CAPITALISM, GROWTH AND EMPLOYMENT

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Since capitalism is a demand-constrained system[1], growth under capitalism depends upon exogenous stimuli, or specific "development factors" in Kalecki's words (or "buoyancy factors" as Dobb called them)[2]. Innovations, exports to pre-capitalist markets, State expenditure (and even population growth according to Hicks (1973)), are some of the "buoyancy factors" that have figured in analyses of capitalist dynamics. Growth of labour productivity has usually accompanied output growth, so much so that Kaldor (1978), basing himself on the work of Verdoorn, saw the former as a function of the latter. Even if one were to accept such a functional relationship, clearly it cannot be claimed to have remained invariant over the entire history of capitalism. Nonetheless, this approach provides a useful point of departure for the study of employment trends in the different phases in the history of capitalism (employment growth being simply the difference between output and productivity growth). Putting it sharply, if e, p, and g denote, respectively, the rates of growth of employment, productivity, and output and ε the strength of exogenous stimuli, then the factors affecting employment growth in any period can be usefully studied on the basis of the formula $e = g(\varepsilon) - f(g(\varepsilon))$. The employment growth so determined, it clearly follows, need not equal the rate of growth of the labour force, unlike what is claimed by neo-classical economics (which does not recognize any demand constraint upon output).

If there is no automaticity about employment growth equaling labour force growth, unlike in neo-classical economics or in certain Marx-inspired models like Goodwin (1967), which also do not recognize any demand constraint, then how, it may be asked, can we explain the fact that metropolitan capitalism did not witness any significant sudden or secular increases in the unemployment rate for almost the entire three quarters of a century prior to the First World War, when it really came into its own? This question is closely related to the other question: how do we explain the substantial shift in work-force that occurred over this period in metropolitan capitalism from agriculture to (capitalist) industry?

At least four factors are relevant here: first, the massive emigration from Europe to the temperate regions of white settlement[3], or what was called the "new world", *which simultaneously constituted a "buoyancy factor" underlying this long boom*; second, the fact that labour productivity growth over much of this period entailed the substitution of machines for labour in the consumer goods sector, with machine production itself

[1] To call capitalism a demand-constrained system does not mean that all sectors at all times must be demand-constrained. Kalecki (1954), who was the originator of this perception which was later formulated explicitly by Kornai (1978), did advance a "pure business cycle", where the economy showed fluctuations without hitting any supply constraints; but he also visualized the possibility of supply constraints bringing the boom to an end. A demand-constrained system in other words does not preclude supply-side shortages, especially at the top of the boom.

[2] See Kalecki (1954) and Dobb (1963).

[3] Lewis (1954) estimates that 50 million people of European origin emigrated from the European continent to the temperate regions of white settlement during the nineteenth century.

remaining largely labour-intensive (which explains why Marx saw technological progress as raising the organic composition of capital and hence causing a falling tendency for the rate of profit); third, the ability of metropolitan capitalism to “export unemployment” to the colonies by inflicting upon them a process of “de-industrilaization”; and finally, the tendency of the bourgeoisie, in the Anglo-Saxon world at any rate, to imitate the labour service-intensive life-style of the old aristocracy, which contributed to the generation of employment and aggregate demand. (This tendency in more recent times has been held responsible, for instance by Lord Balogh, for Britain’s decline as a capitalist power).

Of these, clearly, the first is the most significant factor to consider. One can argue that the problem of aggregate demand during this long boom was resolved largely through a “pushing of the frontier”, which entailed *inter alia* capital exports from the old metropolis to the “new world”[4]. In fact a host of writers, from John Maynard Keynes (1919) to Alvin Hansen (1943), have seen in the “closing of the frontier” the origin of the Great Depression of the thirties[5]. On this reckoning, the role of the tropical colonies was not so much to provide the exogenous stimulus for growth, as to make possible the transformation of British manufactures, unwanted in the “new world” (and Europe) into primary commodities, wanted in the “new world” (and Europe), by absorbing the former and supplying the latter (under coercion, needless to say). Far from providing the external stimulus for the realization and capitalization of the surplus value produced in the metropolis, tropical colonies like India on the contrary were sources of additional surplus value, which was extracted from them in the form of the “Drain”, and which made possible the large British capital exports to the “new world”[6]. It is the “new world” that was the major source of demand for the metropolis, not the colonies; the latter on the contrary were exploited to provide resources to meet this demand (apart from facilitating the process through the transformation of “unwanted” into “wanted” goods).

The temperate regions of white settlement played, as already mentioned, a dual role. They absorbed surplus labour from the old metropolis, with about 50 million people migrating from Europe to these regions during the nineteenth century. In addition, these migrants who acquired land by driving off the local Indians, and enjoyed (and also allowed those left behind in the old metropolis to enjoy) a higher living standard than would have been possible otherwise, created a large market for industrial goods which came to be produced through capital exports from the old metropolis. Thus, deficiency of aggregate demand as well as unemployment, were both alleviated through such migration. Or, putting it differently, such migration contributed to the alleviation of unemployment in the old metropolis in two distinct ways, directly by taking off workers, and indirectly, by giving a boost to aggregate demand.

It follows that the availability of “empty spaces” or spaces that can be emptied of local inhabitants is of enormous help under capitalism in both alleviating unemployment and shifting labour from agriculture and other traditional sectors into capitalist industry. These spaces were available to capitalism during the long transition of what Hobsbawm (1997) has called the “long nineteenth century”. Their exhaustion arguably unleashed the Great Depression. The post-war years of Keynesian demand management created the

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[4] For an elaborate discussion of the argument that follows see Patnaik (1997).

[5] For a discussion of Keynes’ ideas on the subject see Schumpeter’s obituary on him, republished in Schumpeter (1949).

[6] For a discussion of this, see Bagchi (1972) and Saul (1970)

opposite problem of a shortage of internal labour supply in the metropolis which was filled by immigration. And now, in the era of neo-liberalism, even though the unemployment rates have again climbed up in the metropolis, with the immigrant workers bearing the brunt of this increase, the main task of structural transformation of these economies, of shifting the work-force from traditional to modern sectors, and of reducing the labour reserves to "manageable levels" has ceased to be of any further relevance, since it has been more or less completed.

In third world economies however vast labour reserves exist, and the basic task of shifting the work-force from traditional low productivity activities to modern high productivity activities, still remains. What is more, this task has to be completed in conditions that differ from the earlier ones facing the old metropolis in at least three ways: first, the backlog of unemployment and underemployment is very large because of the earlier processes of de-industrialization, referred to above. Secondly, no "empty spaces" exist, and little scope for driving off local inhabitants for creating such spaces, since internal colonialism of that sort cannot be resorted to with impunity in today's world. And thirdly, because of the wide gap in productivity between the third world economies and the metropolis, and the indubitable tendency of the bourgeoisie and the elite in the former to imitate not the old feudal life-styles but those of the metropolitan affluent of today, the rate of labour productivity growth associated with any given output growth rate in the third world tends to be high, and increases when the rate of surplus value increases.

The problem of reducing labour reserves and shifting workers from the traditional to the modern sectors, arises of course only in those third world economies where there are no controls over technological-cum-structural change. But almost all third world countries, including China, no matter how mercantilist their policies may be in other respects, are all very "liberal" in this respect. Since overcoming this "liberalism" and having some control over the pace of technological-cum-structural change, entails going against the wishes of the bourgeoisie and the elite, it is impossible to achieve such control under the conditions of contemporary capitalism. The case of China shows that even a country with juridically socialist relations, if it is oriented to the global market, may get trapped in such "liberalism".

It is not surprising that the only "backward" countries of the post-war period which have succeeded in using up substantial labour reserves and transferring the bulk of the work-force from the traditional to modern sector, are the old socialist countries. The inner logic of the working of those systems made them supply rather than demand-constrained. The high rates of growth they achieved by sustaining high investment ratios, combined with controls over technological-cum-structural change, enacted within them almost a Lewisian-scenario, where the work-force was rapidly transferred from the traditional to the modern sector[7].

Some third world countries like India, in the immediate aftermath of decolonization, did have economic regimes with control over the pace of technological-cum-structural change, but were conspicuously less successful than the old socialist countries in shifting the work-force in the Lewisian fashion. Even so however their rates of employment growth were higher in that period than in the period when they got their economies oriented to the global market, even when their rates of output growth

[7] Lewis (1954). For a discussion of the dynamics of the old socialist economies, see Kalecki (1972).

increased in the latter period. Orientation towards the global market in short has adverse implications for the absorption of labour reserves. To see why this should be so, let us now turn to an analysis of the problem of labour absorption in third world economies oriented to the global market.

II

For purposes of illustration let us consider a simple economy with plentiful labour reserves[8]. We do not go into how these labour reserves subsist, but because of their presence labour supply is available to the economy at a subsistence real wage rate. Denoting labour productivity by θ, and the subsistence real wage rate by w^*, the profit share in period t is given by $(1-w^*/\theta(t))$. All wages are consumed and a proportion c of profits, where c is not a constant, but depends upon the rate at which new products become available. In other words, if only those goods are available in any period as were available earlier, then c is low; but if a range of new goods become available then c acquires a higher value. Now, new goods, which go hand in hand with new processes, are introduced from the metropolitan economies where the production of such goods entails much higher labour productivity. So, the pace of introduction of new goods can be approximated by the rate of growth of labour productivity. We can therefore take the saving propensity s (=1-c)out of profits as a function of $\Delta\theta/\theta$.

Since in this "backward" economy, the scope for investment, for the introduction of new goods and processes, is plentiful, the magnitude of investment in any period is constrained on the supply side, by the capacity of the investment goods sector (the so-called "infrastructure constraint" much talked about in India). As investment occurs, a part of it goes to lift these constraints, so that more investment occurs in the next period. We assume for simplicity that a constant share of investment in any period goes into increasing the capacity of the investment goods sector, in which case $\Delta I/I$ is a constant, equal to some m.

This investment is associated with the introduction of new processes and the production of new goods in imitation of the metropolis, which entail higher productivity. Investment therefore *ipso facto* causes labour productivity growth. To what extent it does so depends upon two factors: first, upon the gap in labour productivity between this economy and the metropolis; and secondly, the share of surplus in output which determines the relative size of the potential demand for such new goods. The narrower the gap in labour productivity between the metropolis and this economy, the less would be the increase in labour productivity associated with investment. And like wise, the grater the share of surplus, the greater will be the increase in labour productivity associated with investment. The rate of growth of labour productvity can thus be taken as depending upon the rate of growth of investment (not absolute investment for obvious reasons), the share of surplus, and the relative size of the labour productivity gap.

Denoting the output of the economy by Q and the level of labour productivity in the metropolis by θ^*, assuming balanced trade, ignoring government expenditure (the argument remains unaffected if we assume fixed tax-GDP and fiscal deficit-GDP ratios),

[8] The model, which follows in only a skeletal form and which needs to be properly filled out and simulated, is a modified version of Patnaik (2007)

and defining the rate of growth of any variable x in period t as $[\{x(t)-x(t-1)\}/x(t-1) - 1]$ we can put down the basic equations of this economy as follows:

$$Q(t) = I(t)/\ s(t).(1 - w^*/\theta(t)) \quad .. \qquad \text{(i)}$$

$$s(t) = s(\Delta\theta/\theta)_t \qquad s' < 0 \ \ldots \qquad \text{(ii)}$$

$$(\Delta I / I)_t = m \qquad \text{(iii)}$$

$$(\Delta\theta / \theta)_t = f[(\Delta I / I)_t\ ;\ (1-w^*/\theta_{t-1});\ (1-\theta /\theta^*)_{t-1}\ ] \qquad f'_1>0,\ f'_2>0,\ f'_3>0 \qquad \text{(iv)}$$

The basic growth process of the economy can be described as follows. Since investment grows at the rate m, if the value of the multiplier was constant, output too should be growing at the rate m. But the value of the multiplier changes over time owing to two contradictory forces: the rise in profit share pulls it down, while the rise in labour productivity (as manifested in the availability of new goods) pulls it up by lowering the saving propensity out of profits. The rate of output growth can exceed m, and can even accelerate, provided the rate of introduction of new goods (and hence the rate of growth of labour productivity) is sufficiently rapid, to stimulate the consumption of the surplus earners. And this is perfectly possible as long as the gap between the goods that have been hitherto domestically available and the goods available in the metropolis (or, what comes to the same thing, the gap in labour productivity between the two) remains large enough. But precisely when the rate of growth of labour productivity is high enough to cause high or even increasing output growth, the rate of growth of employment which is the difference between the two, may well be negative or too minuscule compared to the rate of growth of the work-force. If so, then the labour reserves of the economy, instead of getting used up, will increase relatively to the employed population, giving rise to a state of acute duality, such as we have in the Indian economy at present: a high or even increasing output growth rate together with growing relative unemployment and distress.

It may be thought that once the gap in labour productivity between this economy and the metropolis closes sufficiently, its rate of growth of labour productivity will come down (by eqn.(iv) above), so that employment growth will pick up. But that is not true. The closing of this gap will also mean a slowing down in the rate of availability of new goods, which will lower the consumption propensity of the capitalists and hence a lowering of the output growth rate of the economy that may trigger a downward spiral in output and employment.

It follows that because of the labour productivity gap, a "backward" economy is caught between the devil and the deep sea. If it cannot entice the affluent with the lure of new goods on which they can spend their burgeoning incomes, then it will face a problem of deficient aggregate demand and hence growing unemployment on that score. On the other hand, if it does entice them to spend more by having a plethora of newer and newer goods, then the rates of productivity growth will be so high that it is perfectly possible, notwithstanding high or even accelerating output growth, that the unemployment rate will still grow.

Two implications of this argument are relevant. First, the proposition often advanced that if labour absorption is low at a particular growth rate, then a still higher growth rate will result in greater labour absorption, is erroneous. As the above illustration shows, we can have an increasing growth rate of output being associated with a decreasing growth rate of employment. There is no necessary monotonic relationship between output and employment growth rates. Indeed the two can very easily move in opposite directions, as has been happening in many countries, notably India and China. Secondly, it is sometimes thought that if we could put an end to shopping malls, fast food chains, and five-star restaurants, which displace respectively the petty retailers, the *dhabawallahs*, and the small eateries, then we would be able to generate much larger employment. This is an erroneous supposition, for in such a case, the expenditure of the surplus earners will go down, causing a problem of deficient demand, and hence larger unemployment via that route. *Control over structural change will generate larger employment only under a regime where the State ensures that deficiency of aggregate demand does not occur as a consequence of such control.*

The problem confronting third world economies can be stated in a different way. In the metropolitan economies which are on the frontiers of technology and labour productivity, further increases in labour productivity are necessarily modest, i.e. the rate of growth of labour productivity is necessarily within narrow bounds. But in third world economies which are not on the frontiers of technology, which do not even innovate new technology, but which do have a large gap in technology visavis the metropolitan countries, the rate of growth of labour productivity does not have to be modest. It can be very large, even when the economy merely imitates frontier technology, and indeed precisely because all that it is called upon to do is merely to imitate frontier technology.

Economic historians often attribute the economic woes that Britain faced towards the end of the nineteenth century to “the penalty of the early start”. The phenomenon we are discussing here can be summed up as “the penalty of the late start”. For a long period of time, contrary to what much of mainstream economic theory believed, there was scarcely any spontaneous diffusion of industrial capitalism from the metropolis (and its offshoots in the temperate regions of white settlement) to the third world. Such diffusion as did occur was more or less forced by the third world after decolonization, through the pursuit of import-substituting industrialization. Indeed until then the entire historical experience had shown that it was not the spontaneous operation of the world trade mechanism but only disruptions in the functioning of this mechanism, such as had happened during wars and the Great Depression, which provided significant impetus to the process of third world industrialization. The current situation, many would argue, marks a break from this, when even under a neo-liberal world economic regime, a significant process of diffusion of activities to economies like India and China is at last taking place. Whether this marks a new phase or not is still debatable. But what is striking is that even this process of diffusion extracts a cost in the form of growing unemployment rates. And what is more, the very factor that stimulates such diffusion, namely the labour productivity gap between the metropolis and these economies, which *empirically* underlies the wage gap between the two, also accounts for the growth in unemployment rate in these economies.

III

The fact that India has had an abysmal record on employment generation during the neo-liberal era is accepted by all, including even the neo-liberal economists. But they attribute this failure to labour market inflexibility, rather than to any intrinsic property of the neo-liberal growth strategy itself. But, as will be argued in this section, the argument about labour market inflexibility is logically flawed even within the confines of neo-classical theory itself.

Two mechanisms are usually suggested through which labour market inflexibility is supposed to affect employment adversely. The first states that it adversely affects investment, since the inability to fire workers, once they have been hired, keeps down the prospective rate of profit from investment projects, and hence the level of investment itself. But this argument implicitly invokes an autonomous investment function which is incompatible with the entire neo-classical tradition. If we try to reconstruct neo-classical theory with an autonomous investment function, then we will be hard put to avoid logical contradictions. On the other hand if we abandon neo-classical theory altogether and try to see a link between labour market inflexibility and unemployment through some other theoretical tradition that accepts the autonomy of investment, and hence the possibility of deficiency of demand, then we shall be hard put to find any such firm link.

The second mechanism rooted within the neo-classical tradition, appears at first sight to be more robust. This states that labour market inflexibility raises the cost of labour-hiring, and hence makes the choice of techniques more capital-intensive, to the detriment of employment. For the sake of concreteness let us assume that labour market inflexibility takes the form of a fixed wage rate. Let us also assume that the neo-classical view that wage flexibility clears the labour market is valid and that money wage and real wage movements are always in the same direction. If the fixed real wage rate is higher than the market-clearing wage-rate, then clearly there will be unemployment, which can be removed only if wage flexibility (an integral part of labour market flexibility) is introduced.

While this argument is perfectly valid in a particular period, within the neo-classical context, it makes no sense at all if applied over time, even within that context. To see this let us assume that we have a smooth, twice continuously differentiable, neo-classical production function, with constant returns to scale and diminishing returns to proportions. Let us also assume that this production function shifts over time through technological progress, which, again in keeping with standard neo-classical theory, is exogenous, disembodied and Harrod-neutral, which means that in any period t we have a production function of the form

$$Q_t = F(K_t, L_t . e^{rt}).. \qquad (\alpha)$$

Since the marginal product of labour (in natural units) has to be equated in every period to the exogenously given real wage rate w* to arrive at the optimal technique,

$$(\delta Q/\delta L)_t = F'_2 . e^{rt} = w^*$$

where F'_2 is the marginal product of labour in efficiency units. It follows from the above that F'_2 must be declining over time, for which the ratio of capital to labour in efficiency units must be falling over time. But in such a case the output-capital ratio must be rising over time, whence it follows, because of the assumption of Harrod neutrality, that the rate of profit must be rising over time. In such a case however, F'_1/ F'_2 must be rising at a rate greater than r over time. Hence for any production function where the elasticity of substitution is greater than or equal to one, which includes a whole class of neo-classical production functions, ranging from Cobb-Douglas to CES with the elasticity of substitution greater than unity, the ratio of capital stock to labor in efficiency units must be declining at a rate greater than r over time, *which means that the ratio of capital stock to labour in natural units must be declining over time*.

The condition just mentioned for this to happen, namely that the elasticity of substitution along the production function (α) should be greater than one, is a sufficient condition, not necessarily a necessary and sufficient condition. It follows that when technological progress occurs, then, for a whole range of neo-classical production functions, notwithstanding the fact that the real wage rate is fixed, the labour employed per unit of capital should be increasing over time, i.e. the economy should be moving to more and more labour-intensive techniques over time. If so, then while it remains true that in any given period the existence of unemployment proves *ipso facto* that the market-clearing wage rate is lower than the fixed wage rate, unemployment itself should be disappearing over time, since the economy is moving to more and more labour-intensive techniques. In other words, what is not possible during a particular period, namely a movement to a more labour intensive technique, is certainly possible over time, even in a world with a fixed real wage rate. If unemployment persists despite this, then attributing it to a fixed real wage rate makes little sense even in the context of neo-classical theory. To attribute the persistence of labour reserves *over time* to labour market inflexibility therefore is logically fallacious, even in the context of neo-classical theory.

In addition, empirical evidence in the case of the Indian manufacturing sector shows that there has been neither a rise in the output-capital ratio over time in the manufacturing sector (as should have happened for *all neo-classical production functions* with fixed real wage and Harrod-neutral technical progress), nor a rise in the labour-capital ratio (as should have happened for *a whole range of neo-classical production functions* with fixed real wage and Harrod-neutral technical progress). On the contrary, both the capital-output ratio and the capital-labour ratio have increased quite substantially in Indian manufacturing since the beginning of the eighties, or the beginning of the nineties, whichever period one takes. Clearly, then, the cause of the rise in these ratios, and by implication the reason for the persistence of labour reserves, has to be sought elsewhere than in labour market inflexibility.

IV

From the foregoing, it is clear that in third world economies like India with massive labour reserves, a degree of control over the pace of technological-cum-structural change, together with State action to ensure that such control does not create deficiency of aggregate demand, is essential for the using up of such reserves. This condition cannot be fulfilled as long as the economy remains tied to global capitalism through the pursuit of neo-liberal policies. A return to the old Nehruvian *dirigisme* can also scarcely suffice as a solution to the problem of using up labour reserves. Not only was it inadequate in its own time, but "putting the clock back" is both not possible and represents an unhistorical approach (analogous to the old argument that the ills of monopoly capitalism should be removed by restoring free competition capitalism).

What is necessary is that State intervention should be used to create internally within these economies something akin to the "empty spaces" of the "new world", *not by driving people off their lands as the metropolis had done earlier*, but by precisely the opposite means of increasing the level of income of those people in the places where they are, through bringing in peasant prosperity, or more generally rural prosperity. This will have exactly the same impact as the migration of Europeans to the "new world" had had on European unemployment in the nineteenth century.

That impact, to recapitulate, had been two-fold, a direct impact by way of relieving unemployment by taking workers off, and an indirect impact by way of the demand stimulus to European industrialization. In an exactly analogous fashion, unleashing the development of productive forces in a peasant agriculture made more broad-based through egalitarian land reforms, will have not only a direct impact, of relieving unemployment by absorbing more workers within that sector itself and its feeder sectors, but also an indirect impact by way of stimulating industrialization through an expansion of the home market. The "empty spaces" of the "new world" had put incomes in the hands of the European unemployed who had migrated there and created demand for industrial goods which in turn had generated further employment in Europe. A peasant-agriculture-led industrialization in labour-surplus economies like ours will put incomes in the hands of the rural unemployed and create demand for industrial goods which in turn will generate further employment in the economy. Instead of the "empty spaces" which are now being literally sought to be created all over the country by land speculators displacing peasants in the name of "development", what is needed is an effect *akin to the "empty spaces" of the "new world"* through the very opposite policy of the development of peasant agriculture.

Neo-liberal policies however have been unleashing everywhere the very opposite, namely a crisis of the peasantry, and of petty production generally, which has had significantly adverse employment effects[9]. This constitutes an additional reason, apart from the "liberal" pace of technological-cum-structural change that now prevails, why the absorption of labour reserves becomes an impossibility in a neo-liberal economy. It follows then that a revival of State activism, and an eschewing of neo-liberal policies, is necessary for overcoming the growing problem of unemployment, not just for exercising a degree of control over the pace of technological-cum-structural change, but also for the survival of peasant agriculture which is a precondition for its being restored to a healthy and dynamic state. For this survival and restoration, corporate encroachment into peasant agriculture, as is being currently envisaged in India, is counter-productive, instead of being a source of support.

W.Arthur Lewis, in his classic article (1954) on economic development with unlimited supplies of labour, had asked developing countries not to rely on international trade but to carry out their own agricultural and industrial revolutions domestically. It seems odd to say, when so much is being claimed about the allegedly beneficial effects of "openness" for third world economies, especially India and China, that the Lewisian prescription still remains relevant, that absorption of labour reserves still needs the

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[9] For a discussion of the link between neo-liberal policies and the agrarian crisis, see Patnaik (forthcoming), and U.Patnaik (2007).

carrying out of domestic agricultural and industrial revolutions, through the intervention of an activist State, much the way Lewis had visualized[10].

One can go further. The means outlined above of overcoming the acute problems of unemployment and underemployment that plague third world economies, especially those with huge labour reserves, are incompatible not only with the policies of a neo-liberal economy, but with capitalism itself as it has unfolded of late. Since this capitalism is based on a forcible opening up of the world for the free movement of goods and services and finance, it leaves no scope for any State activism, let alone for any protection of the peasantry. And in the absence of these, the problem of labour reserves cannot be overcome.

This in fact constitutes the strongest case for socialism today. Putting it differently, any meaningful attempt to overcome the problem of labour reserves in a third world context today can occur only in an economy prepared to make a transition to socialism. This socialism cannot be of a kind that is oriented to the global market. It must be one where the State consciously makes the overcoming of this problem its primary objective. Some may of course argue that the strategy of a dynamic peasant agriculture-led industrialization, mentioned above as the means to overcome unemployment, can be put into effect within an alternative capitalist regime itself, alternative to neo-liberalism. To this, the only possible answer can be: "Try it".

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[10] It is another matter that Lewis had been misled into believing that Europe had had an agricultural revolution which had provided the basis for her industrial revolution. He even attributed the high incomes of migrant European workers in the "new world" to their higher living standards prior to emigration, owing to this agricultural revolution. But as U.Patnaik (1995) has argued in the context of Britain, this so-called agricultural revolution is a bit of a myth. The higher incomes of the migrants were because they acquired control over land by driving off the "natives". It is only today when such "driving off" is out of the question for the late industrializers of the third world that an agricultural revolution must occur for successful industrialization.

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