

# The Development of S.B.D. de Silva's Political Economy

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For those who knew him or have read his work, the late S.B.D. de Silva could be considered one of the greatest political economists ever produced by Sri Lanka. In fact, many might say that he is worthy of being included in the pantheon of those intellectual giants from the Global South who fought to unravel the riddle of underdevelopment, from Argentina's Raúl Prebisch and Egypt's Samir Amin to Brazil's Ruy Mauro Marini and India's Amiya Bagchi.

As fate would have it, de Silva's name has never achieved that level of canonisation, though his work has attracted fresh attention by a new generation of thinkers since his death seven years ago, on 15 June 2018.<sup>1</sup> His sidelining in the literature on underdevelopment remains a puzzle, especially given his fascinating career spanning numerous local and international institutions. He worked as deputy director of economic research for the Central Bank of Sri Lanka, deputy director for the Agrarian Research and Training Institute in Colombo, director of industrial policy and economic research for the Ministry of Industries and Scientific Affairs, and consultant for the United Nations Economic Commission for Asia and the Far East. He taught at the University of Peradeniya, University of Colombo, and Universiti Sains Malaysia in Penang (Uswatte-Aratchi 2018).

A possible reason for de Silva's marginalisation in the literature is the central theoretical thrust of his argument concerning development and underdevelopment, which went against the grain of the leading theoretical trends among Third World radicals of the time.

De Silva's magnum opus *The Political Economy of Underdevelopment* (TPEU hereafter) was not just a searing critique of bourgeois modernisation theory (from William Arthur Lewis to Walt Whitman Rostow)

but also a critique of dependency theory and unequal exchange (specifically, taking on Samir Amin). A central thesis of dependency theory was that underdevelopment was due to the integration of the colonies into the capitalist world system in a way that made them dependent on foreign capital, technology, and markets.

For de Silva, this was a false premise. He argued that

The involvement of underdeveloped countries in the world economy was not significant in itself but only for the impact it had on the internal class structure of these countries, locking into position certain classes which stood in the way of a capitalist transformation. These classes were representatives of merchant capital, landlord capital and usurer capital. (1982: 11)

The overall argument in TPEU needs to be understood in the broader context of two great scholarly debates that gripped development economists and social scientists in the 20th century.

The first is the modernisation theory debate, which, beginning with Arthur Lewis, introduced the concept of a 'dual economy' with a 'traditional' sector (often assumed to be subsistence agriculture) and a capitalist 'modern' sector (often assumed to be industrial, although plantations came to be included in this category). Modernisation theory held that surplus labour had to be transferred from the traditional to the modern sector to facilitate growth and development (Lewis 1954). Modernisation theorists presented underdevelopment as an original state (implied by using the loaded term 'traditional'), rather than an ongoing process set in motion by colonialism and sustained by imperialism.

The second, and perhaps lesser-known, debate is the 'Transition Debate' between British Marxist Maurice Dobb and US Marxist Paul Sweezy<sup>2</sup> and its successor, the 'Brenner Debate', named after US Marxist Robert

<sup>1</sup> In the last few years, de Silva's work has been cited by a new generation of Sri Lankan scholars, including: Devaka Gunawardena and Ahilan Kadirgamar (2021); Dhanusha Gihan Pathirana and Chandana Aluthge (2020); and Kanishka Goonewardena (2023). *E-Con e-News* – a weekly newsletter on Sri Lanka and the world economy which began in 2018 – is dedicated to the memory of S.B.D. De Silva: <https://eesrilanka.wordpress.com/>

<sup>2</sup> For more on the transition debate, see: Dobb, Maurice, Christopher Hill, Eric Hobsbawm, Georges Lefebvre, John Merrington, Giuliano Procacci, Paul Sweezy, and Kohachiro Takahishi. (1985). *The Transition from Feudalism to Capitalism*. Verso.

Brenner. It is impossible to summarise these complex debates and their political implications in brief. One of the main features of these disputes was a concern over the relative weight that should be given to the expansion of merchant capital during the colonial era vis-à-vis the internal development of capitalist class relations in Europe during the transition from feudalism to capitalism.<sup>3</sup>

The tendencies that emphasised the external aspect (i.e., colonialism, trade, and plunder) were accused of focusing on relations of exchange (such as trade) over relations of production. The tendencies that focused on internal production relations were accused of neglecting the importance of colonialism in the development of capitalism. Given the international political context in which these intellectual debates raged—namely, the rise and fall of the Third World project from the 1950s to the 1980s—they naturally had a profound impact in shaping tendencies within the international Marxist left.

In TPEU, de Silva draws on Robert Brenner's critique of dependency theory and his argument that the decisive factor in capitalist transition is the internal production relations, particularly in agriculture (1982: 44).<sup>4</sup> This placed de Silva in unusual company. While most other Marxist intellectuals from the Global South turned their attention to the 'external aspect' in the tradition of dependency theory and unequal exchange, de Silva bucked the trend by focusing on internal class relations. de Silva was therefore working within a Marxist tendency that had been branded as Eurocentric at best, or an apologia for colonialism at worst.<sup>5</sup> Regardless of what one may think of Robert Brenner, it is impossible to walk away from TPEU with the impression that De Silva was either of these things—clearly, he had a passionate concern for the colonised subject and the impact that imperialism had on stifling the development of productive forces and therefore the quality of life in underdeveloped countries.

De Silva's genius lies in his fidelity to Marxist analytical categories, which he enriched with deep historical research, drawing on case studies from settler colonies such as the US, Canada, Australia, and Rhodesia to plantation and mining economies in the Caribbean, Kenya, and Malaysia.

3 In some ways these debates continue today. For a recent work arguing in favour of the significance of commerce and trade in the transition to capitalism, see: Banaji, Jairus. (2020). *A Brief History of Commercial Capitalism*. Haymarket Books.

4 Robert Brenner critiqued dependency theorist Andre Gunder Frank in his 1977 essay, provocatively titled: "The Origins of Capitalist Development: A Critique of Neo-Smithian Marxism".

5 For a recent critique of Robert Brenner's theoretical tendency, see: Xu, Zhun. (2021). "The Ideology of Late Imperialism". *Monthly Review* (1 March). Available at <https://monthlyreview.org/2021/03/01/the-ideology-of-late-imperialism/>

De Silva concluded that the process of capitalist development only took an autonomous form in the settler colonies where, after destroying the pre-existing population's mode of production, the settlers severed merchant ties with the mother country to establish an autonomous logic of internal capitalist accumulation. By contrast, the non-settler colonies remained under the thrall of merchant capital and their local agents, who included traders, landlords, and usurers.<sup>6</sup>

For de Silva, "The non-transformation of merchant capital [into industrial capital] ... is the crux of the problem of underdevelopment". In other words: "Underdevelopment signifies a set of production relations which have become a barrier to the development of the productive forces. It is in this sense a condition which could affect even the capitalist societies at a certain stage of their development" (1982: 11).

One consequence of de Silva's break with dependency theory is the seriousness with which he takes the development trajectory of the East Asian Tigers, whose developmental 'miracles' could not be chalked down to Cold War geopolitical dynamics alone, and whose internal dynamics required closer study. To quote de Silva:

There has been no uniformity in the periphery's response to external forces. Recently, Taiwan, Singapore, Hong Kong and South Korea have even managed to subject the more marginalised countries to a centre-periphery relation, exporting capital to the Free Trade Zones of Malaysia, Sri Lanka and Bangladesh. Clearly the external forces as such are less important than the way in which these forces condition the internal class structure, strengthening or weakening the barriers to development. The necessity to probe these internal forces and to bring them into focus with the external ones leaves a vacuum to be filled. (1982: 518)<sup>7</sup>

De Silva's great intellectual contribution was to fill this vacuum. A lingering question is how he came to discern this vacuum in the first place. What was the intellectual trajectory that brought de Silva to his analysis in TPEU?

6 It should be noted that Marxists like de Silva had a robust analysis of the distinctions between settler and non-settler colonies long before it was discussed in Daron Acemoglu and James A. Robinson's book *Why Nations Fail* (2012, Crown Publishers), which employs a liberal framework of institutional economics. For a critique of Acemoglu and Robinson, see: Kvangraven, Ingrid Harvold, Surbhi Kesar, and Devika Dutt. (2024). "The Colonial Origins of Economics." *Economic & Political Weekly*, 59 (42).

7 De Silva's argumentation here echoes Mao Zedong's 1937 essay *On Contradiction*: "It is evident that purely external causes can only give rise to mechanical motion, that is, to changes in scale or quantity, but cannot explain why things differ qualitatively in thousands of ways and why one thing changes into another... Changes in society are due chiefly to the development of the internal contradictions in society".

### “Investment and Economic Growth in Ceylon”

Most intellectuals of de Silva's stature leave behind a voluminous trail of literature allowing scholars to trace their development over time. But de Silva was not a particularly prolific writer, and, for the most part, he left no such paper trail.<sup>8</sup>

The first few lines of the preface to TPEU reveal de Silva's attitude towards academic publishing. He was scathingly critical of the transformation of social science research into “a variety of big business” where “institutes and research agencies flourish in rich profusion, with virtually a business interest in staging seminars, symposia and workshops and in sponsoring publications”. de Silva did not want to contribute to the “superabundance of literature” that obtained following the academisation and NGOisation of social movements in the 1980s. For him, patient restraint, careful deliberation, and the interdisciplinary inquiry into a broad range of phenomena took precedence over the capitalist imperative to publish—itself a commodification of intellectual life.

According to de Silva, his book was an outgrowth of his PhD thesis, which “tried to analyse the backwardness of Sri Lanka's peasant sector in terms of its failure to absorb growth impulses that were thought to emanate from the plantation sector.” This thesis, ‘Investment and Economic Growth in Ceylon’ (hereafter IEGC), remains unpublished and is only available as a physical copy in the library of the London School of Economics (LSE). de Silva pursued his PhD at LSE in 1962, supervised by Prof. F.W. Paish and Dr. Vera Anstey.<sup>9</sup>

The following is a brief summary of the ideas in de Silva's doctoral thesis. I am not sure if de Silva would have approved of his disowned thesis being brought to public light for analysis. My only excuse is that it is worthwhile to revisit the thesis, if only to understand the intellectual trajectory that led to TPEU.

<sup>8</sup> Other publicly available works of de Silva that this writer has been able to locate are: “Long-term Contracts and Bulk Trading.” *The Ceylon Economist*, 3 (2) (1956): 101-113; “Plantations and Underdevelopment” and “Plantation Investments in Sri Lanka.” In Charles Abeysekera (Ed.), *Capital and Peasant Production* (Social Scientists' Association, 1985); and “The Region: Economic Trends – Inflation, Industrialization, and Growth.” *Southeast Asian Affairs* (1975): 5-14. de Silva was also interviewed by Balasingham Skanthakumar for this journal in 2017.

<sup>9</sup> Notable works by F.W. Paish include *The Post-War Financial Problem and Other Essays* (Macmillan, 1950) and *Studies in an Inflationary Economy, The United Kingdom 1948-1961* (Macmillan, 1962). Paish controversially argued that unemployment was needed to control inflation. Vera Anstey was an expert on the Indian economy and author of *The Economic Development of India* (Longmans, Green and Co., 1929) and the essay “Land Reform in India.” *Public Administration and Development*, 1 (2) (1962): 88-96.

IEGC is mainly an inquiry into Ceylon's peasant economy and its seeming inability to shift to a “higher plane of productive efficiency” (de Silva 1962: 8). de Silva's principal argument is that a suitable institutional framework is needed to shift resources (including surplus labour, land, irrigation infrastructure, and the liquid assets of usurers) towards modernisation.

While employing Arthur Lewis' basic framework of the dual economy, de Silva argues that, rather than diverting resources from the traditional to modern sectors, the traditional sector should be given assistance to modernise according to its own historical logic.

In making this argument, de Silva also departs from the German-US economist Albert O. Hirschman's thesis (1959) that industrial activity is more conducive to linkages than agriculture. Citing Japan as an example, de Silva argues that developments in agricultural technology had a clustering and cumulative effect in launching Japan's industrialisation.

For de Silva, ‘surplus labour’ is only latently available within Ceylon's traditional sector. This was because the seasonal nature of agriculture and the institutional structure of the peasant economy prevented the mobility of labour from one sector to another—a mobility which the Lewisian dual economy framework had taken for granted. The structure of the peasant economy necessitated an “irreducible minimum of surplus labour which the system has to carry” (de Silva 1962: 303). Even at this early stage of his intellectual development, de Silva is arguing that the key problem in development is not resource scarcity and factor allocation but social structure:

A shortage of labour in a given socio-economic situation is seen as becoming a surplus and free to move only in the context of institutional change, which the conventional analysis, by virtue of its kind of abstraction, fails to come to grips with. (1962: 12)

Therefore, development required a radical transformation of agrarian social relations.

Chapters two and three of de Silva's thesis are particularly concerned with critiquing the Ceylonese government's expensive agricultural development programmes, such as the Gal Oya project. For de Silva, the large outlay of funds for such projects had little transformative effect as they were not accompanied by institutional change in the agrarian sector. de Silva writes that the government's

investment programme has lacked either coherence or direction, owing partly to the government's inability to comprehend the basic problems and, therefore, to locate and identify the critical limiting factors to economic expansion, and partly to a reluctance to disturb existing institutional arrangements. (1962: 325)

Absent institutional change, the extensive nature of these early dry zone colonisation schemes meant that the new settlements had a tendency to replicate the worst of the problems of agriculture in the wet zone, namely the development of absentee landlords and money lenders – classes which inevitably stifle further development of agriculture.

Contrary to Lewisian modernisation theory, de Silva argued in his thesis that development need not require uprooting and spatially dislocating the peasant by bringing them to the city – a process which in reality places more pressure on scarce resources due to the overhead capital costs required for urbanisation.

Rather, de Silva proposes to change the institutional structure of the peasant economy and to make use of the latent surplus labour through rural industrialisation.<sup>10</sup> “Whereas in the conventional model the capitalist sector is seen to engulf the peasant sector by draining it of its labour, in our view it is the subsistence sector which absorbs capital, labour retaining its indigenous nexus” (de Silva 1962: 14-15).

For de Silva, the more suitable path for Ceylonese modernisation was not the Lewisian model based on the European experience, but the Japanese and later Chinese models of rural development, which brought capital and non-agricultural employment to the village. Drawing on these examples from the East, de Silva challenges the tradition-modernity duality emphasised by conventional development economics, suggesting an alternative path for modernisation:

Both in Japan and in China the cohesiveness of village society, with the family being responsible for the individual, and the village council for the family, have offered an admirable framework for a programme of social engineering in which some of the traditional loyalties and cultural values are skilfully canalised for economic development. (1962: 353-354)

In the Ceylonese context, however, the breaking up of “the organic unity of the traditional village community” posed significant challenges for creating enthusiasm for rural development.



*“Where does it all go?”*

<sup>10</sup> This perspective is similar to G.V.S. de Silva’s approach in his 1973 essay “Some Heretical Thoughts on Economic Development” in *Poverty and People’s Power* (2009). Writing in the context of the United Front government’s import-substitution drive and international food and oil crises, GVS argued that development efforts had to begin by reorganising the countryside in order to develop the rural productive forces. The approach also has similarities to China’s rural industrialisation programme which was largely driven

by collectively-owned Town and Village Enterprises during the 1980s and 1990s. Chinese economist Xiaohuan Lan (2024) has argued that local government investment in rural factories was essential for “turning peasants into factory workers... which requires a complete change in lifestyles and mindset” and gave peasants an opportunity for “leaving the soil without leaving home”, i.e., proletarianisation without dispossession at the scale and intensity seen in classical capitalist transitions.



### De Silva's contribution and legacy

If de Silva's doctoral thesis was an attempt at opening the black box of the Lewisian traditional sector, then the TPEU is the logical succession to this exercise—an attempt to open the black box of the Lewisian modern sector. While his doctoral thesis argued that the traditional sector itself could be the source for long-term growth and development, the TPEU argues that the modern sector—which in Ceylon was assumed to be the plantations—was not so 'modern' after all, and actually placed fetters on development.

The plantations never revolutionised the means of production and did not lead to a rising organic composition of capital and corresponding socialisation of labour. de Silva went from trying to understand why the traditional sector could not absorb impulses imparted from the modern sector to concluding that the modern sector had no such impulses to impart to begin with.

He ultimately resolves Lewis' Cartesian split between the modern and traditional sectors by concluding that merchant capital reigns over both. The question of development was a political one: which class or coalition of classes is interested in subordinating merchant capital to the social need for capital accumulation?

Marx himself was highly sceptical about merchant capital's ability to autonomously transform itself into industrial capital. In Volume 3 of *Capital*, Marx makes clear that such a transformation as occurred in Europe during the industrial revolution was a conjunctural phenomenon and by no means guaranteed for all places and all times:

To what extent it [merchant capital] brings about a dissolution of the old mode of production depends on its solidity and internal structure. And whither this process of dissolution will lead, in other words, what new mode of production will replace the old, does not depend on commerce, but on the character of the old mode of production itself. In the ancient world the effect of commerce and the development of merchant's capital always resulted in a slave economy . . . However, in the modern world, it results in the capitalist mode of production. It follows therefrom that these results spring in themselves from circumstances other than the development of merchant's capital. (Marx 1894)

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Seven years after de Silva's passing, what is the relevance of his intellectual legacy today?

The wrong way to use de Silva is to revive old intellectual debates and rivalries. This is not because dependency theory is beyond intellectual critique, but

because, in the current conjuncture, there is little to be gained politically from revisiting those old debates. Dependency theory has experienced a modest revival since the 2008 financial crisis.<sup>11</sup> The current churning of the global order has yielded a new mood in the Global South, characterised by the emergence of new regional and international projects with a general tenor of economic nationalism or anti-imperialism (from the Bolivarian Alliance for the Peoples of Our America in Latin America to the Alliance of Sahel States in Africa, and the now-weakened Axis of Resistance in West Asia).<sup>12</sup> As these processes continue to unfold, dependency theory remains a powerful critique of the existing international economic order. Recent research from this school of thought has yielded a wealth of empirical data confirming the drain of resources from the Global South to the Global North through unequal exchange.<sup>13</sup>

De Silva's legacy is useful for linking the struggle for a new international economic order with the struggle for a new domestic economic order.<sup>14</sup> This encourages us to think about the kinds of domestic social change necessary for development. In other words, to think of development not just as an economic but also a political process.

The main question, to paraphrase Mao (1926), is: Who are our friends, who are our enemies? What configuration of class forces is most interested in breaking through the impasse of the existing relations of production? What kind of political platform and programme is necessary to unite these class forces? And what geopolitical alignment is most conducive to supporting the aspirations of such a project?

Despite the massive political swings Sri Lanka has experienced in the past decade, what is most significant among these is the continuity, rather than ruptures, of class interest. From the United National Front for Good Governance (UNFGG) in 2015 to the Sri Lanka Podujana Peramuna (SLPP) in 2019 and the National People's Power (NPP) in 2024, basic themes and polemics about bureaucratic corruption and state inefficiency, high taxation and costs of living, demand

11 See: Katz, Claudio. (2022). *Dependency Theory After Fifty Years*. Studies in Critical Social Sciences (207). Leiden: Brill.

12 See: Tricontinental: Institute for Social Research. (2024). "The Churning of the Global Order." *Dossier* No. 72 (23 January). Available at: <https://thetricontinental.org/dossier-72-the-churning-of-the-global-order/>

13 See: Hickel, Jason, Morena Hanbury Lemos, and Felix Barbour. (2024). "Unequal exchange of labour in the world economy." *Nature Communications*, 15.; Nievas, Gaston, and Thomas Piketty. (2025). *Unequal Exchange and North-South Relations: Evidence from Global Trade Flows and the World Balance of Payments 1800-2025*. World Inequality Lab Working Paper 2025/11.

14 A turn of phrase borrowed from Dr. Dayan Jayatilake.

for rural subsidies and credit, and the ever-elusive quest for a 'production economy' (නිෂ්පාදන අර්ථිකය) and an economic model suited to local conditions have consistently sparked the public imagination. The forms in which these grievances are articulated change with each political wave (රැළල), swinging right or left, taking the register of cosmopolitanism or nationalism. I would argue, with de Silva, that all of these political forms and slogans have fundamentally been responses to the crises inherent in a system dominated by merchant capital.

Corruption, speculation, de-industrialisation, and deskilling are all par for the course in a society dominated by merchant capital. As such, these most apparent and abiding maladies of underdevelopment are absolutely resistant to remedies of mere 'good governance' or 'foreign investment'. The responsibility of the intellectual is to illuminate a way forward through this morass, and for that, de Silva's work provides a sturdy intellectual foundation.

As Marx wrote in a letter to Arnold Ruge in 1843,

the internal obstacles seem almost greater than external difficulties. For even though the question 'where from?' presents no problems, the question 'where to?' is a rich source of confusion... We shall not say: abandon your struggles, they are mere folly; let us provide you with true campaign-slogans. Instead, we shall simply show the world why it is struggling.

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