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EPISTEMICS OF DEVELOPMENT ECONOMICS

Toward a Methodological Critique and Unity

Kofi Kissi Dompere, Manzur Ejaz

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**Kofi Kissi Dompere
and
Manzur Ejaz**

Foreword by Mark Perlman

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To all that seek social progress for all,
To all practitioners who seek counsel
from theories of economic development,
To all epistemologists, and
To all my students and teachers alike.

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Foreword

FOR NEWCOMERS TO THE PHILOSOPHICAL SUB-FIELD, METHODOLOGY

Contrary to popular usage, methodology is not a cookbook study of how results are obtained; rather, it is a branch of philosophy that identifies the method of solid persuasion chosen by those arguing a case. Does he or she use revelation, logic, empirically derived evidence, plausibility, or some combination of these or other persuasive benchmarks?

Some naive scientists, persuaded that the scientific method involving the statement of a hypothesis, testing it against empirically derived evidence, and eventually refining it to pass those tests, believe that they have discovered the only path to real truth. *Sancta simplicimus*, the world is more complicated than that. At best, for only some ideas is the scientific test immediately well-suited. For many others, thoughts within a cultural context, the scientific test runs into myriad but necessarily insuperable difficulties.

One additional set of complications involves epistemic compared to ontological perceptions. Epistemic perceptions are essentially subjective — although we try to explain them by reference to analogs or parables the fact is that the perception itself is securely grounded only in the mind of the one who perceives it. Obvious examples of epistemic perceptions deal with aesthetics — Maynard Keynes’s “which girl will an unknown panel of judges decide is the prettiest!” is exemplar of this species of perceptions.

The comparative type, ontological perceptions, are seemingly objective. What is the temperature, what time does the sun set, and so forth. These perceptions are readily handled. The question is how can epistemic perceptions be differentiated from ontological ones, or, even better, how much of any epistemic perception can be delineated and incorporated into the ontological group.

Put briefly, methodology explains how we reach conclusions, what tests satisfy us, and so forth. What the authors of this fascinating study set out to do was to use the spectrum of theories of economic development, as applied against a background of African development experience, to develop what they sought — a logical method of understanding the economic development experience or, to use their phrase, “to advance a metatheory on the analysis of economic development” (p. 5).

THE BOOK'S CONTRIBUTIONS

The authors' line of thought first leads the reader from a review of the current discussion of the nature of science to the presenting of generalizations about differing schools on that subject. Although it is useful to know about that spectrum, the authors bring us to a relevant cognitive reality by referring to specific general criticisms levied by such acknowledged experts as Simon Kuznets (or as Hamlet would have it, “there is more to all the world than your philosophizing” [*Hamlet*, v, 166]) as well as to concrete and intellectually messy economic development situations themselves. Although there is little that is novel in the initial part of their views (including a rehash of the conflict between Kuznets and his strong admirer, Walt Rostow) there are added to intriguing almost extensive detours, first, a useful excursion into Marx's methodology and, second, one summarizing with a wealth of detail Joseph Schumpeter's analytical method. These, alone, are unusual contributions, particularly since they set Schumpeter against Marx, something that is done unusually well. For this reader, this effort gives a contemporary pertinence to the older Marxian analysis.

The line of argument then moves to factor-based theories of economic development. This is economists' meat and drink; putting effects as the result of objective causes gives us the scientists' customary handle. Compare this objective cause-effect relationship to Kipling's epistemic “God of our fathers, known of old / Under whose Awful Hand we hold / Dominion over palm and pine. . . . Be with us yet, Be with us yet” (*The Recessional*) or the admonition in Deuteronomy 28 to “do these things, and all blessings will come to you”; do not do these things and He will destroy you. Instead, the authors endorse the Marxian (and derivatively the Schumpeterian) views of the necessary conditions for economic development, but they wisely divide the interpretations into those consistent with Marxian class analysis and those that differ.

At this point the authors move from strict scientific analysis to prescriptive treatments, that is, to writers who derive from the scientific studies of past experiments the bases for new ones. Of course, development economists do not work in laboratories; they cannot even pretend to control the environment. Nonetheless, they can outline limited efforts that seemingly either abstract from the environment or permit the observer to separate theoretical from environmental

influences as seen in the results. Starting with Arthur Lewis's and then Lloyd Reynolds's ideas and moving to such later ones as privatization, the authors fashion a set of conclusions that seem plausible. Obviously, they have had to go beyond the methodology of immanent criticism, that is, pure logic, because of the complexity of the cultural inputs and the various types of interactions.

In the end, the authors reassert their faith in the existence (possibly not yet found) of a scientific theory of economic development, basing their hope on using Schumpeterian-Marxian foundations for the new structure.

Theirs is an interesting exercise — one that excites the imagination even if it admittedly does not clearly convince.

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Preface

PHILOSOPHY, in understanding human society, calls for an analysis of facts and events, and an attempt to see how they fit into human life, and so how they make up human experience. In this way, philosophy, like history, can come to enrich, indeed to define, the experience of man.

The critical study of the philosophies of the past should lead to the study of modern theories, for these latter, born of the fire of contemporary struggles, are militant and alive.

— Kwame Nkrumah

The theory of economics does not furnish a body of settled conclusions immediately applicable to policy. It is a method rather than a doctrine, an apparatus of the mind, a technique of thinking, which helps its possessor to draw correct conclusions.

— John Maynard Keynes

Knowledge is a process composed of cognitive forces under tension. Its growth reflects additions of newly accepted ideas. These new ideas are born out of tension. They are nothing but children of cognitive tension. They are always conceived in the womb of old ideas. When they are conceived, they undergo long periods of gestation and are born with great cognitive pain and intellectual resistance. When they emerge, they are viewed as rebels, because they are not only threats to the existing system of ideas but are also contestants of emerging ones. Their acceptance, survival, and longevity depend on cognitive tolerance, congruence with reality, and the degree to which they square with social perceptions and interpretive experiences. When they are accorded acceptance in the system of social thought, they become part of the tradition and their future development is at the mercy of existing intellectual order and restricted or promoted by the basic

epistemological ignorance and fears of the unknown. Development economics is not an exception.

Development economics, however, has special epistemic problems. These epistemic problems and theoretical difficulties that they present in the analysis of the phenomenon of economic development are those that command my interest and worries. It was at the graduate school of Temple University in Philadelphia that I first encountered the formal corpus of theories of economic development. It was here that my worries began after taking four courses in development economics. My interest, however, began in my place of birth, Africa. From my mathematical training at the undergraduate school in the same university, I entered the graduate program with an orientation of looking for structures and well-posed problems in all theoretical constructs from theoretical physics to theoretical economics.

In view of this, I sought some scientific clarity in theories of development economics. I found very little, if any. I searched for logical rigor and consistency. I did not get them. I looked for "well-posedness" of the core theoretical problems and questions that are of concern to the theories in economic development. Here, I was most disappointed and confused. I sought out intellectual counsel from my teachers. I ended up with a constant debate with my professors as I pressed them for logical clarity, neat problem specification, exact subject content of theories of development economics, and preoccupation of the basic enterprise of economics of development. Sometimes, my insistence on finding comfort on my worries from intellectual discourse became less and less appreciated by my student colleagues and found less support from my professors. Perhaps they were not aware of my cognitive torments in this branch of economics.

All things considered, I was of an opinion, as I am now and more convinced than then, that development economics as a branch of economics was and is in serious epistemic trouble. I was searching for answers to questions and precepts that I thought defined the foundations of the subject area. As I understood then, so I understand now, that there is no clear image of the content of development economics. It is amorphous. This lack of clear content image has spilled over to the construction of theories of economic development, where it is neither understood nor appreciated that development economics is, perhaps, the most difficult area of economics. It has to deal with time, quantity, quality, change, mechanism of quantity-quality transformation, and complex relations that they engender.

As I reflected then, so I do now, that development is a child of tension, and this tension is produced by socioeconomic agents that must resolve individual and collective conflicts in the socioeconomic decision space. The resolution takes place through the existing institutions that constitute the arteries through which the lifeblood of the social organism flows. Thus, the essential relationships among the

mechanism of change, cultural environment for decisions, existing institutions, and their growth must be part of the content of the subject of development. I understand that economic development is not a gift of simple passage of time. It is a victory that emerges out of people's conflicting alternative actions, hard work, strifes, toil, and overcoming of adversities. They all take place through institutions that are, themselves, the creative works of the people. It is through this understanding that I thought that a meaningful theory of economic development must be conceived and crafted. However, as the eminent economist Joan Robinson has stated: "the moralizing doctrine which still underlies orthodox Western teaching fails to provide the basis for a theory of economic development because of confusion in its approach" (178, p. 10).

I came to think then, as I now do, that the main corpus of modern theories of economic development is plagued with logical ills, misleading notions, outright ideological deceptions, and weak theoretical structure that made its scientific character wanting. This is pointed out again by Joan Robinson that "there is a certain complacency in mainstream economic teaching which is misleading even in its homeland and cruelly deceptive when transferred to the Third World" (178, p. ix). It is perhaps these problems that drove some of the finest economic theorists away from the area of economic development. The neoclassical static analysis with its mathematical rigor was a blindfold, and its extension to dynamic analysis was simplistic and less helpful. The main assumptions about institutions in which decisions are made and the value systems that motivate social action and inaction prevent any critical analysis and understanding of how the socioeconomic system goes through quantitative and qualitative transformations where institutions are created and destroyed.

There seems to be a complete crisis in the subject area of theories of economic development. The foundation of the subject itself has become problematic. It is completely infested with methodological ills whose cure must find instructions from theory of knowledge. One is left in limbo as to whether the theories are of an explanatory nature, prescriptive nature, or descriptive nature. This unsureness is compounded by the fact that every expository position presented in the literature can never be proven wrong, because of circularity of reasoning where theoretical propositions are true by definition in their own terms. Here, it became clear to me that to make theoretical headway in this branch of economics, I should seek counsel outside the subject of economics itself. The advice of Albert Einstein became handy, and I took it seriously that when the subject area of science and its foundation have become problematic, as the study of economic development has become, and "when experience forces us to seek a newer and more solid foundation, the [economists] cannot simply surrender to the philosopher the critical contemplation of the theoretical foundations; for, he himself knows best and feels more surely where the shoe pinches" (22, p. 1).

I was logically convinced that economic development is quantity-quality transformation that involves conversion of categories of levels of development properly defined. In view of this, I accepted the counsel of Nkrumah that:

Philosophy can demonstrate the possibility of the conversion in one or other of two ways: either by means of a conceptual analysis or by pointing at a model. As it happens, philosophy is in a position to do both. Philosophy prepares itself for the accommodation of the hard facts by asserting not the crude sole reality of matter [economic development], but its primary reality. Other categories [levels and stages of development] must then be shown to be able to arise from matter [economic development] through process. It is at this point that philosophical materialism becomes dialectical. (161, pp. 20–21)

With these counsels in mind, I set up a project to examine the methodological foundation of theories of economic development. It was during this period of my graduate education that the ideas about this book were contemplated as I continued to seek an epistemic clarity. I have learned from the methodological insights of Keynes that “the theory of economics does not furnish a body of settled conclusions immediately applicable to policy. It is a method rather than a doctrine, an apparatus of the mind, a technique of thinking, which helps its possessor to draw correct conclusions” (97). In all these, I have been instructed by contending philosophies that social theories are reflections of social currents. They arise from consciousness of social exigencies in an attempt either to explain social circumstances or to charter a new path of social conduct so as to alter unwanted situations. These require critical contemplation.

The work of critical contemplation for epistemic clarity of development economics did not start until I entered Howard University as an assistant professor. It was in my class of doctoral graduate macroeconomic theory that I met Manzur Ejaz, who was then a graduate student. In 1982, I put on the notice board a list of about 30 dissertation topics on certain theoretical problems of interest, including “methodology of development economics,” which Ejaz worked on with me as his advisor (82b). I suggested to him that after the completion of the dissertation, we would jointly revise it for a publication. For a number of reasons, Ejaz was unable to contribute to the revision.

My attempt to revise the dissertation has produced a completely different treatise that reflects mostly my intellectual positions and leanings regarding the enterprise of science and its methodology as they relate to the subject areas of development economics. As such, I have entitled the work as I originally conceived it: *The Epistemics of Development Economics: Toward a Methodological Critique and Unity*. I express great appreciation to Ejaz for some of the groundwork. I have rewritten, restructured, and expanded every chapter to provide logical

continuity, linguistic connectedness, and epistemic clarity. The end product is a metatheory on theories of economic development. I accept all criticisms for philosophical emphasis on dialectics and approval of methodology of Marx and Schumpeter.

The power of the metatheory advanced here lies in a projection of a thesis that a substantial portion of the literature on economic development theories may be conceived primarily as rhetoric and subjectively descriptive notions rather than rational constructs. When theories of economic development take this form, they mainly project speculative-ness and ideology rather than scientific understanding. As such, they fail to illuminate the central problems requiring human understanding and even gravely distort the path to rational insights.

This brings us to the question of whether forms of explanation found in theories of economic development can conform to those found in natural sciences or theoretical economics in their static setting. A follow-up question is what set of principles, if any, must be developed to guide us in selecting a theory in development economics for use and practice. Additionally, one may question whether there are forms of explanation in development economics that must acquire an exemption from the rigor of the discipline of science. Furthermore, a question arises as to whether an illuminating theory of economic development can be constructed by detaching the economic decision actions of human social existence from its political, cultural, legal, and institutional setting. These questions and interrelated ones constitute the central problems of epistemics of theories of economic development as they relate to the theory of knowledge and understanding of the history of human social development.

The judgment of scientific relevance of any theory of economic development must be based, it is suggested, on rational-historical criteria of a composite nature. It is rational in the sense that the central problem of study in development economics has been clearly stated and the critical mechanism of quantitative-qualitative transformation has been systematically isolated where the role and subprocesses of key aggregate variables have been positioned for understanding. It is historical in that the transient path of socioeconomic system constituting the essential history of choice-decision outcomes of the collective is also the development phenomenon whose analysis is logically being constructed.

In view of the epistemic clarity that we seek, two notions of science are examined in this book. The first one is *explanatory science* with corresponding explanatory theories where the object of the enterprise of science is to explain "what there is." The second one is *prescriptive science* with corresponding prescriptive theories where the basic object of the enterprise of science is to improve "what there is" (reality) by actualizing "what ought to be" (the potential). Together, they constitute the unity of scientific enterprise where explanation, prediction, and

prescription are integrated in a unified setting. The epistemic nature of the two concepts of science are examined and related to the subject matter of the theories of development economics.

The major difference is found not in techniques and methods of their constructs but in the manner in which the empirical validity of the main and supporting propositions is subjected to "test." The distinction is very important if we are to avoid a scientific theory of knowledge of the socioeconomic system that equates quantitative changes with qualitative social transformation and growth with development. Every qualitative reality is a surrogate of disposition of a quantitative reality that also defines the qualitative disposition of the object of inquiry. Quantity and quality form a unity of every process. They are dialectically inseparable and together define the state at any specified moment of the process. Thus, if theories of economic development are to conform to social reality, they must be guided by general epistemic principles that always keep this objective alive, a set of epistemic principles that will prevent constructions of theories of economic development as if the critical principle of the mechanism for and laws of social transformation are different and that quantitative changes have nothing to do with qualitative changes.

With these things in mind, the book presents a metatheory on the analysis of economic development. The empirical universe of the metatheory is the set of theories in development economics as a subset of theories in economics. The metatheory is a logical construct that would allow one to evaluate the scientific validity of the theories in development economics. It is a study in scientific methods.

Theories in development economics are examined to see whether they meet the test conditions laid down by the scientific community and somehow agreed upon by methodologists regarding the nature of scientific theories, namely, as logical constructs, are they internally consistent in terms of content, structure and reasoning? As logical systems of thought, are they in conformity with the observed behavior of phenomena of economic development? As logical inquiries, do they add to our knowledge and understanding of economic development process?

Central to the discussions are the concepts of category formation, primary category, conversion of categories, quality and quantity changes, laws of motion and mechanism of transmission, and how they logically relate to one another. In the process of discussion, the concepts of explanation, prediction, and prescription are examined to see how they epistemologically relate to each other and to the phenomenon of socioeconomic transformation. The concept of science is repositioned to include two broad areas of scientific theories of explanatory and prescriptive theories.

The study is organized in six parts after introducing the problem and nature of study in Chapter 1. Chapter 2 presents a survey of scientific methods and the debate on economic methodology relevant to economic

development. Chapter 3 is devoted to the examination of the relevant properties, problems, and methods for the construction of criteria for evaluating scientific theories and how such a criterion may be used to analyze the scientific status of theories in development economics and, hence, to judge their contributions to scientific knowledge. The stage-based explanatory theories in development economics are examined in Chapter 4, where a comparative analysis of Marx, Schumpeter, and Rostow is provided. Chapter 5 analyzes the factor-based explanatory theories, and their scientific status and contributions to knowledge are scrutinized; here, we deal with capital-based, human-capital-based, and technology-based explanatory theories. In Chapter 6, we analyze the epistemics of prescriptive theories about the economic development process. The conceptual differences among explanation, predication, prescription, and prescriptive theories are clarified, sharpened, and related to economic development. Chapter 7 presents conclusions and suggestions consequent to the study.

The following are central to the development of ideas in this book:

Science is not only about explanation of “what there is” but also about improvement of “what there is.”

Redefinition of the subject of science to include both prescriptive and explanatory sciences, where two types of theories about development phenomena are advanced: explanatory and prescriptive theories.

Concepts of category formation, primary category, and categorial convertibility where time, quantity, quality, and mechanism of change are linked.

Construction of an evaluative criterion called the rational-historical criterion.

Classification of theories about the phenomenon of economic development.

Development of an evaluative process of scientific status of these theories.

These features constitute some of the major reasons for the study. The lack of explicit criteria for judging the scientific content of theories in development economics places a limitation on their effective use in practice. It is precisely this limitation, in addition to general failure of economic development policies of international development agencies as applied to developing countries, that provides an extra rationale for the current study. The resources used in creating this book will be said to be well-spent if the ideas in the book anger some, delight others, or provoke new thinking.

Finally, I express my thanks to the faculty members at Temple University, Department of Economics, who collectively served as my teachers. Special thanks, however, goes to L. W. Holmes, who insisted on the development of mathematical rigor; Karl Niebyl, whose orientation provided me with philosophical and historical insights into economics as well as German historical school; J. S. Mehta and N. Sun, for their moral support and advisement; B. P. Klotz, E. Appelbaum, and E. Bond,

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Epistemics of Development Economics