology or machine that was protected under Great Britain’s intellectual property laws, thereby rewarding technological piracy (Ben-Atar, 1995, p. 389). Much of the heavy industry in high-income countries such as aircraft, steel and automobile manufacturing was also nurtured by government support, directly and indirectly. The irony here is that China’s policies have not only produced significant economic growth and poverty reduction, but also created a huge market for Western exports – something that would not have happened if China had kept within the bounds of ‘fair’ textbook Western economic policies. By the same token, the high-income Western countries should have the prerogative of prioritising their domestic labour standards, fiscal systems and investments in advanced technology, over imports and foreign investment. Economic strategies ought to be suited to local realities and there is no good reason to suppose that divergent economic strategies would not be beneficial to trade partners. Rodrik (2018) sums it up thus: *“If the WTO has become dysfunctional, it is because our trade rules have over-reached. A fair world trade regime would recognise the value of diversity in economic models. It should seek a modus vivendi among these models, rather than tighter rules.”*

The implications of this are not only economic, but political too. Populist politicians have weaponised anxieties over globalisation especially among the working class of the West who see themselves as the losers of globalisation given the rapid deindustrialisation in Western countries.<sup>53</sup> If this sense of injustice is not addressed and nursed long enough, the nationalism inherent in developmentalism might take a turn from simply being an affirmation of the nation to a belligerent one seeking redress. As Gustav Schmoller of the German Historical School observed: *“An excessive amount of economic injustice,*

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<sup>53</sup> Lakner and Milanovic’s well-known “elephant curve” confirmed this empirically. See Lakner and Milanovic (2016).

*accumulated over several decades, tears down all pillars of the existing order. There are no other causes of great social movements. They never originate in the crazy schemes of single people; they are mere symptoms of social ailment, not its cause”* (Schmoller, 1904, p. 111 as quoted in Drechsler, 2016, p. 109). It need not come to that. As J. M. Keynes argued in his famous 1933 essay titled “National Self-sufficiency”, a sensible recognition of the right of individual states to cultivate national autonomy, and setting up the global trade architecture accordingly might go a long way in securing a more peaceful international order.

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