

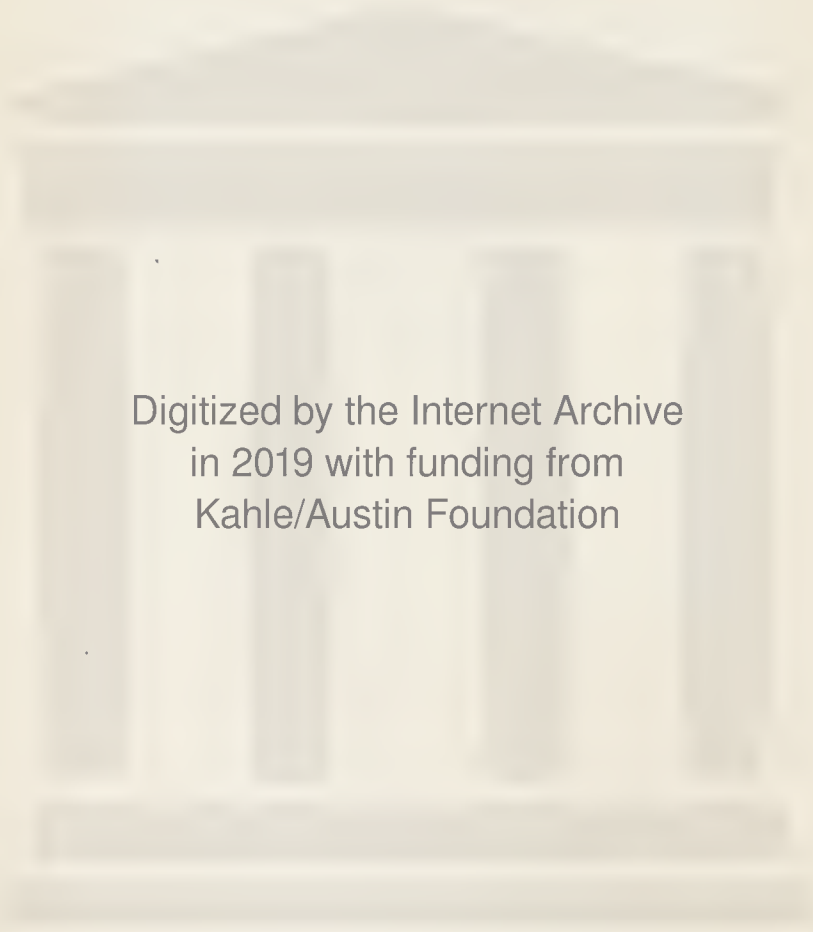


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PLANNING AND ECONOMIC  
DEVELOPMENT

# STUDIES ON DEVELOPING COUNTRIES

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STUDIES ON DEVELOPING COUNTRIES

VOLUME 1

PLANNING  
AND ECONOMIC  
DEVELOPMENT

*With a Foreword by*

OSKAR LANGE

*Edited by*

IGNACY SACHS



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PLANNING AND ECONOMIC DEVELOPMENT

With a Foreword by OSKAR LANGE

Edited by IGNACY SACHS

ERRATA

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Page v, line 17, for *Marxians* read *Marxian*

MEMORANDUM FOR THE

SECRETARY OF THE

NAVY DEPARTMENT

RE: [Illegible]

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## FOREWORD

The problem of developing countries has become a central problem of present day world economics and politics. The increasing disparity of *per capita* incomes between the economically highly developed and underdeveloped areas in the world is a challenge to our civilization. In the age of atomic energy and of conquest of outerspace a very large part of mankind suffers from undernourishment, disease, poverty, lack of facilities offered by modern civilization and culture. No wonder that the problem of ways and means of overcoming economic and social underdevelopment attracts the attention of some of the best minds of our times.

This problem has also raised great interest in Poland. Among the Polish people, and among Polish scientists and scholars in particular, there is a great desire to contribute, however modestly, to its solution. This desire is expressed by various initiatives of the Polish delegation at the United Nations, by expanding economic and cultural relations between Poland and the countries of Asia, Africa and Latin America, by the participation of Polish technicians, architects, physicians and teachers in various missions in Asia and Africa.

We believe that Poland has something to offer in the field mentioned. Not more than eighteen years ago Poland was an underdeveloped country (and devastated by war and foreign occupation in addition), her industry was weak, agriculture primitive with a semifeudal structure, millions of peasant surplus population finding no ways of employment save through emigration. A policy of planned economic development has changed the situation radically, modernized the country, increased industrial output over six times, assured the country an important role in the world.

Thus we have experiences of our own to offer—not for imitation but for critical study and learning both of the successes and failures of our experience. Many of our leading economists have recently served as advisers on economic planning and development in a number of countries in Asia and Africa. This has further increased the experience at our disposal. It also has induced us to open at the Central School of Planning and Statistics in Warsaw an advanced course on economic planning for foreign economists. The course has met with considerable interest and was attended by economists from many countries, among them from : Burma, Ethiopia, Ghana, India, Iraq, Mexico and the United Arab Republic.

As a further contribution to this cause, the Polish Scientific Publishers have undertaken to issue a series of symposia devoted to the problems on economic development with participation of authors from the whole world. The intention is that the series be truly international both in the range of participants and the breadth of view. It should provide a forum for discussion in which various points of view are expressed and experiences of various countries are exchanged.

For this reason the Editors have limited themselves to outlining the general topics of the symposia, leaving to the authors the choice of the exact subjects and contents of their contributions. Thus the contributions represent the views of the authors and not necessarily those of the Editors. The reader will find in the symposia differing views and even views opposing each other. The Editors believe that discussion and controversy on such an important subject is desirable and certainly will interest the readers.

The present volume which opens the series deals with economic development and planning. The next volume is devoted to agrarian problems. Further volumes are expected to deal with: bottlenecks and barriers of growth, foreign trade and economic development, tradition and progress.

The first volume is concerned with two types of problems: One is the appraisal of experiences in planning, the other is



a synthetic treatment of economic development based on the historical conditions and perspectives of a number of countries chosen for study. Special attention is devoted to the role of the public sector, and to choices of investment policy. The Editors very much appreciate the fact that the contributions come from outstanding scholars of three continents and cover problems of countries situated in Asia, in Africa and in Latin America. Though the contributions refer to the problems and experiences of particular countries, their conclusions have a much wider bearing. They help in general to understand the complicated mechanism of economic development.

The Editors wish to express their thanks to the contributors for their participation in the international undertaking which these symposia are meant to be. They hope that the series will meet with favourable reception and interest by the readers.

*For the Editors*

OSKAR LANGE

Warsaw, December 1963



# ECONOMIC PLANNING IN INDIA

A. K. DAS GUPTA

## Introduction

India attained independence in 1947. The Indian National Congress to which power was transferred by the British had already accepted the principle of planning for industrialization and economic development of the country. Planning was indeed a part of the constructive programme of the Congress. As early as 1938, doubtless inspired by the Soviet experience, the Congress set up a National Planning Committee, with Pandit Jawaharlal Nehru as its Chairman. The war came soon after, and its activities had to be suspended for a while. However, in 1945 it came out with a report embodying the principles and objectives of economic planning in the country. It was emphasized therein that planning would involve central coordination of the economic activities of the people with a view to certain social objectives, in particular to secure a certain minimum standard of living within a prescribed period of time. It was also made clear that the necessary coordination was to be done within the framework of democracy, i.e. by the representatives of the people under expert advice and guidance. The Committee also made a comprehensive study, with whatever data were available, of the various aspects of the national economy and suggested lines of progress in each individual field, such as agriculture, industry, trade, finance, etc. About the same time, in 1944, while the war was still on, a group of industrialists came out with a fifteen-year plan of economic development, later on called the *Bombay Plan*, indicating specific targets in respect of agriculture and industry and specific ways of financing the

necessary investment.<sup>1</sup> Close at its heels came another plan, called the *Peoples' Plan*, drawn up by a group of socialists, where also definite targets and methods of finance were set out.<sup>2</sup> At the same time at the official level a set of post-war reconstruction programmes were formulated, and a Department of Planning was instituted to implement them.

An awareness was indeed created in the country of the need for some kind of coordinated and planned effort at industrialization, economic development and social amelioration. The appointment of a Planning Commission in independent India was thus an obvious decision. The country had been for long in a state of economic stagnation; the *per capita* income was about the lowest in the world, and an overwhelmingly large part of the economy was unorganized and primitive, with the result that a vast mass of population suffered from chronic under-employment. In contrast there were a few big landlords with feudal habits and attitudes and a handful of entrepreneurs dominating the industrial field in whose hands a disproportionately large part of the wealth of the country was concentrated. The economy was characterized by an excessive dependence on agriculture, as illustrated by the fact that it accommodated more than seventy per cent of the working force and accounted for a little over fifty per cent of the national income. Organized manufacturing industry played but a minor part in the economy,

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<sup>1</sup> The target aimed at was to secure a threefold increase in the national income and to double the *per capita* income in fifteen years. The emphasis was given to industrial development with a view to securing a reasonable balance in the economy. The industrial income, according to the plan, was to increase by 500 per cent and primary and tertiary incomes by 150 per cent and 200 per cent respectively. The plan not only prescribed a growth target, it also used the concept of capital-output ratio as a tool for an assessment of investment need.

<sup>2</sup> It was a ten-year plan and much more ambitious. The technical part of the plan was similar to the Bombay Plan. But being a socialist plan, it prescribed nationalization of land and leaned heavily for finance on reinvestment of agricultural income, unlike the Bombay Plan which leaned on deficit-financing, or "created money", as it was called.

giving employment to only about two per cent of the working force. There was clear evidence of under-utilization of resources.

It is against this background and in pursuance of the Directive Principles of State Policy as enunciated in the Constitution of India,<sup>3</sup> that the Planning Commission was set up in March, 1950, with Pandit Nehru, by then Prime Minister of India, as its Chairman.<sup>4</sup> The purpose of the Commission was to make an assessment of the resources of the country, and to formulate a plan for an effective and balanced utilization of these resources.

The Planning Commission has been in existence for twelve years and has produced three plans, each on a five-year basis. The First Plan covers the period 1951-56, the Second 1956-61 and the Third 1961-66. Each plan again, although it is formulated in terms of a five-year period, has a long-term perspective, extending over 15-20 years. The long-term perspective gives direction to the current plan and is itself subject to alteration, as it has been in the course of the last ten years, in the light of experience of the previous plans. Two plans, covering ten years, have already been completed, and we are in the midst of the Third Plan.<sup>5</sup> The Congress party has remained in power

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<sup>3</sup> The Constitution of India provides that State Policy should be directed towards securing, among other things:—“(a) that the citizens, men and women equally, have the right to an adequate means of livelihood; (b) that the ownership and control of the material resources of the community are so distributed as best to subserve the common good; and (c) that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment.”

<sup>4</sup> The Planning Commission, as it is at present constituted, has ten members, of which four are Cabinet Ministers. Pandit Nehru continues to be the Chairman. The fact that the Prime Minister is the Chairman and three other Cabinet Ministers, including the Minister of Finance, are members of the Commission is significant, in so far as it gives the recommendations of the Commission a sanction which is almost on a par with that of a Cabinet decision. This aspect is often overlooked by critics who argue that the Commission should be just a body of experts.

<sup>5</sup> The Plan Year happens to be from April to March. Which means that we have just completed the first year of the Third Plan.

ever since independence, and is responsible not only for formulating the plans but also for seeing them through.

### Objectives and General Approach

From the very beginning of planning in India it was recognized that the objective must not be merely to increase the national income, that the economy suffered from large scale unemployment and gross inequalities of income which had to be eradicated. "It is no longer possible to think of development as a process merely of increasing the available supplies of material goods; it is necessary to ensure that simultaneously a steady advance is made towards the realization of wider objectives such as full employment and the removal of economic inequalities."<sup>6</sup> These are the words in which the First Plan stated its objectives, and the later plans only elaborated, with varying emphasis, the content of these objectives. In the Second Plan, for example, special emphasis was given to the realization of what became known at the time as the "socialist pattern of society"—a concept which had just been introduced in a resolution of the Congress party and which incorporated the basic ideals of socialism. While they recognized the need for a "sizeable increase in national income", it also stressed the importance of an appropriate socio-economic structure through which the benefits of material progress could be more widely distributed and better absorbed. "The task before an underdeveloped country is not merely to get better results within the existing framework of economic and social institutions but to mould and refashion these so that they contribute effectively to the realization of wider and deeper social values".<sup>7</sup> The Second Plan thus gives vividness to the Congress ideology of a "socialist pattern

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<sup>6</sup> *First Five-Year Plan*, Planning Commission, Government of India (1952), Chap. II, p. 28.

<sup>7</sup> *Second Five-Year Plan*, Planning Commission, Government of India (1956), Chap. II (2), p. 22.

of society” by urging that “the basic criterion for determining the lines of advance must not be private profit but social gain, and that the pattern of development and the structure of socio-economic relations should be so planned that they result not only in appreciable increases in national income and employment but also in greater equality in incomes and wealth.”<sup>8</sup> The Third Plan reiterates further the need for progress towards socialism and also suggests specific criteria in terms of which such progress is to be judged. Development of a large public sector and a cooperative sector, guarantee of equality of opportunity to every citizen, rapid expansion of the economy without concentration of economic power and above all the creation of a sense of common interest and obligations among the various sections of the community—these are some of the basic criteria of progress to which special emphasis is given in the Third Plan.<sup>9</sup> It is thus clear that Indian planning is characterized as much by an urge towards economic development in the more material sense of the term as towards the attainment of other social objectives, such as employment and distributional equity.

The political framework within which the plans are to operate is Parliamentary Democracy, based on adult suffrage. The implication of this is not merely that the party in power has to be cautious in its dealings with the public when it comes to introduction of structural changes in the economy or to mobilization of resources, it is also that the task of getting through a plan is complicated, insofar as it has to receive sanction from the major interests of the community. An elaborate system of consultations with Central Ministries, State Governments,<sup>10</sup> panels of technical experts, representatives of industry, commerce, labour etc., has to be gone through before a plan is formulated in its final form and presented to the Parliament.

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<sup>8</sup> *Ibid.*, Chap. II (3), p. 22.

<sup>9</sup> *Third Five-Year Plan*, Planning Commission, Government of India (1961), Chap. I, p. 10.

<sup>10</sup> India has a federal constitution comprising 15 States.

All this necessitates compromises and gives our plans a certain flexibility of approach.

Thus, while accepting the principle of socialism, India has left the private sector almost undisturbed. Let alone agriculture and small industry which are solely in private hands, a large part of organized industry is also under private entrepreneurship. They operate, however, within a system of subsidies and controls,—depending upon the nature of the industry. While small industry is subsidized, large scale industry is subject to controls in respect of price and production. There have been only four cases of nationalization since independence,—Gold-mines, Airlines, Life Insurance and the Imperial Bank of India (the biggest commercial bank in the country).

As early as 1948—just within one year of the country's independence—the Government of India declared its industrial policy to be one which would favour the simultaneous expansion of State and private enterprise. In terms of this resolution the State was to have complete monopoly in respect of ammunition, atomic energy and railway and would be responsible for any further expansion of certain key industries except where cooperation of private enterprise was considered necessary. For the rest the initiative would rest entirely with private enterprise, even though the State might participate in the field, if necessary in the public interest. With the progress of planning and the acceptance of the socialist pattern of society, further elaboration was made concerning the respective roles of the public and the private sector in the Industrial Policy Resolution of 1956. Industries were categorized into schedules showing those which would be the exclusive responsibility of the State and those which would be “progressively State-owned”, the rest being left to the initiative and enterprise of the private sector. The principle underlying this division is stated in the Resolution in the following words.

“The adoption of the socialist pattern of society as the national objective, as well as the need for planned and rapid development, require that all industries of basic and strategic



importance, or in the nature of public utility services, should be in the public sector. Other industries which are essential and require investment on a scale which only the State, in present circumstances, could provide, have also to be in the public sector.”<sup>11</sup>

The principle is liberal enough and leaved ample scope for expansion of the private sector—particularly in the field of consumption goods industries where it still plays a virtually exclusive role. In practice the distribution of responsibility between the two sectors is even more flexible than one would read from the text of the Resolution. The principle of socialism that inspires Indian planning attaches rather more importance to substance than to form; the major restriction that it imposes upon the private sector is that it must conform to the requirements of the plan. There is indeed sanction for “a great deal of dovetailing” between the two sectors, and while it is recognized that the public sector must grow rapidly to provide overheads for the economy, it is also accepted that the private sector has to be given not only opportunities but also facilities for fulfilling the task allotted to it.<sup>12</sup> The goals of socialism are thus not to be realized through a drastic reorganization of the society, but gradually through fiscal measures, extension of social services, land reforms, etc. and, wherever feasible, through the system of cooperation.

### Models and Targets

It can hardly be said of our plans that they have followed any rigid model. The approach has been, as they say, pragmatic on the whole. The First Five-Year Plan in particular undertook the task of bringing into pattern a number of projects which had already been there as part of the post-war reconstruction scheme—multi-purpose river valley projects, for example. Agri-

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<sup>11</sup> *Second Five-Year Plan*, Chap. II, p. 45.

<sup>12</sup> *Ibid.*, p. 25.

culture was accorded high priority in view particularly of the acute food shortage then prevailing in the country, and this involved not only extension of the area of cultivation through land reclamation, but also improvement of land yield through irrigation, fertilizer and better seeds. In the field of industry, special attention was given to fuller utilization of existing capacity and completion of industrial units which had already been started. The *ad hoc* character of the plan can be discerned from the fact that whereas the plan was presented to the public in December, 1952, its operation is supposed to have dated from April, 1951. The subsequent plans have also been largely the resultant of the pulls of various Ministries and State Governments, operating within the limits set by finance.

All this is true. Yet there is a certain perspective and pattern in the thinking that has gone behind our plan-making in which traces of model-building are unmistakable. While the institutional and human factors of economic development are not lost sight of—in fact incentives by way of reforms in land ownership, minimum wage regulation, community development and extension service and the like have been given a fair share of importance,—the main focus of attention since the beginning of planning has been on capital formation. The plans do exhibit a certain technological bias. The First Plan states this in unequivocal terms: “The level of production and the material well-being a community can attain depends, in the main, on the stock of capital at its disposal... and while other factors are important and essential a rapid increase in productivity is conditioned upon additions to and improvements in the technological framework implicit in a high rate of capital formation.”<sup>13</sup>

Given the technology and given the pattern of investment, there is a certain relation between the rate of capital formation and the rate of economic growth. This is symbolized in what is known as the capital-output ratio. Thus, if a certain growth rate is set as the target, the capital-output ratio would

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<sup>13</sup> *First Five-Year Plan*, Chap. I, p. 13.

provide estimates of the amount of capital that would be required for realizing the target. In the case of an individual commodity the ratio can be directly deduced from the technique of production adopted; for the economy as a whole it is the weighted average of the individual ratios. A model of this sort forms the basis of our plans, even though the estimates of the capital-output ratios in the aggregate, as in respect of individual ratios, are admitted to be of a rough and ready sort. Further it is recognized that as development proceeds and national income increases, an increasing share of additional incomes at each stage must be invested towards the formation of capital—or in other words, the marginal rate of saving must be kept above the average rate, if the rate of economic growth is to be accelerated.

Thus this First Plan made a long-term projection with reference to base 1950-51, envisaging a doubling of national income in 20-21 years and a doubling of *per capita* income in 27 years. These targets, as one might call them, were based on a population growth of 1.25 per cent per annum, a capital-output ratio of 3 : 1 with a gestation lag of two years and a marginal rate of saving of 20 per cent over the First Plan period and 50 per cent for later periods. On this basis it was shown that the average rate of saving would go up from 5 per cent, as it was estimated to be in the base year, to 6.75 per cent in 1955-56, about 11 per cent by 1960-61 and to 20 per cent by 1967-68, after which it was to remain steady.

This general model is retained in later plans, with the perspective modified in certain respects in the light of experience. The Second Plan, for example, came out with more optimistic projections, being encouraged by the performance of its predecessor which exceeded expectations. The national income increased over the First Plan period by 18 per cent, as against 11-12 per cent anticipated in the plan, and the marginal capital-output ratio turned out to be 1.88 : 1, as against the anticipated 3 : 1. According to the revised targets, formulated in the Second Plan, the national income, in relation to the same

base year (1950-51), was to be doubled in 17 years and the *per capita* income was to be doubled in 23 years. Over the decade covering the two plans, the new projection aimed at an income increase of 47 per cent, as against 25 per cent anticipated in the First Plan. A similar projection is provided in the Third Plan, too, with a somewhat downward revision of final targets in view of the failure of the Second Plan to achieve what it had aimed at in terms of investment and output, and also in view of the higher population growth than was anticipated.<sup>14</sup>

The main emphasis in all these projections is on the ratio of savings to income; this ratio is to rise gradually in the successive plans until it assumes an order of 19-20 per cent by the end of the Fifth Plan, i.e. by 1975-76—after which it might be permitted to remain steady. Further, although in the process the marginal rate of savings has to be kept above the average rate, it must not be too high not to allow for a reasonable margin towards raising the average consumption standards of the people.<sup>15</sup>

All this is just a follow-up of the model adopted in the First Five-Year Plan. One special element of sophistication has, however, been introduced into the later plans; and that is by way of recognition—implicit at any rate—of the principle that for an economy with inelastic exports, it is not the aggregate of investment at any particular stage but the proportion of it that goes into the “investment goods” sector that determines the rate of growth. For indeed in such an economy a high

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<sup>14</sup> The national income increased during the period covering the two plans by 42 per cent, whereas the rate of growth of population, as the Census revealed, was 21 per cent over the decade.

<sup>15</sup> The calculation is simple. If the rate of growth, as postulated, for example, in the Third Five-Year Plan is 6 per cent per annum, and if, say, one-fourth of the increment of income goes towards investment (if, that is, the marginal rate of savings is 25 per cent as against the average of, say, 9 per cent), then, on the assumption of a population growth of 2 per cent per annum, the rate of growth of *per capita* consumption comes to 2.5 per cent per annum.

investment ratio cannot be maintained over time unless an appropriate proportion of current investment is allotted to the sector producing capital goods for making capital goods. Such emphasis on “basic and heavy industries” as one would find figuring in the Second Plan and carried over to the Third is the outcome of this sophistication. The extended model takes account of India’s difficulty in expanding exports and underlines the need, through larger initial effort in terms not only of internal resources but also of foreign assistance, for enlarging the capital base of the economy. Thus the Third Plan states: “In view of the small size of the capital and intermediate goods industry, special emphasis has to be placed on industries such as steel, coal, oil, electric power, machine building and chemicals. These must grow speedily if the requirements for further industrialization are to be met in adequate measure from the country’s own resources. In other words, development of these industries is an essential condition of self-reliant and self-sustained growth.”<sup>16</sup>

The motto that inspired the First Plan was “self-sufficiency in food”; it became “physical planning” in the Second Plan and “self-generating economy” in the Third. It seems clear that these transitions are largely a reflection of the character of our planning models.

### Achievements and Shortcomings

The achievements to the credit of the plans are not spectacular, judged by the standard set in the post-war years by countries like Japan, West Germany or Yugoslavia,—or even by China with which comparison is more appropriate. As compared to the projections shown in the plans, too, the showing is inadequate; as it is, one would feel pessimistic about the possibility of anything like doubling in *per capita* income, relatively to the 1950–51 level, by 1973–74 as postulated in the Second

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<sup>16</sup> *The Third Five-Year Plan*, Chap. II, p. 24.

Plan or even by 1977-78 as postulated in the First Plan. This no doubt is due largely to the unexpectedly high population growth during the decade, as revealed in the decennial Census of 1961 (21 per cent as against the postulated 12.5 per cent); partly also it is due to a short-fall in investment and output in the Second Plan which overbore the gains of the First Plan. At current prices, of course, the figure for investment in the Second Plan, taking the private sector into account, is somewhat larger than was originally contemplated—Rs 6750 crore against Rs 6200 crore: but when allowance is made for the heavy rise in costs and prices during the period, the actual investment would surely turn out to be lower than what was originally planned for.<sup>17</sup> Worse still, the capital-output ratio turned out to be higher than what the projection was based on. The incremental capital-output ratio postulated in the Second Five-Year Plan was 2.30 : 1, whereas in actual operation it turned out to be more than 3 : 1.

Yet with all this, when seen in contrast with the state of chronic stagnation that the economy had before independence, the first two plans, covering the decade 1950-51 to 1960-61, have shown results which do encourage hope. The national income has increased during the decade by 42 per cent and the *per capita* income by 16 per cent. If the progress in *per capita* income was kept low by the unusually large growth of population during the decade, it is not such a depressing affair as it appears after all; the growth of population is due mainly to

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<sup>17</sup> Investments originally planned at 1952-53 prices were Rs 3800 crores in the public sector and Rs 2400 crores in the private sector, while the realized investments at current prices are said to be Rs 3650 crore in the public sector and Rs 3100 crore in the private sector (see *The Third Five-Year Plan*, Chap. II, p. 32. Table I).

On the other hand, there has been a systematic rise in prices of industrial raw materials and intermediate products during the entire plan period, the index (with base 1952-53=100) for the former shooting up to 159.1 and for the latter to 137.2 in 1961. The costs of imported machinery also went up considerably, thanks particularly to the Suez crisis.

low death rate—itself an indication of improvement in health service and in living standards. The decade recorded an increase in the index of agricultural production by 43 per cent and of industrial production by as much as 94 per cent. Growth rates in certain specific commodities of strategic importance are given below, which will indicate the kind of progress that the economy has made since planning started and the direction that it is designed to take.<sup>18</sup>

Item	Unit	Output			Percentage increase of output in 1960-61 over 1950-51
		1950-51	1955-56	1960-61 estimated	
Food grains	million tons	52.2	65.8	76.0	46
Coal	„	32.3	38.4	54.6	69
Steel ingots	„	1.4	1.7	3.5	150
Cement	„	2.7	4.6	8.5	215
Aluminium	000 tons	3.7	7.3	18.5	400
Nitrogenous fertilizers	000 tons of N	9	79	110	1122
Phosphatic fertilizers	000 tons of P <sub>2</sub> O <sub>5</sub>	9	12	55	511
Sulphuric acid	000 tons	99	164	363	267
Electricity (installed capacity)	million KW	2.3	3.4	5.7	148
Machine tools (graded) value in Rs. lakhs		34	78	550	1518

The figures reveal a marked tendency towards industrialization and—what is more significant—towards the construction of a stronger base for future economic development. They also reveal that the tendency has been sharper in the Second Plan. This bias was there in the plan itself. Whereas in the First Plan, the outlay on agriculture and community develop-

<sup>18</sup> See *Third Five-Year Plan*, Annexure I to Chapter V, pp. 77-88.

ment formed 15 per cent of the total outlay in the public sector, in the Second Plan it was only 11 per cent.<sup>19</sup> On the other hand, in industry and minerals the proportion of outlay was 4 per cent in the First Plan, whereas it was as much as 20 per cent in the Second Plan. The results of the Second Plan, even though they are below target in most cases, are a reflection of this bias in the distribution of outlay.

While, however, there is much in the rate of growth and the pattern of growth that seems encouraging, one is apt to feel somewhat disheartened when one turns to the other objectives for which our plans are supposed to stand. The measurement of inequality of incomes is a complicated affair, and with the materials that we possess small movements in the degree of inequality either way are not possible to detect. Measures to reduce inequality are being attempted by way of ceilings on land holdings, extension of cooperation, subsidy to small industry, minimum wage regulation, etc., and also by way of steeply progressive income tax structure. But the possible benefits of these measures are marred by organizational deficiencies making their operation less effective than it might be. On the other hand a part of the benefit, insofar as it affects labour, is swallowed up by rising prices, with a consequent shift away from wages to profits. Indeed such studies as have been done on the matter suggest that the division of income among the various groups of the community has remained very much of the same order during the decade. The direction of the economy is towards socialism, as judged by the increasing importance that the public sector is assuming under the plans. The ratio of public sector investment to aggregate investment was just about 0·41:1 in the First Plan; it rose to 0·54:1 in the Second Plan, and the proposed ratio for the Third Plan is about 0·61:1. The impact of this upon the distribution of property or income is, however, yet negligible.

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<sup>19</sup> Total outlay includes, besides investment, some expenditure on revenue account on plan schemes.



Nor is the position concerning employment anything to be enthusiastic about. The problem of unemployment in India seems well-nigh intractable; each plan starts with a large backlog of unemployment and has also to take care of the addition to labour force consequent on the growth of population. The Planning Commission's awareness of the problem is shown in its insistence on the use of labour-intensive techniques wherever it is feasible,—in particular in its plea for the development of small and cottage industries. It is urged in the Second Plan, for example, that "the need to increase the scope for the employment of labour in lieu of machinery is an aspect which should always be borne in mind." At the same time, from the very beginning of planning, it has been also recognized that considerations of employment should not supersede those of technical efficiency and labour productivity. The object has been to achieve maximum possible employment consistently with the maintenance, if not increase, of productivity of labour. In the circumstances the volume of employment generated by the plans has been closely linked to the volume of investment, a deficiency in the latter resulting in a deficiency in the former.

The First Plan had ended up with a backlog of some 5 millions unemployed, and the addition to the labour force during the next five years following the growth of population came to be of the order of 12 millions. Of this total of 17 millions, only about 8 millions could be absorbed in employment during the operation of the Second Plan. This leaves a backlog of about 9 millions for the Third Plan, and it is estimated that there will be another 17 millions added to the labour force during the current plan period.<sup>20</sup> Even if, as the Planning Commission expects, the investment proposed in the Third Plan

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<sup>20</sup> The aggregate population, according to the 1961 census, is 436 millions. On the assumption that the labour force forms 40 per cent of the population, the ratio of unemployed to the labour force works out at a little over 5 per cent, and this excludes under-employment which is believed to cover about 10 per cent of the labour force. These are rough estimates, but they provide an order of magnitude of the problem.

succeeds in absorbing some 14 millions, we shall still be left with a backlog of some 12 millions at the end of the plan. The creation of backlog of unemployed would thus tend to be cumulative, the plans failing to achieve even their modest aim of absorbing current additions to the labour force.

These are disturbing features of our planning experience. It is true that not much by way of distributional reform could be expected in the course of the first ten years of planning. The initial stages of economic development are inevitably marked by shortages in technical personnel and entrepreneurship, and its natural consequence is rather a tendency to an aggravation of inequality. It is enough, one might argue, if in these early years of planning the economy succeeded in avoiding a deterioration in the distributional pattern. Concerning employment, too, it may perhaps be argued that the situation will be easier as plans develop further and a stronger capital base is erected. For it is in this process that a capacity will be created in the economy, full utilization of which will be associated with what may be considered to be "full employment" of labour.

Much as there is in these arguments, they are not enough to justify complacency. It is clear that planning efforts in the country have not been commensurate with the requirements of the economy. The First Plan no doubt came out creditably, thanks largely to favourable harvests. But the Second Plan cannot be said to have made enough use of the advantage that it inherited. It started as a bold plan, with its ambition of raising the savings ratio from 7 per cent to 11 per cent. But early in its career it came up against a big foreign exchange crisis, with the result that there was a substantial cut in investment in the public sector, while a disproportionately large share of the outlay had to be financed by external assistance,—Rs 1090 crore out of a total outlay of Rs 4600 crore as against the original estimate of Rs 800 crore out of a total outlay of Rs 4800 crore. Further, in view of the unexpected balance of payments deficit, there was a heavy drainage of sterling balances of the Reserve Bank of India,—drawings during the period amounting

to over Rs 600 crore as against Rs 200 crore originally planned. Altogether external finance, including sterling balances, accounted for about 25 per cent of the total investment of the plan, as against the original estimate of 16 per cent; domestic savings ratio came up to a meagre 8.5 per cent. The ease with which deficit financing was resorted to and prices allowed to rise is also a reflection of a certain slackness in the working of the plan. About 20 per cent of the total outlay in the public sector in the Second Plan was covered by budget deficits; as a result the general index of prices rose during the plan period by as much as 30 per cent.<sup>21</sup>

It is often argued that these deficiencies in planning are inevitable in a system of democracy, where you have to put up with the resistance of people to change, particularly where the inertia is long standing, as it is in India. This no doubt is partly true. The possibilities of mobilizing resources beyond what the market forces would readily provide is surely limited in an economy where the instrument of operation is in the hands of the planning authority is more of the nature of persuasion than of coercion. Yet it would be wrong to suggest that enough organizational effort has been put in in the country to enthuse people into accepting the implications of planning in terms of work and sacrifice. In matters like utilization of surplus manpower, mobilization of agricultural surplus, prevention of tax evasion, control of prices and production, rationing of commodities to meet shortages, etc., there is much that could be done without offending the basic principles of democracy.

The Third Five-Year Plan sets an investment target of Rs 10400 crore (Rs 6300 crore in the public sector and Rs 4100 crore in the private sector) which is about 50 per cent higher than that realized in the Second Plan, and it aims at raising the national income by about 30 per cent, from Rs 14500 crore

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<sup>21</sup> With base 1952-53 = 100, the general index of wholesale prices rose from 98.1 in March 1956 to 127.5 in March 1961. Deficit-financing was of the order of Rs 948 crores as against the total outlay of Rs 4600 crores in the public sector.

to Rs 19000 crore, and *per capita* income by about 17 per cent, from Rs 330 to Rs 385. In the process the ratio of net investment to national income is to rise from 11 per cent to 14-15 per cent and the domestic savings ratio is to rise from 8.5 per cent to 11.5 per cent, the gap being covered by net inflow of external resources estimated at Rs 2650 crore. Deficit financing proposed is of the order of Rs 550 crore which is just a little over 7 per cent of the total outlay of Rs 7500 crore in the public sector.<sup>22</sup> The plan cannot surely be said to be over-ambitious. And yet its fulfilment will demand a more determined organizational effort on the part of the Government and a greater cooperation on the part of the people than have been shown hitherto.

The plan is specially vulnerable on the foreign exchange front. About 30 per cent of the outlay in the public sector (Rs 2200 crore) is left to be financed by budgetary receipts corresponding to external assistance. When this is added to the amount needed for repayments of loans maturing during the plan (Rs 450-500 crore), and also to capital inflows or loans from foreign agencies going into the private sector (say Rs 300 crore) and the agreed retentions of rupee resources on account of P. L. 480 imports (Rs 200 crore), the total external assistance envisaged in the plan comes to about Rs 3200 crore. This excessive dependence on external assistance makes the plan somewhat uncertain. Already foreign exchange difficulties similar to what was experienced in the early years of the Second Plan are cropping up. If these difficulties are not to result in a disruption of the current plan, as they did in respect of the previous one, the economy must look for avenues of promotion of exports as much as of economizing on imports. And, since in this field short term measures based on usual commercial policy are not expected to be of much avail, the Planning Commission will perhaps need to take a further look at the pattern of investment with a view to a larger and quicker availability of import substitutes and export supplements.

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<sup>22</sup> \$ 1 = Rs 4.76; 1 crore = 100 lakh = 10 million.

## Appendix

The following tables provide an idea of the broad magnitudes and ratios involved in the three Five-Year Plans examined in the text.

TABLE 1

Distribution of Plan Outlay and Investment between the Public Sector and the Private Sector (at current prices)

(Rs crore)

		First Plan 1951-56	Second Plan 1956-61	Third Plan 1961-66 (estimate)
1	Public sector outlay	1960	4600	7500
2	Public sector investment	1560	3650	6300
3	Private sector investment	1800	3100	4100
4	Total investment	3360	6750	10400
5	Public sector investment as percentage of total investment	40.6	54.1	60.6

Source: *Third Five-Year Plan*, p. 32 and pp. 58-59.

TABLE 2

Distribution of Public Sector Outlay by Major Heads of Development

(Rs crore)

		First Plan		Second Plan		Third Plan (estimate)	
		outlay	percentage	outlay	percentage	outlay	percentage
1	Agriculture and community development	291	15	530	11	1068	14
2	Irrigation and flood control	310	16	420	9	650	9

Table 2 (continued)

		First Plan		Second Plan		Third Plan (estimate)	
		outlay	percent- age	outlay	percent- age	outlay	percent- age
3	Power	260	13	445	10	1012	13
4	Village and small indus- tries	43	2	175	4	264	4
5	Industries and minerals	74	4	900	20	1520	20
6	Transport and communica- tions	523	27	1300	28	1486	20
7	Social services and miscella- neous	459	23	830	18	1300	17
	Inventories	—	—	—	—	200	3
Total		1960	100	4600	100	7500	100

Source: *Third Five-Year Plan*, p. 33 and p. 58.

TABLE 3

## Financial Resources in the Public Sector

(Rs crore)

		First Plan		Second Plan		Third Plan estima- ted
		estimated	actual	original estimate	revised estimate	
1	Savings from current revenues	570	637	800	1002	2260
2	Contribution of rail- ways and other pub- lic enterprises	170	115	150	150	550
3	Loans from the public	115	205	700	780	800
4	Small savings	270	304	500	400	600

Table 3 (continued)

	First Plan		Second Plan		Third Plan estimated
	estimated	actual	original estimate	revised estimate	
5 Deposits, funds and other miscellaneous sources	133	91	250	220	540
6 External assistance	521	188	800	1090	2200
7 Deficit financing	290	420	1200	948	550
8 Gap	—	—	400	—	—
	2069	1960	4800	4600	7500

Source: *Review of the First Five-Year Plan (1957)*, p. 35; *Third Five-Year Plan*, Chap. VI, p. 95.

TABLE 4

Index Number of Wholesale Prices  
(base 1952-53 = 100)

	1951	1956	1961	Percentage change in 1956 over 1951	Percentage change in 1961 over 1956
1 Food articles	122.4	92.8	117.6	-24.2	26.7
2 Liquor and tobacco	122.9	78.7	114.2	-30.3	45.1
3 Fuel, power and electricity	97.5	96.8	121.3	-0.7	25.3
4 Industrial raw materials	153.7	109.4	159.1	-28.8	45.4
5 Manufactures	118.7	102.9	129.4	-13.3	25.7
(i) Intermediate products	132.6	110.5	137.2	-16.7	24.1
(ii) Finished products	116.5	101.5	128.1	-12.8	26.1
All commodities	125.2	98.1	127.5	-21.7	30.0

Source: *Third Five-Year Plan*, p. 120 and p. 122.





## THE INDIAN ECONOMY IN 1975\*

A. RUDRA

INDIA would have completed 25 years of planned economic development by 1975 and it is quite a meaningful date for which one may try to decipher the outlines of the country's economy as it would be. One generation would have passed after the attainment of India's independence. What sort of life would be having the twenty year old children of those who were twenty years old at the time the country attained independence? Answer to the question can only be in the nature of intelligent anticipation based on the trends observed in the country during the last ten years of economic development, and the historical parallel of other countries placed under comparable conditions. Anticipation of this kind has to be explicitly or implicitly based on certain assumptions regarding changes likely to take place in the social and political set up of the country. We shall make the explicit assumption that no revolutionary changes in the basic production relations are going to take place between now and 1975. This, it will be conceded, is not a very drastic assumption. It is no static assumption either: it involves such changes in the political and social conditions as may be expected from the present evolutionary course of development.

We shall not try to present a detailed projection. We shall concentrate on a few of the more important aspects of the economy. We shall be interested in the overall level of production as measured by net national product at constant prices; in the overall employment position; in the standard of living of the people as measured in terms of the availability of the

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\* The opinions expressed are strictly his personal.

principal items of consumer goods; in the economic inequality prevailing among the people; and in the broad production structure in terms of the proportions observed by the value of output of the principal production sectors of the economy.

It might be considered appropriate to start such an exercise with a brief review of the economic conditions prevailing in the country at present and the position occupied by it in the committee of nations of the world. We shall however prefer not to get involved in problems of international comparison but to concentrate on the problem of comparison over time which in itself is quite complex. The few facts and figures about the present economic conditions in India and comparisons with other countries that will be presented will only be done as a matter of course when considered necessary for the very presentation of a particular projection.

As is well known, Indian economic statistics is punctured with quite a number of important holes and often it is only with a considerable amount of heroism that one can make any use of them in an argument. It would however be too much of a task to undertake first a revision of statistics, and then use them for purposes of projection. We shall perforce accept the official figures to give us a starting point, and any observation we might be having about their quality will only be made in passing.

### Population

The latest census of India (undertaken in 1961) has, to the dismay of all students of Indian problems, given a population figure outstripping all the projections that were undertaken earlier. The census estimate is 438 millions, corresponding to a rate of growth of 2.1 per cent per annum for the period 1951-61. Until this estimate was available, the Planning Commission was using the figure of 431 millions, which itself represented a correction on the earlier estimate of the census authorities, which was only 408 millions. Coale and Hoover made

several alternative projections but the highest figure, corresponding to an assumption of no decline in fertility at all, was 424 millions. The revised projection being used at present by the Planning Commission puts the figures for 1975 at 625 millions, whereas its earlier expectation was 578 millions. The Census authority's original anticipation was only 499 millions, and Coale and Hoover's estimates vary between 531 millions and 501 millions.

### National Product

In India one has officially accepted that particular definition of national product which treats the service producing sectors as value producing as well as the material goods producing sectors; also, the measure adopted is that of net product (or net income) rather than gross product. A lot of objections can be raised against the suitability of the measure with regard to the dynamics of growth of an underdeveloped economy, but as we have said before, we shall work within the four corners of our economic statistics and therefore accept the measure for our yardstick.

The following table gives the official estimate of net national total and *per capita* incomes at current prices and at the prices of 1960-61:

TABLE 1

(Rupees crores\*)

	1950-51	1955-56	1960-61
National income at current prices	9530	9980	14500
National income at 1960-61 prices	10240	12130	14500
<i>Per capita</i> national income at current prices	265	261	330
<i>Per capita</i> national income at 1960-61 prices	284	306	330

\* 1 crore = Rs 10 millions.

The growth of real income between 1950 and 1960 has been of the order of 42 per cent and that of *per capita* income, of 16 per cent. Before making use of these figures as our starting points, two observations deserve to be made about their quality as statistics.

(a) Translation of the above figures into dollar terms by use of the official conversion rate would grossly underestimate the level of output in India. The same is true when international comparison is made with the help of Colin Clark's International Units. We shall not go into the details of the question but refer the reader to an article of Surendra J. Patel in *Perspective*, December 1961, in which he argues that while *per capita* national product of India in 1960 would be a thirtieth of that of the United States, when compared in terms of the official conversion rate of rupee into dollar, a more realistic measure of the disparity would be only of the order of 1 : 12.

(b) The present writer subscribes to the view that the official national income series underestimates to some extent the growth of income and product that has taken place in the country during the last decade. He has argued in a recent article (*Perspective*, June 1961) that while the official estimates show a growth of 44 per cent in income at current prices between 1948-49 and 1958-59, it is more likely that the correct figure lies near about 60 per cent; again, that while the growth in real output (at 48-49 prices) during the same period is 35 per cent according to official estimates, the corresponding figure more probably is near about 40 per cent. We shall however ignore this underestimation and use the figure of Rs 14500 crores to represent the base level of net domestic product in 1960-61.

Before undertaking a projection of the growth of real output over the next 15 years, we shall briefly review the different projections that have figured in the official thinking of the Planning Commission. The latter is best presented in terms of the following quotations from Chapter II of the Third Five-Year Plan: "The First Plan gave a simple projection of economic

growth over a period of 30 years from 1951 to 1981. Certain assumptions were made concerning the rate of growth of population, the proportion of the increase in national income which might be ploughed back into investment at each stage of development, and the return by way of additional output on the investment undertaken. In this model of growth it was envisaged that the level of national income in 1950-51 could be doubled by 1970-71 and that of *per capita* income by 1977-78. The projections and assumptions of the First Plan were reviewed in the report on the Second Plan in relation to the performance of the economy, which went beyond the original expectation for the first five-year period, and it was suggested that, compared to 1950-51 the national income might be doubled by 1967-68 and *per capita* income by 1973-74."

"Taking a broad view of the development of the Indian economy, it is reckoned that, at 1960-61 prices, the national income should rise from about Rs 14500 crores at the end of the Second Plan to about Rs 19000 crores at the end of the Third Plan, about Rs 25000 crores at the end of the Fourth Plan and about Rs 33000 to 34000 crores at the end of the Fifth Plan. Allowing for the increase in population, on these estimates income per head should go up from around Rs 330 at the end of 1960-61 to about Rs 385, Rs 450 and Rs 530 in 1966, 1971, and 1976."

"Net investments as a proportion of national income would have to rise from about 11 per cent at present to 14-15, 17-18, and 19-20 per cent per annum by the end of the Third, Fourth and Fifth Plans. In other words, as compared to about Rs 10500 crores postulated for the Third Plan, net investment over the Fourth and the Fifth Plan Period should be of the order of Rs 17000 crores and Rs 25000 crores. Domestic savings would have to rise in corresponding measure from about 8.5 per cent at present to about 11.5, 15-16 and 18-19 per cent of the national income at the end of the Third, Fourth and Fifth Plans. It is also implied that progressively external aid will form a diminishing proportion of the total investment, and by

the Fifth Plan the economy will be strong enough to develop at a satisfactory pace without being dependent on external assistance outside of the normal inflow of foreign capital.”

How far are these targets for the growth of income, savings and investment mutually consistent, in the sense of the capital formation making possible the desired growth in income and the growth of income making possible the desired growth of savings? We shall first of all take up the first aspect of consistency, namely that between investment and of income.

### Incremental Capital-Output Ratio

The following table presents the relation between growth of income and investment, as observed for the first two Five-Year Plans and as projected for the next three Five-Year Plans. The growth of income and net investment figures for

TABLE 2

(Rs crores in 1960-61 prices)

Plan	Period	Net investment	Growth of income	Incremental capital-output ratio
1st	1951-56	4263*	1890	2.3
2nd	1956-61	8744*	2370	3.7
3rd	1961-66	10400	4500	2.3
4th	1966-71	18400	6000	3.1
5th	1971-76	28400	9000	3.2

\* Based on the Central Statistical Organization (C.S.O.) estimates of gross capital formation at 1958-59 prices. They have been corrected for price changes and depreciation.

the Fourth and Fifth Five-Year Plans are worked out from the targets quoted in the preceding paragraph by using simple linear interpolation. The figures for the First and Second Plans are taken from publications of the Central Statistical Organiza-

tion. The figures for the Third Plan are the plan targets. It may be noticed that we are not using the figures Rs 17000 crores and Rs 25000 crores quoted in the previous sections, as they appear to be lower than what they should be if the investment rates are to be realized.

The series of figures representing the incremental capital-output ratios for the first Five-Year Plans cannot but strike any observer as extremely curious. The ratio seems to have gone up sharply between the First and the Second Five-Year Plan periods; but it is supposed to go down again drastically during the Third Plan to reach the same level as in the First and then, go up once again and remain steady at the level of 3 over the Fourth and Fifth Plan periods. No discussion is to be found anywhere in the Third Plan about the rationale, if there is any, behind this oscillating movement of the ratio. The figure 3·7 might well be an over-estimate if the estimate of capital formation in the Second Plan period is, but in any case it must have been well above 3, and it calls for an explanation why it is expected to go down once again to the level of the First Five-Year Plan during the next five years and then rise again. There is of course nothing occult about the result that one gets by dividing the growth of capital stock by the growth of income and there is no reason why it must necessarily follow any given pattern over time. The ratio reflects the investment pattern in terms of its sectoral allocation as well as the technologies incorporated, and will indeed change if the latter pattern be made to change. But what are the technological and allocational changes incorporated in the investment of the Third Plan as compared with that of the Second causing the pattern incremental capital-output ratio to go down from 3·7 to 2·3?

The World Economic Survey of the United Nations, 1960, provides the following estimates of incremental output ratio holding over the period 1950-59 in a number of the more advanced capitalist countries.

TABLE 3

Country	Incremental capital-output ratio (1950-59)
Japan	3.0
W. Germany	3.1
Italy	3.6
Australia	6.5
France	4.6
Norway	8.9
U.S.A.	5.3
Sweden	6.4
U.K.	6.1

Table 4 below presents the results of an analysis carried out with respect to the incremental capital-output ratios of a large number of underdeveloped countries (calculated on the basis of national income and investment figures published in the *U.N. Year Book of National Accounts Statistics* and *World Income, 1957* by Usui and Nagen. The countries have been grouped into *per capita* income categories and the average incremental capital-output ratio of each group worked out.

TABLE 4

<i>Per capita</i> income in dollars (1960)	Average incremental capital-output ratio
0-100	2.7
100-150	3.2
150-200	3.2
200-250	3.4
300-350	3.4
350-400	2.5
400-500	3.6
500 and above	4.2

Tables 2 and 3 taken together do lend some support to following three contentions which are not very original but nonetheless not always treated as beyond controversy:



(1) The more advanced capitalist countries have in general higher incremental capital-output ratios than the underdeveloped countries.

(2) An underdeveloped country will very probably have to deal with a rising incremental capital-output ratio as it continues to develop.

(3) Assumption of an incremental capital-output ratio less than 3 for plan projection purposes may not be unpermissible but would indeed call for extraordinary policy measures in order to be justified.

It appears to us in the light of the above that some revisions in the incremental capital-output ratios in necessary in working out a more plausible projection. But the targets for the growth of savings also require some correction which we now take up for consideration.

### The Rate of Saving

The following Table presents the rates of saving (at current prices) for the years 1950-51 to 1957-58 as estimated by the Reserve Bank of India and the National Council of Applied Economic Research (NCAER).

TABLE 5

	Rates of saving in India (at current prices)							
	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58
Reserve Bank of India	6.9	5.1	6.0	5.4	6.6	8.1	8.6	7.0
NCAER (indirect)	6.6	5.2	6.5	5.9	7.6	10.3	8.2	9.4

Estimates of saving for the last three years of the Second Plan have not yet been worked out by either of the two agen-

cies, but if net capital formation in the Second Plan has been of the order of Rs 8200 crores and if say only Rs 2058 crores has been the extent of net inflow of foreign capital and use of foreign exchange reserves, the domestic savings rate must have reached 10 per cent in 1960-61. It may in this connection be mentioned that if the Third Plan speaks of the present rate of savings being about 8.5 per cent (see quotation in last paragraph of p. 26) it is because according to it investment in the second plan was only Rs 6750 crores (as against the latest C.S.O. estimate of Rs 8240 crores).

The Table below presents for a number of countries the average rates of saving for the period 1950-59; also presented are the *per capita* incomes in dollars (based on official conversion rates).

TABLE 6

(income figures in US dollars)

Country	Net savings rate	Gross national product <i>per capita</i> (1959)
Japan	0.2284	300
Norway	0.1909	1008
Finland	0.2284	942
W. Germany	0.1892	983
Australia	0.2146	1186
Netherlands	0.1762	773
Canada	0.1282	1367
New Zealand	0.1702	1245
Austria	0.1432	630
Italy	0.1164	535
United States	0.1084	2234
Denmark	0.1321	1017
France	0.1003	1214
Belgium	0.0886	1135
United Kingdom	0.0783	1360

An analysis carried out with regard to the relation of the rate of savings to the *per capita* income obtaining in the

underdeveloped countries with the same statistical material used before for studying the behaviour pattern of the incremental capital output ratio show that:

(1) For most of the underdeveloped countries the rate of saving lies between 5 per cent and 20 per cent.

(2) The maximum rate reached by any underdeveloped country is 12 per cent.

(3) The two variables  $s$  and  $y$  satisfy the regression relation  $s = \cdot 0115 y + 4\cdot 3$  where  $s$  is the rate of saving and  $y$  *per capita* income.

In view of the situations obtaining in India, in the most advanced capitalist countries and the underdeveloped countries in general as revealed by the figures presented in the last three paragraphs, how reasonable do the targets for the rate of saving occurring in the Third Plan appear?

The target of 18·5 per cent rate of saving (for 1975-76) is not only higher than the rate ever reached by any other underdeveloped country, it is also higher than the rate prevailing in most of the advanced capitalist countries. Whether or not this comparison by itself makes the target appear unattainable depends on the view one takes of the relation of the rate of saving to the economy as a whole. We shall make explicit our own view and that is that for any given economy, there is a definite upper limit to the rate of saving determined by the structure of the economy defined by the modes and rates of surplus value generation and its distribution. The actually realized rate of saving in any given period may lie at various levels below this upper limit depending on diverse factors, and to that extent it is amenable to being raised or lowered by purely financial and fiscal measures for the mobilization of resources. But carried beyond a certain point, such measures can at the most transfer savings from the private sector to the public sector but cannot increase its overall national supply. The increase in the rate of saving that has taken place in India during 1950 and 1960 partly reflects the changes in the organizational structure of the economy that have taken place since

independence and are partly the results of greater mobilization effort. The new social and economic order of post-independence India has however already consolidated itself and there is not much more of structural changes that may be expected between now and 1975. How much more of scope there is still in this new set up for further rises in the rate of saving is very much a matter of personal judgment. In our opinion, the scope for further fruitful manipulation of the instruments of fiscal and financial policy from the point of view of national resources (as distinguished from that of public sector resources) is very limited indeed.

The dependence of the rate of saving on the degree of development of the economy may be narrowly viewed as a statistical dependence (in the sense of regression) of the rate on the *per capita* income. The *per capita* income in 1960-61 is Rs 330 and the targets for 1970-71 and 1975-76 are Rs 450 and Rs 530 respectively. If the rate of saving in 1960-61 is about 10 per cent then the targets of 15.5 per cent and 19.5 per cent for 1970-71 and 1975-76 imply a more than proportionate growth of the rate to that of *per capita* income. This implies a regression relation not to be observed in any data whether relating to different economies at different stages of development, or the same economy at different dates.

The National Council of Applied Economic Research is reported to have obtained an estimate of 12 per cent rate of saving for the urban population of India in 1960 and its *per capita* (personal) income is estimated at Rs 445. This figure is practically the same as assumed for the entire population in 1970. In view of this, and considering that the mode of rural income generation in our present economic structure is very much less inducive of savings than its urban counterpart, can it be said that a *per capita* income of Rs 450 in 1970 is likely to permit of a rate of saving as high as 15.5 per cent, even after taking due account of the fact that Rs 445 of the NCAER survey represents personal income only whereas the target of Rs 450 covers corporate income as well?

### A Revised Projection

While we feel confident enough to assert that in order to work out a more reasonable projection of income growth it is necessary to upgrade the targets of incremental capital-output ratio and downgrade those for the rate of saving as set in the Third Plan, we cannot feel equally confident about the actual magnitudes of the corrections that have to be incorporated. All the same, as we have set ourselves the task of making projections, we have to make what appears to us the best possible assumptions. The following Table presents them for whatever they are worth:

TABLE 7

Plan	Period	Average incremental capital-output ratio	Average rate of saving
3rd	1961-66	3.0	11.0
4th	1966-71	3.25	12.5
5th	1971-76	3.5	15.0

These assumptions by themselves of course do not give a projection for the growth of income, for the latter depends on the rate of investment, which in its turn depends on the rate of net foreign assistance. At this point, there are two ways of looking at the problem. One may first want to know what changes in the investment and net foreign assistance targets would be called for if the income targets are to be fulfilled in any case. The answer is provided in Table 8.

It thus appears that if the income targets are to be achieved India's indebtedness will increase from 1960-61 to 1975-76 by the fantastic figure of Rs 16600 crores.

If we however take the position that such a large growth of net foreign assistance cannot be contemplated, then a lowering of the income targets has to be undertaken. If we assume that net assistance during the third and fourth plans

TABLE 8

(Rs crores in 1960-61 prices)

Plan	Period	Third Plan		Revised	
		Net invest- ment	Net foreign assistance	Net invest- ment	Net fo- reign as- sistance
3rd	1961-66	10400 (12.1%)*	2500	11800 (14.1%)	2600
4th	1966-71	18400 (16.3%)	2700	19500 (17.2%)	5300
5th	1971-76	28400 (18.7%)	2100	31500 (20.7%)	8700

\* Figures in brackets represent average rates of investment.

will continue to be at the same level as during the third plan, that is, at Rs 2500 crores, the income and investment targets will have to be as follows:

TABLE 9

(Rs crores in 1960-61 prices)

Plan	Period	Saving	Net foreign assistance	Net investment	Growth of income
3rd	1961-66	9200	2500	11700 (14%)*	3900
4th	1966-71	13400	2500	15900 (15%)	4900
5th	1971-76	20600	2500	23100 (17%)	5600

\* Figures in brackets represent rates of investment.

These revised calculations take us to an income target of Rs 30000 crores for 1975-76. This is to be compared with the target set in the Third Plan at Rs 34000 crores. The latter implies an average rate of growth of about 6 per cent whereas the more plausible projection involves a rate of 5 per cent only. If we accept the population projection of the Planning Com-

mission the *per capita* income for 1976 works out to Rs 480 as against the Third Plan projection of Rs 530.

The disposal of the total supply of goods in 1975-76 as compared with that in 1960-61 may be expected to be as follows:

TABLE 10

(Rs crores in 1960-61 price)

	1975-76	1960-61
Net domestic product at factory cost	30000	14500
Net domestic product at market price	31800	15400
Excess of import over export	600	400
Total domestic supply	32400	15800
Capital formation	5500	1600
Government consumption	1900	1200
Domestic consumption	25000	13000

### Production Structure

Having worked out the overall production level likely to be reached by 1975, we can now pass on to working out in a rough outline the production structure that would correspond to that level. Table 11 compares the structure in 1975-76 with that of 1960-61.

The structure for 1975-76 is worked out by using an inter-industry model wherein the sectoral breakdowns of investment, consumption, export and import are treated as given. As such the structure reflects the assumptions concerning these breakdowns, which will be discussed below under appropriate heads.

It is hazardous to say much more about the production structure in terms of individual industries. It is not difficult to form opinion about what industries ought or could be developed. That is however not what we have set out to do; what we are trying to do is to visualize the structure that is likely to be, given

TABLE 11

Sector	Percentage share in gross output		Growth of output in percentage
	1960-61	1975-76	
Agriculture	38.2	31.1	90%
Food industries	8.4	9.6	175%
Mining and metal-lurgy*	3.2	4.6	250%
Engineering industries	1.8	4.4	450%*
Power and fuel	1.0	1.2	250%
Textiles and other industries	19.1	13.3	100%
Construction and building materials	5.4	10.6	325%
Transport	5.1	3.9	175%
Trade and services	17.8	21.3	275%
	100.0	100.0	

\* Excludes coal and includes iron and steel.

the present trends. The macroeconomic magnitudes set out in Table 10 are fairly likely to be realized. There is however no unique production structure that follows logically from these levels; that is to say, to express in the language of econometricians, there is a certain degree of freedom in the system. The production structure presented in Table 11 corresponds to what we consider to be reasonable assumptions with regard to the structure of investment, consumption, export and import as they are likely to be. We do not feel confident to formulate reasonable assumptions in terms of any more detailed breakdown of the economy.

The relatively slow rate of growth of the sector "Textiles and other industries" results from our assumption regarding import composition. We have assumed import to be of the volume of Rs 1600 crores corresponding to an export of Rs 1000 crores and we have assumed that import consists of Rs 1100



crores of engineering products (mainly machinery) and metallurgical products and Rs 500 crores of the products of the sector named above. This pattern is in conformity with the current emphasis being laid on the import of machinery and of industrial maintenance requirements. The same assumption somewhat lowers the possibility of expansion of the engineering industries sector below what would be expected of it if imports were spread evenly over different types of commodities.

One often comes across attempts of a journalistic order to work out the future pattern of industrial production on the basis of present trends of expansion of individual industries. There is however no scientific method for making projections for individual industries taken in isolation. The only way of making a scientific projection is in terms of its relations with other industries of input-output or competitive or complementary nature; and the only way the entire complicated mesh of relationships can be taken account of is in terms of a very detailed inter-industry analysis. No such detailed and up to date data are available to us which could be readily made use of for the purpose.

A few observations on some of the more important branches of production can however be made insofar as their future pattern follows from the very magnitudes presented in Table 10 and Table 11 or insofar as plan policy regarding them has taken definite shape.

(a) The production of machinery will enlarge about five folds, from about Rs 275 crores in 1960-61 to about Rs 1300 crores in 1975-76. This follows from the targets of capital formation and import. It is assumed that the ratio of 2 : 5 will be observed between machinery and construction in capital formation.

(b) The expansion of the mining and metallurgical industry represents a rapid growth in the production of iron and steel as well as an expansion assumed to take place in the export of iron ore. Production of finished steel may be expected to be about 15 million tons.

(c) Fuel requirement will be about 3.5 times the level of 1960-61. If a faster rate of growth be assumed for electricity than for coal, this would mean that coal output will reach nearly 175 million tons and installed capacity in electricity, about 20 million KW.

(d) A certain number of light engineering industries have expanded at astonishing rates during the last 10 years. It would however be highly misleading if we are going to work out projections on the basis of these observed rates. For, in most cases it may be found on examination that there have been special circumstances—circumstances that cannot be expected to prevail until 1975—making for the growth. Thus the rapid rates of expansion of the industries producing automobiles, refrigerators, air conditioners etc. represent the effects of import restrictions. These extra-rapid growth rates represent the changes in supply conditions rather than in demand conditions, as the supply is consistently lying below demand. Once supply catches up with demand, the growth curves would certainly fall off to the curves of demand expansion. Again the large rates of growth of such industries as sewing machines (10 folds in 10 years), razor blades (40 times in 10 years!), radio receivers (5 folds in 10 years), rayon yarn and fibre (3 folds in 5 years) represent accelerated growth made possible by substitution effects reflecting changes in the consumer habits of the people. Such changes will also come to certain limits and result in the slowing down of the rates.

(e) Some idea of the relative weights of the different components in the total output of the agriculture sector in 1975-76 is given by the composition of consumption demand as expected to materialize in 1975-76 presented in Table 12 below. It is of course not possible to say that the proportion in the demand pattern will necessarily fit the supply pattern. It is almost certain that the domestic demand for tea, coffee, tobacco, etc. will not be met to the full, especially in view of the fact that they would be needed in greater and greater quantities for export. The supply of meat, fish and eggs also fail to keep up with de-

mand unless development efforts are diverted to some extent from foodcrops to animal husbandry products which are at present being relatively neglected. Calculations show that consumer demand for foodgrains would be 120 millions tons which would therefore require a production target of at least 140 millions tons allowing for seed, wastage and animal feed. It is unlikely that such a high production level would be reached, so that a short fall may be expected in the supply of foodgrains for human consumption or that of animal husbandry products (for lack of adequate supply of animal feed).

### Consumption Pattern

The following Table represents the likely structure of domestic consumption demand corresponding to an overall level of consumption of Rs 25000 crores.

TABLE 12

(Rs crores in 1960-61 prices)

Consumer item	Demand (and supply) in 1960-61	Demand in 1975-76
Foodgrains	3550	6000
Milk, meat, fish and egg	1870	3500
Fruit and vegetable	540	1050
Sugar	490	900
Oil	540	1000
Tea, coffee, tobacco, spices etc.	1285	2550
All food	8275	15000
Clothing	1380	2700
Fuel and light	880	1500
Toilet goods	190	400
Sundry durables	480	1500
Transport	240	550
Services, rent and others	1695	3350
All non food	4865	10000
Total	13140	25000

The following Table gives in physical terms the availability per person of a few selected items of consumer goods in India in 1975-76 as compared with that in 1960-61. This gives some idea of the standard of living that will be achieved by Indians in another fifteen years;

TABLE 13

	1960-61	1975-76
Foodgrains (per day in oz.)	15	17.5
Cooking oil (per month in lb.)	0.9	1.2
Sugar (per month in lb.)	0.9	1.2
Tea and coffee (per month in oz.)	1.0	1.3
Kerosene oil (per month in lb.)	0.8	1.12
Electricity (per month in watt)	300	800
Cotton cloth (per year in yds.)	16	19

These availabilities are worked out not strictly on the basis of the demand pattern shown in Table 12, for it has been assumed in the case of some of the items that supply will differ from demand. Thus, while demand for foodgrains at the prices of 1960-61 works out to 120 millions tons, it has been assumed that the availability for human consumption will only be 110 millions tons.

### Price Structure

Changes in the price structure constitute one of the aspects of economic change most difficult to anticipate. The most important feature of price changes in the last decade had

been a shift of the terms of trade between agriculture and industry in favour of agriculture. Given the regressive character of the economic organization in agriculture as compared with that of industry, as well as the essential character of most of the agricultural consumer goods as opposed to industrial ones, we can only say that the trend is likely to continue and even to get accelerated.

One likely effect of the expected rise in the relative price of agriculture and animal husbandry based consumer commodities would be a substantial expansion of the food processing and catering industries. There would of course also be some shift of consumer demand from food articles to manufactured articles. It is difficult to make quantitative estimates of these changes and therefore it has not been possible to make much allowance for this tendency in working out the overall production structure.

### **Export**

Anticipation of changes in the volume and pattern of export is probably as difficult if not more as that of price changes. This is a field where one has to go mainly by one's opinion and the opinion of the present writer is that the expansion possibilities of India's exports are very much less than what are very often supposed. Even after making generous allowances for the possibilities offered by the new markets of Eastern Europe as well as the new export commodities represented by the products of the rapidly developing engineering industries, it does not appear to us that the target of export receipts in 1975-76 can be reasonably put above Rs 1000 crores.

### **Inequality**

There is no direct information on the present distribution of income and the inequality involved in it, though certain indirect studies indicate that the inequality coefficient (Lorenz

ratio) for income is about 0.45, which incidentally is true also of quite a few other advanced Western countries, e.g. the U.K., West Germany, Netherlands, Sweden etc. There is a widely held opinion among economic observers in the country that during the last decade inequality, if anything, has gone up and certainly not down. The trend is not likely to be reversed the inequality coefficient in 1975-76 cannot be expected to be much below 0.45. If that be so, the lowest 10 per cent of the population will have an average *per capita* monthly income at or below Rs 6.68 and the highest 10 per cent group an average income at or above Rs 132.5. Also, the lowest 10 per cent would receive 1.6 per cent or less of the total income whereas the top 10 per cent would receive 33 per cent or more.

The National Sample Survey reports show that the inequality of distribution of domestic consumption expenditure measured by the Lorenz coefficient has remained practically steady over the last decade at 0.33. Assuming once again that this inequality, if anything, is going to rise, but certainly not fall, we can say that in 1975-76 the lowest 10 per cent of the population will have command over almost 3 per cent of the total supply of consumer goods and the upper 10 per cent on at least 25 per cent.

### Unemployment

One of the admitted failures of the first two Five-Year Plans have been with regard to the unemployment problem. The problem of course is one of underemployment but there being no dependable evidence as to the way new entrants entering the labour market get distributed among the different occupations and change their underemployment patterns, the Planning Commission makes use of a calculation regarding the "full-time employment-potential" of its development programmes and sets it against the number of new entrants into the labour market to get a measure of the "unemployment" problem. According to these calculations, the backlog of unemployment at

the beginning of the Second Plan was 5.3 millions and it rose to 9 millions at its end, there being 11.7 entrants into the labour market and additional working opportunities equivalent to full-time employment for 8 millions persons only being created.

The number of new entrants into the labour market during the next three five year periods are estimated to be 17 millions, 23 millions and 30 millions respectively. The additional number of "full-time employment-equivalents" promised during the Third Plan period is 14 millions. It may be seen that the Third Plan is assuming a higher employment potential of investment than the second plan (Rs 8000 for one person in the Third Plan as against Rs 11000 for one in the Second). This is in line with the assumption of a lower capital-output ratio for the Third Plan than for the Second Plan, and no justification is provided for this convenient assumption about employment any more than for the one about income generation.

Even if we assume for projection the employment potential of investment used for the Third Plan, the total volume of additional "full-time employment-equivalents" that would be created by 1975-76 is 63 millions, so that the measure of unemployment would go up from 9 millions to 16 millions. But this is an absolute and unattainable minimum, as there is no reason why employment potential of investment would continue to be at such a higher level than that of the Second Plan. If the employment potential of the Second Plan is used for projection purposes, the "full-time employment-equivalent" will amount only to 46 millions, so that the measure of unemployment would rise to the fantastic figure of 33 millions. If we assume the employment potential of investment to be somewhere in between that realized in the Second Plan and that assumed for the Third (say at Rs 10000 per person) we may say that the measure of unemployment would grow to about 28 millions.

These are the figures that follow from the investment projections made by us in Table 9. If we work in terms of the revised investment projections presented in Table 8 which are

consistent with the Third Plan income projection and once more use an employment potential of Rs 10000 for 1 person we get the figure of 64 millions for the additional "full-time employment-equivalent", so that unemployment would stand at 15 millions in 1975-76.

### Conclusion

Achievement of a *per capita* income of Rs 480 per annum accompanied by an unemployment of 28 millions and a net foreign indebtedness of about Rs 9000 crores is a prospect that can hardly be regarded as inspiring. The prospect set in the Third Plan of a *per capita* income of Rs 530 per annum can hardly be regarded as much better, for while it ensures a slightly higher level of production and standard of living and is to be accompanied by a lower size of unemployment, the improvement can be realized only at the cost of India's indebtedness to foreign countries mounting to Rs 16000 crores.

It has been stated in the Third Plan that on its completion India would have launched herself into the course of self sustained growth. In this connection a new jargon has gained currency, namely, "take off". It is held that India is passing through the "take off stage". Whatever be the connotation of this latter journalistic term, the meaning of self-sustained growth is self evident. Our calculations show that even to keep up the moderate rate of growth of 3 per cent *per capita* per annum, she will have to depend upon (net) foreign assistance at least at the same rate as now and not be able to repay any of her obligations made from the first plan period onwards. The mere fact of inflow of foreign capital does not of course detract from the self sustaining character of an economy, but when it is a question not of foreign capital coming on its own under attraction but of government to government transfers of funds made mainly on considerations of global cold war politics, dependence on such aid cannot but be in contradiction with the



very essence of the idea of self sustained growth. The Third Plan is itself clear on this point and while setting the goal of self sustained growth defines it as development at a "satisfactory pace" without "external assistance outside of the normal inflow of foreign capital" (see also pp. 26-28). Whether or not a 3 per cent growth of *per capita* income per annum constitutes a "satisfactory pace" and whether foreign capital of the volume that is coming now on state auspices would be forthcoming in the future entirely on its own are matters on which one can only express one's opinion and no more.

As we have seen before, the low rate of growth follows from the rate of domestic savings not being able to rise beyond an upper limit imposed by the economic organization in the country. A higher rate of growth may be expected if we have gone wrong on our basic assumption that whatever organizational changes could be expected to follow the independence of the country have already taken place and consolidated themselves and no future far going changes are to be expected in the next fifteen years.

As far as further socialist transformations are concerned one can be practically certain, despite all the declarations of the ruling power, that limit in this particular direction has already been reached. This does not however exhaust all possible economic organizational changes in the economy that are capable of unleashing productive forces, at least over a short period of time. It is a widely held hypothesis that nothing much is to be expected of developments of capitalist forces in Indian agriculture and in the unorganized rural industries. This is not the place to take up a discussion of this well worn and difficult subject. We would only like to stress that the hypothesis is as an yet untested one and it may be hazardous to summarily reject the alternative hypothesis of some development of capitalist forces taking place in agriculture, making possible a substantial rise in the national rate of saving and causing an acceleration of the rate of growth of the economy over the next one or two decades.



# MERITS AND DEMERITS OF THE MIXED ECONOMY IN ECONOMIC DEVELOPMENT. LESSONS FROM INDIA'S EXPERIENCE

SHIGETO TSURU

## Introductory

What I propose to do in this paper is firstly to make a somewhat analytical attempt to confront a general case of the mixed economy with certain specified tasks of resources expansion and allocation, and then secondly to turn around, so to speak, to put myself in the position of a policy maker in the newly developing countries of today and ask the question as to what the basic requirements are for their task of economic development. India's experience is relevant especially to the first part and thus is woven into the discussion at a number of points. The second part applies to most of the underdeveloped countries today and is intended more as a supplement for this paper to indicate a broader frame of reference which I believe to be useful for drawing lessons from the experience of any one of them for future policy purposes.

## The Nature of the Mixed Economy

The term "mixed economy" is usually used in a generic sense applicable both to an advanced capitalist economy and to an underdeveloped one, and its defining characteristics may be set down as follows:

(1) It is essentially a capitalistic economy; thus the private sector operating with the motive force of profit extends over a major portion of the economy.

(2) The role of the government is recognized to be positive;

and not only is the governmental interference with the free play of market mechanism tolerated (or deemed desirable at times), but the operation of a significant sector of the economy under government control and/or ownership is also considered warranted.

(3) There is generally a strong welfare orientation and also the negative attitude on coercion of any kind.

(4) The state is not identified with the interest of any particular class; and thus there operate countervailing powers of various interest groups.

Although such a characterization may fit both India of today and the U.S.A. of the New Deal period, it is obvious that the "mixed economy" of an advanced capitalist country is different from the "mixed economy" of a newly developing country. The degree of development in the institutional aspects of capitalism is different, and thus the problems faced are naturally of different types. In particular, as is envisaged by the Indian government, her "mixed economy" of today could be a stage in the evolutionary process of developing India into "a socialistic pattern of society". In other words, it appears to be best to regard the "mixed economy" not as a distinct mode of production or economic system but as a phase in the life cycle of a certain mode of production. In India's case, the phase may be transitional to socialism and again may not be so. Whichever the case it may be, her present condition as that of the "mixed economy" is quite real; and our problem is to draw lessons from the actual confrontation of a mixed economy with the task of economic development.

### The Frame of Reference

With a view to assessing merits and demerits of the mixed economy in general in the tasks of achieving the take-off,<sup>1</sup> I propose here a frame of reference which will enable us to make

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<sup>1</sup> The term "take-off" is used here for convenience without necessarily implying agreement with Dr. W. W. Rostow's stages theory of growth.

comparison easier with other modes of production in developmental performance.

The problem of economic development may be visualized in terms of (A) resources expansion and (B) resources allocation. "Resources" in this context consist of (1) manpower and (2) capital.<sup>2</sup> "Manpower" is to be understood here in the broad sense of the term to cover not merely the physical existence of a certain number of labour force but also the intensity with which people are willing to exert themselves and also to include what Adam Smith called "acquired and useful abilities of the inhabitants" which of course can be improved through education and training. "Capital" is a much-abused term; and I prefer to avoid using it if I can. But for convenience sake I compromise and here make it mean both the accumulated physical assets, inclusive of inventories and social overhead structures, and the still uncommitted investible funds. If we interpret the whole of current output as potential capital and thus a part of "resources" under our definition, we may say that the problem of resources allocation partakes the character of resources expansion. Thus resources allocation as regards capital may be discussed in three stages: (a) the aggregative level of  $Y=C+I$ , giving rise to the problem of determining the ratio of investment to net national product; (b) the sector level, involving the problem of what is often called "allocation parameters"; and (c) the firm level, where the choice of alternative investment plans becomes a relevant issue.

### The Mixed Economy Contrasted with Other Systems

With the aid of the frame of reference proposed above, we may now examine the characteristic manner in which the mixed

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<sup>2</sup> It is customary to think of naturally endowed physical objects, such as land, mineral deposits, etc., as an important element of "resources". But I believe that such naturally endowed resources can, and had better be, expressed in terms of input flows of manpower and capital with appropriate productivity contents.

economy solves problems which arise in connection with the expansion and allocation of resources. Contrasting observations on capitalism and socialism will be added as we go along.

*Manpower.* Usually, underdeveloped countries, whatever the type of economy they may have, do not face the need of expanding the labour force as such. Often their problem is the opposite one. In India's case, for example, the original "Plan-Frame" by Professor Mahalanobis set the target of creating 11 millions new jobs for the Second Five-Year Plan period. The target was scaled down to 9.5 millions (7.9 outside agriculture and 1.6 in agriculture) in the actual Plan; and it was further marked down when the public outlay in the Plan was reduced. Actual achievement during the first three years of the Plan has been the creation of 3.5 millions new jobs outside agriculture.<sup>3</sup> Thus it seems quite clear that India's problem today is that of creating new jobs and not that of expanding the number of labour force as such.

Does this imply that another aspect of expanding "manpower" in the broad sense, namely the lifting of the morale of work force to a higher pitch of exertion, is not called for in such circumstance and that if it does come about it will aggravate the employment problem as a whole? Not necessarily. For the matter of élan is an imponderable factor in society which could raise productivities all around expanding the surplus which is after all the basis for a higher rate of growth and more job opportunities. India's performance in this regard seems to leave much to be desired. What this failing is due to, of course, is a complex problem. But it appears to me at least pertinent in this connection to examine consequences of the mixed economy approach, which India has adopted, especially in contrast to the case of an underdeveloped economy which has gone

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<sup>3</sup> Contrast this achievement to a forecast that "four to five millions new jobs annually must be created" during the Third Five-Year Plan period. (See T. Balogh: *India's Plan for Survival*, "New Statesman", 24 February 1961, p. 289.)

through a social revolution. Even Japan of 1868, in a sense, went through such a revolution; and aided partly by what Rostow calls "reactive nationalism", Japan appears to have succeeded in mobilizing the maximum efforts of people in the task of development in the last quarter of the 19th century. The mixed economy of today, on the other hand, tends to favour compromise over the issues of clashing class interests and rather to encourage the exercise of countervailing powers without being able to take a drastic action in either direction to make a particular class supreme; and thus unidirectional élan seems to get lost in the process.

The manpower allocation problem under the mixed economy is essentially solved through the market mechanism as under capitalism. Features peculiar to the mixed economy in this connection may be said to be (1) the attempt to maintain, by governmental action, the social minimum wage and to make it keep pace with the rise in the average productivity of the economy; (2) the generally protective attitude by the government in favour of what are considered to be legitimate demands by trade unions; and (3) active efforts by governments on all levels to facilitate the mobility of labour through the establishment of employment agencies as well as the building of related social overhead structures such as the water and sewage system, etc.

The first two points above are admittedly in the nature of an interference with the untrammelled working of a free competitive system, whereas the third might be considered consistent with it if it does not go too far. Actually the second and the third may conflict with each other over the problem of labour mobility. The reason why they may do so can be traced to the basic character of the mixed economy itself; namely, that the governmental interventions under the mixed economy, welfare-oriented as they may be, are essentially pluralistic and are not organized into a monistic hierarchy of values. If a trade union objects, as it did in India in 1955, to the introduction of automatic power looms on the ground of possible displacement of some of its members, a mixed economy government is constrained

to respect the welfare consideration of that particular union on a par with other values in a pluralistic array. The nature of solution is almost always a compromise. Allocation through the free market mechanism has its theoretical defense as regards its optimal performance, and allocation through the centralized planning, when practical, also has its unique advantages. But allocation of manpower under the mixed economy is yet to find a way of combining the merits of the two systems in actual practice.

That the basic principle of manpower allocation is the reliance on the market mechanism implies that monetary inducements play an extremely important role. In fact, a theorem in theoretical economics to the effect that under perfect competition marginal product of labour becomes equal to the wage rate does have a meaning here. To the extent that a particular person contributes to the enlargement of national product, he is rewarded accordingly; and the extent of his contribution is determined by impersonal forces of the market. In the actual world, of course, qualifications of all kinds will enter; and the theorem can only be approximated. But what are we to say as regards the efficacy of such an allocation mechanism if the economy in question has chosen to tolerate, as in India, the earning differential as high as 100 to 1 between the salary of a high government official and the *per capita* income of the nation as a whole?<sup>4</sup> This is not merely a rhetoric question, for the sector of government service is not subject to market valuation and furthermore the pay scale of civil servants in higher echelons in India stands almost at the top of the ladder in the size distribution of income. The relatively high differential which ranking officials enjoy *does* have a desirable effect of inducing competent men of integrity to enter the civil service; but when the differential is too large relative to the average income of the nation, it will also have undesirable effects of distorting

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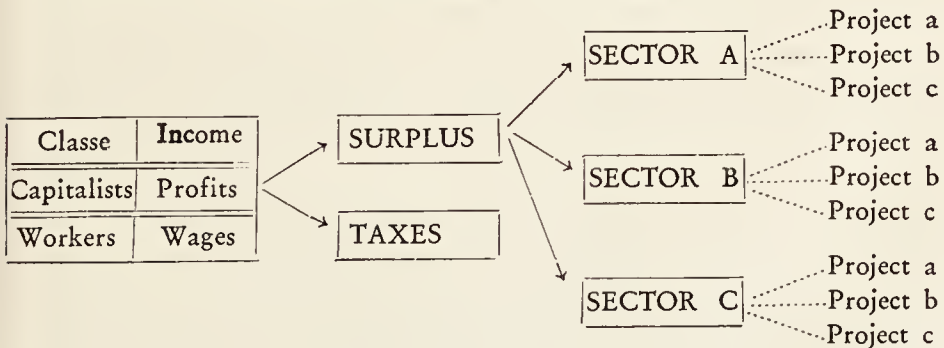
<sup>4</sup> In the United States, such a ratio is about 8 to 1; and in Japan it is about 10 to 1 at present.



and/or diluting the inducement mechanism. For example, universities would find it difficult to recruit the best qualified persons into teaching posts and the standard of higher education would suffer. Again, private corporations, whose revenues depend on market valuation, would feel constrained to pay to employees with technical or managerial competence at a salary-scale which would be out of proportion with the prevailing wage rate, thus perpetuating the condition of extreme inequality of income with its attendant mal-effects on the morale of the working people. It would seem that the present condition in India calls for a general raising, as well as making steeper, of the progressive income tax rates if only for the purpose of bringing about a more rational allocation of manpower.

*Capital.* As has been mentioned earlier, the expansion of capital resources essentially reduces itself to the problem of allocation of aggregative current output. Loans and grants from abroad constitute, of course, an important way of expanding the resource; and a society with the mixed economy, to the extent it tends to be neutralist in the present context of the world situation, may enjoy an advantage over a clearly-committed one in obtaining such loans and grants at favourable terms both camps. But in a narrower purview of economic analysis, this aspect of the problem should probably be set aside and we had better concentrate on allocation problems.

Schematically, the problem of allocation in a capitalist society may be represented by the following diagram:



Allocation: (a) in aggregates, (b) by sectors, (c) between projects.

It is characteristic of capitalism to pay out the total of net value added to respective factors of production. And in this process "wages" stand in an antagonistic position to "profits". How much surplus can be extracted from the economy depends in the first instance, given its productivity level, upon this antagonistic relation. To the extent that the welfare orientation of mixed economy favours the wage-income, to that extent is the major source of the surplus made smaller. If it is objected that so long as the level of national income remains the same the rate of saving can be postulated to be the same, I would counter by pointing out that the profit-income under capitalism is by its very nature destined to investment whereas the wages-income, especially in a newly developing country, needs strenuous coaxing in making it resist consumption spending.

Under the economy characterized by centralized planning, on the other hand, the total of net value added need not be distributed. Theoretically, the surplus is visualized as the fruit of collective action in a society of extensive division of labour—the fruit which defies imputation to specific individuals and/or firms. Thus the surplus can be directly syphoned away to the state in the form, for example, of turnover taxes before distribution takes place. Appropriate use of price control combined with wages control can achieve the policy objective here. It may be pointed out that it is always harder to make people surrender what they consider to be their own than to distribute to them the deducted amount to begin with.

While in a planned economy the surplus is directly extracted from the economy and its size more or less determined by *ex ante* planning, the allocation under capitalism is done through the market mechanism via parametric function of the interest rate. In fact, the rate of interest is the crucial parameter there, not only at the level of allocation of aggregates, but also at the levels where sector allocation is made and the choice among alternative projects is decided. The mixed economy may be said to differ from the case of pure capitalism in two respects; namely:

(a) Inasmuch as the role of the state is substantial under the mixed economy, a part of the surplus usually comes into the hands of the government. The way this is done is either by imposing taxes on the private sector or by making the public sector yield up some surplus. To the extent that direct taxes play a part here, there arises another situation of antagonism, namely, between profits and taxes. In an economy where private profits constitute a major motivating force of economic activities, direct tax on profits cannot but be a dampening factor. The greater the role which it is felt that state is to play, the greater is likely to be the encroachment by the state on the sacred playground, as it were, of private capital; and such a conflict of the two institutional motive forces which basically differ from each other tends to weaken both.

(b) Allocation of the surplus among sectors, under the mixed economy, could be done partly through a more direct means than under capitalism. The use of allocation parameters ( $\lambda$ 's) in the Professor Mahalanobis's Plan-Frame for the Second Five-Year Plan is an example of this. Presumably the mixed economy state is capable of using its governmental powers as well as proceeds of the public sector to influence fairly effectively the flow of investment funds to different sectors. However, whether or not the Mahalanobis type of model can provide us with the framework adequate for the purpose is, of course, a separate problem. The "net-sectoring"<sup>5</sup> which he employs renders it very difficult to interpret the empirical meaning of the allocation parameter of the "investment sector" or, for that matter, of the investment productivity of the "investment sector".<sup>6</sup> In any case, it is questionable if the solution he obtained through his model yielded him "an optimum allocation of resources in re-

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<sup>5</sup> A method of dividing economic activities *only* in terms of final products such as consumption goods purchased by final purchasers, net investment whether in the form of an increase in the stock of fixed capital goods or of net increase in inventories, and so on.

<sup>6</sup> See S. Tsuru: *Some theoretical doubts on India's Plan-Frame*, "Economic Weekly" (Bombay), Annual Number, January 1957, pp. 77-9.

lation to the basic objectives”, as he claims. Such a critique, of course, has nothing to do with the case for or against the allocation performance of a mixed economy.

On the problem of allocation between alternative projects within an industry, a planned economy can also use a “capitalistic” yardstick of the rate of interest. Soviet Union does so in the guise of the “coefficient of effectiveness”, although there different “coefficients” are handed down to respective industries by the state. Thus an element of arbitrariness enters in here. But even in abstract theory it may be questioned if a unitary yardstick to cover all types of projects (including, of course, projects involving social overhead structures) is conducive to most rational allocation. It is well known that people who do the discounting are often very short-sighted, and also it may be pointed out that uncertainties under capitalism are frequently due to the peculiar institutional characteristics of the system itself. In actual fact, even a capitalist society resorts to a state-directed policy of differential interest rates with good reason. Undeniably, the mixed economy can do the same, and probably more effectively if the whatever extent of planning it does is coordinated rationally with this aspect of the allocation problem.

### Limitations of the Mixed Economy

I am aware that the problem of economic development covers a much broader scope than our somewhat restricted discussion, above, in terms of the frame of reference proposed earlier. In fact, the mixed economy may claim its merits in non-economic spheres, such as the matter of individual freedom, of political gradualism, etc. If it happens that a nation in question holds these values especially dear, that nation may be perfectly willing to sacrifice for them the speed of economic growth as such. A simple analogy can be drawn from experience of an individual. A person may value the leisure so much that he is willing to forego the chance of earning more through longer working hours. Just as what can be bought by money is

not the only source of personal satisfaction, that which enters into the economists' calculation of national income is not the only object of nation's aspirations. *Generally speaking*, therefore, a mixed-economy nation need not necessarily feel frustrated or "beaten" when it finds itself falling behind centrally-planned economics in the rate of economic growth. Whether in a concrete case of India the compensating values are in fact sufficiently large is, of course, a separate problem.

If, however, our concern is over the rapid rate of economic growth, our analysis can start, I believe, profitably with the framework I proposed in terms of resources expansion and allocation; and limitations of the mixed economy in this regard seem to be fairly clear.

I would attribute the basic cause of these limitations to *the mixture of institutional motive forces*. The mixed economy is essentially a capitalist economy. Growth is a built-in characteristic of capitalism. It performs best, at least in its hey day, when the system is unfettered by extraneous forces. The state then represents interests of the leading class (i.e. there is an identification of interests between the political power and the economic power), and it restricts its function to matters of law and order. Capitalism is capable of raising welfare of the working class, but it does so only when it does not conflict with the overriding interests of capital. There is no room for doubt which is the master here. In the antagonistic relation between profits and wages, profits cannot lose and in fact do not lose. For the instant profits lose a battle to wages, the capital concerned disqualifies itself as a functioning capital. As a matter of fact, profits constitute a source of, as well as an index of contribution to, economic growth under capitalism. Now what the mixed economy does is to blunt the pioneering function of private capital by encroaching upon its domain either (a) through coming to the aid of "wages" against "profits", or (b) through taxing profits heavily, or (c) through narrowing the scope within private capital can operate. Since the basic structure of the economy is still class-oriented without permitting the state

to have complete identity of interests with any particular class, the solution to problems arising out of such encroachment essentially partakes the character of compromise. Compromise weakens the growth-oriented ardour of private capital; and this setback is not compensated for by the increased sense of mastery over its fate by the working class. It cannot be denied that paid-out wages have a much higher propensity to consume than profits.<sup>7</sup> Thus, other things being equal, a shift to wages means a slower rate of growth when effective demand is not a limitational element in the situation.

If the level of real wages is very low, as in most underdeveloped countries of today, it is evident that the basic condition of rapid growth is that the rate of increase of real wage should not be as high as the rate of increase of labour productivity. This condition was automatically achieved in the early developmental phase of capitalism. Under the mixed economy it is difficult to resist the parallel movement of the two rates of increase. Thus a need for a special austerity program if rapid economic growth is to be achieved. To what extent India under the two Five-Year Plans succeeded in sparking this realization is not clear to me. But on theoretical grounds, as explained above, I have a suspicion that the intention of Indian leaders in this regard has been thwarted by a formidable barrier of institutional character.

The mixture of institutional motive forces under the mixed economy is reflected further in the idea of balanced growth. Centrally planned economies operate with a certain degree of ruthlessness in carrying out a program of crude priorities where a number of industries, especially in the sector of producers'

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<sup>7</sup> Capitalism is an economy of "free for all". Thus trade unions under capitalism might well say: "If 'free for all', let us fight for our share; but once we are in power, let us be stingy about consuming the pie because the part we save will enable us to enlarge the size of the pie next year". Austerity program may be fought hard by trade unions under capitalism and yet may be willingly adopted by them when the power shifts. There is no contradiction here.

goods, are pushed to the maximum often without regard to rational cost. And thus they may succeed in achieving the "break through". Capitalism, on the other hand, makes progress characteristically by "overshooting the mark". Overproduction and surplus capacity constitute a way of progress. They create incentives for the deliberate expansion of market and provide occasions for the liquidation of the least efficient. In part, business cycles are nothing but the pulsation of a vigorous capitalism. The mixed economy, however, is, by its nature, wary of going to either extreme. As is exemplified by Professor Mahalanobis' Plan-Frame for the Second Five-Year Plan, it maps out a framework of balanced growth and targets for various industries come out as a solution consistent with a certain aggregative balance. Such a frame could be achieved if planning principles are carried out to the end. Since the mixed economy does not do so, varied degrees of shortfall can easily ensue. If a shortfall here is compensated by an overachievement there, we may say that the overall aggregate goal is achieved. But the very existence of a plan-frame, to the extent it is effective, is a dampening influence on private capital which thrives best in the atmosphere of unfettered freedom. And furthermore, even if an overachievement is in fact registered, the mixed economy's orientation for balanced growth tends to frown upon it. The net result of all this is that a sector which lags for whatever reason tends to have a dragging influence upon related sectors, thus weakening the growth potential of entire economy.

The mixed economy does not necessarily have to favour a closed economy. But since foreign trade is subject to unpredictable and often uncontrollable forces outside the country and also because the nurturing of infant industries seems to come naturally with the ideology of the mixed economy, it tends to favour the development of major industries at home in an early stage of the transition to the take-off. That the international climate today is not so favourable as in the 19th century to the strict free policy of a newly developing country is also a factor in the situation. Thus, as we observe in the case of India, policy

measures tend to restrict the area of its economy exposed to international competition. To this extent, India denies to herself the benefit of the international division of labour in the course of her economic development.

### Economic Development in Broader Perspective

Thus far I have deliberately restricted my frame of reference to a somewhat narrow economic approach as regards resources expansion and allocation. The problem of economic development, however, is admittedly a much broader one. We have seen, even as we pursued the analytical issues involved in resources expansion and allocation, that we could not avoid relating our discussion to other facets of society's development as a whole. Even if I decide to stay away from many of the political, sociological and other aspects relevant to the aspiration for rapid economic development by the present-day underdeveloped countries, I may still be called upon to indicate, in a broader perspective, what I consider to be the basic economic conditions that have to be satisfied for the take-off, and to assess India's achievement in this regard.

Different countries are naturally beset with different problems or with similar problems in different degrees of urgency; but empirical observation of the countries concerned leads me to list the following five tasks as the most common desiderata for newly developing countries in the present historical juncture.

*The liquidation of colonialism in the economic sphere.* Of course, economic dependence as such is not decried here. What is at issue is the artificial suppression or one-sided development of economic potentialities of a country as a concomitant to the political subjugation. It has often been the case that the legacies of economic colonialism linger on after the attainment of political independence; and in such circumstances efforts to mobilize the maximum energy of the people for economic development tend to be thwarted.



*Land reform.* In majority cases, underdeveloped countries of today are characterized by the predominant position of agriculture in their economic structure and, furthermore, by the type of land tenure which subsumes a conflict of classes of one kind or another. Often the cultivating class is a doubly-exploited class; and for the release of suppressed energy of such a class for the nation-building in which they can feel the identification of interest, a radical measure of land reform is the order of the day.

*“Big push” in the build-up of social overhead structures and other external economies.* Having come into confrontation with this problem more than a century after the groping experience with it by the advanced countries, the present-day underdeveloped countries are in the position to appreciate the importance of the “big push” and to plan the steps for it with a view to long range planning ahead. By nature, social overhead structures can more economically be laid out when planned with a longer time horizon, and thus the role of the state in this sphere is likely to be more important than elsewhere. It may be added that education, both general and technical, is to be conceived to fall under this category.

*Laying out of rails for the lines of development of industries most suited for the country.* Most underdeveloped countries specialize in one or the other primary industry which appears to be linked to the peculiar endowment in resources of the country. Abstractly a case could be made for the thesis that such a specialization be further encouraged. But the real world being what it is, what with the extreme instability of prices of primary products and what with specific income elasticities for different products, etc., the aspiration of young nations towards industrialization is perfectly rational, especially if we take a dynamic view on the fuller utilization of human elements in the resources endowment. The question then arises whether reliance on the market mechanism alone will enable

a young nation to find its way to the choice of such new industries as most suited to itself. It is submitted here that the high threshold for successful establishment of a new manufacturing industry, due to the technological level required and to the volume of initial capital needed, makes it difficult to bring about a "break through" with the reliance on the market mechanism alone and that the deliberate "laying out of rails" is highly desirable.

*Creation of the mechanism which extracts the surplus\* and channels it into productive investment.* Any society beyond the stage of primitive technique is capable of producing the surplus over and above the customary subsistence level of that society. But depending on the institutional form the surplus takes, it may be dissipated or diverted to non-productive uses. What is needed is the development of social institutions in a community such that the maximum surplus consistent with other overriding considerations can be extracted and then channeled into productive investment. The mechanism in question can be, of course, of different types.

I believe that every one of these five tasks confronted India at the time of her gaining independence in 1947. To what extent she has been successful in tackling with these problems, I do not intend to discuss in this paper. But a general remark may be ventured here to say (a) that her mixed economy orientation apparently has induced her to go slowly especially on the second desideratum above and (b) that the strategy to tackle with these five tasks would have required concentrated efforts on a much more limited number of objectives than the well-rounded planning of India's Five-Year Plans decided to wrestle with. The problem of economic development today, in the era where the 19th century type of capitalistic development is no longer feasible, is, I believe more a matter of pushing crudely chosen priorities than that of general equilibrium or operational research.

# THE PUBLIC SECTOR, PRIVATE SECTOR AND ECONOMIC GROWTH. EXPERIENCE OF INDONESIA

MOHAMMAD SADLI

## Introduction

The purpose of this paper is to outline the problems of a mixed economy in Indonesia, an economy currently consisting of a growing public sector, an extensive private sector, and a somewhat lagging cooperative sector. General reference is made to the process of economic growth. The ideological bias governing the development of those sectors, as well as the whole economy, is socialist, interpreted through an existing national ideology. This ideology, the *Pancha Sila*, embraces belief in the following values: belief in God, nationalism, social justice, people's sovereignty and humanity.

There are three major elements in Indonesian political history which are of paramount importance in the discussion of our problem. First is the *nationalistic* element. Historically this is very understandable, the country being a new nation following upon three centuries of colonial subordination. As a result of this experience, nationalism, especially in its foreign policy manifestation, is mixed with strong feelings of anti-colonialism and anti-imperialism. Second is the idea of *revolution*. The national state was born in a revolutionary struggle in the wake of the Second World War. Since the time of the Japanese occupation the political and social fabric has undergone frequent and drastic changes, and it is now generally accepted that social change need not proceed cautiously nor in a piecemeal fashion which

would not seriously disturb existing interests. Third is the ideal of *socialism*. Socialism was already a basic ingredient of the pre-war nationalist movement. Hence in the building of the new national state and society most leaders subscribe to the ideals of socialism. In the *Pancha Sila* this is embodied in the principle of social justice.

Socialism, nationalism and revolution, however, have not produced a politico-economic doctrine similar that now existing in socialist countries, such as the Soviet Union, China or Poland. As the liberation of Indonesia was led more by a nationalist *movement* than by a (socialist) party, bourgeois interests have found permanent recognition as long as they represented indigenous interests. The result of this compromise between socialist ideals and bourgeois interests has been the establishment of a mixed economy as it remains today. The balance between the public sector and the private sector, however, has undergone some important changes since Independence. After the transfer of sovereignty from the Dutch in December 1949, the existing economy was maintained, recognition of Dutch interests being required by treaty.

To counterbalance this foreign economic force, as well as that of established Chinese businessmen, the Indonesian government began the so-called *Benteng* policy favoring formation of new Indonesian private firms. The policy, although not very successful as it entailed considerable social waste, did produce a nucleus of an Indonesian (i.e., indigenous) entrepreneurial class with certain political power. Although since 1958 government emphasis has stressed expansion of the public sector as the chief element in a socialist economy, private Indonesian interests have found recognition. Hence, thus far the model of a mixed economy has been retained as it may well continue to be for some time.

A mixed economy, however, is not a simple system, and often appears rather inconsistent. Measured in terms of efficiency and effectiveness in relation to economic development and growth, present performance has also not yet been very en-

couraging. It may, however, be too soon to form a judgement as this economy has only recently began to function, while overall national policies were, and still are, uncondusive for steady economic growth. For instance, these policies still result in a serious and continuing inflation, frequent subordination of economic goals to political goals, frequent cabinet changes (before 1958), large scale military and security expenditures. Undoubtedly, these factors have their impact upon the working of the economy. Given these considerations, the present paper intends to describe the inherent and operational difficulties in administering a mixed economy with a political leadership committed to the ideals of socialism and trying to foster economic growth.

### Historical Sketch of the Main Sectors and of Planning

*The private sector.* Before the war the colonial economy was dominated by Dutch and other western economic interests which controlled foreign trade, the large estates, mining, industry and banking. Internal trade was controlled by Chinese who functioned as collectors of agricultural products and distributors of consumption goods, and as such were appendages of large Dutch and western firms. The Indonesian had virtually no place in their own economy except as farmer-producers, laborers, low level employees and petty traders.

The Japanese World War II occupation gave the Indonesians their first opportunity to enter modern business, but only to a limited extent as the volume of the wartime economy was severely limited and stringent controls prevented rapid capital accumulation. However, first accumulation of experience did occur; this continued during the first phase of the Revolution between 1945 and 1950 when large sections of the country were still Dutch occupied territory.

The first major chance for expansion of Indonesian private enterprise took place during 1950-1955, the period of the *Ben-teng* and subsequent similar policies. In this period new Indo-

nesian import firms received many facilities from the Government so that they could establish themselves and develop.<sup>1</sup> These privileges included import licenses, easy bank credit and political protection from the hazards of competition, especially from that of established (foreign) firms. Import licences for articles attracting a ready easy market, (e.g., luxury goods) were allocated to these newcomers. If these firms lacked capital, the state could assist in many cases; if all this was still insufficient, these newcomers could sell part (or all) of their licences to established Chinese and Dutch firms against a certain premium payment.

During this period some 4000 to 5000 firms, mostly Indonesian in ownership, were established. Most of these were only "briefcase firms", possessing no technical competence and often not even an office. The majority of these firms vanished during the subsequent periods of more stringent government policies, but currently a nucleus of about 400 *bona fide* survivors remain to strengthen the Indonesian entrepreneurial class.<sup>2</sup> Desiring to consolidate and expand their economic interests, these new entrepreneurs developed a strong anti-foreign (i.e., Dutch) and anti-Chinese attitude, hoping thereby to replace these non-indigenous economic groups. In practice, however, cooperation between the older, established, interests and the new-comers frequently exists thus far, for the sake of acquiring capital and experience. This ambivalent attitude of the Indonesian entrepreneurial class is worth noting as it may have important consequences. At the moment one may conclude that Chinese dominance over the

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<sup>1</sup> Bruce E. Glassburner: *Aspects of the Problem of Development of Entrepreneurship in Indonesia*, a paper presented at the first National Science Congress held at Malang, Indonesia, August 4, 1958. A. M. De Neuman: *On the Promotion of Indigenous Indonesian Industries, with special reference to credit facilities for Private Business and Local Government Enterprises*, "Ekonomi dan Keuangan Indonesia" IX, No. 11, Nov. 1956, pp. 683-728.

<sup>2</sup> The present number of Indonesian firms is of course much greater than this, counting firms in other fields than foreign trade. For instance, indigenous construction firms and retail shops begun mushrooming since the same period.

economy has been broken in favour of this new indigenous class, although some observers believe this to be more apparent than real; the Chinese still control large sections of the economy, as for instance, in industry, in the retail trade and in the collecting trade of agricultural crops.

*The cooperative sector.* Ideologically, the cooperative sector is more important than the private sector. For certain Indonesian ideological circles cooperatives are the core in their concept of Indonesian socialism. With cooperatives the dangers of state (or) bureaucratic socialism can be evaded, while the evils of individualism in private enterprise are omitted. So far, however, the growth of cooperatives in Indonesia has not as yet measured up to expectations. Cooperatives, commonly identified as a small consumers movement, often lack the dynamics of private enterprise and the large resources of state enterprises, and in open competition it is almost certain that these cooperatives will lose out to private enterprise. The Indonesian cooperative movement is in some respects older than the indigenous (modern) private sector. Yet, private enterprise has demonstrated greater political vigour, especially during the first years after the transfer of sovereignty. Compared with the facilities and subsidies the government has extended to private enterprises, during the period of the *Benteng* policy, the cooperative sector has received less. The entire approach was at that time different, for Indonesian private enterprises were created out of nothing with great governmental assistance in a relatively short period. Cooperation, however, according to their original concept, were to be a part of a "self-help" movement with moderate government protection and assistance. The educational aspect was stressed in the development of cooperatives while the establishment of the new private enterprises was regarded as a matter of expediency. As a result of this policy difference the cooperative sector remained a "small people economic movement" (i.e., small peasants, small producers, small traders, etc.), while the new private sector grew into the (new) middleclass. The latter, of course, was able to

attract better entrepreneurial and technical talent than the former as discrepancies in rewards and status prevented cooperatives from competing for these skills.

Yet, despite these difficulties, and with positive government help, the cooperatives have made great strides in the rural areas. The number of credit and village cooperatives has steadily increased. Village cooperatives are nominally multipurpose but their major activity thus far has been for saving and lending; hence, in practice they are credit cooperatives. Large cooperative marketing associations also exist, but as single commodity operations, as, for instance, the copra cooperative and the *batik* cooperative (which obtains cambrics collectively). There are also several small (i.e., local) fishermen's associations resembling marketing-cum-credit cooperatives. The single commodity cooperatives are usually called producers cooperatives since they are associations of (small) producers, cooperating either to buy or to sell.

Consumer cooperatives also exist, including several large scale. These associations, however, flourish only if there is a scarcity of consumers commodities. The larger consumer coops are organized on occupational bases rather than along regional lines. The strongest of these is probably the consumers coop of state employees.

After 1959, with the resurgence of socialist thought in Indonesia, the cooperative movement gained new importance. The old school of thought, identifying cooperatives with self-help producers or consumers movements, was more or less abandoned, and cooperatives were to be more vigorously stimulated by government aid to enable them to occupy the social position which the ideology has reserved for them.

It is yet to be seen, however, to what extent cooperatives can increase their rate of growth with greater governmental support. The lack of technical and entrepreneurial skills is now being attacked by the establishment of (more) trade and general (secondary) schools specially for the training of cooperators. The Department of Cooperatives has also recently started several



academies to train cooperatives cadre and leaders. By government decree state trading enterprises are obliged to assist in the establishment of consumers cooperatives. Under the existing general condition of goods scarcity this virtually amounts to monopoly franchise.

At the moment there is something of a rivalry between the private sector and the cooperatives as to which should handle what? The cooperative movement interprets Indonesian socialism as consisting mainly of a state sector and a cooperative sector, whereas the private sector is striving to retain its position and to regain its right to expand. Where previously the cooperatives were unable to compete with the private sector in attracting talent and capital, they are now losing out in the same field to the (new) state enterprises. Renumeration is greater and status is higher for the employees of the state enterprises.

*The public sector.* The Indonesian Republic inherited from the Dutch colonial regime a not unimportant public sector, consisting of railways, mining firms, a salt monopoly, and estates. During the Japanese occupation all railways, electric companies, and other public utilities were managed by the government, a status continued after the war. This has meant a virtual socialization.

During the colonial period these state enterprises contributed substantially to the state budget; moreover, the public utilities were net revenue earning. Under the national administration, however, these public utilities began to lose money and required substantial subsidies while the quality of service deteriorated through lack of maintenance.

During the earlier period following transfer of sovereignty, this public sector was not much enlarged, probably due to the emphasis on retaining the *status quo*. The State Industrial Bank made investment which gave the State a foothold in industry. To supply these industrial enterprises the Bank also set up a trading corporation (the USINDO) in an effort to break the dominance of the established Dutch and other large foreign

trading houses. Earlier, the Republic, governing from Jogjakarta, had established a state trading corporation (the Central Trading Corporation) to gain a foothold in foreign trade which was still foreign dominated. The State Bank (Bank Negara Indonesia) also dates from the Jogja period; originally it was meant to be a circulation bank, but became a commercial bank when the Republic moved its capital to Djakarta. The Bank of Indonesia (then called Javasche Bank), inherited from the Dutch by the republican administration continued to function as bank of issue.

The big boost for the public sector came in 1957-58 as a result of the political action against the Dutch to regain West-Irian. At the end of 1957 all Dutch enterprises were taken over by the government. Although formally they are not confiscated (pending a political settlement with the Dutch), they are actually being run as state enterprises, and most of them have been reorganized and regrouped. These enterprises consisted of estates, commercial firms, financial firms, industrial establishments, service establishments, and so on, large and small. Through this action virtually all of the most important sectors of the modern economy fell into government hands. In 1961 the domestic assets of the two largest Chinese firms (trade and sugar estates) were confiscated by the government on charges that these firms had violated foreign currency regulations.

Today state enterprises control the greater part of import trade, comprise the majority of the large scale estates and also of large scale industries. Their efficiency, however, is still questionable, which is to some extent understandable in light of the new management's experience. Furthermore, in this short period the whole state enterprise structure has undergone so many changes that efficiency is naturally affected before the new procedures have settled. These changes, however, were considered necessary to unify the diversity of inherited structures. Presently, state enterprises are based upon a single law which regulates their form and interrelationships. A handicap of many state enterprises is probably their size, which usually is big, for they

are usually larger than the level of their management experience warrants. Recent changes have consolidated even those that were originally small enterprises into larger groups of similar types. Theoretically, consolidation of size is justified in terms of efficiency and ease of control, but the process is probably rather premature if the abilities of present management are considered. The appointment of new (top) managers has frequently been more on political rather than on technical grounds. Although this may have served the political purpose, i.e., better political control, prevention of labour unrest, etc., it affected at the same time efficiency of operation.

State enterprise managers frequently complain that they must endure too much policy interference from above, so that their real managerial discretion is limited. Moreover, such interference is often erratic and conflicting in terms of purpose.

*Economic growth and planning.* The idea of planning for economic growth was accepted very early in the life of the Republic. In fact, government intervention in economic affairs was already common in the colonial period, early attempts at planning dating from the late thirties. These planning efforts, however, had only sectorial relevance as, for instance, in the development of small scale industries which became the first object of such state interference. The other sectors of the economy remained virtually free and their growth unplanned.

The early "plans" during the republican administration were also sectorial in character, and again industrial development, particularly that of small scale units, became the target of such planning.

In the meantime the central government began to establish the State Planning Bureau, staffed with Indonesian officers and assisted by United Nations Technical Advisors, whose task was to draft a more comprehensive plan. In 1956 it finally completed a draft Five-Year Plan covering the 1956-1960 period. This plan was in essence a public sector plan, because investment in the private sector was not prescribed in detail. The plan also

consisted of departmental plans joined together in rough proportional relationships between the various sectors; for instance, the plan allocated 13 per cent of the investment budget to agriculture, 25 per cent to transportation and communication development, 25 per cent to power and irrigation, 25 per cent to industrial and mining development, etc. The rate of investment was estimated to be about 6 per cent of national income, the incremental capital-output ratio 2 : 1. The total population estimated at 82·5 million (1955), growing at a rate of 1·7 per cent.

Many macro-economic assumptions, such as the rate of savings and of population growth were somewhat questionable. In the subsequent period of heavy inflation and political disturbances the execution of the plan was stalled; in addition, the plan never carried great internal prestige or public appeal. The merit of this first effort was probably that governmental departments and their officials received their first contact, and thus education, with the mechanics of planning, e.g., the projection of needs, the collection of statistical data, the determination of priorities, the sense of interrelationships, etc.

In 1959 the idea of planning received a new impetus from President Sukarno himself as he launched the idea of Indonesian socialism. In the context of this policy the country's political structure received a thorough overhauling. The multiparty parliamentary system was replaced by a more unified leadership presided over by President Sukarno himself, who as Great Leader of the Revolution assumed full responsibility. Parallel to this political retooling the country's development was to be attacked boldly by a comprehensive and overall planning, not only encompassing the economy but other aspects of the society as well. In fact, it is an attempt at social planning.

Thus far, however, none of these planning efforts have succeeded in bringing about the desired impetus to economic growth. The weakest point probably lies in the areas of domestic savings and capital formation. Accurate estimates are unavailable but informed guesses place this capital formation at not more than 5 per cent of national income; there are even observations that

for certain years no real and net capital formation took place at all. With a population growth of about 2·3 per cent it becomes very doubtful whether the country has grown in *per capita* income over the last decade. The government budget in the last decade has rarely shown a saving, that is, an excess of revenue over current expenditures. Hence, real savings, if existent, have had to originate in the private sector, either the modern or traditional sector, or both. Savings in the traditional sector are usually neglected (whether or not such is appropriate), while on the other hand the foreign dominated modern sector probably did not save much because of political considerations (e.g., insecurity for the future), or if it saved at all it invested in projects not very useful for the national economy. The continuing inflation, at an average rate which doubled the price levels every three years, probably has also wiped out a great deal of monetary savings.

Indonesia is a clear example of a country where economic development has been hampered primarily by political obstacles, direct and indirect, although a critical shortage of trained manpower and administrators would make any development effort, under any political system, a herculean effort. But the extraction of the required amount of savings, and the distribution of the funds among the projects, are clearly two issues whose success depends upon the political strength and wisdom of the government.

There is a tendency, or an attempt, to seek the solution to this problem in the creation of new economic institutions, at the level of the firm, which can bring the required savings and investment somewhat automatically, in a rather decentralized way. In this context, a hypothetical question is, will the national rate of savings and investments be enhanced if the economy is dominated by state enterprises rather than by private enterprises? Can the habit of saving and investment be "built into" the management of the state enterprises? The experience of the last two years rather contradicts this. The efficiency and effectiveness of these enterprises are also dependent upon the "political

climate" created by the government. This climate consists, for instance, of the following: ability of the government to maintain monetary stability, the extent of government interference in the management of the enterprises, the ability of the government to meet foreign exchange requirements of the enterprises, and so on.

### Structural and Operational Problems

*Division of spheres.* In a mixed economy, consisting of a public, private and cooperative sectors, where are the proper delineations for each sector? This will depend upon the social function of each sector but also upon the national grand strategy in moving towards a socialist society, and ultimately upon the nation's interpretation of such society itself. In Indonesia, none of these guideposts have as yet been set very clearly, due partially to the necessity of gaining a concurrence of interests in order to rally broad political support.

The Constitution prescribes that economic activities vital for the livelihood of the people should be state owned or state controlled. This has been interpreted to encompass public utilities, basic or heavy industries, and vital industries (e.g., vital military). The Political Manifesto of the President also stipulates that eventually foreign trade as well as wholesale trade should be in government hands, whereas retail trade is reserved for cooperatives. Private enterprise is encouraged to enter the field of manufacturing, especially in light industries, while it is also permitted to operate in transportation. In practice these distinctions are by no means mutually exclusive as the possibility of joint enterprises exist.

An important underlying assumption for this division of function is that the private sector be regarded as a permanent fixture, which is apparently the current interpretation in Indonesia. One could argue from this that expansion of this sector is thus legitimate. There remains, however, the highly political question as to the extent and direction of permissible

expansion. A rapidly growing private sector certainly constitutes a political force capable of undermining the basis of socialism. In some countries socialist inclined governments seek to limit the private enterprises' scale of operation, believing that large scale enterprises more quickly gain political power, either at the local or national level. Another theory of mixed economics attempts to prevent private monopolies in basic or strategic industries for they could block the dispersion of external economies and hence obstruct economic development.

If private enterprise is not allowed to grow freely, either in terms of their size or scope of activity, what will be the consequence for its entrepreneurs? Restricted growth does not create great incentives for progress. Would this not be a loss to the community? The capital owners may still try to expand laterally or horizontally through the poliferation of firms, but such a course of growth will not, however, enhance the progressivity of the economy. May a country in the first phase of its industrialization wisely neglect to consider seriously the dangers of private interests' political power? The present official Indonesian attitude is not to restrict growth of private firms as long as they belong to the "light industries" sector. (In practice, however, there are many obstacles, as, for instance, those due to scarcities of foreign currency and instability of government policies). Another possible course of policy is to restrict growth of private firms and try to lure able managers and entrepreneurs into government service. The problem then concerns rewards, material and non-material, that can be provided for them. Comparatively speaking, government service usually receives greater non-material rewards, such as status, satisfaction in being a large scale operator, and so on, but are there enough to compensate for a reduction in material compensations frequently accompanying government service. An additional motivational force is the belief in a socialist ideal, but to what extent is this effective in a *mixed* economy, for in such an economy there always exists the demonstration effect counterforce of how (well) "the other guy in the private enterprise lives". This could be avoided

by severely restricting the private sector to economic activities where normally entrepreneurial rewards are not great, such as, for instance, in small scale farming, handicrafts, retail trade, etc. But such a relationship assumes a structure of the mixed economy unacceptable for the bourgeois interests. As long as the mixed economy is (also) a reflection of bourgeois political power, this cannot be done.

In addition to the problems in attempting to limit private growth potential, there is the difficulty concerning competition between private and state enterprises. Should such competition be allowed? In Indonesia policy makers have recently struggled with this problem, for competition can be both healthy and wasteful. Socialism abhors waste and favours social efficiency, but what if the latter must be achieved at the cost of progressivity? Can progressivity be secured in an atmosphere free from competitive spirit? Competition in business means different things to different people. We do not mean predatory price competition, as this is clearly anti-social, but rather a competitive spirit in the sense of "doing the job better than the other firm", which could very well be the only stable source of business progressivity. In some socialist countries this competitive spirit is couched in terms of "we must do better than country X" (preferably a capitalistic country), or "we must improve on last year", but it is questionable if this kind of competitive spirit is really a better source of progressive spirit than the capitalist one.

The danger of competition between private and state enterprises is that one or the other party may be weaker in structure, depending upon its history, inherent structural limitations and differences in drive. State enterprises may lose the competition if they fall short in motivational drives; on the other hand private enterprises could also lose if they are discriminated against in a fiscal sense.

If competition is not allowed, then either some kind of collusive behaviour needs to be prescribed (if such a thing can work effectively) or public and private enterprises should not



be allowed to compete in the same field or market. The latter is probably easier but cannot always be applied. There may already exist, for instance, a private enterprise in a field reserved for the state which for expediency reasons is maintained; in other instances a lack of capital and skills prevents the government from occupying completely the reserved field. A current example of the latter in Indonesia is the export trade sector, nominally reserved for the state but as yet dominated by private capital and skills.

*Aims and organization of public enterprises.* In a mixed economy public enterprises can have a variety of functions, and different categories usually have different functions. State owned public utilities, for instance, are one way to prevent monopoly practices, i.e., the limiting of output and raising of rates, by private enterprises. In such a situation the revenue earning purpose is not preeminent although often not neglected. In a socialist economy where the public sector is very large the revenue aspect cannot be overlooked; surpluses from state enterprises, for example, often constitute a major source of capital accumulation. In a mixed economy, where the public sector is large and where there is no strong preference for direct taxation, the same principle can be applied. The public sector must be the leading sector, both with regard to capital formation and to control of the economy.

In a mixed economy the structure of public enterprises poses a problem. Before the establishment of the recent law on state enterprises such firms in Indonesia were either based on the pre-war law, instituted mostly for public utilities, or on the limited liability company law. The pre-war law on state enterprises provided financial autonomy, although it was limited to current operations. All capital expenditures had to be approved by the Minister of Finance. In a time of inflation, when the concern of this ministry was with contraction rather than expansion, such a dependent status was regarded as a serious

handicap.<sup>3</sup> Hence the post-war public enterprises, especially those created by the State Industrial Bank, were set up according to the common company law, basically designed to meet the needs of private enterprise. Due to the nature of this law, these enterprises often fell outside effective government control; this again was considered to be inappropriate. When the Dutch enterprises were taken over, a new law regulating structure, aims, relationships and responsibilities of the enterprises was needed. This new law provides for greater financial autonomy and at the same time defines their relationship to the government, i.e., with the ministers entrusted with political responsibilities for these enterprises.

In practice, the usual complaint of enterprise managers is that there is now too much interference and control from above, thus preventing in many ways the execution of normal managerial responsibilities. The problem of proper balance between managerial discretion and governmental control is still unsolved. Because coordination and control is regarded as very important in a system of "guided economy" the levels of administration and the extent of control have been increased. Above the firm is a so-called General Management Board (*Badan Pimpinan Umum*, B.P.U.), coordinating the policies of enterprises related according to type.<sup>4</sup> This agency still belongs to the sphere of the firm, but above this agency is the Government department, i.e., ministry. Often the distinguishing line between management coordination (B.P.U.) and political control (ministry) is vague. Theoretically, these levels of coordination and control are not inappropriate, but proper coordination of coordinating bodies is an art that cannot be learned overnight. First experiences frequently result in overcoordination and overorganization,

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<sup>3</sup> Mohammad Sadli: *Structural and Operational Aspects of Public (especially Industrial) Enterprises in Indonesia*, "Ekonomi dan Keuangan Indonesia", Vol. XIII, No. 5/6, May/June 1960, pp. 227-253.

<sup>4</sup> Soekamto Sajidiman: *Indonesia's New Trading System*, "Far Eastern Economic Review", Vol. XXXIV, No. 10, December 7, 1961; pp. 455-463.

causing a reduction of incentive and initiative at the basic unit level. In a mixed economy where the market mechanism is used together with administrative directions this could easily lead to confusion as to the extent of management responsibilities. If things go wrong at the firm level it is always easy to shrug off responsibility in that "orders from above makes management very difficult".

Reference has been made above to the dependence for management's success upon the "external climate" created by governmental policies. In this respect the continuing serious inflation must be mentioned in particular. Many state enterprises are caught in this inflation trap. To repress inflation the government must constantly apply stringent price controls, especially directed towards the large scale enterprises, which are also easier to control. State enterprises are on the one hand ordered to obey these regulations strictly, while on the other hand they fail to meet their obligations for capital accumulation. To cite an example, for the year 1961 the target contributions of all state enterprises to the national development budget was around Rp 4000 millions (after company taxes); the results have been less than Rp 1000 millions, before tax obligations have been met. With such poor results it is highly questionable whether the public sector is more effective in saving and capital formation than the private sector used to be.

Another difficult problem concerning the structural interrelationship between state enterprises is to what extent these enterprises should be allowed to engage in integrative expansion. Of course, private enterprises are free to form horizontal, vertical or lateral integrations if they think that greater efficiency or market control can be achieved in this way. State enterprises, however, are often not allowed to form such combinations, because theoretically other avenues of integration and coordination are possible. For instance, the B.P.U. is actually a horizontal integration. Vertical integration of firms is often prohibited, as in Indonesia, because there are other ways to coordinate selling and buying with production. The producing firms of the

old State Industrial Bank (now transformed into Development Bank of Indonesia), for instance, were not allowed to market their products themselves but were obliged to contract this out to another state (trading) enterprise. This inter-firm coordination of selling (and buying) with production, however, did not proceed very smoothly. Real coordination was frequently lacking and the result was that a continuous flow of raw material could not be secured and products could not be readily sold. While such contracts between selling and producing firms are common in the private sector, the difference is that in the latter the contract is free and managerial discretion and coordination are greater. Under the system of state enterprises these contracts resemble pre-arranged weddings in which the partners often find themselves stuck with each other.

After experiencing such frustration, the producing firm often wants to carry out its own selling and procurement. Often this is also more sensible, if, for instance, the firm is big enough to warrant its own marketing organization. Marketing of products and procurement of raw materials and spare parts are often not separable from intricate technical problems which need specialized skills a general purpose commercial firm is not likely to possess. In the general setting of a seller's market there is also much room for disputes over producer's and distributor's margins and the distribution of risks.

The foregoing examples are meant to stress the problem concerning the extent to which state enterprises are committed with respect to their intra-firm and inter-firm structure so as to meet the competition of private enterprises. Should state enterprises be excluded from the market test of efficiency, for instance, because of belief in certain political or long-run economic considerations? Must we judge the efficiency of state enterprises in a mixed economy, where the private enterprise sector in some respects is older than the public sector, from the consideration of an "infant industry argument"?

*Interactions between public and private sector.* These interactions probably pose the most difficult problem for state enterprises in a mixed economy. One of the most important theoretical aims of public enterprise in a socialist, and developing economy is to serve as the vehicle for capital accumulation and public control over the economy.

The public enterprise capacity for capital accumulation depends upon a few variables, such as their market power, internal efficiency, and thrift and austerity with respect to unnecessary expenditures. The problem of market power needs no discussion here. Internal efficiency of public enterprises is a controversial issue; efficiency is not guaranteed merely by being a state enterprise, for state enterprises have inherent disadvantages as well as advantages. Potentially, state enterprises could achieve greater efficiency because of their greater resources, larger scale, facility of coordination, and so on. On the other hand, state enterprises often lack drive when compared with private enterprise, lack vigilance, initiative and inventiveness, tend to breed bureaucratic tendencies, all due to their particular structure, hierarchial relationships, remuneration scales, etc. The problem is, given a particular setting (historically, institutionally and socially), which will have the upperhand, the advantageous or the disadvantageous factors?

It is also a debatable issue as to whether state enterprises are inherently more austere and thrifty, and therefore potentially more capable of saving and capital accumulation, than private enterprises usually are. Much depends upon the general social climate and upon forces of "demonstration effects", which we will consider below while still in an "infant period" the natural advantages of state enterprises are not yet manifest. State enterprises belong to one great family and therefore collective training, exchange of information, centralized research, coordination and unification of procedures and policies, specialization, pooling of reserves, etc., are easier to implement than would be the case among private enterprises. In Indonesia this potential is now being fully exploited, but requires time to bear fruit; the

results are not yet visible. On the contrary, only the handicaps are immediately perceptible as, for instance, in the stringent bureaucracy, overspecialization, overorganization, the choking rule-of-precedent, "Parkinson's law" phenomena, etc.

A problem of more permanent nature is that of competition and interaction between private and public enterprises which may hamper the efficiency and effectiveness of public enterprises. Competition and interaction occur in various fields.

(1) In marketing of the products. Compared with the freedom private enterprise enjoys in selecting marketing channels and deciding upon marketing (and production) policies, the state enterprises' competitive strength can be limited by their less flexible system. In practice this handicap is not very serious as real competition is often avoided, but relative inefficiency undoubtedly affects the earning power of these state enterprises.

(2) In the factor market and in the market of raw materials. In the labour market government is handicapped by rules of uniformity and precedent in attracting the best talents. It is fair to say, however, that the disadvantage lies not only on the side of the state enterprises. State enterprises in Indonesia currently have a competitive edge in attracting young graduates due to status considerations and the fact that young graduates usually do not receive large salaries in any case. But for skilled personnel in the lower and middle echelons the less flexible payscales of the state enterprises are definitely a hindrance. It is much more difficult for a state enterprise to pay considerably higher wages to a technician or a skilled worker solely on the basis of superior skill. Seniority and rank weigh more than proven skill. In the raw materials market also, state enterprises are often handicapped by the prohibition of forming backward (vertical) integrations. When raw material supply is controlled by another state enterprise, monopoly practices and the uncertainties of supply could be easier controlled, although this is more true in theory than in practice. Frequently a problem arises, however, when the state enterprise must purchase from private enterprises. As experience in Indonesia frequently has

shown, price and quantity could not be relied upon. This need not necessarily be a result of monopoly practices on the part of the private enterprises as these supplier firms are usually small firms. Often these small operators simply are unable to offer enough quantities at the usual prices.

(3) In the incentive system. The incentive system in state enterprises is never completely based upon material incentives. The same, of course, is true for private enterprise, but there is a marked difference in degree. The public enterprise system in developing countries is to enhance the savings rate of the firms by inducing relative austerity in their employees style of living. If these employees, however, must live and work side by side with private business people, then the particular incentive system of the state enterprises may become ineffective. Demonstration effects of a higher material welfare are usually stronger than ideological impulses, at least in the long run. This demonstration effect can operate in either of two directions: state enterprise employees may react negatively, by reducing their initiative and vigil to a level they believe to be commensurating with the rewards; or they may react positively by overplaying expense accounts and welfare expenditures so as to raise themselves up to the level influenced by these demonstration effects. *At any rate, these demonstration effects in a mixed economy often spoil the good intentions of state enterprises and render the underlying theories of state enterprises ineffective.*

The serious inflation in Indonesia creates a specific problem of interaction between state and private enterprises. Inflation and consequent widespread government controls have promoted black markets and corruption. The question now is whether or not corruption can be minimized institutionally by the enlargement of the public sector. Hypothetically this is possible as dealings between state enterprises are more accessible to control, but in practice this is only partly true. It is more difficult to engage in corruption in inter-state-firms dealings, although not altogether impossible; fictitious claims for deliveries, the writing off of losses, the booking of certain unaccountable items as "re-

presentation expenses", etc., are all ways of cheating the government, although this cannot easily assume large proportions.

More serious is the possibility for corruption in the transactions between state and private enterprises. The difficulties for control are increased as dealings are easily covered with a cloak of formality. If state enterprises sell scarce commodities at government controlled prices, it is easy to favour (private) customers with which the employees, or the directors, have relationships. Often these employees set up small companies themselves, operated perhaps by their relatives, to profit from these allocations. The government in such instances is trapped in a dilemma; to control the economy in inflation it disapproves of making free use of the market mechanism for goods disposal, but on the other hand, by holding down retail prices it provides a golden opportunity for these operators to pocket the price premium on the "free market". In the meantime the surplus-creating capacity of state enterprises is seriously injured.

In some instances, state enterprises even lose customers if not allowed to engage marketing tactics used by private enterprises. For instance, the custom of many private shipbuilders and private building contractors is to extend a "retour commission" to customers or agents (i.e., a discount or a middleman fee). If the customer is a government agency, the manner in which these amounts are paid is indefinite; they may fall into the hands of a "middleman", being possibly the government employee himself connected with the order. State owned shipyards which are not allowed to grant these commissions will lose potential customers if they do not indulge in the same practices. The quotation of a lower price because these commissions need not be paid often does not aid in attracting customers.

This description of the Indonesian experience should not be used to conclude generally that a mixed economy is a cradle of corruption. But if corruption exists, it will especially flourish at the transaction line or at the contact line between the government (bureaucracy and state enterprises) and the private sector, the longer this line the more opportunity for corruption. One



can argue that in the Indonesian case the control apparatus in the public sector is too ineffective, which is obviously true. If there were more skilled people (for instance, Indonesia's population of 96 million includes less than 50 certified accountants) to operate the control mechanism and given greater monetary stability, a mixed economy need not be inefficient. This is also possible. The reverse thesis, however, must also be noted: an extensive public sector is not a surefire panacea for lagging economic development, regardless of circumstances. Where the remedy must be sought raises complex problems, and certainly not solely in institutional arrangements.

Another problem thesis that can probably be inferred from the present Indonesian experience is: given a young economy, not yet possessing the minimum core of essential good public administrators, would a market coordinated economy offer more chance of success than an administratively coordinated one? This writer can only pose the problem and is (presently) not able to provide the answer with much conviction. It may also be unrealistic to pose the problem free from other variables. Each system has its own prerequisites for functioning properly. A market coordinated economy ordinarily does not operate well when severe and prolonged supply inelasticities are coupled with the increased demands such as existing in developing countries. Even a capitalist country must abandon the free market system in times of war or full mobilization in favour of a partly or fully controlled economy. Such a controlled system, basically a "disequilibrium system", never works very satisfactorily but the appropriate measure for evaluation must be *workability*, not ultimate efficiency or consistency.

*Social control of the private sector.* Even if private enterprise is regarded as possessing a permanent right in a socialist economy, it remains necessary to arrange this private sector to meet the requirements of the socialist organization of production. In other words, private enterprise should be subjected to public and social control.

Public control may be executed in a variety of ways, as in the licensing of establishments, the controlling of allocations of (e.g., imported) raw materials, controlling prices, and so on.

In this paper, however, we want to discuss the role of state enterprises as a social control over private enterprise. Currently in Indonesia state enterprises must assume a "leading and commanding" role *vis-à-vis* private enterprises in the same field of activity. All firms in such a branch are organized into so-called trade or industrial associations (*Gabungan Perusahaan Sedjenis*) which are to be presided over by state enterprises. State enterprises, as leaders of such groups, are expected to give guidance in matters of price policies, adherence to government regulations and policies, increasing production and efficiency, capital formation, etc.

Although the private sector has accepted this state enterprise superiority as a consequence of prevailing ideology, there remains a kind of tug of war between the two categories as to which side really makes the decisions and in what respects. The private firms do not intend to challenge the official status of the public enterprises, but they certainly prefer to see them behaving much like themselves—that is, operating under the same general business value pattern. Many state enterprise employees would like to imitate their behaviour, one reason being that they never have known anything else, another being that these rules of the game are more palatable (e.g., less austere). If state enterprise officials behave and think like private business people, however, it is rather doubtful whether the whole system will be more effective in terms of saving and capital formation. It is likely that state enterprise officials imitate the more expensive, not the more progressive, habits of private entrepreneurs. This natural inclination towards conspicuous consumption (e.g., luxurious office cars, pompous offices, ubiquitous mountain bungalows and lavish business receptions) is already detectable on the Indonesian scene.

Our main theme thus far concerning the interaction between public and private sectors has been that demonstration effects

undermine the purpose of state enterprise; a wedding between state and private enterprise brings out not the best of the two systems, but the worst. This conclusion is presented here as a challengeable hypothesis. Indeed, we hope to be proven wrong, indicating that the explanation of certain phenomena has been sought in the wrong place. The present unsatisfactory performance of Indonesia's mixed system may be transitional, a result of its infancy. Although this may be true, an honest effort should be made to test whether structural interrelationships in themselves are not causal factors.

A mixed economy is, in reality, a kind of a compromise, based on a certain value assumption. This assumption is the conviction that the socialist system is more effective in achieving economic growth, but yet reluctance to embrace the system fully remains. A practical amendment results from the belief that Indonesia, possessing almost no established industry and facing a critical lack of trained personnel, cannot regulate its economy solely on the basis of administrative orders. Such a system will probably be more chaotic. The market mechanism must (at least partially) be relied upon to conserve supervisory and planning personnel. Hence the mixed system, in terms of sectors and mechanisms, is the only system to which one can resort. But then the mixed system must become a more or less consistent system in itself; it cannot be achieved just by putting elements of the two systems together, in a syncretical way. The manner of this synthesis goes beyond the scope of this paper, however crucial it may be.

*Private sector versus cooperatives.* In a mixed socialist economy where the private sector is not regarded as unconstitutional and where official policy calls for the mobilization of "all funds and forces" for economic development, some rivalry between the private and the cooperative sector is bound to exist. Cooperatives and private enterprise are scheduled to operate together in the areas outside those of the public sector; both are alternative and thus competitive institutional arrangements

for the "people's economy" sector. They compete for the fields of economic activity in which they can engage; they compete in efficiency, progressivity and social desirability.

Private enterprise in Indonesia has something of a headstart in trade, services and industry, generally the so-called modern sector of the economy. Cooperatives have their present stronghold in the rural economy, the somewhat traditional sector of the economy. The private sector is content with this *status quo* but of course this is unacceptable for the cooperative movement. This movement does not want to be confined to the rural economy, or to be a "small people economic movement". Its ideal is to establish a foothold in the modern sector of the economy, in industry, wholesale and retail distribution, and ultimately to conquer it. The problem is how its course of development can be guided, firstly, to be effective while ideologically sound, and secondly, to meet competition from the private sector.

The cooperative movement is held back by several handicaps. First, in the current interpretation of Indonesian socialism it has to be content with a secondary position, behind the public sector. Economically, Indonesian socialism is now more state than cooperative socialism. The consequence of this is that capital funds, administrative protection, etc., first of all go to the state sector. Although the cooperatives now receive much more attention and material support from the government than before, it may not be enough to meet private competition's challenge. Of course, market competition can be alleviated by protective measures, but in the long run this may not be enough because in such a timespan dynamic growth potentialities are more important. Cooperatives have to prove that they are as dynamic and expansive as private enterprises, otherwise they will become at best a considerable "countervailing power",<sup>5</sup> but not a leading sector outside the realm of the state economy.

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<sup>5</sup> See for explanation of concept J. K. Galbraith: *American Capitalism*.

In Indonesia's modern economic sector there exists a cooperative regarded to be fairly successful; this is the federation of *batik* producers cooperatives. *Batik* producers are commonly small or middle scale enterprises, very often proprietor firms. These local firms are associated in a "producers coop" to carry out collective buying of the raw material, i.e., the cambrics. These local coops are federated on a national level and this federation (*Gabungan Koperasi Batik Indonesia*) has for long received import licenses from the government. This federated cooperative has flourished by buying cambrics cheaply and selling the finished *batik* cloth at a high price, the latter not being subject to stringent price control. The workers in the batik manufacturing shops, however, are not members of this cooperative and often do not share in the benefits. On a smaller scale the fishermen cooperatives are of the same sort; although marketing coops, they may be more important as saving and credit institutions. The exclusion of the workers has created misgivings as to their adherence to true cooperative spirit. Yet these cooperatives are the most flourishing and progressive types, having succeeded in accumulation of capital, building factories, schools, clinics, etc. Indirectly the workers also profit if in a certain area the coop has succeeded in building a clinic or a school. The *batik* cooperative federation has also subsidized the movement's top organization including its training programs and conferences. Many cooperators feel, however, that this cooperative is contaminated by capitalistic elements, for actually what has happened it that a cluster of capitalistic enterprises have grouped together in a cooperative so as to reap the benefits of a monopoly, state protection and subsidies. On the other hand, there is no other example of a more genuine and viable industrial coop. The Department of Industries have often tried to turn over pilot plants to their workers to be run as cooperative workshops but these experiments were rarely successful for after a time they failed to show vitality and viability.

Another approach to the problem of cooperative development in the industrial sector may be tried: urge private enter-

prise to behave more according to the ideals of cooperation. This must, of course, involve some compromise, for if a private enterprise is made over into a cooperative, it is likely that some of its vitality and viability will be lost. But, as has been the case in the *batik* cooperative, the firm proprietors can be persuaded, or prescribed, to get more closely in accord with the ideals of social progressivity once they are members of a coop. Among others, these acts of social progressivity include the following: a portion of the firm's profits must be given a social purpose, for instance, a (prescribed) percentage must be used for the welfare of the workers, a part for internal capital formation, and others for education, welfare of the surrounding community, and so on. In the meantime the members of the cooperative are exposed to systematic ideological education which forms a part of the obligation of the association. The problem of how to place workers could probably be solved in another way in a national context. In such social compromises the distinction line between private enterprise and cooperatives will become somewhat blurred, favouring a synthesis of the two sectors. Even at the moment, it is already ambiguous whether the federation of *batik* cooperatives is a cooperative or an industrial association of the type of *Organisasi Perusahaan Sedjenis*. As we mentioned before, private enterprises belonging to the same branch of industry (or trade) are organized in these associations where the stress is on cooperation (for social progressivity) rather than on competition. The members of such associations, however, are not (yet) subjected to prescribed use of surpluses.

The development towards a more socialist society need not stop here. The nature and extent of such syntheses will shift with time, but the mixed economy would not, at least, be a static conglomerate of contradictions, but a viable and dynamic economy, or so one hopes.

*Labour.* In a socialist economy the workers are presumably the owners of the factors of production. In a capitalist economy the labourers are the underdogs, or at best a "countervailing

power". What is the social position of workers or labourers in a mixed economy? This is a tremendous social problem which cannot readily be solved. Indonesian socialism does not wish to recognize the unavailability of the class struggle. On the contrary, it recognizes domestic capitalists and workers as integral part of the social structure. Contradictions between the two classes should be alleviated and abridged, the state integrating these two classes for the sake of national economic growth. The aim is for a partnership in production between capital owner and worker, where workers must be given a share in the firm's responsibility. These are policy dictums recently proclaimed by President Sukarno, but these ideas have not as yet been successfully worked out. That there can be a synthesis between the interests of workers and capital owners alike is something of an article of faith. Workers will not completely believe this possible and can be very suspicious as to who will profit more (or most) by "peaceful cooperation" between the two groups under the guidance of the state. In a period of continuing and serious inflation the workers have a reason to be doubly suspicious, as they are always the first to suffer from the income redistributive effects if industrial peace must be maintained. Escalator clauses can guarantee the level of real wages, as is done by the large foreign oil companies operating in Indonesia, but it is questionable if the government can agree upon such arrangements for all state enterprises included in such a large sector of the economy. Usually the fear is that such escalator clauses will increase the sensitivity of the inflation spiral.

Indonesia has tried to copy the Workers Council such as exists in several socialist countries, having modified it to suit present Indonesian political conditions. These councils are not true representatives of the workers movement as yet, and their authority and responsibilities are also limited, possessing only advisory functions. Management of the enterprise plays a screening function on council appointments while final decisions are made by the minister under whom the enterprise belongs. Thus far this institution is restricted to state enterprises.

From the standpoint of the government these differences between purpose and practice can be understood as a matter of political expediency. The labour movement in Indonesia has been politically proliferated in the past. Since President Sukarno has assumed ultimate political responsibility over the course of the Revolution he has tried to curb this proliferation and to unify the political life of the country. In this transition period every major functional interest can be interpreted as a political (party) interest, and for this reason the composition of a worker's council cannot as yet be left to a selfgoverning labour movement.

### Concluding Remarks

The present paper has tried to portray the structural and operational complexities in administering a mixed economic system geared to economic development. The major hypothetical question with which the writer has wrestled is whether or not such a system is fundamentally inconsistent and ineffective for rapid economic development. (Assume a rapid development to be a (long) average rate of growth of national income of about 6 per cent and up.) One major causal factor operating in Indonesia is the demonstration effect between public and private enterprises, undermining the effectiveness of the public sector system. The answer is inconclusive. The fact that such a system has not as yet produced the desired results in Indonesia may neither disprove nor prove the above problem-thesis, for there are probably other factors which interfered in the working of the thesis. Such factors are really imponderables, as, for instance, political instability, consequent monetary instability, lack of experience of public administrators, etc. A more unified socialist system would perhaps produce the same inefficiencies and lack of effectiveness, or even more. On the other hand, such hypothetical speculations are probably highly unrealistic as such questions cannot be detached from actual situations. As the cards lay at present, politically and socially, only a mixed system is possible in Indonesia and it is within this system that



one must work. Hence, either one turns away from this system *à priori*, or one tries to make a workable system from it after all. A non-deterministic world outlook can start from the latter assumption, and as such a major problem would be: what is needed, in terms of quality of national leadership, general political and economic climate, social and economic institutions, macro-economic policies, etc., to make the mixed system a workable and effective system? One sees here workability of the system defined as a multivariable function, and not only, or even in the first place, depending upon proper economic and social institutions.

Socialism, however, should not be interpreted merely as a vehicle for economic growth. It is much more than that. Social relationships between groups in the society should be free from exploitation; equality of democratic rights and economic opportunity have to be safeguarded. In this context a mixed society should try to achieve harmonious relationships between the major sectors of the economy, the public sector, the private sector and the cooperative sector, free from exploitation and arrogant dominance. Social relationships between capital owners, workers, management and government officials should also conform to the same standards. These are all ideals and unfortunately there is no objective criterion for testing the results in practice. Some degree of exploitation will always exist as long as people and opportunities are not completely equal. In a process of rapid economic development it is unavoidable that some groups must pay more for the development than others, either due to political reasons or to the working of market forces. The problem is to keep these within reasonable bounds.



# ETHIOPIA—AN INDEPENDENT COUNTRY IN THE ERA OF VASCO DA GAMA

RICHARD PANKHURST

ETHIOPIA, geographically situated in a mountainous and relatively inaccessible part of East Africa, preserved its independence throughout virtually the entire Vasco da Gama era, colonialism occurring only on the seaboard, where the Italians established the colony of Eritrea in the late nineteenth century, and for the five years of Mussolini's very temporary occupation from 1936 to 1941. The country's economic history was therefore in many ways different from that of the rest of the African continent, being characterized on the one hand by isolation and resistance to change, and on the other by limited development carried out by the rulers of the land independently of the European or colonial powers.

The era of Vasco de Gama dawned fairly early for Ethiopia when Vasco's son, Christovão, landed at the port of Massawa in 1541 to assist the Ethiopian Emperor Galawdewos against the invading Muslim rebel Ahmad Grañ who enjoyed the support of Portugal's great rival and enemy, the Ottoman Empire. After assisting in the defeat of Grañ the Portuguese endeavoured to persuade or cajole the rulers of Ethiopia into submitting to their authority and that of the Pope of Rome. Jesuit missionaries, who succeeded in converting the Emperor Susneyos (1607–1632), were particularly active from their arrival in 1557 to their expulsion in 1633, and for much of this period received imperial help or encouragement.<sup>1</sup>

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<sup>1</sup> R. Pankhurst: *Introduction to the Economic History of Ethiopia*, 1961, pp. 77–84.

The Ethiopian empire of this time was a basically rural civilization in many respects similar to that of much of medieval Europe and covered an extensive area of the East African plateau which was at least nominally subject to the Emperors. The latter, whose authority received strong support in the *Fetha Nagast*, a book of law partially based on the Bible, wielded immense power over persons and property alike, were highly revered by their subjects and were able to move far and wide at the head of huge armies at times perhaps a hundred thousand or more strong. A fairly well-developed social hierarchy existed, composed of nobles, priests, peasants and slaves, as well as traders and craftsmen, the two latter being relatively few in number and often clearly differentiated from the rest of the population on the basis of either religion or taboo. The existence of this relatively complex social hierarchy, the primarily agricultural character of the economy, and the absence of a market mechanism, necessitated a system of taxation very largely based on the payment of tribute in kind of labour, as well as types of land tenure in which the sovereign allocated land to his subjects in return for services rendered by them in peace or war. Other types of tenure, however, were also operative, land in many areas being firmly vested in the community.

Economic life tended to be self-sufficient whether regarded from the point of view of the empire, the province, the village, or even the individual household which itself produced most of the goods it might require. Geographically, the mountainous nature of the land and the existence of several large rivers and innumerable torrent-beds, which were of no use for navigation but constituted a formidable obstacle to land traffic, seriously discouraged communications between one area and another. This tendency was intensified by historic factors such as hostile foreign control of the coast, the high degree of local autonomy in many of the provinces, and the consequent system of internal customs posts, as well as the dangers of war and brigandage. The absence of currency and the consequent reliance on various

forms of "primitive money" also militated against the development of commerce.

Trade was regarded as an inferior pursuit by the majority of the Christian population of the plateau. It was largely in the hands of Muslims, who often received preferential treatment from the Ottoman rulers at Massava, as well as in Arabia, Egypt and Sudan, the main areas of commerce, where a knowledge of Arabic in many cases also stood them in good stead. The tendency of Muslims to be traders was further accentuated by the fact that in the mainly Christian areas of the plateau it was difficult for them to hold land or to obtain advancement in either government service or the army. A popular proverb declared: "The sky has no pillar and the Muslim no land". Other traders included various foreigners, such as Egyptians, Syrians, Armenians and Greeks, most of whom were subjects of the Ottoman empire and hence privileged when travelling through lands subject to that empire. The Emperors of Ethiopia frequently employed persons of these races as their trade agents rather than their own people who had no feeling for commerce.

Social mobility was rigidly circumscribed by tradition. Christianity, which was conceived of as a religion with a place for all men, prevented the emergence of anything approaching the caste system of Hindu India, and even preached the desirability of slave-owners emancipating their slaves, if converted, on the basis of individual charity. Blacksmiths, silversmiths, potters, tanners and other manual workers, many of whom in various areas were of separate racial, religious or linguistic background, were nonetheless regarded as communities apart. Popular superstition held that such people were sorcerers who turned into hyenas at night and caused people to fall ill and die.<sup>2</sup>

Traditionally there was little realization of either the need or the possibility of improvement in the economic field. The

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<sup>2</sup> F. Alvarez: *Narrative of the Portuguese Embassy to Abyssinia*, 1881, pp. 95, 103, 152, 336; C. F. Beckingham and C. W. B. Huntingford: *Some Records of Ethiopia*, 1954, pp. 54-55.

kindness of the climate and the fertility of the soil, which allowed of abundant harvest, engendered an attitude of complacency. Occasional crop failures and famines were dismissed as arising from divine displeasure and therefore failed to operate as catalists of change. The relative isolation of the empire, as well as of its various provinces, similarly minimized the opportunity of external influence producing innovation.

The first phase of the Vasco da Gama era had surprisingly little effect on the Ethiopian economy. Despite considerable Portuguese activity in the country from 1541 to 1633 the forces of continuity were far stronger than those of change. Except in the military sector the Emperors were not essentially very interested in technology; they utilized the services of a handful of foreigners to undertake such skilled work as was unknown to their own subjects, but did not institute any system of training to enable their own people to acquire what were virtually regarded as foreign habits. The population at large, being mainly self-sufficient and assured of the basic necessities of life, tended to be conservative and saw little need for adopting new techniques. The missionaries restricted their interests almost exclusively to religion rather than secular things. They devoted much enthusiasm to proving the superiority of their own Church and faith to those which had been established in the country over a millenium earlier, urging, for example, that only Sunday, not Saturday as well, should be celebrated as the Sabbath, that the dietary rules of Moses were out of date, and that priests should not be allowed to marry. The abundant literature produced by the Portuguese at this time contains no reference to any attempt to teach or popularize new techniques in agriculture or animal husbandry, industry or housing, no word of any effort to encourage tree preservation or afforestation, or to introduce a system of currency in place of the inconvenient "primitive money" then in use.

Such innovations as were attempted were of limited significance, and for the most part fell on stony ground. During the war with Grañ, for example, Christovaõ da Gama and his com-

patriots imported a number of cannon on wheels and constructed sledges to transport their artillery<sup>3</sup>; the use of the wheel, however, was not introduced into the economy and the age-old reign of the mule, the donkey and the human porter remained undisturbed. Half a century or so later one of the Portuguese built a timber boat for use on Lake Tana, the country's biggest expanse of water,<sup>4</sup> but the craft was scarcely used, let alone copied; the traditional boats continued to ply their course, without a competitor, as they had done from time immemorial. The Jesuit, Pero Pais, won some fame as a builder, but his work was confined to the erection of a palace and a few churches, as well as to buildings for his fellow missionaries<sup>5</sup> and did not extend to dwellings of the ordinary people, while his predecessor Melchior da Silva,<sup>6</sup> is said to have been content to dwell in the house of an ordinary Ethiopian peasant. The Portuguese, we are told, brought the Emperor Susneyos a gilt bed from China;<sup>7</sup> but though the sovereign was happy to sleep on it, the bed of the ordinary Ethiopian remained unchanged. Ethiopia in some ways resembled an ethnological museum, the exhibits of which were preserved from century to century, as is evident from the fact that some of the items in use in modern times, such as the plough, the grinding stone and the head-rest, are remarkably similar to those used in ancient Egypt.<sup>8</sup>

The result of the Portuguese contact, or more properly of contact with Indian craftsmen brought by the Portuguese, was for practical purposes visible in not more than three sectors. Firstly, in the very restricted field of castle building where the

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<sup>3</sup> R. S. Whiteway: *The Portuguese Expedition to Abyssinia*, 1902, pp. 11, 22, 26, 45.

<sup>4</sup> Beckingham and Hundtford: *op. cit.*, p. 36.

<sup>5</sup> *Ibid.*, p. 186; B. Tellez: *The Travels of the Jesuits in Ethiopia*, 1710, pp. 206-7, 334.

<sup>6</sup> P. Pais: *Historia da Etiopia*, 1945-6, Vol. II, p. 125.

<sup>7</sup> Beckingham and Huntingford: *op. cit.*, p. 59.

<sup>8</sup> Docteur Mérab: *Impresions d'Ethiopie*, 1921-9, Vol. III, pp. 284, 373, 379, 387, 422, 437.

influence is by no means proven and could not have been much more than an inspiration as most of the Portuguese had left before the construction work began.<sup>9</sup> Secondly, in the use of mortar which was never widespread and was soon forgotten.<sup>10</sup> Thirdly, in a limited amount of bridge-building, which ceased after about a generation, one of the principal bridges, symbolically enough, being subsequently broken to prevent its use by armies moving from one province to another.<sup>11</sup>

The only area of the economy where we find much interest displayed in innovation was the military sector, which owed little to European influence, but where the rulers of the country showed great interest in the import of firearms rightly considering it a matter of life and death.<sup>12</sup> (It is surely significant that the Amharic for "screw-driver" should be *yetab manja mafcha*, i.e. an implement for use with a cannon.)

Ethiopian economic development, which was essentially a phenomenon of the late nineteenth and early twentieth century, differed from that of the rest of the African continent in that it was effected by the native rulers of the country rather than by foreign powers. Notwithstanding the static and isolated nature of the economy many of the Emperors had dreamt of contacts with other countries and the utilization of foreign skills. In the sixteenth century, for example, the Emperor Lebna Dengel (1508-1540) wrote to King Manoel I, of Portugal, declaring: "Send masters who can make figures of gold and silver, copper, iron, tin, and lead, and send me lead for the churches; and masters of form to make books of our characters; and masters

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<sup>9</sup> Pankhurst: *op. cit.*, pp. 149-158; E. S. Pankhurst: *Ethiopia's Cultural History*, 1955, pp. 366-98; T. Hodgkin: *Nationalism in Colonial Africa*, 1956, p. 177.

<sup>10</sup> Beckingham and Huntingford; *op. cit.*, p. 26; J. Bruce: *Travels to Discover the Source of the Nile*, 1790, Vol. III, p. 123.

<sup>31</sup> E. Combes and M. Tamisier: *Voyage en Abyssinie*, 1838, Vol. III, p. 289.

<sup>12</sup> R. Pankhurst: *The Independence of Ethiopia and her Import of Arms*, *Presence Africaine*. English Edition, Vols 4/5. Nos. 32/3, *passim*.



of gilding with gold leaf and of making gold leaf; and this soon, and let them come to remain with me here and in my favour. And when they may wish to return at their desire, I will not detain them, and this I swear by Jesus Christ, Son of the living God." In a subsequent letter to Manoel's son, João III he wrote: "Sir, brother, hear another word now, I want you to send me men, artificers to make images and printed books, and to make swords and arms of all sorts for fighting; and also masons and carpenters, and men who can make medicines, and physicians, and surgeons to cure illnesses; also artificers to beat gold and place it, and goldsmiths and silversmiths, and men who know to extract gold and silver and also copper from the veins, and men who can make sheet lead and earthenware; and masters of any trades which are necessary in these kingdoms, also gunsmiths. Assist me in this, which I beg of you as a brother does to a brother, and God will assist you and save you from evil things".<sup>13</sup>

Though several sovereigns wrote letters of this kind and a number of foreign craftsmen were for one reason or other attracted to the country it was not until the latter part of the nineteenth century that such aspirations had much practical effect except in the military field. The problem by then was how to introduce into the traditional Ethiopian economy and society the techniques which had been evolved in the, by then, very different countries of industrial Europe. As in other countries in Africa and Asia this was by no means easy, as there was on occasion strong opposition to change.<sup>14</sup> The British envoy Cornwallis Harris records that in the early nineteenth century King Sahle Sellassie of Shoa wished to have a water mill on the Airara river near his capital at Ankober, but though the mill was established by two Greeks its use was prohibited by the clergy. The story was confirmed a generation or so later by a French traveller Pierre Arnoux who says the King's confessor

<sup>13</sup> Alvarez: *op. cit.*, pp. 395, 399.

<sup>14</sup> A. Toynbee: *The World and the West*, 1952, *passim*; K. M. Panikkar: *Asia and Western Dominance*, 1953, *passim*.

called the establishment the work of a demon, ordered it to be burnt down to destroy the evil spirit responsible, and excommunicated not only those who erected it, but also anyone who brought grain to it for milling or ate bread produced from its flour.<sup>15</sup>

Ethiopia's first great innovator was the Emperor Theodore II (1855–1868), whom the British writer Clements Markham called "the most remarkable man" of nineteenth century Africa; likening him to Peter the Great of Russia, he added: "They were both born kings of men; both endowed with military genius, both lovers of the mechanical arts; both possessed of dauntless courage."<sup>16</sup> Theodore's innovating genius was however almost entirely restricted to matters related to strategic considerations, being seen in the manufacture of weapons of war and the construction of roads.

In 1855, the year of his coronation, Theodore accepted an offer by the Protestant Bishop of Jerusalem, Samuel Gobat, to send him a group of young missionaries who had received technical training at the Chrishona Institute at Basle. They brought him gifts of religious books, but as he later acknowledged to his English friend, John Bell, he "would have been more pleased with a box of English gunpowder than, as he said, with books he already possessed."<sup>17</sup> He nonetheless treated the party kindly and established them at Gafat, not far from his capital at Debra Tabor. The British traveller Henry Dufton records: "Things went smoothly for some time until one day orders came from His Majesty to the effect that he wished them to commence the construction of mortars and bombshells. The order came upon them like the bursting of a bomb itself, for none of them had ever had an idea that they would have been required to undertake work of that description. They of course demurred, in-

<sup>15</sup> C. W. Harris: *The Highlands of Aethiopia*, 1844, Vol. II, pp. 43, 382; L. Louis-Land: *Un voyage français en Ethiopie méridionale*, "Revue des Deux Mondes", 1878–9, p. 889.

<sup>16</sup> C. Markham: *The Abyssinian Expedition*, 1869, pp. 293, 354.

<sup>17</sup> C. Beke: *The British Captives in Abyssinia*, 1867, p. 259.

forming the king that, not having learnt the founding of cannon, they were totally unprepared to enter an engagement of that description..." The Emperor being unable to import arms because of the Turkish blockade at Massawa nevertheless insisted on his request and imprisoned the missionaries' servants until their masters consented to carry out his will. "In their perplexity", Dufton continues, "they could not do otherwise than promise to try. Only one of them, Herr Moritz, could be said to have the slightest acquaintance with the work at all, and his knowledge only extended to the formation of the mould; the clay to be used in the construction of the fire-bricks, the formation of the furnace, the proportion of the metals, and the making of the fuse being equally unknown to him as to the rest. However, by putting their heads together, and seeking information from books, they eventually managed to turn out something. What? A mass of vitreous matter formed by the melting of the fine sand of the bricks; the metal refused to flow. Their only resource was to try again; and away they went over the country to seek better fire-brick clay, and now another venture was made. The result was a flow of metal that came pouring out in a molten stream now, and all hearts are hopeful that at last the object is gained; but alas! the metal had stopped, and the mould was only half full. They tried again. To the inexpressible joy of these persevering men, and to the intense joy of the King himself, their wishes are accomplished, and Debra Tabor for the first time saw the bulls soaring up into the air and bursting with a loud crash which made the hills resound with a hundred echoes".<sup>18</sup>

The difficulties involved in this kind of technical innovation may be seen from the fact that Theodore's craftsmen melted their metal in thirty or so crucibles using hand bellows of the most primitive description consisting only of skins, several hundred Ethiopians were however trained to the work, and

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<sup>18</sup> H. Dufton: *Narrative of a Journey through Abyssinia*, 1867, pp. 84-6. Vide also R. Pankhurst: *The Independence of Ethiopia*, *passim*.

there was some idea of sending some of them abroad for study in England or France.<sup>19</sup>

Theodore's road building was also conceived of in military terms, but was nonetheless important as the construction of roads was traditionally almost unknown.<sup>20</sup> The work, as in the case of the cannon making, was largely based on improvisation; opposition to innovation and the age old dislike of manual labour were both broken down by the Emperor's boundless energy and determination. The French traveller, Emile Jouveaux, who visited Theodore at this time, found him "clothed very simply" and working with pickaxe and hammer like the lowest of his workmen with a view to encouraging them by this example. "From early dawn to late at night", confirms Henry Blanc, "Theodore was himself at work; with his own hands he removed the stones, levelled the ground, or helped to fill up small ravines. No one could leave so long as he was there himself, no one would think of eating, drinking, or of rest while the Emperor showed the example and shared the hardships".<sup>21</sup> Ethiopia's first modern road impressed all observers. Captain Hozier, who called it "a grand feat of rude engineering", adds: "rocks had been hurled aside or blasted through at an immense expense of labour and of time; the gradient was uniform but very steep". Markham's comment is not dissimilar: the road, he said was "a most remarkable work—a monument of dogged and unconquerable resolution... From early dawn until dark the Europeans were obliged to be in attendance on this extraordinary man, whose resolute determination to overcome all obstacles never failed him. Well might the German missionary exclaim, "He has indeed an iron perseverance!"<sup>22</sup>

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<sup>19</sup> *Ibid.*, pp. 166-7.

<sup>20</sup> R. Pankhurst: *Transport and Communications in Ethiopia*, "Journal of Transport History", 1961, *passim*.

<sup>21</sup> E. Jouveaux: *Two Years in East Africa*, 1871, pp. 135-6; H. Blanc: *A Narrative of Captivity in Abyssinia*, 1868, p. 342.

<sup>22</sup> H. M. Hozier: *The British Expedition to Abyssinia*, 1869, p. 178; Markham: *op. cit.*, pp. 295-6.

Theodore's defeat by the British Napier expedition and his suicide at Magdala (1868) brought his ambitious plans for the development of his country to an abrupt end.

The foundations of modern Ethiopia were laid by Menelik II, another great reforming sovereign, who ruled as King of Shoa from 1865 to 1889 and as Emperor from 1889 to 1909. Apparently considerably influenced by Theodore at whose court he was brought up, he attached great importance to the question of modernization and for this reason was from the outset of his reign most anxious to import foreign technicians. Throughout his life he displayed immense interest in scientific inventions of all kinds; he was indeed so fascinated with such novelties that the Italian writer De Castro observed in jest that if a foreigner arrived with the project of constructing an escalator from the earth to the moon Menelik would tell him to proceed if only to see if it could be done.<sup>23</sup>

As early as 14 June, 1874, we find Menelik writing to the Khedive of Egypt—a country with which Ethiopia had long had strained relations—requesting assistance in finding persons with a knowledge of the arts and crafts.<sup>24</sup> The request appears to have been fruitless, but a few years later in 1877 the King sent a message to a Swiss trader at Aden with whom he had business contacts, asking him to send him some Europeans skilled in various crafts. They were to serve as instructors to Ethiopian workers and be employed as Government engineers. The trader informed some of his compatriots of the sovereign's desire with the result that three young Swiss technicians arrived in 1878. They were Appenzeller, a specialist in ironwork, Zimmermann, a specialist in woodwork, and Ilg, a young graduate of the Zurich Polytechnic.<sup>25</sup> Appenzeller and Zimmermann soon

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<sup>23</sup> L. De Castro: *Nella terra dei Negus*, 1915, Vol. I, pp. 160–2.

<sup>24</sup> G. Douin: *Histoire du Khédive Ismail*, 1936–41, Vol. III, Part III B, p. 717.

<sup>25</sup> H. Le Roux: *Menelik et nous*, 1902, p. 223.

returned to Europe, but Ilg remained in Menelik's service for many years and played an important part in the country's development in both the technical and political fields.<sup>26</sup>

The story of Ilg's rise in his master's favour illustrates the recurrent interest in firearms which could be seen in all innovating monarchs. It is said that soon after his arrival Menelik asked him to make him a pair of shoes. Ilg replied that he was unacquainted with such work, but the sovereign insisted that he should obey which he did. The ruler was enchanted by the shoes and requested that the young engineer should then make a rifle. Ilg again protested his ignorance, adding that it would cost much more to manufacture the weapon than to import one from abroad and that the finished product would inevitably be far inferior. Menelik brushed these arguments aside remarking that the cost was a matter of no account and that it was important to know whether a rifle could be made in the country with the resources there available. Ilg thereupon yielded to the Monarch's entreaties and constructed the required rifle; Menelik was so pleased that he ordered the gun to be kept in a place of honour in his armoury.<sup>27</sup>

Though unable to transform the Ethiopian economy, which remained largely in a subsistence state with much use of barter and "primitive money", Menelik succeeded in effecting a number of important reforms.

One of the most notable was the establishment of the present capital, Addis Ababa, in 1887. The town soon acquired the characteristics of a boom city and by 1910 was estimated to have a resident population of about 70000 with 30000 to 50000 temporary inhabitants. Addis Ababa, which was to be the site of a number of new institutions, exerted no small influence in developing a market economy at least in its vicinity.<sup>28</sup>

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<sup>26</sup> C. Keller: *Alfred Ilg*, 1918, *passim*.

<sup>27</sup> R. P. Skinner: *Abyssinia of Today*, 1906, pp. 97-8.

<sup>28</sup> R. Pankhurst: *Menelik and the Foundation of Addis Ababa*, "Journal of African History", 1961, pp. 103-117.

The construction of Menelik's first bridge, over the Awash river in 1886, deserves special mention as it and the bridges which followed did something to ameliorate the empire's difficult transport and communications. Ilg, who was responsible for the execution of this and many other innovations, describes the work in a humorous though nevertheless revealing letter. "Shoa", he says, "has advanced a step forward... the beams had to be carried 15 kilometres on human shoulders. For the bridge-heads I had to square up the stones on the spot. I even had to burn coal in order to forge the nails, rivets, screws and bolts required—add to this a tropical sun with all its dangers, heavy rains with resultant dysentery, intermittant fever, and cyclones which almost pulled out my beard and carried the tent in all directions. At night the hyenas almost stole our leather pillows from under our heads, jackals and other rabble plundered the kitchen and obliged me to obtain respect with strychnine."<sup>29</sup>

In 1892 Menelik, by this time Emperor, reorganized the system of taxation and extended the principle of tithe for the upkeep of the army so as to terminate the traditional system whereby the soldiers were allowed to requisition or loot whatever they liked from the peasantry. Menelik's official chronicler, Gabre Sellassie, says that the new regulations followed the proverb that one should give according to one's capacity, and were very popular with all concerned.<sup>30</sup>

Two years later in 1894 the Emperor issued Ethiopia's first national currency "in order", as an official proclamation declared, "that our country may increase in honour and our commerce prosper".<sup>31</sup> Though the new Menelik dollar, which was produced in France, never really displaced the long estab-

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<sup>29</sup> Keller: *op. cit.*, pp. 40-1.

<sup>30</sup> C. Conti Rossini: *Italia ed Etiopia*, 1935, pp. 172-3 and n.; Guèbre Sellassié: *Chronique du Règne de Ménélik*, 1930-2, Vol. I, pp. 324-5 and n.

<sup>31</sup> *Bollettino della Società Geografica Italiana*. 1905, pp. 634-5.

lished Maria Theresa dollar,<sup>32</sup> the units of smaller denomination were of considerable advantage to retail trade.<sup>33</sup>

The postal system meanwhile was being brought into existence. The country's first postage stamps, ordered like the coins from France, were put on sale at the end of 1893, the formal decree establishing post offices etc. being issued in the following year. French advisers were used by the Emperor in developing the service, and Ethiopia in due course joined the International Postal Union in 1908.<sup>34</sup>

A concession for the construction of a railway from Addis Ababa to the French Somali port of Jibuti was granted by Menelik to Ilg as early as March 1894, but the technical, financial and political difficulties involved were so great that the line, which was constructed with French capital and skill, did not reach Dire Dawa until the end of 1902 and Akaki, 23 kilometres from Addis Ababa until 1915; the first train services from the coast to the capital were inaugurated in 1917.<sup>35</sup>

Two telegraph and telephone systems had meanwhile been established at the turn of the century. One, constructed by the engineers responsible for the railway, followed its track from Addis Ababa to the coast, while the other, erected by Italian technicians, linked the capital with the Italian colony of Eritrea in the north as well as with a number of provincial centres in the south and west.<sup>36</sup>

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<sup>32</sup> R. Pankhurst: *The Maria Theresa Dollar in Pre-War Ethiopia*, "University College of Addis Ababa Review", No. 2, *passim*.

<sup>33</sup> F. Rosen: *Eine deutsche Gesandtschaft in Abessinien*, 1907, pp. 237-8; G. Montandon: *Au Pays Ghimirra*, 1913, pp. 196-7.

<sup>34</sup> A Zervos: *L'Empire d'Ethiopie*, 1936, p. 279; Imperial Ethiopian Government and Ministry of Posts, Telegraphs and Telephones, *Short History of Ethiopian Stamps*, n.d., pp. 20-1.

<sup>35</sup> Zervos: *op. cit.* p. 291; T. L. Gilmour: *Abyssinia, the Ethiopian Railway and the Powers*, 1906, *passim*; E. S. Pankhurst: *The Beginning of Transport in Ethiopia*, "Ethiopia Observer", Vol. I, No. 12, pp. 376-390.

<sup>36</sup> De Castro: *op. cit.* Vol. I, p. 231; Vivian: *op. cit.*, pp. 116, 127; Rosen: *op. cit.*, pp. 84-5; Skinner: *op. cit.*, p. 94; Zervos: *op. cit.*, p. 287.



Early in the twentieth century the first modern roads were constructed between Addis Ababa and Addis Alem and between Harar and Dire Dawa, with the assistance of Italian and French engineers respectively. This was an especially significant development in the Ethiopian context for it meant an important step towards economic and political unity, as well as the breaking down of traditional ways of thinking as illustrated by a provincial ruler who complained in 1908: "If this road is improved it will be all the easier for the Moslems and heathen to come up and attack us."<sup>37</sup> At about the same time the capital's wood supply was greatly improved by the introduction of the eucalyptus tree from Australia.<sup>38</sup>

The later years of the Emperor's reign saw the establishment of a number of modern institutions. The Bank of Abyssinia was founded in 1905, as an affiliate of the National Bank of Egypt.<sup>39</sup> Ethiopia's first modern hotel, the Etegue, was another innovation, the chronicler of the reign carefully noting that unlike the old system of hospitality it was necessary at the hotel to pay for all dishes consumed.<sup>40</sup> The Menelik II school, the first institution of its kind, was set up with the help of Coptic teachers from Egypt in 1908.<sup>41</sup> The Menelik II Hospital, founded to replace an earlier medical establishment operated by the Russian Red Cross from 1897 to 1907, was erected with the assistance of various foreign doctors in 1910.<sup>42</sup> A state printing press came into existence in the following year.<sup>43</sup>

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<sup>37</sup> Guèbrè Sellassié: *op. cit.*, Vol. I, p. 244; De Castro: *op. cit.*, Vol. II, p. 499; Rosen: *op. cit.*, p. 291; Skinner: *op. cit.*, pp. 15-17; Public Record Office, F. O., 401/11, General Report on Mr. Anbruster's Journey to Abyssinia.

<sup>38</sup> Mérab: *op. cit.*, Vol. II, pp. 177-8; T. Hohler: *Diplomatic Petrel*, 1942, p. 124.

<sup>39</sup> Zervos: *op. cit.*, p. 181; Mérab: *op. cit.*, Vol. II, pp. 124-5.

<sup>40</sup> Guèbrè Sellassié: *op. cit.*, Vol. II, p. 530.

<sup>41</sup> Mérab: *op. cit.*, Vol. II, pp. 127-8.

<sup>42</sup> *Ibid.*, Vol. II, p. 131.

<sup>43</sup> *Ibid.*, Vol. II, p. 128.

The Emperor, it will be seen, was in this way able to use the capital and skill of various European countries to graft modern institutions on the living organism of an independent African state. Ethiopia, which under the Emperor Haile Sellassie, joined the League of Nations in 1923, was thus the first country in Africa to develop a policy of obtaining foreign technical assistance from different and often rival industrial powers which tended to compete against each other. The limited influence of these powers was acutely summed up by the British envoy, Harrington, in 1902 when he wrote: "I have not yet seen that any of us have what I would really call influence, i.e. influence that would make Menelik do what he did not want to do. Influence to the detriment of others is plentiful here, but to one's own advantage is decidedly infinitesimal".<sup>44</sup> This policy was important in that it prevented a single country from achieving preponderant influence. The Ethiopian monarchs were always jealous of their independence and aware of their dignity *vis-a-vis* the European powers. One of the stories about Menelik which many travellers repeat may be quoted in illustration of these points, and also of the already referred to preoccupation of many sovereigns with the need to obtain armament from abroad. President Grevy of France, it is said, once sent Menelik a gift of an old fashioned cannon and a musical box. Without showing his irritation Menelik asked the minister to thank the President for remembering that the Emperor was a grandfather, since they were excellent toys for his grandchildren; he then conducted the envoy past his arsenal, and pointing to the most modern cannons and rifles in his possession, he declared: "These are my toys!"<sup>45</sup> Whatever the truth of this story there is abundant evidence that Ethiopian technical knowledge was traditionally at its highest in the military field. In 1907, for example, the British ambassador in Germany reporting on the visit

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<sup>44</sup> Public Record Office, F.O., 1/40, Harrington, 27.3.1902.

<sup>45</sup> Mérab: *op. cit.*, Vol. II, p. 59; Keller: *op. cit.*, p. 34; Le Roux; *op. cit.*, p. 202; De Castro; *op. cit.*, Vol. I, p. 161.

of an Ethiopian delegation to Hamburg where it was shown the latest military equipment, noted : "Their hosts were much astonished at the technical knowledge displayed by them in handling the weapons, and at their announcement that they themselves were in possession of most of the models shown."<sup>46</sup>

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<sup>46</sup> Public Record Office, F.O., 401/10, Lascelles, 6.9.1907.



# APPROACH TO ECONOMIC PLANNING IN ETHIOPIA

TAYE GULILAT

## Introduction

Countries that were by-passed, as it were, by the wave of technological growth unleashed by the Industrial Revolution, are seen engaged in the process of formulating, elaborating or implementing development programmes of varying time limits, in the earnest hope of attaining a higher standard of living and a viable economy. Planning has, in fact, become a growing and marked feature of the economic landscape of the economically backward countries yearning to “catch up” with the industrially advanced countries. Because of the range of ends and the level of attainment sought, the short period of time within which the ends are to be realized and the complexity and multiplicity of the institutional barriers to economic change, the state is called upon to play an active role in the formidable task of releasing the economy from a stagnation equilibrium and propelling it to a higher level of economic performance.

The traditional controversy regarding the role of the government sector and the scope as well as the character of government intervention in the management of the national economy is obvious. At the centre of this controversy lie considerations of economic welfare and of social interest. During the process of economic development, especially during the initial stage, additional arguments are canvassed in support of a greater degree of public intervention. It is averred that it is unwise to rely upon the price mechanism to ensure the orderly development of those sectors of the economy which require “inputs”

that are not directly profit yielding. State action is necessary to create the basic facilities which are of fundamental importance for development, especially in the "preconditions" period. In view of fostering industrial and commercial expansion, the state, even in the private sector, where there is marked shortage of entrepreneurial skill and capital, may assume the coordinating and investment functions.

Development programming has become a widely accepted tool for stimulating economic growth, and Ethiopia, living in the twilight between feudalism and capitalism, through a conscious and planned course, intends to infuse dynamism into the rather static economic structure. The present period, however, may be appropriately described as a "formative stage" in the process of framing government plans and policies, as well as "experimenting" with planning as a means of policy formulation.

The main purpose of this article is to review briefly the general aims and objectives, the targets, the public expenditure programme and the implementation of the First Five-Year Plan in order to shed light on the technique of economic programming employed, the government's attitude towards the public sector and the relative importance attached to it.

### Sector Plans

In the post-war period, separate programmes and plans which were not integrated into a general framework of a national plan covering all activities, were drawn up by various governmental agencies and served as a basis for national policies. These plans were often in the nature of rehabilitation and reconstruction programmes, aimed at bringing the economy into working order by removing the main bottlenecks as rapidly as possible. Thus a ten-year programme of industrial development has been elaborated, a four-year programme of highway maintenance and construction drawn up by the Imperial Highway Authority, a three-year programme for the rehabilitation and

extension of telecommunications network, a five-year programme for agriculture, a ten-year programme for education and other plans mapped out.

Thus prior to the formal adoption of the Five-Year Plan in 1957, there were a series of sector plans for agriculture, industry, education etc. They were of varying durations (3-years, 4-years, 5-years...) and with different characteristics. They were mostly proposed schedules of public expenditure<sup>1</sup> to be undertaken as soon as financial resources were made available.

Though these sector plans served, at least on a modest scale, the useful purpose of focussing attention on planning and development, they were in no real sense integrated. Awareness of this shortcoming, coupled with the realization that economic planning in some countries has been introduced as an efficient tool for policy formulation with regard to rapid economic development, has led the government to formulate an overall plan for accelerating Ethiopia's economic growth.

### The First Five-Year Plan

The First Five-Year Development Plan to cover the period 1957-61,<sup>2</sup> largely mapped out by a team of Yugoslav experts, attempts to be a comprehensive development programme, establishing a set of overall targets for the economy as well as quantitative targets for specific sectors. It was formulated on the basis of a survey of the structure of the economy and an analysis of recent economic trends.<sup>3</sup> Although the plan was influenced by certain long-run economic and social considera-

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<sup>1</sup> In certain cases, notably in the industrialization programme, participation by the private sector and foreign investment was anticipated.

<sup>2</sup> The period of time during which the plan was to run has been stretched by one year and the Second Five-Year Plan is under preparation.

<sup>3</sup> See: *Situation et possibilités de développement de l'économie éthiopienne*, vol. I-XIV, Addis Ababa 1955. This study was published in restricted edition for the use of the Ethiopian Government.

tions, it was not formulated within the framework of a perspective plan covering a span of 20 or 30 years.

The plan does not explicitly postulate the continuation of free enterprise under a competitive framework, nor does it also imply the "scrapping" of this system. It is obvious that the economic conditions prevailing in Ethiopia do not warrant the advocacy of "hard handed methods".<sup>4</sup>

Ethiopia has not reached or ever nearly reached the "take-off" stage into self-sustaining economic growth, and in her present stage of economic development she relies on external sources for her supply of capital. The domestically generated earnings are insufficient to maintain an adequate rate of capital formation. Accordingly, in order to augment the inadequate domestic supply of capital, the government attempts to enlist the support of prospective foreign investors primarily by granting tax concessions. It is held that economic development would be mostly stimulated by attracting prospective investors. The plan takes due account of this.

Perhaps on account of changes in external conditions or even change in official thinking with respect to planning, the plan has been kept "a secret for two and a half years".<sup>5</sup> Consequently during this period it had little, if any, impact on government or private policies, and government agencies continued to base their investment and other policies on *ad hoc* considerations. It is also pointed out that "a Five-Year Plan of unknown contents lurking in the background may have actually scared away some potential investors".<sup>6</sup>

### Formulation of the Development Plan

In this section an attempt will be made to review the general aims and objectives, targets, planned investments, structure of

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<sup>4</sup> See: Ethiopias Five-Year Plan 1957-61 in *Report on Economic Condition and Market Trends*, No. 44, November 1959, p. 9.

<sup>5</sup> *Ibid.*, p. 9.

<sup>6</sup> *Ibid.*, p. 10.



the economy and general lines of development, and implementations of the plan.

*General aims and objectives.* A constellation of factors—social, cultural, political and economic—act and interact in such a way as to keep the economy in stagnation equilibrium. The removal of the numerous obstacles to more intensive economic development calls for planned action.

Among the most familiar stumbling-blocks may be cited the non-or-under-utilization of the available resources; the low propensity to save and invest productively; the marked shortage of capital; the mono-export economy and its vulnerability to fluctuations in world-market situations; and the socio-political conditions such as closed social groups, lack of general or technical education and obsolescent land tenure system hampering optimum utilization of human capacity or physical resources.

A national economic development policy must be based on a fairly incisive analysis of the influence exerted in practice by each of these and similar other factors. It must, at the same time, embody measures specifically designed to remove obstacles and acute bottlenecks which cramp economic advancement.

Thus in Ethiopia the broad strategy of development was formulated by inter-linking the general statement of objectives with the structural analysis of the economy and points of weaknesses in the national economy.

In the general description of the economic structure it is pointed out that, "large areas of the country with favourable climate conditions for agricultural production are partially exploited",<sup>7</sup> correspondingly, therefore, one of the stated objectives of the Five-Year Plan is to increase the acreage under cultivation. Secondly it is indicated in the analysis of the economic structure, that mineral resources, "have not so far been sufficiently and systematically explored"<sup>8</sup> and it is recommended

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<sup>7</sup> Imperial Ethiopian Government: *Five-Year Development Plan 1957-61*, Addis Ababa, p. 3.

<sup>8</sup> *Five-Year Development Plan 1957-61*, p. 3.

that great emphasis should be laid on the conducting of surveys and explorations. Thirdly, emphasis is laid upon the "obsolete forms of economy, such as nomadic cattle breeding and subsistence farming...,"<sup>9</sup> and consequently, the statement of objectives underlines the need to foster the "expansion of the market and monetary economy and greater integration of the overall economy". The description of the economy mentions that the Ethiopian economy is a mono-export economy, and consequently we find among the stated objectives and general priorities the desirability of export diversification. Noting that, "individual saving is not sufficiently utilized for productive purposes" and so far "has been invested mostly in housing", and further underlining the fact that "the narrow and non-flexible market calls for more entrepreneurial ability and initiative than most sayers possess", consequently we find among the major objectives "a higher rate of domestic savings and investments..." The description of the structure of the economy points out that, "one of the major problems" is to broaden and intensify, "general and technical education among the rural population which is a necessary prerequisite for the further development of agriculture"; thus the statement of objectives stresses the need for, "systematic education and training to produce qualified personnel and skilled labour".

Such a predominantly qualitative exploration into the structure of the economy and the sources of weaknesses served as a basis for delineating the particular patterns and directions of future development, and gave the planners an idea of the priorities thereby obviating the need for too elaborate and precise models and calculations, which the available statistical information does not permit anyway.

Some of the objectives are capable of being expressed in qualitative forms, others in quantitative and still others partly in qualitative and partly in quantitative forms. Cattle breeding is a way of life rather than a commercial activity. The number

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<sup>9</sup> *Five-Year Development Plan 1957-61*, p. 4.

of cattle, in some regions, determine the status of the owner. The emphasis, consequently, has been on quantity rather than on quality of cattle, and this has obviated capital formation through a process of increments in the value of the stock. The change of the attitude of the cattle breeders to their cattle so that it should be considered as a productive investment rather than an accumulation of wealth is necessary. As an objective, this is hardly capable of being expressed in a quantitative form, even though its results in terms of increased production can. On the other hand, the objective of increasing the acreage under cultivation can be directly expressed quantitatively. A number of other objectives are partly qualitative and partly quantitative. The transformation of the "subsistence sector" into a monetary economy is a case in point.

*Targets.* In Ethiopia's development plan, the general quantitative targets assume the form of aggregates like national income, value added in production, investment, employment, import, export etc. An increase in the national income of 3.7 per cent per annum is aimed at, which allowing for an estimated population increase of 1.5 per cent, would leave an increase of income per head of 2-2.5 per cent.<sup>10</sup> The gross output of the manufacturing industry is expected to rise from Eth. \$ 81.8 million in 1957 to Eth. \$ 175.5 in 1961—almost three times that of 1954.<sup>11</sup> In the labour market, the creation of 140000 new jobs is envisaged.<sup>12</sup>

Apart from these aggregative targets, the development plan includes targets for the major sectors of the economy. Total investments are broken down into separate targets for the following sectors: agriculture, forestry, mining, electricity, manufacturing industry, building, transport and communications, trade, tourism, housing, health, education, administration, community development programme and farmers' investments in

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<sup>10</sup> *Five-Year Development Plan 1957-61*, p. 46.

<sup>11</sup> *Ibid.*, p. 114.

<sup>12</sup> *Ibid.*, p. 31.

kind. The growth and composition of the national income is shown separately for agriculture and forestry, mining, manufacturing industry, electricity, handicraft, construction, transport and communications, trade, various services and others<sup>13</sup>. The export targets are shown separately for the major commodities, namely coffee, cereals and products, oilseeds and products, pulses, hides, skins, live cattle, chat and others.<sup>14</sup>

*Approach.* In treatises on development programming, a sharp distinction is drawn between the programming and sectoral (project) approaches: whereas according to the first approach, the sectoral targets are derived from the overall targets, in the second approach, the overall targets are built up from the sectoral targets.

In Ethiopia development programming starts with the individual sectors: what can be done in agriculture, industry, transport, etc. Such an approach enabled the planners to incorporate in the plan elements of the various Sector Plans drawn up by the various government departments.

The Central Planning Office occasionally tenders suggestions to some ministries and special agencies some development projects for detailed study and preparation. In fact, the part played by the Central Planning Office in the elaboration of sectoral projects is apparently predominant. As far as the inclusion of a project in the development plan is concerned, the final decision rests with the Imperial Planning Board—from which originates the general directives with regard to the formulation of the development plans.

*Investments.* The Five-Year Plan which is essentially conservative, blueprints a set of investments targets and magnitudes totalling Eth. \$ 673·6 million (including Eth. \$ 139 million for “non-monetary” agricultural own account construction).

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<sup>13</sup> *Five-Year Development Plan 1957-61*, p. 48.

<sup>14</sup> *Ibid.*, p. 56.

A capital-output ratio of 2.4 : 1 is assumed. This is a ratio within the normal range, and, if realized, would indicate economical use of capital.

Although the Ethiopian development plan has no specific "target" for the marginal rate of investments, it implicitly assumes that while the average rate of investment in 1957 was 6.7 per cent, the marginal rate of investment in the planned period would be as high as 24–25 per cent. Thus the plan rests on the hypothesis that one-quarter of the extra-income generated by the planned programme will be saved and ploughed back, but there are no indications in the plan as to how this target will be achieved. Where *per capita* incomes are so low as in Ethiopia it seems visionary to expect spectacular increases in the saving ratio in a matter of few years.

According to the plan's schedules about 45 per cent of the investments (excluding investments in kind in agriculture) would be financed out of foreign loans, aids and reparation payments: 27% will be public money and 25% private (almost half of this is foreign private investment). Thus, on both private and public account, the Ethiopian plan gives ample scope for foreign participation—by international institutions, by governments, or by private firms—in Ethiopia's development effort.

The inter-relationships of private and public investment is clearly underscored in the following statement: "The volume and methods of fiscal savings have been designed to avoid, as far as possible, a stifling of private initiative, saving and investment". In the development plan it is stressed that the state should employ measures and create conditions congenial for the full participation of the private sector in the execution of the plan. Additionally, Ethiopia attempts to encourage non-financial investments in the form of community development works, promote rural investment in kind (this amounts to 20 per cent of the projected total investment)<sup>15</sup>, and adopt measures to maxi-

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<sup>15</sup> *Five-Year Development Plan 1957–61*, p. 37.

mize domestic savings and channel them into production investment.

The order of investment priorities is determined by the attained level of development, the economic structure, and the composition and availability of natural resources. Even though Lord Lugard's view that, "the material development of Africa may be summed up in one word—transport" appears to be an overstatement in the context of some African countries, in Ethiopia where the backlog of transport deficiency is substantial, there can be little doubt that an improved and more extensive transportation network is fundamental to development. The inadequacy of the transport system is the major obstacle to the development of the internal market, to the integration of the people into the economic vortex, and to the promotion of exports. Areas have to be opened up and brought into contact with the money economy, and possibilities have to be created for the assemblage and transportation of surplus production to the markets. Thus the Ethiopian government in the First Five-Year Plan concentrates on transport as a first necessity. Transport and communication bulks large in the plan, accounting for 45 per cent of the total monetary investment.

"In the coming five-year period" it is noted, "electric power will probably be the only significant local source of energy. Its rapid development is justified by the existence of an abundant hydro-electric power potential, as well as by the needs of the entire economy, especially manufacturing industry".<sup>16</sup> Investment in this sector amounts to nearly Eth. \$ 43.3 million i.e. about 8 per cent of the total monetary investment.

Planned investment in mining amounts to Eth. \$ 38 million i.e. 7 per cent of the total monetary investment. The bulk of this is to be allocated for surveying and prospecting thereby laying the foundation for a future mining and metallurgical industry.

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<sup>16</sup> *Five-Year Development Plan 1957-61*, p. 35.

Planned investment on education amounts to Eth. \$ 20 million i.e. 3.7 per cent of the total monetary investment. In Ethiopia, where almost 90 per cent of the population is estimated to be illiterate, educational advance is of special import as it is necessary to break down social attitudes which both restrict people's opportunities and retard material advance. It is worthy to note also that Ethiopia's ability to take full advantage of the accumulated technological and administrative knowledge depends largely on the attitudes and skills of the Ethiopians. The attitude prevailing in rural Ethiopia greatly reduces Ethiopia's ability to benefit from fully utilizing to this potentially valuable resource. The remark is not made to suggest an immediate massive drive for mass literacy or that large-scale or sustained expansion of education is possible and desirable without a substantial increase in the productivity of the economy, but it is made largely to underscore the urgent need for a substantial investment in the educational field. Almost two-thirds of the total monetary investments was allocated for infra-structure.<sup>17</sup> The supply of an infra-structure in transport, electricity generation and in education requires not only investment funds but also time. The provision of a broad infra-structure precedes the development process that can be initiated in the more directly productive sectors of the economy.

Apart from the provision of infra-structure, the government has aimed at the expansion of the more directly productive sectors, especially agriculture and industry.

Any rational and sound concept of development should be related to the type of resources, physical and human, relatively abundant; with land as the largest portion of Ethiopia's national resources and a great majority of Ethiopians engaged in the exploitation of land, significant economic progress would not be possible without a substantial agricultural improvement to release the saving and manpower needed for the industrial sector. An increase in agricultural productivity is necessary for the emer-

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<sup>17</sup> *Five-Year Development Plan 1957-61*, p. 34.

gence and extension of a viable manufacturing industry. Thus the double objectives of the agricultural policy in the five year period are: "to create the basis for a more dynamic long-term development of agriculture, and, secondly, to take measures that would achieve during the planned period a sizeable increase in agricultural production and particularly in marketable crops and raw materials for industry".<sup>18</sup>

A desired development in the agricultural sector cannot be attained without a great deal of drive and active material assistance on the part of the state. This is so because of the formidable nature of the many obstacles that have hampered agricultural progress. Consequently the State assumes the responsibility for providing not only basic services but also undertakes direct promotional work by supplying finance, technical advice and other assistance.

According to the plan, Eth. \$ 40 million i.e. 8 per cent of the total monetary investment is allocated to agriculture. This is in addition to the rural investment in kind, estimated to figure Eth. \$ 139 million. Funds for the promotion of agriculture are to be devoted mainly to the strengthening of the administrative apparatus of the Ministry of Agriculture and for broadening the scope of its programme. Part of the fund will be allocated for the promotion of research and extension services with the view to raising yields and improving quality of agricultural production. The dissimination of better seeds and livestock, the introduction of improved processing methods and machinery as well as simple implements<sup>19</sup> etc. are envisaged by the agricultural policy. Further, the government plans to encourage investment in agriculture, particularly by expanding agricultural credit for which Eth. \$ 10 million would be available under the plan.<sup>20</sup> The state does also actively engage in agriculture through public corporations.

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<sup>18</sup> *Five-Year Development Plan 1957-61*, p. 63.

<sup>19</sup> What the Ethiopian farmer needs is a better plough, not tractor, a scythe not a harvester.

<sup>20</sup> *Five-Year Development Plan 1957-61*, p. 78.



“The manufacturing industry could expand rapidly because of the plentiful supply of basic raw-materials especially from agriculture, and to a lesser extent from forestry and mining, as well as because of the growing domestic demand for industrial production; its recent significant increase confirms the existence of favourable conditions. Industrial development is important for the growth of a market economy and for a greater diversification of the structure of production, consumption, employment and exports. An important place is therefore given to industries in the allocation of investment, viz. Eth. \$ 57 million, nearly 11 per cent of total monetary investment”.<sup>21</sup>

The Government appears to be in favour of light industries using local materials or catering for the domestic market.

The statement of policy issued by the Government in 1950 for the encouragement for foreign capital still stands.<sup>22</sup> It provides for income tax exemption for the first five years of production, exemption from custom duties of capital equipment, and remittance of a fixed percentage of profits abroad, for industries establishing themselves in Ethiopia. Investments are also to be stimulated by the government through joint ownership by State and private interests (foreign or domestic), or through the establishment of State enterprises where private initiative is not forthcoming. In the latter case, the enterprises may be later on taken over by private interest. The creation of a special financing institution offering credits on easier terms is envisaged by the Five-Year Plan.

#### *Structure of the economy and general lines of development.*

In order to further clarify the purpose and priorities of the plan, it is worthwhile to furnish a broad picture of the

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<sup>21</sup> *Five-Year Development Plan 1957-61*, pp. 35-36. About half of the investment in industry will be financed from public funds, so that the government will have ample opportunity for guiding development in the desired directions.

<sup>22</sup> Legal Notice No. 10 of 1950, published in *Negarit Gazeta*, February 28, 1950.

expected changes in the economy under the impact of the development programme. The centrepiece of such a broad picture in Ethiopia would be the relation between agriculture and the rest of the economy, and within agriculture, the relation between subsistence production and production for a market. It is noted that as a result of a projected growth of the national income arising from agriculture and forestry by 11 per cent only, whereas the total national income and manufacturing industry are expected to increase by 16 per cent and 84 per cent respectively, the share of agriculture and forestry in the total national income between 1957 and 1961 is expected to decline from 75 per cent to 72 per cent.<sup>23</sup> On the other hand, partly because of shifts in relative employment between agriculture and the rest of the economy and partly because of the diversion of 90 per cent of the total increase in agricultural incomes to consumption, whereas only 35 per cent of the non-agricultural income is expected to go into consumption,<sup>24</sup> the standard of living of the rural population is expected to increase faster than that of the rest of the population.<sup>25</sup> Although over the planned period the aggregate increase in national income is expected to be about 16 per cent, the increase in commodity exchanges amounts to about 36 per cent.<sup>26</sup> The volume of marketable surplus is expected to rise by some 27 per cent and its share in total agricultural production is expected to rise from 18 per cent to 22 per cent.<sup>27</sup> Thus production for the market is expected to increase at least as much from the orientation of agricultural production to the market as from the growth of total agricultural production. The emphasis laid on the transformation of agriculture from subsistence production to sales in the market helps one to understand the concentration in the Five-Year Plan

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<sup>23</sup> *Five-Year Development Plan 1957-61*, p. 48.

<sup>24</sup> The plan does not envisage measures to ensure the withholding from consumption 65 per cent of the increase in non-agricultural income.

<sup>25</sup> *Five-Year Development Plan 1957-61*, p. 54.

<sup>26</sup> *Five-Year Development Plan 1957-61*, p. 50.

<sup>27</sup> *Five-Year Development Plan 1957-61*, p. 51.

on investment in transport. The fact that *per capita* income in Ethiopia, outside agriculture, is estimated at four times the *per capita* income in the agriculture sector, serves to focus our attention, both on the need for raising agricultural productivity and on the benefits to be derived from a redistribution of employment away from agriculture to industry.

*Implementation.* A considerable amount of information on an economy is the sinews of proper planning, but such information is lacking in Ethiopia. Still, however, the planners in setting the quantitative targets relied on the available figures "even when the figures were themselves partly based on hunch". The First Five-Year Plan of Ethiopia presents a number of basic tables describing the present structure, current trends and expected structural changes in the economy in considerable detail, adding to the tables such footnotes as the following: "This estimate was based on various data not sufficiently complete and reliable and therefore should be considered as approximate." "This table is based partially on estimates using various available data and information. It can be used only as a rough illustration of the structure of the national income." "The data for 1950 and 1954 are based on estimates where more precise statistical material was not available", and so on. The marked paucity of statistical information, and the inaccuracy of the available supply of statistical data forced the planners to employ rather rough tools in the process of plan formulation.

Two other major weaknesses are closely related to a very important phase of planning namely implementation. The fact that the Five-Year Plan has been kept a secret document for half of the planned period has, of course, led to operations outside the planned framework. The departments responsible for executing projects and implementing policies designed to realize planned targets were kept in the dark. Periodical reports about progress achieved and difficulties encountered were not called for, thereby separating the idea of planning from reporting. The plans were set, and left, as it were, to be examined after five

years. Even after the plan was given some degree of publicity there was no legal basis for urging the executive departments to prepare reports and to go ahead with the projects.

The general absence of planning units with the task of drafting projects, supervising implementation, and preparing progress reports within the various ministries concerned with economic affairs has rendered the implementation phase of planning rather feeble.

Considerable attention was not devoted in the plan to the underlying mechanism which would assure the implementation of the specific programmes. The plan, simply and in a cursory fashion, treats this problem primarily as one concerned with the supply and training of people involved in the programme. It envisages modest organizational adjustment in some ministries in view of the plan, the need to provide adequate training, and to introduce a scheme of advancement for effective performance.<sup>28</sup> Actually the problem of leadership requires a much fuller treatment than that given to it in the plan. An essential ingredient of such a treatment, however, is an understanding of the structure and dynamics of Ethiopian economic life. Without the knowledge as to how the economy will, in fact, react to various types of Government programmes aimed at accelerating economic growth, the scope and nature of the government's administrative and development tasks involve important unknowns. This is particularly true with respect to such matters as determinants of savings, of consumption, and private investment. Hypothesis rather than knowledge exists as to what could be expected in these areas.

### Conclusion

In a discussion of planning in Ethiopia it is essential to draw a distinction between planning as an advice and planning as a programme of action. The plan may be divorced from im-

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<sup>28</sup> *Five-Year Development Plan 1957-61*, pp. 151-3.

plementation. This was to a large extent the case in Ethiopia. Hence discussion of planning in Ethiopia is reduced to an examination of how good the plan was as a piece of advice—as a strategy of development—leaving out the appraisal of how effectively the strategy worked or the advice applied.

The plan was kept a secret for half of the planned period. The administrative agencies were left uninformed of the projected plans. The plan as it emanated from the planning office was not accepted as a programme of action—reflecting non-committal to the plan and even to planned development, and as the real and financial resources envisaged by the plan proved to be remote from actual capabilities, the plan as a set of policy directives further lost significance and reduced thereby to a “mental or academic exercise” or as an exercise in hope.

Even when the plan was released, there was no special urge or pressure exerted to induce governmental agencies to carry out the plan—no conscious effort to implement the plan, policies and programmes continued to be carried out outside the planned framework.

In the context of “Ethiopia To-Day” private enterprise is apparently a weak candidate for the assumption of heavy developmental responsibilities, and the government cannot hold the main levers of development in the absence of an administrative apparatus capable and efficient enough to carry out a consistent strategy of development.



# AN ANALYSIS OF THE ECONOMIC DEVELOPMENT OF BRAZIL\*

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## Physical Background

A foreign observer does not usually realize the full extent and diversity of the physical conditions which form the background of Brazilian economy. Brazil has a larger area than the United States and stretches for more than four thousand kilometers from East to West, and from North to South. It covers more than 8.5 million square kilometres and can be divided into five sub-regions which must be identified in order to explain the processes by which Brazilian economy and nationality were formed. They are:

(1) The tropical coastal zone — a narrow belt with a typical tropical, humid, warm climate, which stretches from the North-East down to São Paulo. Numerous rivers cross this zone forming large valleys which contain rich deposits brought down from the higher regions of the interior and which result from rock disintegration. The sides of these valleys are the main area of tropical cultivation, mainly sugar cane, and thus these were the first areas to be settled. The first Brazilian cities to develop — Salvador (Bahia), Recife, Rio de Janeiro are situated in this belt and this contributed to shape the standard picture of tropical Brazil, still prevailing all over the world.

(2) The semi-barren hinterland — which is in the North-East region and stretches from Maranhão and Goiás in the West to Minas Gerais in the South and which forms the hinter-

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\* Translated from the original written in Portuguese.

land of the humid coastal belt. The rainfall here is three or four times lower than in the coastal belt and is far more concentrated. The dry periods normally last for eight months, but can sometimes extend up to twenty or even thirty two months. These long dry periods occur with some regularity twice every ten years.

Since its beginnings as a colony, extensive cattle breeding has been typical for this region, and in the nineteenth century a special type of cotton tree, producing long fibres, was introduced.

(3) The Central Plateau — which is bordered to the South by the tropical coastal belt and stretches as an extensive plateau towards the interior reaching the Rio Grande, and Matto Grosso and Goiás in the West. The northern part of the region was a large producer of gold and diamonds in the eighteenth century, and coffee industry has been developed in the central part of the plateau during the second part of the last century and the first half of this one.

(4) The Southern Plains — the Central Plateau stretches to the South and covers the plains of the Rio Grande which are similar to the neighbouring regions of Uruguay and Argentine. This region was populated for political purposes starting from the second half of the seventeenth century. Cattle breeding was developed in this region and was source of supplies of cattle for the mining region during the period of its greatest activity.

(5) The Amazon and La Plata Basins. These sub-regions cover about three million square kilometers. The lowlands of southern Matto Grosso drained by the tributaries of the Rio de La Plata and the immense Amazon basin cover the remaining 5½ million square kilometers. The La Plata basin, where vegetation is low, was penetrated during the 17th century by “bandeirantes” who were hunting Indians in order to enslave them. The Amazon was first penetrated along the main stream westwards, initially by Jesuits during the 18th century who tried to organize the abundant native labour as they had done in Paraguay.



## The Historical Background

The economic development of Brazil was closely connected with the settlement of land during the first four centuries of colonization (16th–19th). Economic development started with the penetration of Europeans by origin or cultural formation and led to the organization of an economic system directly or indirectly linked to the European economy and to the application of European techniques of production. This stage of Brazil's development was accompanied by a growth of population mainly due to the immigration of Europeans and Africans. Development meant as growth of productivity or of income *per capita* cannot therefore be applied to this period.

During the long period of settlement, which covered four centuries, three big cycles of growth and depression can be identified. The first of these was known as the "sugar cycle" but can be better described as a cycle of tropical agriculture, depending on slave labour; the second is known as the "gold cycle" but is better described as a mineral cycle, also depending on slave labour; the third is known as the "coffee cycle" but it can be better described as a cycle of tropical agriculture depending on hired labour.

The success of the settlement of the humid coastal belt in the first half of the 16th century is closely connected with the big expansion of the sugar trade. During this period the control of this trade shifted from the Venetians and Genoese to the Dutch. This change in the centre of influence was partly due to the Turkish occupation of the main centres of sugar production in the Eastern Mediterranean. The displacement of centres of refining and trade seems, however, to have been more important than the changes of centres of production, since after a period of over-production and falling prices at the end of the 15th century — when sugar from the Portuguese Islands in the Atlantic made its appearance on the market — there followed a period of high steady prices during the whole of the following century, apparently under conditions of a continuously

expanding market. Thus, Dutch effort to introduce sugar (which up to then had been considered almost exclusively as a medicinal product) to the European market is an essential factor in explaining the first agrarian economy organized in Brazil. But for this, settlement at this period would not have lasted, as can be seen more clearly if the limited resources of Portugal are taken into consideration.

Settlement having in view sugar production initially took place in three districts: in the North-East around what was later to become Recife, around Salvador (Bahia) which became the capital of the Colony, and around what came to be the port of Santos in São Paulo. The first two regions developed into the largest centres of sugar production during the period from the middle of the 16th century to the middle of the 17th century. The southern region because of its greater distance from the European market and its remoteness from the good coastal soils lost ground as a center of sugar production. The small southern colony known as Piratininga, later to become São Paulo, did not disintegrate however as a result of the failure of sugar production. It shrank into a small economic unit where subsistence production prevailed and whose main export was native slave labour for which there was a big market in the Northern sugar producing colonies. The people of Piratininga, known as "paulistas" specialized in hunting natives and organized excursions farther and farther into the interior. These excursions or "bandeiras" constituted one of the principal instruments for Brazil's territorial expansion, especially during the third century after colonization had begun. Indian hunting was then replaced by search for gold and diamonds which was also instrumental in expanding Brazil's frontiers.

The sugar industry developed intensely during the second half of the 16th century and the first quarter of the 17th century. This development meant that Piratininga was able to survive as a colony exporting slave labour and made the settlement of the semi-arid hinterland possible with the population specialized in cattle breeding. Since cattle breeding was impossible in

the humid zone, where animals had to be kept off from the plantation, draft animals — the main source of energy for sugar mills — were in short supply and farms had to use animals bred elsewhere. The semi-arid region thus became the first important centre of cattle breeding in the country. This is how settlement which was a direct result of the sugar industry — and as such, limited to the narrow humid coastal belt — spread indirectly much farther. As a result of the activity of the “paulistas”, the settlement reached Goiás and the Matto Grosso in the South and as a result of the activity of the northern cattle breeders it spread as far as the Parnaíba river in the North — a limit of the semi-arid region — and southwards as far as the middle São Francisco in the south of the present Bahia State. The expansion of the sugar economy was interrupted as a result of political upheavals in Europe. The absorption of Portugal by Spain in 1580 and the conflict between Spain and Holland which gained in intensity during the first quarter of the 17th century had their direct repercussions in Brazil. As a result of the increasing difficulties facing the Dutch who refined nearly all the sugar output and distributed it in Europe they decided to occupy the productive regions of Brazil. This occupation lasted for more than a quarter of a century but did not become stable because the Dutch, weakened by internal dissensions and preoccupied with short-term profits, ignored opportunities of becoming reconciled with their numerous adversaries.

The alliance between Portugal and England which took place in the middle of the 17th century was of particular importance for the subsequent development of Brazil, both as an economic unit and a nation. Portugal, whose independence was not as yet acknowledged by Spain and who was in war with Holland, accepted progressive English assistance which soon took the form of protection. Three treaties were signed between 1652 and 1661 which included secret clauses authorizing economic concessions made by Portugal in exchange for political protection. This included the defence of her colonies by the English Navy.

The withdrawal of the Dutch from Brazil began a long period during which sugar prices fell and when the marketing of sugar became disorganized. The Dutch withdrew from North-East Brazil to the Antilles where they founded new centers of sugar production, allying themselves with the French and English settlers, already in the islands, as a spear head against the Spanish Empire. Antillean trade which had the advantage of the big metropolitan markets in Europe competed successfully with Brazilian sugar. This led to the first big depression in Brazilian economy. The difficulties which confronted Portugal at this period forced her to adopt a more active policy the essential part of which was the alliance with England. In order to prevent further competitive trade the Portuguese tried to expel the French from the northern regions of the country. On the other hand they founded the colony of Sacramento opposite Buenos Aires in order to profit from the smuggling which was going on in the region of La Plata. Thus, by the end of the second half of the 17th century, two areas of political friction had been established which show that the Portuguese controlled a far larger area of the Atlantic coast in South America than had been considered Portugal during her union with Spain. This expansion received legal justification at the beginning of the next century in the Treaty of Utrecht when France renounced all rights to the area around the mouth of the Amazon and Spain acknowledged the colony of Sacramento as Portuguese. In both cases this was under pressure from England. During this period, however, Brazil assumed far greater significance due to the discovery of gold and diamonds.

The second great phase of prosperity in Brazilian economy occurred between 1700 and 1775. Consequently, Rio de Janeiro became the port for the gold region, the main economic centre and the capital of the country. This second cycle of expansion was fundamental in the formation of Brazilian economy for two main reasons. In the first place it attracted vast numbers of European immigrants estimated at 300-500 thousand people. As a result of this the tiny European minority turned into

majority. Secondly, it led to creation of an economy in the central region of the country which for demographic reasons as well as for its prosperity became the centre of the Portuguese possessions in America. Gold exploration in Brazil was almost exclusively confined to the discovery of alluvial deposits. Deposits discovered in this way contributed to the rapid accumulation of wealth but they soon became exhausted. A semi-nomadic economy prevailed which did not permit the development of local centres of supply. Draft animals played a fundamental role in this economy. The big breeding regions—the semi-arid zone, Rio Grande do Sul and the Southern Matto Grosso—began producing for the big cattle market created by the gold trade.

The gold economy led to the organization of Portuguese centres in South America around the market established between Rio de Janeiro and the hinterland. It also meant that Portugal, during the next two centuries was able to consolidate her rule over a large area of land and that her connections with England were further strengthened. During the first decade of gold exploration (the first decade of the 18th century), Portugal signed a fourth agreement with England. In this agreement she renounced any rights to defend her manufactured goods against those of English origin in return for the preference granted to Portuguese wines on the English market. Thus the gold exploration in Brazil had its main impact on the English export economy and the English manufacturers found “the very best branch of all our European commerce” in Portugal, as it was expressed by a contemporary writer.

The gold economy began to decline when alluvial deposits were exhausted after about 1770. This led to a second period of stagnation which lasted up to the middle of the 19th century. This second period of stagnation was marked by American Independence, the French Revolution and the Napoleonic Wars. These events led to modifications in the world economy which resulted in periodic phases of prosperity in some Brazilian regions. Two further developments during this period had an important influence on Brazil. The first of these was Brazil's

gaining of political independence and the special form this assumed as a result of the transfer under English protection of the political centre of the Portuguese Empire to Rio de Janeiro. The second was that Brazil entered into the world coffee trade, as a result of the disorganization of the market for this commodity, due to the destruction of the plantations in Haiti, which at that time was an important world producer.

The particular form assumed by Brazil's independence namely that of a partition of the Portuguese Monarchy, meant that it preserved territorial unity. In fact it created territorial unity rather than preserved it because before the seat of the Monarchy was transferred to Rio de Janeiro, the Brazilian State included only the North-East and southern regions. The northern region, i.e. the Maranhão State was directly connected with Lisbon. A negative result of this independence "without tears" was the transfer to Brazil of the enormous political weight of English tutelage of Portuguese possessions. In return for recognizing Brazil's independence England demanded in 1810 the ratification of the agreement which the exile government in Rio de Janeiro could not practicably refuse to sign, and imposed on Brazil the same system of subordination which had existed in Portugal since the middle of the 17th century.

The first half of the 19th century is clearly marked by this fact. The agreement with England prevented the Imperial Government to raise custom tariffs which were almost the only source of public revenue. The imperial government weakened under the enormous tasks set out in a country with scattered population spread over an immense territory. Relations between the different regions were weakened as a result of the break down of the gold trade. The cattle breeding area in the deep South was particularly affected as the result of the impoverishment of the central region which had been the former gold producer. Local "caudillos" flourished as a result of discontent and rebellions were numerous. The Central Government resorted to inflatory measures which resulted in rising prices and the scarcity of imported goods in the urban districts. This led to

further discontent among the population of the principal towns and to endless local riots.

The third big phase of expansion in Brazilian economy began in the middle of the 19th century. The coffee industry, whose output began to expand at the beginning of the century, became definitely established in the high regions of the Rio de Janeiro State. Labour and factories left idle as a result of the end of the gold trade were consequently mobilized. Exports, after fifty years of stagnation, began to increase steadily. The agreement with England expired during this time and Brazil, despite enormous pressure from the English Government, did not renew it. Increased imports and the raising of custom duties increased the resources of the Central Government. This established its authority and assured tranquillity throughout the whole national territory.

The expansion of the coffee trade received great impetus in the seventies when it spread as far as the Paulist High Plateau as a result of the development of railways and of the flood of European immigrants who provided the labour. This expansion continued without interruption up to the first decade of this century. After half a century of expansion, coffee became one of the principal products of world trade and 4/5 of the world coffee production were supplied by Brazil.

The period of coffee expansion ends after the first decade of this century with the first big crisis due to overproduction. The first half of this century must therefore be considered as a long period of readjustment and transition as were the second half of the 17th century and the first half of the 19th century. Each of these periods of transition was marked by events which were decisive for the political development of Brazil. Its development seems to follow the following pattern: each phase of prosperity brought about multiple movements, some of them convergent and other divergent, which led to the settlement of the territory and the interlinking of the different regions. Interruptions of prosperity gave way to desintegrating forces and breaches in the weak political system have deepened. At the

same time people became conscious of the situation and top priority was given to political problems. During the first depression efforts were made to enlarge Brazil's frontiers, incorporating the Amazon basin, and pushing the southern frontier as far as Rio de la Plata. During the second secular depression the independence of the country was achieved and efforts were made to preserve the unity of the country. The principal importance of the third secular depression was just the same, as in the first two cases. During this phase, as we shall see, Brazilian economy overcame the limitations of a colonial-like structure emerging as a system differentiated enough to rely on its own efforts for its further growth.

### The March towards Industrialization

The first half of the 20th century is marked by a long and uncertain search of an alternative to the classical model of extensive growth based on exports. The leaders of the country were prepared for this type of development, the financial circles were orientated towards it. Social overheads, harbours and railways were constructed, and the banking system was organized for it. As external obligations were enormous and affected the balance of payments and drew upon revenues the problem of currency occupied the attention of the public authorities. The financial situation of the Government, and indirectly the political stability, were depending on foreign trade. This explains the fact that the whole system was directed towards reestablishing the flow of exports.

There were many attempts to broaden Brazil's exports on the world market during the long coffee crisis. The first product to replace coffee at the time of over-production of coffee in the first decade of this century was Indian rubber from the Amazon. The export of latex extracted from the forests became relatively important during the first twenty years of this century permitting thus to ease somewhat the balance of payments. This extractive economy had a limited capacity of expansion and was producing



at high costs, and therefore it could not keep up with the rapid growth of demands. Other export goods staged a less spectacular entry: cocoa, mate-tea and cotton. The first two contributed to the settlement of certain areas and export-economy once more played its historical role of promoting extensive growth. During the thirties cotton became an alternative for coffee when the coffee crisis was passing through its most difficult phase.

These efforts to open new possibilities on the world market were not especially successful. The volume of exports during the first part of the century grew slower than the population and the capacity still more unfavourably. As a remedy efforts were made to organize the exportation of coffee and to protect the prices for this product on the world market. These measures, besides bringing important financial changes for the country, had negative consequences in the long-run because internal production had not been kept under check and there were further crises of over-production, as output of coffee has been stimulated through such measures both in Brazil and in other producing countries.

While the whole first half of the century has been marked by a struggle to find new ways, it is only during the last twenty years that these efforts became conscious. The main objective up to 1929 was to reorganize foreign trade. The policy of "valorization"—the retention of stocks by the federal government for future sale—seemed victorious and efforts to promote new lines of exports led to some isolated successes. The results achieved were not too bright, but it was still possible to keep the appearance of a normal situation. Conservative views, trying to set the clock back and glorifying the past, were predominating.

The second phase of the coffee crisis began with the collapse of 1929. The view, inherited from the colonial past, that the interests of the country should be identified with foreign trade, has been definitely compromised. This period, characterized by large inflationary waves, can be considered in three successive phases. The essential feature of the first phase were the policies aimed at keeping the high level of employment; during the second phase the internal market asserted itself as the principal dynamic

centre and the third phase permitted the break through the barrier of limited capacity to import which hitherto constituted an obstacle for capital formation.

*Keeping up the level of employment.* Monetary costs assumed an important role in the coffee economy in contrast to the previous colonial slave economy. Since 1870 (still during the period of slavery) the coffee economy, using a lot of labour, was compelled to pay to workers monetary wages. The coffee workers who were European emigrants demanded the payment of the wages in money and the wages had to be high enough to attract them to the country. This is the reason why the coffee economy was responsible for the formation of quite a substantial and geographically concentrated internal market which led to industrial development and establishing of textile factories and food processing plants which used local materials. The first world conflagration helped to realize the importance of this incipient industrialization.

In order to understand the first phase of Brazilian industrialization one must take into account the fact that the foreign exchange mechanism was traditionally utilized to defend the level of incomes. The fall of world prices on export products was accompanied by sharp devaluations of Brazilian currency. These devaluations meant that the contractions of real income, which otherwise would have affected the export sector, were shifted to the importers. This way of defending the exports' income also proved favourable to the incipient industrial groups. The competitive power of locally produced industrial goods would increase when consumer's income was reduced (as a result of a fall in exports). This led spontaneously to a protectionist policy, which made for the lack of a definite goal in that respect, ideologically hardly acceptable at the time.

The joint impact of these two positive factors: the existence of an internal market and the automatic protection when incomes were falling made possible the development of certain consumer goods industries. It also permitted the expansion of

traditional industries producing materials used for construction. The importance of these incipient industries was only realized during the great depression of the thirties. The collapse of the export sector of the Brazilian economy was at this time more than ever before due to the fact that the fall in world prices for primary product coincided with a serious crisis of over-production of coffee. The capacity to import was reduced to less than a third of what it had been before.

The devaluation of currency, as the means to defend the export sector affected by the both crises, proved totally insufficient. The public authorities therefore decided to go further and to guarantee the market to coffee producers without foreign financial support even if sea and fire were to be the final consumers of the products. These measures taken to protect the export sector proved extremely effective in defending the level of employment. The sector of incipient industries thus gained a relatively widening internal market from which imported goods were excluded due to the high level of relative prices. Throughout the thirties industrial production increased enormously due to the intensive utilization of equipment already installed, to the imports of second hand equipment and other steps. This growth of industrial output reflected itself in the increasing demand for agricultural products on the internal market, in increasing investments in building and in the development of industries turning out materials for construction. The fact that industrial output increased by fifty percent and that agricultural production for the home market increased by forty percent while the volume of imports decreased by twenty three per cent between 1929 and 1937 is extremely important.

During the thirties important structural changes took place in the Brazilian economy. In order to defend the export sector—a constant motive of concern for the ruling classes—the public authorities created conditions which led to the development of the industrial sector producing for home market. Industries which were already functioning increased their profitability (mainly by working longer hours) at a time when the export

sector became impoverished. In this way the measures conceived to protect the export sector led to a policy of defending the level of employment, which proved decisive for the overcoming of the traditional structure.

*The new dynamic centre.* An immediate result of the policy of preserving the level of employment was an increase in the level of the profitability of manufacturing industries. To this we should add the continued depression on world markets for primary goods. In this way what might have been a passing phenomenon became a permanent one. This process was completed by the outbreak of the war. While efforts were made to save the export sector, the economic system submitted to different pressures, opened by itself new ways of development.

Since industrial development was not subject to a guiding policy new and serious problems arose. The basic transport facilities which had been installed to serve the export economy were not adapted. Attention was not paid to the expansion of sources of energy and especially of electricity. These adjustments which resulted in inflationary pressures, became evident at the end of the war. As is usual the presence of this problem was not realized early enough. It was thought that economic equilibrium had been disturbed as a result of high industrial costs and that increased imports, made possible by the end of the war, would reduce the inflatory pressures.

This false diagnosis brought serious consequences. In order to compel home producers to reduce their prices the public authorities established the rate of exchange for the cruzeiro at an extremely low level. There then followed a short period during which imports increased greatly. As a result of this the gold and foreign currency reserves, accumulated during the war, were exhausted. By 1948 it became impossible to continue this policy. In order to avoid devaluation, which would have had a negative effect on international coffee prices, the Brazilian authorities introduced the quantitative control of imports. This favoured the industrial sector in two respects: a) by granting

illimited protection to producers of less essential goods; b) by creating *de facto* subsidies for the import of raw materials and equipment, due to the low cost of foreign currency.

The quantitative control of imports between 1948 and 1953 had the effect of a farfetched policy of stimulating investments in the industrial sector. The level of internal prices rose at a rate of 15 per cent per year, while the rate of exchange between the dollar and the cruzeiro was kept stable. Each year the public authorities were compelled to reduce the amount of foreign currencies used for purchasing abroad less essential goods. This eliminated foreign competition from important sectors while prices of imported equipment and raw materials dropped in comparison to internal prices. This policy could be continued only because of a hundred per cent rise in the international price of coffee in 1949 and of the decision, made in 1951 and 1952 in view of the Korean war, to increase sharply the short-term foreign indebtedness of the country.

*The capacity to import as a barrier to investment.* During the thirties measures taken to favour the export sector proved really beneficial to the industrial sector. Just the same during the forties the measures which were taken to compel industries to lower their prices through foreign competition protected the industrial sector to an extent never seen before. Obviously, forces which were pointing to a new form of growth were taking, in best instance, the upper hand over the point of view of the leaders of the country still sticking to the old colonial model.

Nevertheless, this development which was not supported by a consistent guiding policy led to further problems. The excessive inducement to import equipment between 1948 and 1953 was applied without a plan or a general idea of the economic development. As imports have been eliminated according to their non-essentiality, the industries turning out non-essential goods became the most profit-giving and new investments lacked complementarity. Worse still, their distribution by

branches was inversely proportional to their essentiality. This lack of complementarity in investments resulted in an increased demand for imports. In other words the import substitution was affected by the lack of an adequate orientation of investments.

After 1953 progressive modifications of the currency system were introduced which were aimed at reducing the implied subsidy for imported goods. One could see then the serious unbalance introduced in the economic system as a result of lack of orientation of investments. In order to maintain the operation of industries within the country a volume of imports was necessary which was far greater than the capacity to import. On the other hand, in order to carry out a policy of import substitution necessary to keep up with the rate of development, large quantities of equipment had to be imported. In other words the structural unbalance proper to the development of an underdeveloped country was amplified by a development without a clear-cut guiding policy.

From 1954 onwards the Brazilian economy found itself in a very peculiar situation which has not yet been fully analysed. Its "necessary" rate of growth—which corresponds to a situation of full utilization of the existing capacities—is extremely high and needs a strong complement of foreign resources. If the economy is to operate at full capacity large imports of certain intermediate products and equipment are necessary. As the prices of imported products are relatively high due to the restricted capacity to import investments aimed at the substitution of these imports became very profitable. However, since the import substitution requires further imports of equipments it would be necessary to reduce the above mentioned imports in order to make way for new ones. In this way a peculiar situation of unbalance between the capacity to import and the volume of imports necessary to maintain in operation the existing capacities, and the corresponding volume of desired investment, was created.

Two ways of meeting this situation were open: either to reduce the level of employment in existing industries and to concentrate investment on import substitution or to sacrifice the latter in order to maintain the level of employment. The solution adopted in Brazil tried to keep the best of the two worlds: to concentrate investment on import substitution and at the same time to maintain the level of employment. This solution needed large inflows of external resources, which were not forthcoming. The consequence was an unprecedented increase of inflationary pressures. The accelerated inflationary processes which took place during the past five years in Brazil — are, to a great extent, a result of the serious unbalances which originated in the previous period. In order to weaken the inflationary pressures it would be necessary either to reduce the rate of growth or to receive much more resources from abroad. The solution adopted carried the inflationary pressures to extremes resulting in great social harm. Nevertheless it paved the way towards surmounting the barrier to capital investment constituted by the insufficient capacity to import. One result was that the output of industries producing intermediate goods, including liquid combustibles and equipment achieved during the last five years rates of growth far greater than the consumer goods industries. Between 1955 and 1960 the production of consumer goods increased by 63 per cent and the production of capital goods by 370 per cent. This big boost in industries producing capital goods was necessary to surpass the barrier of the capacity to import and ended the period of inflationary pressures.

### Problems and Trends of Today

*The transfer of decision-making centres.* Summarizing the developments which have taken place during this century we can see that: a) colonial economic structure has been overcome and b) the period of irrepressible inflationary pressures reached its peak and should begin to decline.

The way in which the colonial economic structure was

overcome can be seen in two ways: in the displacement of the dynamic centre to the industrial sector and in changes of decision-making centres. The displacement of the dynamic centre to industry gained strength, as has been said, in the thirties. But the export sector continued to fulfil a basic strategic role since capital formation was limited to the capacity to import. In the fifties the industrial sector gave a new decisive step expanding and diversifying the capital goods industries. This progress meant that the industrial sector, which leads the development of the country, formed the basis for its own growth. Between 1955 and 1960 it succeeded to maintain an average annual rate of growth of industrial production at 15 per cent despite the fact that imports of industrial equipment were stationary. Not only industrial development could increasingly base its growth on the home produced equipment but the same was also true of transport and energy services. Briefly, the Brazilian economy maintained a high rate of growth (a yearly average of about 5 per cent) despite the fact that imports of production equipment were stationary or even declined.

The process of overcoming the colonial structure can also be seen in the transfer of centres of decision-making. This transfer means much more than a simple modification of the superstructure. As was shown the industrialization achieved during the last few decades was realized without a clear comprehension of the modifications which were taking place in the economic structure. The leading classes used to think in terms of an export economy based on sales of raw materials, were not objective enough to understand problems resulting from the occurring changes. Nevertheless, transformations aided by measures, taken almost always with other objectives in mind, took place from the forties onwards. The war which interrupted almost completely foreign supplies permitted to realize the progress achieved in industrialization—the transfer of decision-making centres gained momentum. The choice of the rates of exchange of foreign currencies after the war already referred to gives a good illustration of this period of transition: those



who were thinking on traditional lines imposed their views, but only after a serious clash of opinion with the industrial leaders. From this moment onwards further modifications in the balance of forces would favour more and more the industrial group.

The transfer of the decision-making centres had far-reaching consequences which can be easily seen. The groups connected with the external sector were groups par excellence dependent, economically and mentally. The decisions of a country which exports primary products are necessarily reflexive. The degree of autonomy is limited since those groups which control world trade in raw materials put their own interests before those of each exporting country taken separately. In such a case it is natural that groups making decisions in every exporting country act in tune with an international command. On the contrary, centres of decision-making supported by industries connected with the internal market enjoy, by definition, a high degree of autonomy. They are above all preoccupied with the internal level of employment and in broadening their market. To the extent to which these groups became predominant in Brazil a development-minded attitude spread which permitted to formulate the first systematic industrialization policy during the last ten years. The conflict between the two ideological groups became especially tense with respect to oil problems. Those who were thinking in terms of the old export economy would stand by the principle that since the resources of the country are scarce they should not be chanelized towards sectors of uncertain results and for which foreign capital is available. The development-minded line of thought did not accept arguments which dealt with this problem in strictly economic terms. In defending the new predominance of its own decision-making centre, it indicated the danger which might result if the most important sector of industrial activity were to be controlled by international groups whose interest could quite differ from those of the country. It saw in oil the Trojan horse of the old colonial economy in retreat.

This example of oil illustrates the fact that the development-

minded doctrine takes the shape of an ideology of national development, calling for a process of national individualization, within the framework of world economy. To develop a country one must, at the same time, individualize, i.e. individualization is not a simple consequence of development but an autonomous factor. Autonomy in decision-making is, thus, of great importance and without it there can be no authentic policy of development. Synchronization between real development interests and decisions has as a prerequisite overcoming of the "reflective" economy, i.e. it requires the individualization of the economic system. In terms of this ideology, establishing autonomous decision-making centres becomes a fundamental objective. Since the principal decision-making centre is the State this ideology attributes the basic role in the development powers to the State. Thus, in order to avoid the direct and indirect control of the oil industry by foreign groups, the State was given direct responsibility in this field of production. Public banks were created to deal with problems of development, and they were able to supply industries with additional resources without which the concentration of capital in the basic sectors would have been impossible. There was no coherent policy based on explicitly formulated views. Nevertheless, the new ideology of national development takes it for granted that the possibility of hampering the progress of the country by decisions taken abroad by groups whose interest might collide with those of the national economy, should be reduced to a minimum.

*The great inflationary waves.* Let us now consider what we will call irrepressible inflationary pressures. We shall divide the long period of transition starting at the beginning of this century into two phases. The first one which lasted for the first three decades could be called the first phase of the coffee crises. A big effort aimed at the recovery of the capacity to import through the organization of the market for this product and the opening of new lines of export was characteristic of this phase. Everything was directed towards reestablishing the classic model of

growth of colonial type. Foreign relations determined the economic and financial policies. The second phase which lasted for the next thirty years was characterized by the progressive differentiation of the industrial sector which established itself as the dynamic centre of the economic system. This second phase could be referred to as the period of great inflationary waves.

There is no point to discuss whether or not industrialization would have been possible without an open inflation of the last thirty years. Under the conditions in which development was achieved—without a proper realization of what has been happening on part of the ruling classes and without the help of a coherent policy—inflation proved to be a necessary condition of industrialization. Would the desire for “stabilization” linked to the attitude favouring the old model of exporter of raw materials, have prevailed, Brazil would have run into still greater difficulties on her way towards industrialization. But it did not happen owing to measures taken to defend the coffee economy during the depression of the thirties, namely maintaining the level of employment in this sector. The first great inflationary wave originated from this.

In the thirties eighty million sacks of coffee were destroyed—the value of which comes to about 3400 million dollars at current prices. This meant a tremendous effort to protect the traditional sector but had consequences far beyond those which could have been foreseen at that time. On the one hand it maintained the level of monetary incomes and on the other hand, through the devaluation of the currency, it strengthened the barrier protecting home industries. This first wave of inflation was important in that it increased the relative profitability of the industrial sector, attracting thus to the industrial activities resources and entrepreneurial capacity which would otherwise remain in the export sector or lie idle. It would be difficult to imagine how this shift, typical for the region of Sao Paulo, would have happened if inflation had not kept the economy during the ten years of world depression. Attention must be

paid to the fact that what happened during the thirties in Brazil was not an "orthodox" inflation designed at reestablishing the level of employment during the depression. To reestablish the level of employment without having recovered the capacity to import in an economy which used to spend a quarter of its income on imported goods was to unleash great inflationary forces. This explains the big rise in profitability in the industrial sector which started to attract the best entrepreneurial capacities which existed in the country.

The second big inflationary wave originated from the war economy and continued to expand up to the beginning of the fifties. The high profitability in the industrial sector during the war resulted in wearing out of equipment and the accumulation of financial arrears. A great increase in industrial investments could thus be expected after the war, as soon as the international market for equipment had been opened up. But this wave of industrial investment would meet with the barrier of a worn out and inadequate network of basic facilities. Thus, a policy of concentrating investments on key points was lacking; instead the view prevailed that industrialization was occurring in an disorderly and anti-social way and that its "excesses" should be stopped by means of a policy of open door for imports. At that time the exchange for the cruzeiro had been fixed at an extremely low rate, despite the fact that specific custom tariffs (fixed before the war in national currency and not *ad valorem*) had been completely eaten up by inflation.

These measures, though based on false analyses had far-reaching practical consequences: liquid reserves in industry acquired greater value in dollars, which meant that the volume of investments was still bigger than could have been foreseen. The exhaustion of reserves of foreign exchange and the imposition of the selective control of imports aggravated the unbalances. The sharp reduction in imports of internal commodities of current use increased the inflationary pressure to the benefit of local industries, while the cost of imported equipment remained unchanged.

Pressures on basic facilities increased together with a greater volume of industrial investments but the problem of their equipment was not properly dealt with. The ideas about investment in basic facilities continued to develop slowly since there was no one to express the needs arising from the new situation. The problem was mainly discussed between representatives of the rested interests and the officials of the government, while the industrial sector ignoring the nature of the problem remained neutral. The argument took a rather awkward way and discussion went on whether the cause of the evil could be removed by ending inflationary process. Step by step people began to realize that according to common sense the solution to the problem had to be found before the end of the inflation, and that such a solution would require a decisive action on the part of the State with respect to the concentration of necessary resources. The second inflationary wave mobilized forces which were to enhance industrial investments by channelling considerable resources including those resulting from the improvement of terms of trade occurred after 1949. It is quite obvious that any alternative policy to the actual one would also miss the point of coordinating investments according to their complementarity. If gains from improved terms of trade had not been transferred to the industrial sector they would probably have been absorbed by a still more irrational and excessive expansion of coffee plantations; or they might have been directed towards unproductive investments, public or private. In the form in which they were utilized they accelerated the structural transformation of the economy and made it possible to enlarge the most dynamic sector—the industrial one. This is the perspective from which we must look at the second phase of the great inflation of the last thirty years.

The third wave of inflation makes its appearance during the second half of the fifties. It is rooted in the previous period pushed by big industrial investments but devoid of a policy of industrialization. We have already mentioned its main feature: the concentration of investments in less essential sectors as a

result of the foreign exchange policy and the lack of an investment policy in the field of social overheads. The latter was responsible for the appearance of bottlenecks, hindering the full utilization of the industrial productive capacity already established and requiring a great concentration of investments of long gestation, at a subsequent stage, which is just the present one. As to the former, it led to the dichotomy already mentioned between unemployment or severe difficulties in the balance of payments.

The situation was similar to that of an organism in which the various limbs had developed disproportionately. In order to correct this disequilibrium it was necessary to paralyse the growth of certain parts or accelerate that of the others. The first solution recommended by partisans of "stability" ran the risk of stagnation. Since those who recommended it were concerned less with the "re-orientation" of investments and more with a "spontaneous" correction through the mechanism of prices inherent to the second solution was the inflationary spiral since it depended on maintaining the level of employment and at the same time on increasing investments in "backward" sectors. In order to maintain the level of employment profitability must run high and thus high "planned" investments occur in all sectors. This ought to be the basis on which investments in "backward" sectors are expanded. This was the solution adopted in Brazil during the last five years although there was no possibility of increasing the volume of imports.

A big public investment bank (B.N.D.E.<sup>1</sup>) was created and policies of concentrating monetary, fiscal and financial incentives (through G.E.I.A.<sup>2</sup> for the car industry and G.E.I.C.O.N.<sup>3</sup> for naval construction etc.) were adopted in order to accelerate investments in "backward" sectors, namely the capital goods industries. The lack of an integrated view of the whole problem

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<sup>1</sup> B.N.D.E.—Banco Nacional de Desenvolvimento Economico.

<sup>2</sup> G.E.I.A.—Grupo Executivo da Industria Automobilistica.

<sup>3</sup> G.E.I.C.O.N.—Grupo Executivo da Industria de Construção Naval.

prevented to appreciate the necessity of taking compensatory measures through discouraging investment in unproductive or relatively too expanded sectors. In this way the development of backward sectors went on together with the inflationary spiral. In 1959 when the new coffee slump took place, the policy of speeding up investments in critical sectors was in danger of being interrupted. But the fact that it was possible to maintain the rate of investment, despite the contraction of the capacity to import, clearly indicated the progress already achieved.

During the second half of the fifties an extraordinary development of three industrial sectors took place which became critical: liquid fuel, metals and industrial equipment. The output of oil rose from 2500 to 100 thousand barrels a day, managing to cover half the national consumption with a parallel growth of the refining capacity; the output of steel rose from 1.2 to 2.3 million tons, and the increase of the production of equipment can be measured by the output of motor-car industries which rose from none to a hundred and thirty thousand units yearly. The importance of this development should be measured less by absolute figures, than by the strengthening of the economic system which became able to cope with a high level of investments without excessive pressure on the capacity to import.

After the great expansion of the capital goods industry which took place during the last five years, it can be taken as granted that Brazilian economy reached such a degree of differentiation as to make its future development basically dependent on endogenous factors. Once this had been achieved the basic demand for imports will tend to accommodate itself to the current capacity to import. In other words the "necessary" rate of growth—corresponding to the full utilization of installed capacity—would be achieved without irrepressible inflationary pressures, granted a "normal" inflow of foreign resources.

A general view of the past thirty years described by us as the phase of great inflationary waves confirms that develop-

ment took the form of industrialization. Since there was no coherent policy, the necessary structural modifications were performed by a succession of unbalances which took the form of inflationary processes. One should not conclude that inflation was necessary to industrialization. Theoretically, we could conceive for Brazil a model of development leading in the same period to a still more intense growth and without inflation. Beyond any doubt, however, the actual industrialization of Brazil based itself on inflation which was not outside the process of industrialization but acted as an instrument to remove the obstacles. One should not lose from sight the fact that a coherent policy of industrialization required a clear perception of the reality i.e. of the deep transformations occurring in the economic system, but such a perception was incompatible with the mental attitude of the groups in power as they continued to look at the model, already bygone, of the colonial economy.

Inflation helped to find a way through organized and ideologically prevailing resistances. Thus, the increase in the profitability of the industrial sector during the thirties induced many people to "believe" in the Nation's industry, because it made it possible for them to earn as much or more money than in the export sector. In the first ten years after the war inflation was the instrument channelizing to industries the sharp improvement of terms of trade. In the second half of the fifties inflation originated from the acceleration of investments in the basic sectors and during this period such an acceleration was more important than any other economic objective. Could this objective have been attained without inflation? Probably not, because the country still lacked a clear understanding of the problems of economic development.

The final cause of inflation was not development but the absence of a real policy of development. The political structure of the country favoured the permanence in power of groups connected with agrarian export interests, making difficult the ascendance for elements representing new developing forces better posted to grasp the new realities. This explains why an



authentic policy of development based on industrialization met with enormous difficulties in overcoming the old ideologies prevailing among the groups in power. Consequently the argument that development might have been achieved without inflation and therefore at lesser social cost is academic in matter of fact. Such views were formulated as an expression of discontent on part of people brought up in the intellectual tradition of the old "reflexive" export economy.

*Some characteristic features of industrialization.* The industrialization which took place in Brazil during the past twenty years has certain features of its own which must be taken into account in order to grasp correctly the problems which the country faces at present. To begin with, we should observe that the first industrial movement occurred during the first quarter of the century, took place in the region which had received at a recent date many European immigrants i.e. in the main coffee producing area of São Paulo. In agriculture, the Europeans demanded monetary wages and conditions of minimum existence which were considerably superior to those which prevailed in a country with a background of economy based on slave work. The same thing happened in industry. The people who came to work in the factories had some experience in the same kind of activity in their countries of origin and wages tended to be fixed according to the conditions these workers had been accustomed to. Thus, industrialization did not proceed to mobilization of labour previously employed in agrarian or artisan work. That is why from the very beginning considerable disparities arose between the real wages of those who found employment in the newly established factories and of the wide masses of Brazilian rural workers, especially those living in areas not affected by the immigration at the end of the XIXth century and the beginning of the present.

In the classical model of industrial development in Europe during the first three quarters of the last century, industrialization was based on surplus labour forces and the proper industries

were responsible for the formation of this surplus, as they kept disorganizing the pre-existing activities. Industrial wages reflected thus the conditions of life prevailing in the society as a whole and these conditions had always been very precarious as long as the supply of labour was elastic. In the development model of countries of recent settlement e.g. the United States, Canada and Australia industrial development was realized alongside with big agricultural expansion oriented towards foreign markets. Soon the relative scarcity of labour force imposed high wages.

The Brazilian case belongs to neither of these two classical models. Industrialization spread in a region of strong export-oriented agricultural expansion, with relative scarcity of labour force and extensive European immigration. This produced at the beginning a relatively high level of wages. But this area was part of a wider constellations; conditions of life in the remaining regions were entirely different and the level of wages was considerably lower.

As internal transport developed and social conditions improved as a result of the introduction of monetary wages, diffusion of primary schools and of modern media of information, the frontiers of the labour market widened and originated permanent internal movements of population towards the regions with highest levels of wages. Therefore, the model of industrial development in Brazil which at first was close to the American model, began to show more similarity to the European model of the first half of the 19th century when industrialization made some progress and the labour market became more fluid. The practical consequence of such a situation was that real wages in industry tended to remain stationary during the course of subsequent development. This tendency was strengthened by the type of technology prevailing during the first half of 20th century and oriented towards labour saving. Thus the historical situation was created, marked by the convergence of an entirely elastic supply of labour and of a labour saving technology. As wages remained steady on the whole during the

past half century or so, the same being true of agriculture—as we shall see—all the gains from higher productivity were absorbed by profits. The public authorities claimed a part of these gains because of their increased social responsibilities. However, we cannot ignore the fact that the entrepreneurial group absorbed a growing portion of the product which explains the high rate of investment in the private sector in Brazil.

The pattern of industrial development, which has been prevailing in Brazil, brings along multiple consequences. We shall mention a few relevant ones.

(1) When business conditions are such that a high rate of profit is usual and no pressure is being exercised, aimed at reducing this rate, the desire to increase productivity is always relegated to a secondary place. This constitutes a fundamental drawback in an industrial system. In the absence of urge to increase productivity, the problems of the choice of techniques, of proper localization, briefly all the criteria of rationality become of secondary importance. This amounts to saying, that the whole development is being achieved at high social cost.

(2) A high rate of profits always carries with it a no less high rate of the distribution of dividends. Thus, a look at the industrial sector as a whole shows that the incomes (and the consumption) of owners of factors of production tend to increase more than the incomes of the wage-earners' group. In other words, development is accompanied by increasing social injustice.

(3) Despite the high level of consumption of the owners' class, the rate of profits is sufficiently high to permit a great volume of self-financing investments. This situation gives rise to a tendency towards concentration of wealth, and by means of a cumulative process, emphasizes the two tendencies already mentioned above.

(4) The large increase of consumption among those groups which benefit from incomes derived from property leads to the creation of an urban market for services which is of considerable importance. This market becomes a source of employment which is comparable in size to the industrial sector. Since the

technology used in these services is far less labour-saving than in industry, employment in the services tends to increase at a relatively greater speed, influencing the composition of the urban population where persons occupied in services tend to exceed numerically those employed in industry. This explains the fact that on the whole urban population tends to have moderate political views in accordance with the deep factors which keep stationary the level of wages.

*Some features of the agrarian structure.* The industrial and consequent urban development of the last thirty years did not affect significantly the living conditions among the great masses of Brazilian population who live in rural areas. In order to understand this fact which plays an essential part in the problems faced presently by the Brazilian economy we must examine in some detail the agrarian structure of the country.

The most fundamental feature of Brazilian agricultural economy is the coexistence of latifundia and considerable abundance of land. The agricultural enterprise was not shaped by the offer of land but rather by the availability of capital and of managerial skills. Here again the Brazilian case differs from the classical models of development. In regions settled long centuries ago, agricultural economy was initially a system of local production for subsistence and later developed into a more complex form of social division of labour expressed by spatial differentiation of economic activities. There is no point to argue whether this process was mainly a result of external pressures or of endogenous action within the rural communities. In countries of recent settlement e.g. the United States, the great abundance of land led soon to a type of rural organization in which the ownership of land had little effect on the distribution of income. Whereas in Europe the increase of population made possible by greater division of labour led to the valorization of land and a rise of rents—which called for a development of agricultural techniques to compensate this trend—in the United States development led to the incorporation of new lands limited

only by the scarcity of labour force. Thus the development of agricultural techniques involved mechanization in order to save labour, while in Europe it aimed at increasing the productivity of land i.e. at saving of land. In Brazil agriculture was born in form of great commercial enterprise. In a sense this form was anterior to the very emergence of the country, as it did not result from the necessity of assuring means of existence to the population previously established on the territory. On the contrary, immigrants went to the land because of the suitable opportunity to organize an export-oriented agriculture. Thus, the essential factor determining evolution of the agricultural structure was never scarcity of land as in Europe, or scarcity of labour as in the United States, but scarcity of capital and entrepreneurial capacity. Big tracts of land were given to those who showed capacity to utilize it. Thus large latifundia were created soon as an organizational form of agricultural enterprise.

Forms of organization other than large land estates developed exceptionally at a later stage of the settlement of the country. Such an exception is to be found in the settlement of the southern part of the country, started for political reasons and subsidized by the Portuguese government. This settlement was intensified during the 19th century already under the impact of the development of the United States. The Brazilian government tried to reproduce a pattern of agricultural economy based on family holdings taking advantage of immigration from central Europe. The economic results were initially poor because of the isolation in which these immigrant groups found themselves, but eventually a social structure was created which permitted intense development at a latter period.

A second exception to latifundia were small holdings which arose in places where the large land estates could not absorb the increase of the rural population. These latifundia were created as export-oriented agricultural enterprises and this made them dependent in their growth on conditions prevailing in the foreign market. Cattle-breeding estates followed a peculiar pattern of behaviour: since they only depended indirectly on the

export market—their principal market being the export-oriented agricultural economy—any more employment they developed at a vegetative rate even when their market was not expanding. But this vegetative growth brought along a simple return to forms of subsistence economy.

The small holdings, constituted by people who could not find any more employment in the export-oriented agricultural economy, got land of an inferior quality or situated at considerable distance from the centres of consumption. Due to the absence of external factors which could make its development dynamic because of its low technical standards this economy of small holdings, separated from latifundia, did not go beyond providing a precarious form of subsistence to a part of rural population.

As we have already mentioned the intensive immigration, mainly of Italians, towards the region of São Paulo in the last quarter of the 19th century and the first of the present had far-reaching consequences. On the one hand it spread the practice of monetary wages in the agricultural sector, and on the other hand it led to a rise in real wages. These two facts contributed largely to the creation of an internal market and at the same time improved the standard of living among the agrarian population in an important regions of the country facilitating thus the introduction of new techniques of agricultural production.

Let us come back now to our fundamental problem. There was hardly any modification in the standards of living among the large masses of rural population during the period of industrialization. We must first remember that industrialization was to a great extent the result of reactions in the economic system due to the decline of the export economy. The traditional agricultural development had found abroad its dynamic force. This incentives, which came from outside had made the settlement of large tracts of Brazilian territory possible through agricultural expansion. But these impulses were weakened at the beginning of the XXth century. Thus, the period of indus-

trialization was at the same time a period of crisis within the large export-oriented agricultural economy. Then industrial development did not lead to a process of urban development which could absorb the entire increase of the agricultural population. This was due on the one hand to the technology applied in industries and on the other hand to the rise in the rate of growth of the population on account of the wealth revolution. In other words the rural population continued to expand, while the export-sector remained by and large stationary. Finally the transformation of the agricultural economy which exported only a few homogeneous products into an economy oriented towards the internal market and with a wide grange of products, created various problems of organization: the credit system was not adequate to meet the needs of the new agriculture, marketing became more complex, waste was far greater, etc. Thus the agriculturist linked to the internal market had to meet far greater difficulties, being forced to renounce to a greater part of his produce to the benefit of intermediaries or to simply cover the losses.

Besides the factors already referred to, which account for the stagnation in the living conditions of the rural worker, we must also mention one more feature of the Brazilian agricultural economy: the presence of vast tracts of land which have not yet been utilized. We can observe that the growth of agricultural production has been principally due to the taking under plough of new lands. New land has been cultivated not only to enlarge the crop area but also to substitute soil which had been impoverished by predatory forms of exploitation. The frontier of the coffee producing area slowly moved from Rio de Janeiro towards Panama and the Matto Grosso. This illustrates the pattern of agriculture in which the average yield is preserved by abandoning certain areas and cultivating new lands. Thus, agricultural output grows on basis of supplies both of labour force and of land. In such conditions it is only natural that no pressure has grown inside agriculture to modify its own structure. The abundance of land acts towards reducing the needs

of capital for conservation or improvement of productivity per unit of surface. On the other hand the abundance of labour force reduces the demand for capital to be used for mechanization.

In the absence of strong pressures towards increasing the capitalization of agriculture which would have helped the introduction of new techniques important modifications of the agrarian structure could hardly take place. Thus we cannot really speak about the agricultural "development" of the country as a whole but only of the extensive growth of agriculture, without a significant improvement in productivity. Under such conditions one could not expect an increase in the real wages of rural workers.

*Final remarks.* We have observed above that during the industrial development of Brazil real wages remained practically stationary, and that there has not been a sensible amelioration in the living conditions of rural workers either. What does the development, which beyond any doubt is taking place in the country, actually consist of? It would seem that this development puts basically its expression in the transfers of labour force: a) from sectors of low productivity in agriculture (Minas and the North-East regions) towards other regions of higher productivity (São Paulo and Parana); b) from agriculture towards manufacturing industries; and c) from these two sectors towards other kinds of urban employment. In all those cases, the transfers are accompanied by a rise of real wages and almost always by an increase of productivity.

If we divide the population of the country into four groups—rural workers, industrial workers, persons occupied in services and owners of factors of production—we see that the real improvement in the standard of consumption, both in relative and absolute terms, only applies to the last group. As for the first three groups the salient feature is that of relative growth of groups with higher real wages. The lower group grows but at the same time transfers to the higher group substantial



quantities of vegetative increase of its labour force. The same can be said of the vertical mobility within every group. The lower the group the less significant has been this mobility. Thus it is at minimum within the agriculture of the poorest regions and at maximum within the services in most industrialized urban areas. In other words the average real wages rose far less in agriculture than in services. Thus the advantages of the development were distributed regressively and the increase of consumption was the highest among the classes of owners of factors of production and the lowest in the agriculture of the regions where prevail the lowest standards of living.

The development during the last thirty years or so has had its dynamic centre in big industrial investments. The growth of industries made possible the expansion of employment in services and concomitantly the urbanization processes which acted as a dynamic factor for agriculture permitting the expansion of crop area. Transfers of labour force described above acted as a counterpart to these modifications. But it would not be easy to explain the big volume of industrial investments during the past thirty years without the progressive import substitution and the inflationary pressures hidden behind it. Industrial investment usually was meant to satisfy the market made accessible by means of tariffs and of the rate of exchange. Acting in various directions industrial investments not only met the demand it had in view, but at the same time amplified it. Distortions caused by the concentration of investments in less important sectors where the exchange barrier was higher, created disparities which delayed import substitution and extended its stimulating effects at the cost of greater inflationary pressures. But thanks to the differentiation of the industrial structure, the economy is already approaching a relative equilibrium between the capacity to import and the demand for imports.

We must then ask how, once the impulses resulting from the process of import substitution are exhausted and the corresponding inflationary pressure reduced, is the rate of investments necessarily bound to decline reducing the rate of growth?

If this happens, Brazil approach a period of sharp social tensions in contrast to the climate of relative harmony of the past. The petty frictions during the big inflationary waves will be nothing compared to the tensions which would result from a reduction in the rate of growth. Thus we are possibly entering a decisive period in which typically political problems might strongly influence all the others, including economic ones.

Whatever the difficulties which might result from the exhaustion of the process of import substitution, development must break its way through providing an alternative to the critical social tensions which would bring along a cataclysmic solution.

This is bound to happen in two directions. The first is to raise the productivity of industries and to transfer the gains from higher productivity to wage earners. This would produce a more rapid increase in the purchasing power of the whole population, including the rural one. This rise of productivity would open up for industries a market in the agricultural sector for the goods used as intermediate products and equipment by agriculture. This would induce a process of capitalization in agriculture which in turn would produce higher productivity and an increase of real wages. This process would automatically favour industries since the rise in real wages in agriculture would greatly increase the demand for industrial products. In contrast to the manufacturing sector, it is extremely difficult to raise the productivity of agriculture without increasing real wages. The reason for this is that in Brazil agricultural wages usually correspond to a subsistence level which is incompatible with the technical apprenticeship required to reach a higher productivity.

The second direction consists in the direct transformation of the agrarian structure. As a result of an orderly modification in this structure which would rationalize the use of factors of productivity, particularly of labour force, it would be possible to reduce the cost of the agricultural surplus and to expand it increasing real wages both within and outside agriculture. This

process would enlarge the demand for production goods of industrial origin to be used in the agricultural sector and would reduce industrial and service costs through a relative decline of agricultural prices. This would also enlarge the market for manufactured goods in the urban zones.

In any case, the path of development should lead to a more rational use of factors of production and a less equal distribution of the national income. Future development and its social cost will depend on the proper appreciation of these problems. The absence of an objective understanding of the actual situation was in the past the result of the persistence of an ideology which sought to reestablish an economic structure which had already been outgrown. In the immediate future it might result from the fear of losing privileges which are the counterpart of the high social cost of recent development. Just as in the past, lack of objectivity might well lead in the future to false and incoherent policies. However, we can be certain that development will only be achieved under conditions in which the urban and rural masses would share a greater part of its results.



## MEXICO: A SEMICAPITALIST REVOLUTION

PABLO GONZÁLEZ CASANOVA

IN the history of Latin America, the role of Mexico has been and is one of the most important. Her permanent struggle for national independence against the Colossus of the North, together with her Revolution, made her the example and the object of admiration of many other Latin American countries. Today she has lost her former revolutionary prestige, especially since the Mexican Revolution has been deemed worthy of praise by the Government and the press of the United States,<sup>1</sup> and since the Cuban Revolution has stepped forward to the front line in the struggle against imperialism, the struggle for national independence and for social justice.

Mexico is no longer the example for the rest of Latin America. But many Latin Americans, and many people from outside Latin America, are asking what has happened in Mexico. They want to know from the Mexicans themselves whether or not the Revolution has failed. They want to know why our Revolution has not been a socialist revolution. They want to know what is happening today. And they want to know whether or not another revolution is possible, or what is the road that must be followed. These are also more or less the same questions that we often hear among ourselves.

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<sup>1</sup> The praise of the "Mexican Revolution" as an abstract entity does not prevent the U.S. press from violent attacks every time the Mexican Government takes measures of an independent character—such as the recent nationalization of the electrical industry—or every time Mexico refuses to lockstep with U.S. foreign policy.

Each day it becomes more necessary to give an explanation which will clear up the unknowns, which will put an end to the false analogies and the lack of historical perspective into which people frequently fall, and which will not obscure reality through a false nationalism: an explanation which will clarify things both for ourselves and for the peoples of Latin America, Africa and Asia who have gone through or are going through similar historical and political experiences.

However candid or aggressive many of today's questions about Mexico may appear, the only problem rests in discovering the essence of a revolution that was a paradigm for the peoples of Latin America, and in not falling into errors of judgement which will weaken our political action or that of the peoples of the world who are today struggling passionately for their own national liberation.

### Did the Revolution Fail?

When the economic and social conditions of Mexico are compared with those of some of the more advanced countries of Latin America, the conclusions reached are not flattering. Mexico has a gross mortality rate of 12.5 per thousand (1958), higher than that of Chile (12.1), Peru (10.3), and Argentina (8.1). Infant mortality in Mexico (80.8 per thousand live births in 1958) is higher than that of Argentina (66.3). The number of persons per practicing physician is in Mexico 2200 (1955) while in Chile it is 1900 (1954) and in Argentina 760. According to figures published by the FAO, the population suffers a calorie deficit of 24.4 per cent, while that of Argentina enjoys a surplus of 22.7 per cent (1950). The urban population in Mexico is 42.6 per cent of the total (1950), while in Chile it is 59.9 per cent (1950) and in Argentina it is 62.5 per cent (1950). The percentage of illiterates is in Mexico 43.2 per cent (1950), while in Chile it is 19.4 per cent (1952) and in Argentina 13.3 per cent (1947). In Mexico there are 48 newspapers per 1000 in-

habitants (1952), while in Argentina there are 159 (1956) and in Chile 74 (1952).

Economic and political indices show a similar situation: *per capita* income is 282 dollars in Mexico (1958), 484 dollars in Chile (1958) and 313 in Argentina (1958). The percentage of the economically active population engaged in agriculture is 57·8 per cent in Mexico (1957), 25·2 per cent in Argentina (1947) and 19·6 per cent in Chile (1952). The proportion of the population engaged in manufacture is 11·7 per cent of the economically active in Mexico (1957), while in Argentina it was 22·1 per cent since 1947 and in Chile 18·7 per cent (1952). In Mexico only 51·2 per cent of the wage earning population is organized (1950), while in Argentina 92·91 per cent was organized in 1947 and in Bolivia 77·64 per cent (1950). In the last elections (July 6, 1958), only 23·1 per cent of the population voted, while in Argentina 44·8 per cent voted on February 22 of the same year and in Bolivia 28·8 per cent on June 17, 1956.<sup>2</sup>

It is true that Mexico has economic, social and political indices much higher than those of Columbia, Bolivia, Peru and even, sometimes, Brazil, not to mention the countries of Central America. But when the high figures for mortality, infant mortality, illiteracy, malnutrition, population engaged in agriculture, working population not organized, and population not voting are considered, and the present state of labor organizations and the strange significance of political elections are also considered, many people ask: Did not indeed the Mexican Revolution fail? Was it for this that a million people died?

Then, when one observes the distribution of income and the enormous differences that exist in standards of living; when one reads that in 1955 one per cent of the population gainfully employed received 66 per cent of the national income—i.e., the

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<sup>2</sup> *Statistical Abstract of Latin America for 1957*, Committee of Latin American Studies, University of California, Los Angeles. *Statistical Abstract of Latin America 1960*, Center of Latin American Studies, University of California, Los Angeles. *Second World Food Survey*, Food and Agriculture Organization of the United Nations, Rome, November 1952.

sum total of all expenditures effected in the country—while the remaining 99 per cent, the workers, only received 34 per cent;<sup>3</sup> when one reads that if we suppose roughly that an average income per family for the whole country of 700 pesos per month (56 dollars) was barely enough to satisfy the minimal requirements for food, clothing, shelter and entertainment in 1956, and that according to this standard 33 per cent of the families in the Federal District and the Pacific North, 60 per cent of Gulf Coast families and families living in North Central states, and 80 per cent of families living in the centre of the country and in states along the southern Pacific coast, were lacking in economic means to care for their minimum needs; and that “approximately two of every three families were lacking in economic means in the sense of having a below average income, which average itself was already low”;<sup>4</sup> when all these data are known and one appreciates the reality of the misery that large segments of the population suffer, again there arises the question that we ask ourselves and that many of our Latin American friends also ask us: is it not true that the Mexican Revolution has failed?

In any attempt to answer this question objectively, we find ourselves facing tremendous difficulties, and we easily alternate between criticism and apology. Certain elements of judgment oblige us to make historical observations: One must—we say—one must consider what Mexico has come out of, what the starting point was.

Mexico in 1910 was a country of poverty, a country in which the vast majority of the people lived in near slavery; in which the standard of living of the wage earning population was much lower than that of other countries, such as Argentina or Uruguay; a country in which eleven thousand plantation owners had 60 per cent of the land; in which 88·4 per cent of the agricultural population were *peons*—a condition similar to that

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<sup>3</sup> Parra, German.

<sup>4</sup> Navarrete, Ifigenia: *La distribución del ingreso y el desarrollo económico de México*, México, Escuela Nacional de Economía, 1960, p. 75.



of slaves—97 per cent were heads of families but landless, and only 0·02 per cent were owners of plantations; in which 13 per cent of the population did not speak Spanish; in which 52 per cent of the people lived in miserable huts; and in which infant mortality passed the figure of 304 per thousand live births.<sup>5</sup>

That is what we came out of. What is more, revolutionary governments achieved rates of growth much higher than those of Argentina, Brazil and Columbia, and one of the highest rates of capital accumulation in Latin America. The idea that the—until recently—spectacular development of Mexico could have been achieved without the Revolution, is not only completely unfounded in historical fact—it is absurd. With the distribution of land there was created a large domestic market that had not existed previously. The expropriations made possible an economic independence such as had not been known before, and opened the way to the possibility of a national economic policy. With the high rates of public investment (often more than 40 per cent of the fixed national investment),<sup>6</sup> a national economic structure was created, together with a highway system which increased the domestic market and, being an investment by Mexicans themselves, spurred the growth of the middle class and of a market for industrial production. With all this came national integration and a national consciousness, in a country which until the Revolution had suffered internal isolation and which today has one of the best transportation and communication systems and is one of the most conscious in all Latin America.

If for a moment we follow through on the absurd hypothesis of not having had a Revolution, what must we conclude? What would we have been but a nation like those of Central America? As in the case of so many of our neighbours, our development would have been of a typically colonial and de-

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<sup>5</sup> *Estadísticas Sociales del Porfiriato, 1877-1910*, México, Dirección General de Estadística, 1956.

<sup>6</sup> *Informes Anuales*, Nacional Financiera.

pendent character. If indeed our present condition leaves much to be desired, theirs is even sadder: far from having a national political life or development policy, they have a tiny middle class, an almost nonexistent proletariat, standards of living even lower than ours, and governments which are dictatorial and servile.

It is true that the Mexican Revolution has not benefited the population as a whole. It is true that in the development which it sparked and in the liberties which it created, only certain sections of the population have been able to participate—businessmen and industrialists, urban and rural middle classes, skilled proletariat—while large population groups are still to be found outside the course of economic, cultural and political progress. In reality the Mexican Revolution only managed to take the step from a colonial pattern of development to national development of a semicapitalist type.

From a dependent system the benefits of which development were limited to a very small group of foreigners, government officials, military men and plantation owners, the Revolution opened the door to a system which increases the benefits of development and facilitates the growth of the middle classes, both urban and rural, and the growth of a skilled proletariat. That these benefits do not reach the whole of the population, is a fact; that the expansion of these benefits—economic, political and cultural—has not reached its maximum even within the capitalist system, are also undeniable facts.

Very few ask why Mexico has not achieved maximum social benefits within the capitalist system and instead generally ask why Mexico did not carry out a socialist revolution. This is indeed one of the very elementary questions which any ordinary observer asks. But it is a question which we are constantly running into today and whose complete form is this: why did Mexico not carry out a socialist revolution like that of Cuba?

Comparisons in the field of history can easily cause one to fall into the trap of abstractions and mechanical analogies.

There is much that needs to be said, many things that must be observed. For one thing, the political culture of that time, the backward state of the "science of revolution", the great number of political ghosts running around loose in the world fifty years ago and which today are gone. In the second place, world conditions, the political geography of the earth in 1910 and even in 1940—when, we are told, it was necessary to choose between a radicalization of the revolution and a reconciliation. In the third place, domestic conditions, the semifeudal structure, the heterogeneity of the population, the lack of internal communications and of rapid means of communication like the radio and television.

All of these circumstances, cultural, international and domestic, so different then than now, so different in the Mexico of 1910 and the Cuba of 1960—all of these taken together perhaps suffice to answer the natural doubts of many Latin Americans, including some Mexicans. But above all, these circumstances can lead us to a posing of the problem which will get us away from abstractions, excuses and invectives, and will enable us to formulate it in more objective terms: what happened in Mexico? Above all, how did political, economic and cultural facts behave in the historical process known by the name of the Mexican Revolution?

### **How Did the Mexican Revolution Act?**

In the historical process taken as a whole which goes by the name of the Mexican Revolution, there are two principal tendencies, one predominantly linear—related to cumulative development in the fields of industry, technology, education, etc.—and another of circular type, which approximates the "eternal return", the return to the point of origin. The first corresponds to the old idea of progress and lends itself to the simplest euphoric conclusions. The second is more complicated; it has

two principal starting points: on the one hand *Porfirismo*,<sup>7</sup> the semicolonial society, and on the other the revolution in the strict sense, the breaking of the semicolonial structure both internally and externally, by means of popular, political and military pressures.

At this point in its trajectory, the Mexican Revolution has in fact returned to the prerevolutionary point of origin, to certain social forms characteristic of *Porfirismo*, and at the same time it has returned to its starting point as a revolution; that is to say, it has recovered its revolutionary impetus. Of this the most notable case, although not the only one, was the period of President Cárdenas (1934–1940), which followed the *Maximato* of Calles<sup>8</sup> and brought the country back to the revolutionary path.

In both cases the return is not complete: the linear development, being cumulative, the development of the forces of production, of technology, of culture, the development of the social classes themselves prevents return to an exactly identical situation, *porfirista* or revolutionary. The pessimists, who think that the tide of revolution has carried us or will carry us to the Mexico of 1910, ignore the fact that the Mexican bourgeois now dominate the situation, that the feudal structure of Mexican rural life has disappeared, that the colonial economy has been broken, that return cannot be complete. The optimists who hope for a return to the renewed revolutionary impetus of the Cárdenas era, will never find again a Mexico like that of the thirties: concretely, the alliance between the bourgeois and the peasants against the land owners and foreign imperialists, can never happen again in the same terms, inasmuch as the feudal property system has disappeared and the rural bourgeois—big and little

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<sup>7</sup> *Porfirismo* is the period which precedes the Mexican Revolution and which extends from 1870 to 1910.

<sup>8</sup> The *Maximato* is the period in which ex-President Calles—"Jefe Máximo" or "Supreme Chief"—dominated the political life of Mexico: 1928–1934.

—exercise today direct control over production relationships in agriculture.

In any case, each of these phenomena—economic, political and cultural—present this linear tendency and, in addition, a circular tendency, counterrevolutionary or revolutionary.

Within the linear tendency, which frequently is cumulative, and in which it is possible legitimately to eliminate the cyclical variations, there are to be found some quite different phenomena: The national income in terms of real purchasing power was slightly less than one and a half billion dollars in 1940 and over four and a half billion in 1959 (base year 1950), with a development rate for the period 1939–1950 of 2.9. Electric energy consumed in the country was 2.4 billion kilowatt hours in 1942 and 9.6 billion in 1959. Highway kilometers jumped from 695 in 1925–28 to 37615 in 1959. The use of mechanical horsepower per unit of cultivated land increased 428.57 per cent in the twenty year period 1930–1950. Infant mortality was 304.46 per thousand in 1910 and 80.8 in 1957. Mortality figures in general were 33.25 per thousand in 1910 and 12.5 in 1958. The number of occupants per unit of housing was 8.2 in 1900 and 4.9 in 1950. In 1910, 13 per cent of the population was monolingual, speaking only indigenous languages and dialects, while in 1950 only 3.64 per cent was monolingual. In 1910, 80 per cent of the population was illiterate, while in 1950 only 43.2 per cent.<sup>9</sup> Within these tendencies which indicate the progress and development of Mexico, it is possible to consider the most widely different economic, cultural, social and even political elements. Whenever development takes place, these tendencies are to be observed.

The case of the revolutionary–counterrevolutionary cycle, which repeats itself at different levels, is typical of capitalist

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<sup>9</sup> *Anuario Estadístico de México, 1960*; Jorge Echanis and Emilio Mújica: *La Realidad Económica de México*; Luis Yáñez Pérez: *Mecanización de la Agricultura Mexicana*, México, D.F., Instituto Mexicano de Investigaciones Económicas, Population Census.

revolutions. In the semicapitalistic Mexican Revolution, the same cycle is also to be found, but in quite different structural circumstances. The revolution puts an end to the semifeudal plantation system, gives new impulse to the nation's business, begins industrialization, and thus changes an infinite number of economic, political and cultural structures. But the revolution is semicapitalistic: the country does not achieve a heavy industry nor economic, political and cultural independence. It depends to a great extent for the supply of its means of production on the United States. Its capacity for participating in world economic competition is menaced by the great powers, especially by United States capital. It imports principally manufactured products and exports raw materials. It has a single foreign market that is predominant: that of the United States. Its domestic market corresponds to the early phases prior to full capitalist development, and its culture is typically heterogenous. To break out of this situation is difficult: the revolution creates a structure with its own bottlenecks—economic, political and cultural—in which the dynamics of capitalist development are smothered. The ruling classes cannot turn imperialist; they cannot even achieve the bargaining power of the smaller capitalist countries. Their dependence on the foreign market becomes a function of the domestic situation in which they find themselves: they continue being nationalistic even in their most regressive moments, under the forms of international capitalist competition. They do not return to the status of semicolonial employees and officials, separated from economic production and trade in national products. They participate in and defend economic production. Their mentality is that of the entrepreneur; they understand fully the dynamics of world capitalism. But if their bargaining power is weak in the face of imperialism, their domestic situation and the force which this situation picks up, is the principal reason for their weakness. While desiring to maintain and strengthen their bargaining power and competitive position by means of an independent national policy, they fail to strengthen their position through extensive alliances

with popular elements or through the free play of these latter forces, which would give rise to the expansion of the domestic market and to a homogenization of national culture. Rather, they make alliances with only selected popular groups, which they then turn on the impoverished population, which itself is unorganized, without political experience and without national culture, and thus perpetuate the structural weakness characteristic of semicolonial states.

In capitalist and semicapitalist revolutions nationalism continues strong; but whereas in the former it becomes aggressive and even imperialistic, in the latter it maintains its defensive and semicolonial character. In the case of capitalist revolution, an expansion of the benefits of development takes place that reaches a much higher proportion of the population, precipitating the type of alliances and class struggles which give rise to expansion of the national and international market and of the national state itself. In semicapitalist revolution, developmental expansion does not give rise to the type of alliance and class struggle needed for the expansion of national and international markets, but rather encourages the expansion of a dominant domestic market and a dependent foreign market. Semicapitalist revolution does not destroy the internal structure of colonial society, in which there are suppressed nationalities and races, large marginal population nuclei and a heterogeneous culture, nor does it bring to an end the weakness of semicolonial states. The increase of productive forces, the industrialization, the urbanization, the growth of communications and the means of communication, which are promoted by semicapitalist dynamics, are not sufficient to break through completely the internal and external structure of the old colonial and semicolonial society, which at a later stage becomes the principal obstacle to the expansion of national and international markets, to the formation of the Nation-State, and to the full expansion of capitalism itself.

This general situation gives a special meaning to all the regressive movements that appear in the course of the history

of the Revolution and which, briefly set forth, are the following:

(1) From the elimination of the latifundia system and the establishment of a system of small private property and of collective property and usufruct (*ejidos*), the revolutionary cycle goes on to a new latifundia system: the accumulation of land and the formation of agricultural corporations of a capitalist type.<sup>10</sup> From a form of exploitation close to slavery (peonage), the transition is made to capitalist forms of exploitation (wage labor combined with the historical vestiges of peonage). The small property owners and the members of the collective farms are themselves exploited through high interest rates and through speculation in agricultural products and market control.

(2) From aggressive nationalism, which allied itself with the peasantry and the proletariat to break the colonial monopoly, the transition is made to an integration of a segment of the national bourgeoisie with the bourgeoisie of the United States in a mixed relationship of alliance and commercial competition in which the nature of the relationship itself as well as the economic struggle requires a certain bargaining power in order to obtain maximum profit. This bargaining power is achieved through a limited, competitive independence. Nationalist revolutionary segments are reduced to playing a political game of secondary importance, in which the pressure they exercise, together with that of popular and nationalist elements, is useful to the State only in negotiating more favorable agree-

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<sup>10</sup> The new, capitalist-type latifundia system "exceeds by far what Article 27 of the Constitution, as amended, establishes as exempt property; that is, more than 100, more than 130 and more than 300 *hectáreas*, according to the crop cultivated..."; less than 0.5 per cent of individuals or families are owners of more than half the productive land "in some regions of the North such as Lower California South, Nayarit, Sonora"; and the situation is similar in Sinaloa, Chihuahua and Tamaulipas. Cf. Jesús Silva Herzog: *El Agrarismo Mexicano y la Reforma Agraria*, México, Fondo de Cultura Económica, 1959, p. 565.



ments. On the other hand, the comprador bourgeoisie and the foreign monopolies constitute a much more powerful pressure group, although they still do not dominate the situation directly and totally. On a national level, imperialist and extreme rightist groups fight to change the equilibrium of forces through both economic and political counterrevolutionary action, while the impoverished middle classes and certain segments of the proletariat seek to return to the developmental stage of the nationalist front and later, when they become more radical, seek to form a common front with leftist forces, with a coherent program of national capitalist development.<sup>11</sup>

There thus disappears from national politics the aggressive nationalism and the close alliance with the mass of the population to achieve the implantation of revolutionary measures with structural consequences. An alliance is established only with certain segments of the population to achieve the development of production forces and social services, the latter designed to consolidate the alliance. From revolutionary measures which destroy the imperialist and feudal interests, a change is made to measures for economic and social growth that do not basically affect vested interests, thus confusing the growth of certain forces and services with a development policy.

The vested interests are those of the national and foreign bourgeoisie. The appearance of a national front like that of the thirties to struggle against these interests becomes impossible, even when such a struggle could mean in fact an improvement and a step toward a policy of capitalist development through measures for the redistribution of income, diversification of foreign markets, control of foreign investments, and the planning of public investments. The State comes to demand a policy of national conciliation and economic and social growth within the framework of the vested interests, together with political

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<sup>11</sup> cf. *Programa y Llamamiento del Movimiento de Liberación Nacional*, México, 1961.

reforms and measures of a far lesser order than those of the capitalist state.

(3) From national capitalization derived from the expropriation of foreign investments and which constitutes a real original accumulation of capital, there is a turning to accumulation based on the depression of popular consumption through inflationary methods which affect especially the fixed income groups. From the increase of the domestic market through measures of a general and national character, such as redistribution of wealth and especially of land, and the raising of salaries and wages and increasing social allowances an expansion of the domestic market by areas and segments comes to be preferred. Industrialization with consequent urbanization and division of labor, the expansion of the area covered by the money economy, the growth of the middle class, and the increase in the number of skilled and semi-skilled workers, together generate a demand which is intermediate and even final, being insufficient in and of itself to give full employment to all productive resources, and which, combined with the demand generated by foreign investments, the proceeds from tourist business and from migratory workers returning from the United States, and the foreign market, provides the motive power for economic growth.

Thus, from a total discouragement of foreign investment by expropriations, which are a form of achieving national independence and national capitalization, a turnabout takes place and foreign investments are encouraged, the tourist trade is catered to, and the practice is continued of seasonally exporting migratory workers.

On the other hand, the quasi-monopoly exercised over the national economy by the United States of America, is broken in limited degree and then in the course of the cycle is later increased. Direct United States investments, which in 1938 constituted 60 per cent of the total direct foreign investment, in 1957 increased their share up to 80 per cent of the total.<sup>12</sup> And,

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<sup>12</sup> Source: Banco de México, S.A.

whereas in 1935 the United States accounted for 65 per cent of our imports and 63 per cent of our exports, in 1959 the same country accounted for 72.93 per cent of our imports and 60.72 per cent of our exports, with which our dependence on the U.S. market was increased, with the exception of a slight decrease in exports, and in spite of the fact that in certain moments of the cycle partial measures have been taken to diversify our markets.

At the same time Mexico has maintained its privileged position in comparison with other Latin American countries and in comparison with its own previous situation, in that it is the owner of its own transportation and communication systems and of almost all its sources of energy. The process of appropriation of these basic instruments continues throughout the cycle, although there is a transition from the original forms of appropriation (expropriation) to the commercial forms of nationalization. Thus Mexico acquires the railroads, the oil, the highway transportation companies and some airlines, the steel industry, electricity, and progressively the mining industry.

These instruments and the fact that the country no longer suffers from a one-crop colonial economy, but rather has achieved a diversification of its production, give it a competitive strength of semicapitalist type, remove it from the category of the "apparent nations" and cause it to approach the character of a developed and independent country. Nevertheless, they are not sufficient to break through the dominant position held by the United States in the fields of investment and foreign commerce, which dominance includes the country's principal export products and is a hangover from the country's dependent position against which the Mexican Revolution originally fought.

The structure of the foreign market and the structure of foreign investments, in and of themselves limit any measure of an economically independent character. The danger of devaluation, of a halt to foreign investment, of a setback in the tourist trade, of a suspension of opportunities for migratory workers and of a boycott on imports and exports, constitutes, in the

structural conditions of the present phase in the revolutionary cycle, real and effective dangers, which influence political decisions of the Government in the struggle for national liberation.

From the discouragement of foreign investments the revolutionary cycle carries us to the encouragement of such investment. This does not imply a position of semicolonial surrender like that of *Porfirismo*, but rather a political weakness of a structural nature, corresponding to an economic and power structure in which resistance to imperialism and the striving for national liberation continue, but considerable obstacles must be faced which determine the Government's political reasoning and decision: the risks it takes, its caution and its strategy. At a higher level of economic and political independence a semicapitalist country finds itself, nevertheless, facing international structures similar to those of the prerevolutionary period.

(4) Within the process of capitalization, speculation has been one of the more common forms. The system itself, the lack of political career stability, and the insecurity of the man without money, are some of the principal factors which determine this form of original accumulation, characteristic of public officials in certain stages of capitalist development. In this area no revolutionary-counterrevolutionary cycle is to be noted. Speculation is part of the history of prerevolutionary and postrevolutionary governments. Its incidence in certain stages, in which the loss of revolutionary conscience reaches considerable proportions (such as the *Maximato* and *Alemanismo*),<sup>13</sup> is followed by others in which there is much greater honesty in the management of public funds, such as *Cardenismo* and *Ruizcortinismo*,<sup>14</sup> during which progress was made toward the creation and perfecting of a modern governmental bureaucracy.

From a structural point of view there exist contradictions between government and private business, between the roles

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<sup>13</sup> *Alemanismo* is the period of President Miguel Alemán (1946–1952).

<sup>14</sup> *Ruizcortinismo* is the period of President Adolfo Ruiz Cortines (1952–1958).

of manager of a government corporation and of a private enterprise—roles which are frequently played by the same person—inasmuch as the upper echelons of government spread out in the majority of cases to the extent of becoming owners of private companies and entrepreneurs. This circumstance, the desire to have or the fact of having one's own business, gives rise to the commercial management of a good number of government operations for personal benefit, even when there is no speculation strictly speaking. Add to this the operations and concessions, which are made for personal reasons of a political character or on account of circumstantial political pressures. Such is the structure which prevents or hinders the realization of overall plans for economic development. But inasmuch as the appearance of public and private corporations produces within the country the dynamics of capitalist development, these limitations do not lead to a policy of plunder and hoarding characteristic of countries which have not known the "businessmen's revolution".

The creation of public and private corporations, the commercial success of both, and the existence of officials and technical personnel to whom are applied legal and administrative controls like those of a capitalist enterprise, are a phenomenon which cannot be ignored. The development of state and private capitalism has made necessary, in Mexico and elsewhere, the formation of a corporation bureaucracy much more efficient and productive than the traditional bureaucracy. This bureaucracy has not only managed its corporations successfully, but has come to hold the initiative in matters of development, to the degree that private investment is a variable dependent on public investment, and the latter has been the principal motive force behind national development. In this area are to be seen in full play the logic and the dynamics of state capitalist development. The limitations which exist are outside of the public and private enterprise, in the structure of the national and international market; and these are the limitations which cause speculation to seek safety and protection often in foreign bank

deposits instead of finding an outlet in the formation of working capital.

(5) One of the problems which affect the vast majority of colonial and semicolonial countries and which is characteristic of them, being essential to colonialism itself, is that which sociologists call the dual or plural society, i.e., the existence within colonies and countries with a semicolonial structure, of two cultures, one identified with those who rule and the other with those who are ruled.

In semicolonial countries the existence of these two cultures reveals the lack of national integration and is one of the instruments of national subjection. In reality the lack of cultural integration and the existence of groups with a different culture who are repressed and discriminated against, are factors which weaken the country as a whole. In Mexico this problem dates from the Spanish period and continues down to our day. The Mexican Revolution has been able to solve it only in very limited and partial degree. The Agrarian Reform did not reach the indigenous communities to the same extent that it reached the *mestizo* communities, nor have the former enjoyed the same rights and resources as the latter.

Today, at least ten per cent of the population, i.e., three and a half million inhabitants, are indigenous, according to the definition of Alfonso Caso: "An Indian is one who feels that he belongs to an indigenous community, and an indigenous community is one in which non-European somatic elements predominate, in which the people prefer to speak an indigenous language, whose material and spiritual culture contains a large proportion of indigenous elements and which, lastly, has a social sense of being an isolated community within other communities which surround it, which causes it to distinguish itself from towns and villages composed of whites and *mestizos*."<sup>15</sup>

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<sup>15</sup> A. Caso: *Definición del Indio y de lo Indio in Indigenismo*, Instituto Nacional Indigenista, 1958.

These three and a half million people, who are Mexican citizens *de jure*, lack good lands and sometimes any land at all, and do not receive the credit, the equipment or the services which the rest of the population receives.<sup>16</sup> They pay more taxes than other Mexicans and receive the benefit of fewer services and investments than other Mexicans. "Whereas the Federal Government invests 197 pesos per person in the country's nonindigenous municipalities, for agricultural credit, education, irrigation, roads, hospitals and medical attention, it invests only 39 pesos per person in the indigenous municipalities for the same purposes".<sup>17</sup> If in Mexico there is indeed no racial discrimination, there does survive the colonial discrimination against the indigenous communities. And this problem is not only an indigenous problem, it is a national problem, to the degree that it leaves the country with an internal structure of a colonial character which weakens it as a country both in domestic and international affairs.

The plural structure of society in reality goes far beyond the dichotomy of national and indigenous culture groups. The country's development itself is dual or plural in that, as is

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<sup>16</sup> "On the basis of partial data available, it may be estimated... that around 28 per cent of the indigenous population occupied in agriculture, thus far have no land of their own; and those who own land, face a deplorable situation on account of the poverty of their soil, lack of rainfall, lack of transport and communication, lack of technological development, and the exploitation of which they are victims by the rest of the population, in addition to the insecurity in which they live with respect to their lands"; Instituto Nacional Indigenista: *La Situación Agraria de las Comunidades Indígenas*, Publicación del Gobierno del Estado de México (1960). p. 5. Other data are worse yet: "as may be proved by reference to the census, only 55,861 monolingual indigenous heads of families have received land in accordance with the *ejido* program, and if we consider the typical family composed of five persons, there live on *ejido* lands 279,305 monolingual people, or, what amounts to the same thing, there are 1,143,266 who have not received any lands at all". Cf. Alfonso Caso in *Demografía Indígena* (1950) in *Indigenismo*, Instituto Nacional Indigenista, 1958, p. 21.

<sup>17</sup> Alfonso Caso: *Memoria de las labores del INI presentada al Secretario de Hacienda y Crédito público en 1954*. Unpublished work.

typical of all colonies, there is a group which participates in the benefits of development and one which does not. Today the proportion of participants is greater than in the case of colonies and includes groups which are diverse in nature and immensely numerous, in comparison with the favored few who participate in the benefits of colonial development; but Mexico still has, however, the structure typical of colonial development: an immense segment participates in development and another is left on the sidelines, while the relations between the one and the other continue being those of the colonizer and the colonized.

The magnitude of the problem has not been sufficiently studied. Ifigenia Navarrete has stated that "it may be said that due to the low level of national income in the case of Mexico, only that segment of the population has been incorporated into the benefits of economic development, which has an income equal to or greater than the mean, i.e., 30 per cent of the population in 1950 and 35 per cent in 1957."<sup>18</sup> If we accept this preliminary observation, of each 100 Mexicans we have only 35 participating in the benefits of development while 65 are left out, and of these latter, at least 10, the country's indigenous population, are left far out.

What is worse, not only between the ins and the outs, but within the former group, in economic, political and cultural relations, in national elections, in labor disputes, etc., there are to be found colonialist attitudes. The country does not evolve, or at least is not evolving at the same rate as other countries, toward the type of social relations to which the dynamics of capitalism leads in non-colonial countries, in which, in the midst

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<sup>18</sup> An idea of the degree of social mobility may be deduced from the following data: "In 1930 agricultural day workers represented 54 per cent of the economically active population while in 1950 they represented only 20 per cent ... Mexico is ceasing to be a nation of agricultural day workers and is becoming a land of small property owners and usufructuaries". Yáñez Pérez Luis: *op. cit.*, p. 16. According to Ifigenia Navarrete, while the lower class constituted 70 per cent of the population in 1950 it amounted to only 65 per cent in 1957; *op. cit.*, p. 89.



of economic and political struggle, there is recognition for organized popular forces, but rather the country continues or remains throughout its history with the ruler-ruled type of social relations, the forced solution of conflicts and the violent repressions characteristic of colonial countries.

What is more, this dual structure lends itself to political manipulations also characteristic of colonial society, in which an alliance of participants in development is sought to control the marginal groups, which in our country include not only the indigenous communities, as we have seen, but also the poor peasants and unskilled workers, i.e., the vast majority of the labor force. To this end, the question of wages and social allowances for the participant class of workers, is studied and decided with a much more generous type of solution than in the case of marginal workers, thus creating a privileged caste which goes from the businessmen to the skilled worker (ironically called the millionaire worker).

The skilled workers, who have the largest organizations and the most effective possibilities for struggle, thus become intermediate groups, a species of privileged colonial proletariat, with the mentality of the middle class. This general structure of society, not only was not broken by the Revolution, it gave rise to the achievement of capitalization above all at the expense of the marginal segment, the segment of the population which does not participate in the benefits of development, whose misery is similar to that of workers in colonial countries, and by means of an alliance with the class of skilled workers, whose protests and demands for wages and social allowances, are similar to those of government workers and, in general, to those of the middle class in capitalist countries, in which the plural society does not exist, and whose standards of living in comparison with the indigenous communities and unskilled workers are similar, by reason of the differences, to those of white workers in colonial societies.

The cyclical impoverishment of the working class which participates in the benefits of development, does not lead to

radical forms of struggle to the extent that it is granted raises in wages and social allowances, at the expense of the marginal workers, whose level of organization, whose political and cultural level, etc., are very low and very inefficient from the point of view of the exigencies of the struggle, and whose resistance is attacked with the maximum of violence known in our society, on the local level and quietly, without such violence ever provoking the protest reactions heard from the participating segments of the population, when these are the ones affected.

In such conditions the structure of the dual society is the worst impediment to the country's political and economic development toward a higher state, not to mention socialism, but of capitalism, which would mean a homogenous society in which differences of income, culture, political knowledge, etc., would not be so great as in the colonial or semicolonial society.

(6) To this plural structure of society, which is to be found all along the revolutionary cycle, there are to be added certain regressive processes in the factors of power: although the military have not occupied again the preeminent place they had in Mexico until thirty years ago, the oscillating character of national politics and the Government's alternating acts of strength and weakness, may be a call to their return. Other organizations have followed more clearly the line of revolutionary cycle: the Clergy, defeated in its political and military activities, and reduced to the religious function, has returned to the political arena, organizing manifestations and acts of political pressure unprecedented since the period of the *Maximato*. Manipulating popular discontent, it is again successful with the promise of bread and Glory. Labor unions and their rights have been evolving toward forms of worker control, in which it even happens that certain legal elements whose original purpose was the defense of workers (such as the exclusion clause), are applied against them. Opposition parties continue to be little importance; Mexico is still in reality a one-party country. But that party, which yesterday was a powerful instrument of national defense, today is reduced to indecision and

rhetoric, although its local leaders and organizations, continue to do an efficient job of proselyting and of solving local problems, which explains its strength. In the case of the Government, the oscillating policy of the Party reacts weakly to an imperialism that can manipulate at one and the same time, the economic situation, the principal newspapers, the Clergy, and popular discontent.

Semicapitalist development thus gets in the way of its own evolution and continues as semicapitalistic, on account of the turn that its political institutions have taken. The way to a capitalist state which would achieve the maximum historical dynamics of capitalism, becomes difficult. Labor unions do not function to increase the domestic market as regards the whole working population, but rather only the "white" segment. The dominant political party obtains benefits for that segment, and suffers the same weaknesses as the Government: it views with caution any step toward national liberation, economic, political or cultural. The other parties do not reach to solve the problems of the masses and have no success among them: they thus do not constitute so far an institutionalization of social conflicts that might achieve, as happens in capitalist societies, effective success: increases in wages and social allowances, fiscal reforms, the allocation of Government investment, etc. In these conditions, the political struggle for the redistribution of income and social allowances, so necessary for the development of capitalism, is successful only within the structure of the dual society, which it is not able to transcend, and the struggle for economic independence is maintained within the limits of a semicapitalist state, which in its international relations does not attain a level of economic and political equality with the great powers. Both factors are together the most important political impediment to the full development of capitalism itself.

(7) Revolutionary ideologies are subject in Mexico to a process of expansion—they are becoming common place among the politically conscious population—and of nullification. The classics of the Mexican Revolution become sources of inspiration

even for the reactionary parties, who defend revolutionary ideas and even laws in order to win over a people who are truly revolutionary conscious.

In this way there develops a paradoxical situation. When one is not in power, one is very revolutionary, even when one is reactionary. When one is in power one is very cautious. In the latter case, there arise against the ideology of the Revolution the most varied forms of evasion: some rhetorical, the rhetoric of civic speeches, and others retrospective, historical and abstract. With the cold war certain ideas, concrete by nature and concretely applicable, from the classics of the Mexican Revolution, become "exotic ideas". The *courtier* that is the professional politician, knows that the language of success is a rhetorical language with reactionary-revolutionary ambiguities. Thus, while rightist demagoguery employs aggressive and concrete revolutionary language, which it adds to religious symbols, the political *courtiers* use a language empty and ambiguous.

The left, and especially the marxist left, has been doing a seesaw between opportunism and sectarianism throughout the whole cycle. To the effective united action—useful to the left in relation to the national front and the anti-imperialist struggle—which the Government periodically renews, there is to be added the frequent activity, also effective, in the development of capitalism. There thus arises a structural opportunism. Any and all leftists may, at the most unexpected moment, because of the concrete political situation, join forces with the Government's national struggle, and to be effective they must be opportunists. The counterpart is sectarianism.

The preoccupation with doctrinal purity is probably to be found in its maximum intensity among leftists in a country such as Mexico. The psychosis which some suffer and the way in which they engage in a petit bourgeois competition in their effort to be leftists, are part of their difficulty in understanding and acting in the field of the unexpected revolution which the social dynamics of a semicolonial Mexico have released, in which the class struggle presents semicolonial characteristics and in

which nationalism is never imperialist, nor disappears entirely or permanently from governmental acts, and thus frequently obliges the different social classes to make alliances against imperialism.

Some leftist fears are well founded. Many marxists of yesterday are big businessmen of today. If in England Protestantism was the ethic of capitalism, in Mexico Marxism fulfilled the same role. There was a Marxism of the bourgeois and for the bourgeois. Mexico is a country in which it is not uncommon to find bankers who made their fortune applying the laws of *Das Kapital*, or politicians—today conservative—who have a marxist background and who rationalize their position by talking of the “contradictions of capitalism” and of “increasing, in the present stage, the forces of production until the moment comes when they enter into definitive contradiction with the relationships of production”. This genesis and evolution of Marxism among a good part of the ruling elite is, apart from this, a serious obstacle to the cold war. The idea that every marxist of today may turn out to be a businessman tomorrow, weakens suspiciousness in Marxism. The young bourgeois is a marxist; the old, an entrepreneur.

Against this ideological confusion and against the cycle of leftist ideology, there is a process of cumulative, scientific political knowledge with clear ideas on the immediate future of Mexico and the world, on the meaning of the Cuban Revolution, of the cold war, and the anticolonial struggle. Mexico is a country in which the majority of its leaders have an ample political consciousness. The search, however, for the forms which concrete political action must take in order to be effective in a semicapitalist country, has not yet attained full maturity. We all know, whether we admit it or not, that the dilemma no longer is choosing between capitalism and socialism, but in choosing the road to socialism—peaceful or violent—and in choosing the type of socialism—democratic or dictatorial. But—what is that road?

### What is the Road to Socialism?

The probable effective actions of this semicapitalist Mexico are fundamentally of two types, according to whether Mexico can pass on to a capitalist stage in which the dynamics of capitalism are fully attained, or whether it will remain in the present stage, with the present structure and the present rate of development, with struggles and difficulties each time more violent and uncontrollable, and from them pass on to socialism.

For the moment, those who think that there can be immediately a new revolution of a socialist type, commit a grave mistake. Malaise and protest are not equivalent to absolute desperation, and nobody resorts to revolution, except when there is no other alternative. In the Mexico of today which is being industrialized and urbanized, there is a permanent social mobility. The peasants of yesterday are the laborers of today, and their children may enter the professions. In the consciousness of the people there is this possibility of individual salvation, through emigration from the country to the city and the rising from one class to another through education, work, or luck.

We do not know the present intensity of this horizontal and vertical social mobility. But it is a fact that in the consciousness of large population nuclei there does exist the idea that personal salvation is within the realm of practical possibility. And we can see for ourselves the miserable conditions in which today's construction worker lives, but who yesterday was a peasant and the son of a peasant and for whom the change, even to these miserable conditions, is an improvement. Add to this the fact of the two Mexicos, the participant and the marginal, and see how, when the former turns radical, he is paid attention to and cared for by the political and economic instrument of the Government and the party in power; and how, without permitting him an organizational independence, he is granted benefits which are even beyond those demanded by the leaders of the democratic union opposition—as has happened on innumerable occasions—and it will be understood that

the participating segment, although entertaining the idea of collective salvation, sees the best chance in loyalty to the Government, an idea which weakens its will to fight for union democracy, not to mention a new revolution.

As for the marginal elements, some have a minimum capacity for demanding and for struggling, as is the case with the immense majority of indigenous communities; and others entertain the hope of becoming part of the segment which participates in the benefits of development, whose growth and enlargement is a historical fact which several generations of Mexicans have observed. In these conditions to think of an immediate revolution is absurd, and only those who employ the old tactics of the *agent provocateur* or who suffer from a dangerous political naïveté, can talk of another revolution. That one day there may come a revolution; that one day there may come a permanent impoverishment of the middle classes and of the "white" workers; that the growth of the participating segment may be halted or that the participating group may be reduced to extinction; that industrialization and urbanization may be suspended; and that social mobility may cease—are possibilities which fall under the heading of eschatology and for the moment cannot be foreseen. There can also be no doubt that any violent movement today would play inexorably into the hands of rightist forces, would serve to abort the democratic movement of political parties and labor unions, and would be an instrument useful to a servile dictatorship.

Knowing well these conditions, General Lázaro Cárdenas has pointed out what seems at present to be the right road: Support political and social institutions and organize the people. Support the Government when, albeit weakly, it takes measures in defense of national sovereignty; and strengthen the popular, independent organizations which lead to the democratic institutionalization of social conflicts and exert pressure in favor of measures which will accelerate the dynamics of Mexico's development within the capitalist system, thus laying the foundation for a genuine democratic force which, in the hour of socialism,

will offer the political and social pillars for the establishment of democratic socialism.

The organization of independent popular elements and the people's capacity for resolving conflicts within the institutions which came out of the Mexican Revolution, thus constitute the basic instrument on whose force and effectiveness will depend the type of economic development and political evolution which the Mexican people will have. The unknowns are, however, great and in a history without precedent. Can Mexico, at this historical crossroads in the revolutionary cycle, pass from a semi-capitalist to a capitalist stage, to a society of homogenous culture, to a *polis* in which the free play of labor unions is a fact, in which popular organizations serve to resolve conflicts institutionally, and in which tomorrow we shall arrive peacefully at socialism? Or will the organization of the people be repressed, will the extreme right take over the Government; will the palace revolutionaries, the military, and the Roman Catholic clergy return again to the forefront, to maintain by force the plural society, the semicapitalist development, augmenting—as would be necessary to control the people—the nation's dependence on the United States, in which case the road to socialism would be a violent road, and the socialism which would emerge, would be a dictatorial socialism without democratic culture? On the organization of popular forces, independent and institutional, would seem to depend the recovery and the future of a revolution which has stopped.



# LA THÉORIE DE L'ÉPARGNE-TRAVAIL DE NURKSE ET LES POLITIQUES DE L'EMPLOI DANS LES PAYS SOUS-DÉVELOPPÉS

CHEDLY AYARI

## Introduction

“Nous avons une population de plus de six cents millions d’habitants et notre Parti est lié à cette vaste population par des liens de chair et de sang.

En nous appuyant sur cette grande force, nous pouvons ou pourrons bientôt faire tout ce qui est du domaine des possibilités humaines...”<sup>1</sup>

Par ces phrases, le Président Liu Shao-chi faisait plus que dénoncer la thèse malthusienne: il écrivait pratiquement une nouvelle théorie de la population.

Deux années, après que le Gouvernement de Chine a annoncé, en 1956, que près de 180 millions de travailleurs étaient inocupés pendant 100 jours par an,<sup>2</sup> le monde apprenait avec stupeur que la Chine manquait de main d’oeuvre.

Il n’y avait pas de doute, que la Chine venait de lancer le défi le plus exaltant au chômage, et de présenter au reste du Tiers Monde, la plus passionnante des expériences de lutte contre le sous-développement.

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<sup>1</sup> Déclarations de Liu Shao-chi, contenue dans le *Rapport sur les travaux du Comité Central du Parti Communiste Chinois*, à la seconde session du VIII<sup>e</sup> Congrès National, Pékin, 5 mai 1958.

<sup>2</sup> Chiffres cités par M. Tibor Mende dans son ouvrage: *La Chine et son ombre*, Paris 1960, p. 79.

En réalité, l'expérience chinoise trouvait sa signification, pour le reste du monde, moins dans les réalisations spectaculaires clamées quotidiennement dans les "bulletins de victoire" que dans le fait qu'elle semblait avoir trouvé une issue à l'un des aspects les plus dramatiques et les plus désespérants du sous-développement, celui de l'accroissement continu de la masse de la population sans travail.

C'était là, en effet, comme le reconnaissait M. Gérard de Bernis, "une voie, une solution, pas nécessairement la seule possible, ni la meilleure imaginable, mais la seule actuellement réalisée et efficace".<sup>3</sup>

Nous ne nous proposons pas de commenter, après tant d'autres, les résultats d'une telle expérience, mais nous voulons observer que l'expérience chinoise s'était développée dans les conditions spécifiques à la Chine, non seulement quant aux "dimensions" de ce pays,<sup>4</sup> mais aussi et surtout, quant au cadre politique et idéologique général dans lequel se fait la mobilisation permanente psychologique et physique des masses.

Cette "liaison de chair et de sang" que le Parti entretient avec la population, comme le déclarait plus haut Liu Shao-chi, définit, en réalité, l'idéologie générale, le type d'encadrement des masses, la nature du régime politique du pays et l'étendue des pouvoirs du Parti.

Certes, s'il est contestable d'affirmer brutalement que "tout est lié, l'idéologie du système et son économie,"<sup>5</sup> que l'enthousiasme des masses chinoises mises au travail est nécessairement artificiel et provoqué, il n'en demeure pas moins que l'expérience chinoise de mise au travail continue de se développer suivant *un modèle particulier*, dans le cadre d'une économie planifiée, centralisée, relativement fermée aux échanges extérieurs et dirigée par un appareil étatique omnipotent.

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<sup>3</sup> Gérard de Bernis: Economie tunisienne et expérience chinoise in *Les Cahiers de Tunisie*, N. 25 1er trimestre 1959, pp. 187-214. Voir p. 187.

<sup>4</sup> Voir article cité à la note précédente, page 189.

<sup>5</sup> G. de Bernis: *article précité*, page 191.

Cependant, quelque soient les conditions particulières et spécifiques de la Chine, l'expérience que ce pays a entreprise demeure un précédent stimulant et une source d'enseignements et d'inspiration, qui vont progressivement pousser de nombreux autres pays asiatiques et africains, vers une action similaire de mobilisation massive de la main d'œuvre en chômage.

Mais au modèle fermé, autoritaire, contrôlé et planifié, suivant lequel se développe l'expérience chinoise, s'oppose la politique ouverte vers l'extérieur, "libérale" ou "semi libérale", déséquilibrée, improvisée et non planifiée de création d'emplois, entreprise au cours des quatre dernières années dans les pays d'Afrique et d'Asie, dans le cadre des programmes bilatéraux de distribution des excédents agricoles aux chômeurs.

Pourtant, en 1957, l'économiste Ragnar Nurkse, tentait de construire un schéma théorique équilibré d'une action de mobilisation massive du surplus de main d'œuvre rurale dite en "chômage déguisé" dans les pays sous-développés, à forte population, surplus qui constituerait d'après l'auteur une *épargne-travail latente*.<sup>6</sup>

On a cru y voir une nouvelle "théorie", dont avaient surtout besoin ceux qui pensaient trouver au problème de l'emploi dans les pays dits surpeuplés, une solution immédiate et relativement peu coûteuse.

En réalité, il en est autrement. Car, le schéma proposé par Nurkse, non seulement ne renferme aucune analyse originale, mais encore il contient des concepts imprécis et des implications controversées.

Nous pouvons ramener le raisonnement de Nurkse à ces deux propositions fondamentales.

Constatant que les pays à forte population "souffrent du "chômage déguisé" sur une grande échelle, c'est-à-dire que même sans changement de la technique employée en agriculture, une grande partie de la population employée dans les activités

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<sup>6</sup> R. Nurkse: *Problems of Capital Formation in the Underdeveloped Countries*, Oxford 1957. Voir particulièrement le chapitre II.

agricoles peut être déplacés sans qu'il y ait une réduction de la production agricole<sup>7</sup>, l'auteur affirme qu' "en déplaçant le surplus de main d'œuvre vers d'autres secteurs de production, même si la productivité marginale directe du travail est nulle, l'effet indirect de cette main d'œuvre appliquée aux détours de production—c'est-à-dire, à l'accumulation de capital—est vraisemblablement très grand dans les pays où le capital est rare".<sup>8</sup>

A partir de là, R. Nurkse décrit le mécanisme par lequel a lieu cette mobilisation de main d'œuvre disponible, c'est-à-dire grâce à la fourniture de biens alimentaires à la main d'œuvre nouvellement employée, principalement,<sup>9</sup> par la voie de prélèvement sur la production des paysans restés aux champs.<sup>10</sup>

Cette présentation schématique et simplifiée de la théorie de Nurkse contient en fait les principaux thèmes de discussion et de controverse, que cette étude a pour objet d'examiner.

Dans ce modèle simplifié de la mise au travail de la main d'œuvre rurale excédentaire, il y a deux points fondamentaux, l'un est constitué par le concept et la mesure du "chômage déguisé", ce sera là, première partie de notre étude; l'autre est constitué par l'examen, à la lumière de certaines expériences de création d'emploi entreprises par certains pays africains, particulièrement le Maroc et la Tunisie, des conditions et des implications du transfert du surplus de la main d'œuvre rurale

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<sup>7</sup> R. Nurkse: *op. cité*, p. 32.

<sup>8</sup> R. Nurkse: *op. cité*, p. 36.

<sup>9</sup> L'auteur envisage en réalité 3 possibilités pour nourrir la main d'œuvre au travail:

- soit par l'épargne volontaire effectuée par les classes urbaines principalement,
- soit par un apport de capital étranger,
- soit par un prélèvement sur la production de ceux qui restent aux champs.

Mais l'auteur ne retient pas la première solution à cause de son insuffisance, ni la seconde parce qu'elle est incertaine et inadéquate. Voir p. 37.

<sup>10</sup> R. Nurkse: *op. cité*, pp. 37-38.

vers d'autres secteurs d'activité. Ce sera là, l'objet de la deuxième partie de cette étude.

On doit rendre ici une première justice à R. Nurkse, dont il est nécessaire de souligner les réserves concernant l'application de sa propre théorie, car s'il est vrai que l'auteur considère que "la théorie du chômage déguisé est statique, mais néanmoins légitime et significative de ressources disponibles en population, en vue de la formation de capital,"<sup>11</sup> il limite la portée de sa théorie en admettant que "même si nous l' (la théorie) acceptons comme une proposition générale, nous allons rencontrer toutes sortes de difficultés dès que nous considérons son application pratique."<sup>12</sup>

Cette conscience de la limitation de sa théorie est encore exprimée d'une façon plus significative par l'auteur qui écrit :

"Je me suis limité à une présentation théorique du problème. Je ne me fais pas d'illusions quant à ses difficultés pratiques."<sup>13</sup>

#### PREMIÈRE PARTIE

### **Le concept et la mesure du chômage déguisé, dans les pays sous-développés à forte population**

L'absence d'une discussion du concept du chômage déguisé dans l'analyse de R. Nurkse, pourrait faire penser qu'il s'agit là d'une notion précise qui s'appliquerait à une catégorie de chômeurs bien délimités, dans les pays à forte population.

Une telle discussion semblait pourtant se justifier d'autant plus que l'auteur déclarait lui-même se limiter volontairement à un modèle théorique.

A vrai dire, R. Nurkse se contente d'affirmer que la terminologie du "chômage déguisé" ne s'applique pas au travail salarié, "mais à la situation du travail familial en milieu rural,"<sup>14</sup>

<sup>11</sup> *op. cité*, p. 49.

<sup>12</sup> *op. cité*, p. 38.

<sup>13</sup> *op. cité*, p. 56.

<sup>14</sup> *op. cité*, p. 33

parce que dans les pays industrialisés, le chômage est toujours visible.

Une telle affirmation est loin d'être satisfaisante et laisse entière la nécessité d'une définition du concept de chômage déguisé, et de l'explication de son originalité.

Cette originalité du concept du chômage déguisé doit être précisée, c'est-à-dire définie par rapport à la théorie classique de l'emploi et du chômage et plus particulièrement par rapport à la théorie keynésienne. Ce sera là, notre premier point d'étude.

Dans la recherche d'une définition de la notion de chômage déguisé, nous nous apercevons que l'absence d'une élaboration théorique suffisante du concept ainsi que l'insuffisance des critères d'évaluation du volume du chômage déguisé utilisés dans les enquêtes nationales et internationales (principalement sous l'égide du Bureau International du Travail) sur la situation de l'emploi et du chômage dans les pays dits sous-développés, au cours des dix dernières années, expliquent que les définitions proposées jusque là soient partielles et non satisfaisantes. Nous nous demanderons alors si les éléments d'une définition du phénomène du chômage déguisé, ne doivent pas être puisés ailleurs, c'est-à-dire dans un cadre plus classique. C'est à cela que nous consacrerons le deuxième point d'étude de cette première partie.

### Le concept de chômage déguisé

Lorsque Mrs. J. Robinson employa pour la première fois, le concept du "chômage déguisé",<sup>15</sup> elle le présenta comme "une complication de l'ancien schéma de la Théorie Générale de l'Emploi",<sup>16</sup> comme une notion "qui jette une lumière sur un problème intéressant, quoique hautement académique".<sup>17</sup>

Depuis sa présentation incidente dans le cadre d'une critique générale de la théorie keynésienne du plein emploi, la notion de

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<sup>15</sup> Mrs. J. Robinson : *Essays in the Theory of Employment*, Oxford 1947, 190 pages. Voir particulièrement, pp. 60-74.

<sup>16</sup> Mrs. J. Robinson: *op. cité*, p. 64.

<sup>17</sup> Mrs. J. Robinson: *op. cité*, p. 63, Note 1.

“chômage déguisé” ne semble pas avoir donné lieu, depuis les ouvrages de Mrs. Robinson, à une élaboration théorique suffisante.

Il devint pourtant très vite un concept largement utilisé tant dans les enquêtes sur le chômage que dans la littérature du sous-développement d'une façon plus générale.

A partir de définitions arbitraires, on en a fait un nouvel instrument d'analyse, une nouvelle théorie du chômage, sur la base de laquelle on a construit une nouvelle théorie de l'emploi.

Plus récemment, des auteurs se sont élevés contre une telle doctrine, en ramenant le phénomène du chômage déguisé simplement “au phénomène classique de la basse productivité du travail”<sup>18</sup> ou à la théorie classique de l'excès de population”.<sup>19</sup>

Pour situer les éléments de ce conflit, nous nous demanderons:

(A) Comment le concept de chômage déguisé se définit par rapport à la théorie classique de l'emploi et plus particulièrement par rapport à la théorie keynésienne.

(B) A la lumière des critiques avancées, en quoi l'analyse keynésienne, c'est-à-dire, la théorie de la “demande effective”, est incapable d'expliquer le phénomène du chômage déguisé.

(A) *Le concept de chômage déguisé et la théorie keynésienne de l'emploi.*

La notion de chômage déguisé était inconnue de l'analyse classique de l'emploi.

La théorie de l'équilibre général impliquait, entre autres, le plein emploi des facteurs de production, et partant, excluait l'idée même de la permanence d'un état de chômage involontaire.<sup>20</sup>

<sup>18</sup> Jacob Viner: *Some Reflections on the Concept of Disguised Unemployment in India*, “Journal of Economics”, N. 148, juillet 1957, pp. 11-18.

<sup>19</sup> J. Bhatia: *Disguised Unemployment and Saving Potential*, “India Economic Review”, Vol. IV, Août 1958, pp. 33-38.

<sup>20</sup> Les classiques admettaient l'existence d'un état de chômage fractionnel, dû soit à une mauvaise utilisation des qualifications des ouvriers, soit à leur mauvaise répartition dans les divers secteurs de production.

Certes, certains d'entre eux, comme Ricardo, prenant conscience de l'accroissement constant de la population, c'est-à-dire du facteur travail, en face de moyens de subsistance de plus en plus insuffisants proposaient comme remèdes à cet "excès de population", soit la limitation de la population, soit une plus rapide accumulation du capital".<sup>21</sup>

La théorie marxiste de "l'armée industrielle de réserve" se réfère elle aussi à l'excès de main d'œuvre disponible sur le marché du travail.

Mais d'une façon générale, la confusion que tous les classiques ne cessaient de commettre entre main d'œuvre employée et volume de population, les empêchaient d'admettre le maintien d'un état de chômage involontaire.<sup>22</sup>

C'est avec la *Théorie Générale* de Keynes<sup>23</sup> que l'équilibre classique de plein emploi fut pour la première fois fondamentalement contesté et que fut affirmée l'existence de situations d'équilibre de sous-emploi et d'états de chômage involontaire permanent.

C'est donc par rapport à la *Théorie* keynésienne de l'emploi qu'il convient d'apprécier le sens du concept de chômage déguisé, d'en situer l'originalité et de montrer en quoi il en constitue une "complication", comme l'affirmait Mrs. J. Robinson.

Considérant le plein emploi comme une situation particulière caractérisée entre autres, par l'existence d'une relation optimale entre la propension à consommer et l'incitation à investir, Keynes explique les variations du niveau de l'emploi par les fluctuations de ce qu'il appelle "la demande effective".

La demande effective peut être définie comme "l'ensemble des prévisions des dépenses de consommation et des dépenses d'investissement", ou encore "comme le montant du produit

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<sup>21</sup> D. Ricardo: *Principles of Political Economy and Taxation*, Ed. Gonnor, p. 77.

<sup>22</sup> Voir A. Barrère: *Théories Economiques et Impulsion Keynésienne*, Paris, Dalloz, 1952.

<sup>23</sup> J. M. Keynes: *Théorie Générale de l'Emploi, de l'Intérêt et de la Monnaie*, Cambridge 1936, 384 pages.



attendu au point où le prix de l'offre globale égale le prix de la demande globale".<sup>24</sup>

Cela veut dire que le cas du plein emploi se réalise, lorsque la différence d'une part, entre le prix de l'offre globale, c'est-à-dire le coût des facteurs résultant du plein emploi et, d'autre part, les dépenses de consommation est comblée par l'investissement.

Dans ce cas, en effet, l'entrepreneur retrouve sous la forme des dépenses de consommation et de dépenses d'investissement, les sommes qu'il a lui-même versées en rémunération des différents facteurs de production. On imagine ainsi aisément les nombreuses autres situations où entre la propension à consommer et l'incitation à investir s'établissent des relations inférieures à la relation optima précédemment décrite, c'est-à-dire tous les cas où les prévisions des entrepreneurs sont au dessous du niveau considéré comme celui du plein emploi.

A chaque type de relation, c'est-à-dire à chaque niveau de la demande effective correspond une certaine situation de l'emploi, ou un certain équilibre de sous-emploi, ou encore un certain taux de chômage.

Ainsi par le biais de la demande effective, Keynes donnait une explication à l'apparition et au maintien d'un état de chômage involontaire, que les classiques ne pouvaient pas concevoir.

Une telle analyse peut-elle être étendue à toutes les formes et à toute situation de chômage, plus exactement, la théorie de la demande effective peut-elle expliquer cette variété de chômage que l'on s'accorde à reconnaître comme caractéristique des pays sous-développés, c'est-à-dire : le chômage déguisé?

*C'est à cette question que nous tenterons à présent de répondre.*

(B) *"L'inapplicabilité de la théorie de la demande effective au concept de chômage déguisé"*.

Critiquant l'analyse keynésienne du chômage, l'économiste

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<sup>24</sup> Voir A. Barrère: *op. cité*.

indien V.K.R.V. Rao, affirmait que “nous étions confrontés par un cas de chômage qui n’est dû, ni aux frictions, ni à une déficience de la demande”.

Et pour mieux illustrer l’originalité de la notion de chômage déguisé par rapport à la *Théorie Générale*, l’auteur pose que le concept de l’emploi dans une perspective de développement économique est étranger à la théorie keynésienne du plein emploi.

La différence, explique-t-il, réside dans le fait que la réalisation du plein emploi pour l’élargissement de la demande effective a lieu dans le cadre des “possibilités d’emploi existantes” alors que “le développement économique signifie la création de nouvelles possibilités d’emploi grâce à un accroissement des ressources complémentaires nécessaires”.<sup>25</sup>

Maseo Fukuoka<sup>26</sup> affirmait de son côté que l’explication keynésienne du chômage par une insuffisance de la demande effective était applicable aux années 1930, mais non à la situation actuelle caractérisée par la coexistence d’un volume considérable de chômage et des pressions inflationnistes dûes à une *déficience des biens d’équipement et des biens capitaux*.

D’une façon plus générale, les observations faites sur la situation de l’emploi dans les pays dits sous-développés conduisent de plus en plus à la conclusion que la cause du chômage aussi bien que les remèdes à lui apporter se trouvent en dehors de la théorie générale keynésienne.<sup>27</sup>

Mais aussi paradoxal que cela puisse paraître, c’est Keynes, lui-même, qui a contesté en des termes encore plus nets, la valeur de la théorie de la “demande effective” dans l’explication des formes du chômage “moderne”, si l’on peut s’exprimer ainsi.

<sup>25</sup> V.K.R.V. Rao: *Full Employment and Economic Development*, “Indian Economic Review”, Août 1952, N. 2, pp. 43-47.

<sup>26</sup> Masao Fukuoka: *Full Employment and Constant Coefficients of Production*, “Quarterly Journal of Economics”, Septembre 1955, pp. 23-44.

<sup>27</sup> Voir entre autres: J. R. Hicks: *World Recovery after the War*, “Economic Journal”, Juin 1947; et *Full Employment in a period of Reconstruction*, “National Økonomisk Tidsskrift”, 1948.

Déjà dans la *Théorie Générale*, Keynes limitait le rôle explicatif de la "demande effective", en reconnaissant que "comme les ressources ne sont pas interchangeables, certains biens atteindront une condition d'offre inélastique alors qu'il subsiste par ailleurs des ressources (facteurs inemployés) disponibles pour la production d'autres biens".<sup>28</sup>

Mais il devait aller encore plus loin. En 1940, soit quatre années après la parution de la *Théorie Générale*, Keynes, écrivait dans son petit ouvrage *How to Pay for the War*, que "l'âge de la rareté est arrivé avant l'absorption de tout l'emploi disponible" et affirmait "que la nature du chômage aujourd'hui est totalement différente de ce qu'elle était il y a un an et que le chômage n'est plus causé par une déficience de la demande effective".<sup>29</sup>

Certes, Keynes, n'était pas allé plus loin dans son analyse; mais sa reconnaissance de l'insuffisance de sa propre théorie, démontre l'intuition et la profonde conscience que l'auteur de la *Théorie Générale* avait des événements futurs. Malheureusement, ses critiques lui en rendent rarement justice. Quoiqu'il en soit, il ne semble plus contestable que dans sa formulation, dans la *Théorie Générale*, le principe de "la demande effective" s'exprimant essentiellement en termes monétaires dans le cadre d'une économie d'entreprise privée, soit impropre à expliquer la persistance d'un état de chômage total ou partiel, visible ou déguisé, dans les économies à forte population, dites sous-développées.

Les nouveaux "goulots d'étranglement" qui empêchent le plein emploi de la main d'oeuvre de se réaliser dans de tels pays, sont dûs à une série de facteurs que Frisch appelait "facteurs limitatifs" (limitational factors)<sup>30</sup> dont les uns, comme la constance des coefficients techniques de production ou l'impar-

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<sup>28</sup> Keynes: *op. cit.*, pp. 296-300.

<sup>29</sup> Keynes: *How to pay for the War*, London 1940, pp. 18-19.

<sup>30</sup> R. Frisch: *Einige Punkte einer Preistheorie mit Boden und Arbeit als Produktionsfaktoren*, "Zeitschrift für National-Ökonomie", Bd. 31937.

faite substituabilité entre les facteurs ont déjà donné lieu à des débats théoriques approfondis,<sup>31</sup> et dont d'autres comme l'insuffisance des biens capitaux ou les rigidités au transfert de la main d'oeuvre prennent une importance toute particulière dans les pays insuffisamment développés.

Théoriquement, il y a eu une prise de conscience chez Mrs. Robinson, chez Rao, chez Hicks, et bien avant, chez Keynes, de l'originalité du phénomène de chômage déguisé, mais ni les travaux de ces auteurs, encore moins ceux de Nurkse, ne nous autorisent à parler d'une "théorie du chômage déguisé".

En nous tournant à présent, vers les recherches pratiques et les enquêtes que de nombreuses institutions nationales et internationales ont menées, ces années, sur la structure de l'emploi et du chômage dans les pays dits sous-développés, nous ne pouvons qu'apprécier la masse d'informations qu'elles nous apportent.

Mais les critères que ces enquêtes ont utilisés pour analyser et évaluer l'importance du chômage déguisé sont encore de valeur partielle. En tout cas, ils ne nous permettent pas de donner du chômage déguisé, une définition satisfaisante.

C'est ce que nous nous proposons de voir à présent.

### **Les critères de mesure du chômage déguisé: à la recherche d'une définition**

La détermination des chômeurs déguisés au sein d'une masse de main d'oeuvre disponible non employée, en milieu rural, se heurte à un ensemble de déficiences institutionnelles et administratives (absence de statistiques du travail et du chômage, absence de système d'aide aux chômeurs, etc...) à la structure interne de l'exploitation, au caractère cyclique de l'activité économique, etc...

C'est cet ensemble de déficiences et de caractéristiques de l'activité économique en milieu rural qu'il convient au préalable

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<sup>31</sup> Voir particulièrement l'article de M. Fukuoka précité.

d'examiner. Cela nous permettra d'apprécier la nature des difficultés qui se posent aux enquêteurs sur le chômage déguisé, et partant, la valeur des critères de mesure employés.

(A) *La nature des difficultés dans la détermination du chômage déguisé en milieu rural.*

On distinguera deux types de difficultés, les unes relatives aux déficiences institutionnelles et administratives, les autres relatives aux caractéristiques de l'exploitation agricole.

*Les difficultés institutionnelles et administratives.* L'absence de législation, de statistiques du travail et du chômage, en milieu rural ainsi que l'absence de système général d'indemnisation aux chômeurs complets, rend difficile la distinction entre les divers états de chômage ou de sous-emploi, principalement entre le chômage total et le chômage partiel, entre le chômage visible et le chômage déguisé.

R. Nurkse, constatait lui-même que si dans les pays industrialisés, le chômage est "un gaspillage de ressources visibles", par contre, "dans les économies paysannes à forte population, nous ne pouvons désigner personne et dire qu'elle est chômeur déguisé".<sup>32</sup>

De plus, les travailleurs agricoles peuvent passer par divers degrés et états de sous emploi.

L'expert asiatique du travail, Chiang Hsieh, dans son enquête sur le "sous-emploi en Asie",<sup>33</sup> établissait trois types de sous-emploi:<sup>34</sup>

— le sous-emploi visible qui se décompose à son tour en saisonnier, en chronique et en accidentel,

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<sup>32</sup> R. Nurkse, *op. cité*, p. 33.

<sup>33</sup> Chiang Ksieh: *Underemployment in Asia*, "International Labour Review", Juin 1952, pp. 709-725.

<sup>34</sup> Voir *Etude du Bureau International du Travail*, intitulée Mesures du Sous-Emploi, IX<sup>e</sup> Conférence Internationale des Statisticiens du Travail, Rapport IV, Genève 1957.

- le sous-emploi déguisé,
- le sous-emploi potentiel.

Une autre classification a été proposée.<sup>35</sup> Elle distingue les types de sous-emploi suivants:

- le sous-emploi cyclique ou déguisé, qui correspond au “chômage déguisé”,
- le sous-emploi de structure ou sous-emploi occulte, qui résulte de l’insuffisance de l’équipement disponible,
- le sous-emploi de développement se produisant en période de développement économique intense de certaines zones bien déterminées dans des pays où dominent des formes d’économie traditionnelle.

En l’absence d’information statistiques et d’une organisation administrative adéquate, il devient difficile d’évaluer différents aspects de chômage ou de sous-emploi, et aléatoire de déterminer dans la masse globale de main d’œuvre disponible, une catégorie de “chômeurs déguisés”.

*Les caractéristiques de l’exploitation agricole.* Un autre type de difficultés se rapporte à l’organisation de l’activité économique au sein de l’exploitation agricole dans les pays dits sous-développés.

Tout d’abord, le mode d’exploitation agricole pose à l’enquêteur de nombreuses difficultés quant à la détermination de la structure de l’emploi sur les exploitations agricoles.

Particulièrement, le caractère familial de la propriété et de l’exploitation même, aggravé dans de nombreux pays par l’existence d’un droit civil et d’un droit foncier archaïques et confus, rend particulièrement difficile l’individualisation des différentes unités ou des différents ménages composant l’exploitation.

Isoler l’apport-travail de chacun des membres de la famille au sein de l’exploitation familiale est souvent une tâche bien hasardeuse, quand elle n’est pas impossible.

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<sup>35</sup> Voir *Etude précitée, B.I.T.*, p. 15.

Cet apport-travail ne peut être évalué d'après le prélèvement sur les ressources communes, car ce prélèvement est fait souvent selon le besoin et non selon la contribution en travail au sein de l'exploitation familiale.

De plus, le morcellement de la terre en petites unités familiales, amène souvent certains membres de la famille à chercher un travail salarié complémentaire occasionnel, dans d'autres exploitations plus vastes et même ailleurs qu'en agriculture, dans les secteurs des services de l'industrie. D'autres, n'ayant plus de terre, ni à titre individuel ni à titre familial, sont continuellement à la recherche d'un travail salarié saisonnier ou permanent.

Cette confusion dans la structure de l'emploi en milieu rural constitue un sérieux obstacle à la définition de la partie de la main d'œuvre agricole à laquelle la notion de chômage et surtout la notion de chômage déguisé pourraient être appliquées.

C'est ainsi qu'un certain nombre de précautions doivent être prises particulièrement en ce qui concerne le travail accompli par les enfants et les femmes de l'exploitation familiale, par exemple.

Tout d'abord, il est contestable de considérer les enfants au dessous d'un certain âge (par exemple 15 ans)<sup>36</sup> comme faisant partie de la catégorie des travailleurs agricoles, et partant, comme susceptibles d'être qualifiés éventuellement de chômeurs ou de chômeurs déguisés, et cela, quelque soit leur apport-travail à l'exploitation.

La non scolarisation des enfants à cet âge-là, dûe à plusieurs causes et principalement à l'insuffisance des moyens financiers de la famille, et leur présence continue à la ferme doivent être considérés comme une situation anormale, accidentelle et susceptible de changer.

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<sup>36</sup> Cet âge minimum de 15 ans est celui qui avait été adopté par la célèbre enquête de J. Buck sur l'emploi rural en Chine (1921-1922), dans son étude *Land Utilisation in China*, Chicago 1937. L'auteur considère que la population rurale en âge de travail est comprise entre 15 et 64 ans. Ces limites sont communément utilisées dans les autres enquêtes.

Dès lors, à notre sens, il est faux d'inclure les jeunes membres de la famille, dans des statistiques sur le chômage.

Par ailleurs, le rôle des femmes doit également être précisé.

Les travaux variés et souvent importants accomplis par les femmes sur l'exploitation agricole ne classent pas pour autant ces dernières dans la catégorie des travailleurs agricoles susceptibles de tomber en chômage.<sup>37</sup>

Souvent l'apport-travail de la femme à l'exploitation familiale est considéré comme le prolongement de son travail ménager.

Ceci explique entre autres, l'irrégularité constatée de la participation de la femme aux travaux des champs même pendant les périodes de pointe,<sup>38</sup> c'est-à-dire pendant les moissons.

Mais ces précautions ne sont pas suffisantes.

En effet, dans son enquête sur les travailleurs agricoles en Inde et au Pakistan, Mr. Surendra J. Patel distinguait 4 types de travailleurs agricoles :<sup>39</sup>

- ceux qui se trouvent dans un état d'asservissement ou de demi-liberté vis-à-vis de leur employeur,
- ceux dont l'exploitation agricole personnelle est trop petite et qui recherchent un travail complémentaire salarié dans le secteur agricole ou d'autres secteurs,
- ceux que l'auteur appelle "travailleurs sans terre, sous-employés" stricto sensu,
- ceux qui sont salariés "à part entière" et employés sur des exploitations agricoles de type capitaliste.

Généralement, ils sont employés sur une base annuelle.

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<sup>37</sup> Certaines enquêtes, comme celle effectuée par la Commission Parlementaire Italienne, en 1952, avaient au contraire comptabilisé le travail de la femme aux champs en l'affectant d'un coefficient de pondération inférieur de la moitié à celui employé pour le travail de l'homme.

<sup>38</sup> La femme ne participe presque jamais ni aux travaux de labour, ni aux travaux de semence, ni à la préparation de la terre.

<sup>39</sup> Surendra J. Patel : *Agricultural Labourers in Modern India and Pakistan*, Bombay 1952.



D'après cette classification, l'auteur considère que le concept de "chômage déguisé" ne s'applique qu'à la 3ème catégorie de main d'oeuvre agricole, dont la principale caractéristique est qu'elle est dépourvue de terre ou exploite en privé une toute petite parcelle dont les revenus couvrent une infime partie de ses besoins.

Ceci rejoint la classification adoptée par le Bureau International du Travail<sup>40</sup> qui inclut parmi les "chômeurs déguisés", "les petits agriculteurs qui consacrent, à l'exploitation de leurs lopins de terre un temps disproportionné avec les résultats obtenus, et qui tirent péniblement de ceux-ci, les produits indispensables à la satisfaction de leurs besoins les plus élémentaires".

Une telle définition, peut, certes se heurter à l'absence d'enregistrement des propriétés et des transactions foncières mais l'enquête sur place permet de se rendre compte de l'absence de toute possession ou de l'étendue insuffisante des exploitations privées.

#### (B) *Les critères de mesure du "chômage déguisé".*

Les critères de mesure les plus souvent retenus dans l'évaluation de chômage sont : le niveau de la productivité, le temps de travail, le niveau de revenus.

De nombreuses enquêtes nationales et internationales sur la situation de l'emploi et du chômage dans les pays dits sous-développés ont tantôt retenu l'un, tantôt retenu l'autre des critères, ou les ont combinés ensemble.

Nous examinerons successivement ces différents critères utilisés avant de rechercher une définition possible du phénomène de "chômage déguisé".

*La définition du chômage déguisé par le niveau de la productivité.* Dans son explication du processus de formation du "chômage déguisé", Mrs. J. Robinson caractérisait les emplois

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<sup>40</sup> B.I.T., Mesure du sous-emploi, IX<sup>e</sup> Conférence Internationale des Statisticiens du Travail, Rapport IV, Genève 1957, p. 27.

inférieurs dans lesquels était poussée la main d'œuvre oisive, par leur faible productivité.<sup>41</sup>

R. Nurkse exprimait la même proposition d'une façon encore plus nette quand il écrivait : "Techniquement, la productivité marginale du travail, sur une grande échelle est nulle".<sup>42</sup>

Il fait observer en plus, que certains avaient même avancé l'idée d'une productivité marginale négative, mais exprimait pour sa part, quelques doutes quant à la validité d'une telle affirmation qui lui paraissait "non nécessaire".

Dans leur analyse théorique<sup>43</sup> A. et I. M. Navarette affirmaient que "la productivité marginale des dites unités (des unités de travail) dans leur emploi primitif est nulle ou très voisine de zéro".

La nullité du niveau de la productivité se traduit sur le plan de la production par le fait que "même sans changement de la technique de production, une grande partie de la population employée en agriculture, peut être déplacée sans réduction de la production agricole".<sup>44</sup>

C'était là une des propositions fondamentales de la théorie de Nurkse que nous avons déjà évoquée.<sup>45</sup>

Mais qu'en est-il de ce critère? Quelle valeur présente-t-il dans la définition du chômage déguisé?

De nombreuses critiques en ont contesté la validité.

Se demandant comment on pouvait établir une productivité marginale nulle, Jacob Viner rejete la proposition de Nurkse, en affirmant qu'en ce qui concernait l'agriculture, il lui était impossible de "s'imaginer une exploitation agricole quelconque, où, tous les autres facteurs de production étant constants dans leur quantité et même dans leur forme, il ne serait pas possible

<sup>41</sup> Voir Mrs. J. Robinson : *op. cité*, p. 63.

<sup>42</sup> Voir R. Nurkse : *op. cité*, p. 33.

<sup>43</sup> A. et I. M. Navarette: *Sous-emploi dans les économies peu développées*, "El Trimestro Economico", Vol. XVIII. Oct.-Déc. 1951, N. 4 (Mexico), p. 629.

<sup>44</sup> R. Nurkse: *op. cité*, p. 32.

<sup>45</sup> Voir page 202.

par les méthodes connues, d'obtenir un surplus de production, en utilisant un supplément de main d'œuvre, grâce à une meilleure sélection et une meilleure utilisation des semences, grâce à un sarclage, une culture plus intensifs..." etc. et l'auteur évoque d'autres moyens d'améliorer encore le rendement de la terre.

Evoquant le cas extrême d'une production marginale nulle, l'auteur explique que "le cas où une productivité marginale nulle peut être considérée, est celui où non seulement les coefficients techniques de production pour tous les produits de l'agriculture sont fixes, mais aussi les proportions entre les coefficients techniques sont les mêmes pour tous les produits".

"C'est pourquoi, continue l'auteur, pour peu que ces proportions soient différentes, selon les produits, il sera toujours possible, grâce à des changements appropriés dans le sens d'une plus grande production des produits dont les coefficients techniques de travail sont relativement élevés, d'absorber utilement tout surplus de travail".<sup>46</sup>

L'économiste indien R. J. Bhatia<sup>47</sup> considère pour sa part "qu'un simple déplacement de l'excès de population de la terre ne maintiendrait pas la production à moins qu'il ne soit accompagné par d'autres mesures, de changement d'organisation, c'est-à-dire par l'utilisation d'un autre facteur".

La nécessité d'une réorganisation des méthodes et des facteurs de travail pour maintenir la même production après le transfert de la main d'œuvre excédentaire, est encore affirmée par l'expert du B.I.T., Chiang Hsieh, qui observe qu'avec le même montant de capital, avec le même encadrement institutionnel et avec la même surface exploitée, il est possible, grâce à une élévation de l'intensité du travail par heure, à l'amélioration de l'organisation et de la division du travail, de libérer un grand nombre de travailleurs de la terre sans réduction de la production.<sup>48</sup>

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<sup>46</sup> H. Viner: *article précité*, p. 18.

<sup>47</sup> R. J. Bhatia: *article précité*.

<sup>48</sup> Chiang Hsieh: *article précité*.

Mais c'est surtout dans la mesure du niveau de la productivité du travail que l'on rencontrera les difficultés les plus sérieuses.

“La mesure de la productivité, constataient les experts du B. I. T.,<sup>49</sup> est un problème délicat aussi bien en ce qui concerne l'observation de la situation effective que le choix des normes qui doivent être prises comme termes de référence pour déterminer les déficiences que l'on cherche à détecter”.

Certaines enquêtes<sup>50</sup> se sont référées à des normes théoriques de productivité.

D'autres<sup>51</sup> ont adopté comme critère de mesure, le niveau de la productivité dans les entreprises types de la région considérée.

Il est évident que les résultats différeront selon les normes adoptées et les niveaux de productivité auxquels on se sera placé.

Ce critère de la productivité ne semble donc fournir ni un instrument d'analyse ni un instrument de mesure, satisfaisants du “chômage déguisé” dans les pays dits sous-développés.

Le critère du temps de travail. La mesure du “chômage déguisé” par le temps de travail est une méthode communément employée. Il s'agit de déterminer préalablement une durée “normale” ou une durée-type de travail, et d'évaluer l'importance du chômage déguisé en comparant le temps de travail réellement effectué par la main d'œuvre agricole avec la durée-type définie.

Une telle méthode soulève, cependant, de nombreuses questions.

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<sup>49</sup> Voir rapport du B.I.T. précité sur “Mesures du sous-emploi”, p. 79.

<sup>50</sup> On peut citer l'enquête des Nations Unies sur la détermination des pourcentages de population dans les milieux ruraux des divers pays d'Europe. Voir Nations Unies : Commission Economique pour l'Europe. *Etude de la situation économique de l'Europe depuis la guerre*, p. 32.

<sup>51</sup> Cette méthode a été utilisée dans une enquête des Nations Unies sur la productivité du travail dans l'industrie cotonnière de 5 pays de l'Amérique Latine, New York, 1951. Elle a été également utilisée dans le recensement de la main d'œuvre agricole de la Finlande en 1950.

Tout d'abord, la détermination d'une durée-type de travail n'est pas toujours une opération aisée quand il s'agit du travail agricole.

En effet, le caractère familial de l'exploitation et l'absence de législation ou de conventions collectives réglementant le travail d'une part, le caractère cyclique de la production agricole,<sup>52</sup> d'autre part, rendent difficile la définition d'une durée-type de travail en milieu rural.

Dans son enquête précitée sur l'emploi agricole en Chine,<sup>53</sup> J. L. Buck estimait qu'en moyenne, le travail nécessaire pour la mise en valeur d'une exploitation-type pouvait être évalué à 190 journées-ouvrier dans l'année, alors que ce travail était effectivement accompli par 2 hommes à longueur d'année, c'est-à-dire que le paysan chinois était en "chômage déguisé", à raison de 170 jours par an.

En 1956, à la veille du "grand bond en avant", les experts de la Chine Populaire évaluaient cette durée-type à 260 journées-travail environ.<sup>54</sup>

Plus récemment encore, au Maroc, cette durée-type a été évaluée à 210 journées-travail.<sup>55</sup>

Un autre point de discussion est celui de l'étendue de l'exploitation-type choisie dans les enquêtes.

La superficie retenue—variable selon le type de production—va, par exemple, pour les céréales de 4 Ha. (environ 10 acres) norme retenue dans de nombreuses enquêtes aux Indes, à 15 Ha.<sup>56</sup>

Ainsi quoique le critère du temps de travail soit davantage utilisé que le niveau de la productivité, il ne fournit pas pour

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<sup>52</sup> De plus, le cycle peut varier d'une production à l'autre.

<sup>53</sup> J. L. Buck: ouvrage précité dans note p. 2. Voir Rapport du *B.I.T.*, précité, p. 30.

<sup>54</sup> Voir page 199.

<sup>55</sup> Voir déclaration du 15 nov. 1961, de M. Dukkali, représentant du Maroc à la XI<sup>e</sup> Conférence de l'Organisation des Nations Unies pour l'Alimentation et l'Agriculture, tenue à Rome du 30 octobre au 25 novembre 1961.

<sup>56</sup> Norme retenue par la Commission Economique pour l'Europe des Nations Unies dans son enquête précitée. Voir p. 16, note 5.

autant une mesure satisfaisante de l'ampleur du "chômage déguisé" en milieu agricole.

*Le niveau des revenus.* A la différence du niveau de la productivité et du temps du travail, le critère du niveau des revenus paraît constituer une mesure plus significative du volume du "chômage déguisé".

Ici aussi, la méthode consiste à comparer les revenus effectivement gagnés avec un revenu "normal" et à déterminer par voie de comparaison l'ampleur du "chômage déguisé".

Dans certains pays<sup>57</sup> où existe un système d'allocations ou d'assistance aux chômeurs complets, on a pu considérer qu'il y avait du "chômage déguisé" chaque fois que les revenus effectifs étaient inférieurs au niveau des allocations servies.

Dans d'autres cas, on a retenu un "salaire minimum" comme base de comparaison.

Mais l'emploi d'une telle méthode suppose l'existence d'un système d'indemnisation des chômeurs, ou d'une législation ou de conventions collectives sur les salaires agricoles, ce qui n'est pas toujours le cas dans les pays dits sous-développés.

Par ailleurs, comme nous avons eu déjà l'occasion de le montrer plus haut, la confusion des ressources des membres de la famille ne permet pas souvent l'individualisation des revenus individuels des travailleurs agricoles au sein de la même exploitation et la comparaison de ces revenus avec l'apport-travail de chacun.

De plus, pour connaître les revenus effectifs, il faut recourir à la technique d'enquêtes sur les budgets de famille, ce qui est une procédure longue et complexe.

Ainsi, il apparaît que le critère du niveau des revenus pose lui aussi des difficultés.

On a retenu d'autres critères, comme le désir du "chômeur

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<sup>57</sup> Une enquête fut menée au Japon sur la base de cette méthode, en 1954. Voir Rapport du *B.I.T.*, précité, p. 50.

déguisé" d'obtenir du travail complémentaire ou un emploi normal.<sup>58</sup>

Mais à l'enquête, il ne semble pas que l'expression du désir des travailleurs d'être mieux employés soit un indice qui différencie les "chômeurs déguisés" du reste de la main d'œuvre.

Comme le constataient les experts du B.I.T.<sup>59</sup> "lorsque l'enquête est effectuée parmi des populations non salariées et dont les liens avec les formes d'économie monétaire sont très lâches, il est difficile d'imaginer que les questions qui pourraient leur être posées pour apprécier leur désir d'obtenir plus de travail ou un travail plus rémunérateur puissent fournir des réponses utiles".<sup>60</sup>

Au terme de cette analyse des divers critères de mesure du "chômage déguisé" utilisée par certains auteurs et par certaines enquêtes nationales et internationales, dans les pays dits sous-développés, il ne semble pas qu'il y ait parmi eux un critère satisfaisant qui nous permette de distinguer le "chômage déguisé" des autres formes de sous emploi, et d'en évaluer l'importance.

Ceci nous amène à comprendre pourquoi une définition du chômage déguisé, basée sur l'un ou l'autre de ces critères est nécessairement insuffisante et partielle.

Certes, on pourrait penser à une définition qui combinerait ces divers critères et qui rendrait suffisamment compte de la complexité du phénomène. Une telle définition a été proposée par le B.I.T. Elle s'énonce comme suit: "Le sous-emploi déguisé correspond à la quantité de travail complémentaire que pourraient fournir les personnes pourvues d'un emploi qui compte tenu de leurs capacités et de leurs aptitudes professionnelles exercent une activité réduite et tirent de cet emploi un revenu

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<sup>58</sup> Voir entre autres, l'enquête sur la situation de l'emploi à Porto-Rico, en 1946. In Rapport *B.I.T.*, précité, pp. 50-51.

<sup>59</sup> Rapport précité, p. 74.

<sup>60</sup> On peut cependant faire observer que l'absence du désir de travailler constitue un obstacle sérieux à la mobilisation de la main d'œuvre sous-employée. Nous examinerons cette question plus loin.

anormalement faible, et qui cherchent ou seraient disposées, à accepter un poste qui leur assure des conditions d'emploi normales".<sup>61</sup>

Mais une telle définition est en elle-même une somme de questions dont nous avons montré la complexité. Elle permet sans doute de mettre l'accent sur un certain nombre d'éléments dont il convient de tenir compte dans un travail d'évaluation du chômage déguisé, mais ne nous fournit pas pour autant une solution satisfaisante.

C'est pourquoi nous nous demandons si les éléments d'une définition du phénomène du "chômage déguisé" ne doivent pas être recherchés dans un tout autre contexte. Plus exactement, il s'agit de déterminer les différentes relations particulières qui s'établissent entre la Production, l'Investissement, la Consommation, et l'Épargne, et qui caractérisent ce cas particulier de sous emploi qu'est le chômage déguisé.

Si nous admettons que le "chômeur déguisé" à la différence du chômeur complet, ajoute par son activité, "quelque chose" à la production, ce produit additionnel fait remarquer Mrs. J. Robinson, n'entraîne pas d'accroissement de l'épargne.<sup>62</sup>

En effet, dans une situation normale, explique l'auteur, tout accroissement de la production entraîne (dans le court terme) d'une part, une baisse des salaires réels, d'autre part, un accroissement des profits réels.

L'augmentation des profits, induit à son tour un accroissement de l'épargne, et c'est pour cela, que "même en l'absence d'un système d'allocations de chômage, tout accroissement de la production est dû à un accroissement de l'investissement".

Mais quid en cas de "Chômage déguisé"?

Dans ce cas, nous nous trouvons en face d'une situation où le circuit Epargne-Investissements-Production, ne fonctionne plus selon le même schéma décrit plus haut, c'est-à-dire que l'augmentation de la production provenant de l'activité des chômeurs

<sup>61</sup> Voir *B.I.T.*, Rapport précité, p. 28.

<sup>62</sup> Voir Mrs. J. Robinson: *op. cit.*, p. 64.



déguisés, d'une part, ne dérive pas d'investissements, additionnels, d'autre part, ne donne lieu à aucune formation d'épargne additionnelle.

Une autre relation d'équilibre se trouve également faussée, celle qui relie l'Investissement à la Consommation.

“Quand le chômage est déguisé, écrit Mrs. Robinson, il n'y a pas une fonction unique reliant la Consommation Totale à l'Investissement Total, puisqu'un certain taux d'Investissement sera accompagné par un taux de Consommation d'autant plus élevé, que le chômage est déguisé”.<sup>63</sup>

Ainsi la situation du chômage déguisé pourra être caractérisée par :

- un accroissement continu de la consommation,
- une stagnation de l'investissement,
- la formation d'un produit additionnel “improductif”, c'est-à-dire, non susceptible d'engendrer une épargne et des profits, parce qu'entièrement consommé par ceux qui la produisent.

A défaut d'une définition précise, une telle analyse nous fournit des instruments d'évaluation du chômage déguisé, moins aléatoires et plus aisés à manier que les critères que nous avons précédemment évoqués.

De plus, elle a le mérite de faire ressortir les niveaux auxquels doit se placer toute action conséquente tendant à la mise au travail de la main d'oeuvre rurale sous employée.

Ce sera l'objet de la deuxième partie de cette étude.

## DEUXIÈME PARTIE

### **Conditions et implications du transfert de la main d'oeuvre en chômage déguisé vers d'autres secteurs d'activité:**

Le “financement” de l'opération de mobilisation de la main-d'oeuvre en chômage déguisé va consister, selon Nurkse, en la libération et la mise à la disposition des travailleurs nouvelle-

<sup>63</sup> Voir Mrs. J. Robinson: *op. cit.*, p. 64.

ment employés, de la quantité d'aliments devenus disponibles, à la suite de leur départ, dans la masse de la production globale.

Il convient, tout d'abord, de noter que le problème du financement du transfert de la main d'œuvre, dans "ses termes élémentaires" se réduit, d'après l'auteur "à la fourniture d'un fonds de subsistance aux travailleurs qui ne produisent rien de consommable à l'heure présente".<sup>64</sup>

Ce fonds de subsistance se caractérise par le fait qu'il consiste en un flux de biens alimentaires, et non en un flux de salaires monétaires versés aux ouvriers mis au travail.

D'emblée, le schéma de Nurkse se place dans le cadre de ce que l'on pourrait appeler un "modèle non monétaire de l'emploi", anti-classique et dans une certaine mesure anti-keynésien,<sup>65</sup> duquel sont éliminés tous les effets du salaire nominal et du salaire réel dans la fixation du volume de l'emploi.

Par ailleurs, un tel mode de "financement" ne peut être efficace, que si le surplus de biens alimentaires est entièrement mobilisé, c'est-à-dire si aucune "fuite" (leakage) ne se produit dans le mécanisme.

Pour expliquer cette proposition plus clairement, le schéma de Nurkse suppose que deux conditions principales soient satisfaites :<sup>66</sup>

— le prélèvement en biens alimentaires effectué par les paysans restés aux champs sur la masse de la production globale doit *rester constant*,

— les travailleurs transférés ne doivent pas consommer plus

<sup>64</sup> R. Nurkse: *op. cité*, p. 44.

<sup>65</sup> Cette réserve s'explique par le fait que Keynes, tout en opposant à la théorie classique des salaires nominaux, une analyse en termes de salaires réels, n'assigne à ces derniers qu'un rôle limité et indicatif dans la détermination du volume de l'emploi.

<sup>66</sup> Nurkse envisage une autre "fuite" possible, celle relative aux coûts de transport des biens alimentaires des lieux de production aux lieux de consommation; ces coûts doivent être couverts, selon Nurkse, de façon à ne pas diminuer la valeur totale du surplus alimentaire libéré.

que l'excédent de produits alimentaires libérés à la suite de leur départ.

Tout d'abord, en examinant la première condition posée par R. Nurkse, nous nous demanderons quelle en est la signification pratique. Cette analyse nous permettra alors de saisir le contenu réel de la théorie dite de l'épargne-travail.

C'est à cela que nous consacrerons notre premier point de cette partie d'étude.

En deuxième lieu, tout en affirmant que la consommation des travailleurs transférés doit rester constante, Nurkse admettait néanmoins dans son analyse, l'accroissement probable d'une telle consommation.

En réalité, en limitant le "mode de financement" à un simple flux en nature, il excluait de son modèle de nombreuses autres "complications" que révèlent les expériences pratiques de mobilisation massive de la main d'œuvre dans les pays dits sous-développés.

La source de ces complications, ou de ces "fuites" pour reprendre la terminologie de Nurkse, réside dans le fait que "le mode de financement" de ces opérations de mobilisation de surplus de main d'œuvre n'est pas en pratique entièrement constitué de biens prélevés dans la masse de la production agricole des exploitations familiales. Le fonds de subsistance comprend également des flux monétaires, sous la forme de la distribution de revenus ou salaires monétaires complémentaires aux travailleurs.

C'est à l'examen des conséquences de l'introduction de tels flux dans le schéma général de la mise au travail des chômeurs ruraux, que nous consacrerons notre deuxième point d'étude.

### **La consommation des paysans restés aux champs doit demeurer constante. La nature réelle de l'épargne latente**

Toute consommation supplémentaire de la part des paysans restants, se traduit par une diminution des surplus mis à la disposition des travailleurs transférés.

La conséquence prévue par Nurkse dans ce cas, est que ces derniers n'ayant plus suffisamment à manger "se hâteront de retourner aux fermes pour reprendre leur ancien mode de vie et pour absorber sur place les aliments qui y sont produits".<sup>67</sup>

Pour remédier à cette situation, l'auteur envisage l'application "d'une forme d'épargne collective renforcée par les pouvoirs publics", c'est-à-dire de mesures fiscales (de préférence taxes indirectes), complétées éventuellement par les livraisons contrôlées et obligatoires de la part des producteurs agricoles restants.

Ce raisonnement soulève trois questions:

(A) *En premier lieu, la notion de consommation supplémentaire est vague.*

En effet, dans une économie paysanne de subsistance, la famille produit sa propre consommation. Celle-ci est composée essentiellement des types de biens produits par l'exploitation familiale. Le plus souvent, il s'agit de céréales (blé, orge), de fruits (dattes, dans certaines régions de la Tunisie) etc. produits dont la demande est quasi inélastique.

En d'autres termes, le départ d'un, de deux ou même de trois membres de l'exploitation familiale n'entraîne pas pour autant une augmentation de la consommation des produits de base fournis par la ferme.

On pourrait citer un exemple frappant en Tunisie. Au Djérid<sup>68</sup> par exemple, où la population se nourrit en grande partie de dattes<sup>69</sup> le transfert d'une partie de la main d'œuvre locale des palmeraies familiales vers d'autres emplois, n'est pas susceptible d'augmenter la consommation de dattes de paysans restants.

Cela ne veut pas dire qu'aucun effet ne se produira. On doit

<sup>67</sup> R. Nurkse: *op. cité*, p. 39.

<sup>68</sup> La consommation de dattes par tête d'habitant est évaluée à près de 33 kgs par an.

<sup>69</sup> Le Djérid est une des régions les plus pauvres du Sud de la Tunisie. Sa population est d'environ 40.000 habitants et son économie est basée quasi exclusivement sur la production des dattes.

s'attendre à ce que le départ d'un certain nombre des membres de la famille *accroisse les disponibilités monétaires par tête*, en d'autres termes, les revenus monétaires familiaux provenant de la commercialisation de la récolte ou d'autres sources vont être partagés entre un nombre plus réduit de personnes.

Cela va se traduire par l'achat de biens alimentaires non produits par l'exploitation, de biens d'habillement, etc. et éventuellement par la formation d'une épargne monétaire ou d'une thésaurisation sous la forme d'or et de bijoux.

Ainsi, l'opération de transfert de main d'œuvre, loin de produire un accroissement de la consommation des biens produits par les paysans restants, tendra à provoquer un *accroissement de la demande monétaire actuelle ou potentielle* (en cas d'épargne ou de thésaurisation) de la part des membres restants de la famille.<sup>70</sup>

(B) *Cela nous amène à la deuxième proposition du raisonnement de Nurkse à savoir le retour de la main d'œuvre à la terre pour reprendre son ancien mode de vie.*

Il ne semble pas qu'un tel retour, comme nous venons de le montrer, dans la mesure où il est causé par l'augmentation supposée du flux de biens alimentaires consommés pas ceux qui restent, puisse être envisagé. De plus, une telle hypothèse ne tient pas compte des différentes rigidités à une mobilité parfaite et constante de la main d'œuvre.

L'éloignement des lieux d'emploi par rapport aux exploitations familiales, l'engagement des travailleurs dans un vaste programme d'emploi, les aléas d'un retour à l'ancien mode de vie, et bien d'autres facteurs économiques et psychologiques, sont autant de rigidités à un retour éventuel des ouvriers à la terre familiale.

Si la ration alimentaire offerte est inférieure au minimum, le travailleur ira chercher des emplois complémentaires (gardien-

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<sup>70</sup> On peut aisément constater que cette situation a autant plus de chances de se produire que le "fonds de subsistance alimentaire" est fourni par l'extérieur. (Aide étrangère).

nage, par exemple), enverra sa femme et ses enfants à la recherche d'un emploi.

Dès lors, il devient évident que le véritable problème qui se pose au niveau des paysans qui restent, à la suite du transfert de la main d'oeuvre en chômage déguisé, a trait essentiellement à la mobilisation de l'épargne monétaire qui se forme éventuellement, à la lutte contre la tendance à la thésaurisation en or et en bijoux, et dans une certaine mesure, au contrôle de la demande de biens de consommation.<sup>71</sup>

*Il ne s'agit donc pas de rechercher si les membres de la famille restés aux champs, consomment autant ou plus, après le départ "des chômeurs déguisés" mais de contrôler l'usage des surplus de revenus monétaires<sup>72</sup> qu'un tel transfert peut éventuellement dégager.*

C'est ainsi que nous voyons le contenu réel de l'épargne jusque là latente et qui se réalise à la suite du départ d'un certain nombre de paysans sous-employés.

Cette épargne virtuelle n'est représentée ni par le flux des biens alimentaires libérés, dans la masse de la production globale, et mise à la disposition des travailleurs nouvellement occupés, ni par une quantité de travail latente, mais par l'accroissement, si minime soit-il, des disponibilités monétaires des paysans restants : c'est là, la seule forme d'épargne concrète, tangible, réelle qui apparaît. Elle représente une épargne de type classique dont l'explication ne demandait aucune théorie nouvelle ou particulière.

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<sup>71</sup> On ne saurait empêcher le paysan resté aux champs de chercher à mieux manger et à mieux s'habiller, mais certaines consommations, comme le thé, le café, le vin, etc... qui sont nocives et dont la demande est moins rigide que celles des biens alimentaires de base, doivent être contrôlées et même empêchées.

<sup>72</sup> Une fois au travail, l'ouvrier dans la mesure où il gagnera un salaire monétaire, enverra à sa famille une partie de ses revenus, ce qui accroîtra encore le montant des disponibilités monétaires des paysans restants.

C'est en ce sens, que Nurkse n'a fait aucune oeuvre originale, en décrivant d'une manière confuse, un cas d'épargne monétaire classique.

### La distribution des revenus monétaires et la consommation des travailleurs transférés

“L'équilibre” du modèle proposé par Nurkse implique également que la consommation des travailleurs transférés ne doit pas dépasser le flux de biens alimentaires libérés à la suite de leur départ.

“Un déficit alimentaire, fait remarquer l'auteur, peut aussi se produire, si les nouveaux travailleurs (investment workers), nos anciens “chômeurs déguisés”, consomment un peu plus qu'auparavant, soit qu'à présent ils travaillent plus activement, soit qu'ils aient besoin d'être incités à quitter les fermes, en premier lieu”.<sup>73</sup>

Mais, contre cet accroissement de consommation qu'il tient pour “probablement inévitable”, Nurkse n'envisage en fait, aucune action: il l'admet tel que dans son modèle. Et c'est là où la question va se poser.

Car, non seulement l'évaluation de cette consommation paraît “difficilement réaliste”, comme l'écrit l'économiste indien N. A. Mujumdar,<sup>74</sup> mais encore aucune explication n'est fournie ni quant à l'origine, ni quant à la nature, ni quant à l'ampleur d'un tel accroissement de la consommation.

— Ou bien, le modèle de mobilisation de la main d'œuvre est de type autoritaire,<sup>75</sup> dans lequel la consommation des travailleurs est rigoureusement contrôlée, dans sa nature et dans sa quantité. Dans ce cas, même un accroissement de la consomma-

<sup>73</sup> R. Nurkse: *op. cité*, p. 39.

<sup>74</sup> N. A. Mujumdar: *Economic development with surplus labour*, “Indian Economic Journal,” Vol. VII, Janvier 1960, N. 3, pp. 284-315.

<sup>75</sup> L'exemple à donner est celui du modèle chinois de mise au travail mentionné dans l'introduction à cette étude.

tion des ouvriers mis au travail peut être toléré, dans la mesure où il est contrôlé.<sup>76</sup>

— Ou bien, il s'agit d'un schéma dans lequel, d'une part, l'ouvrier reçoit *un salaire monétaire complémentaire, d'autre part, exerce une certaine liberté de choisir ses biens de consommation.*

C'est sur ce modèle que se sont organisées les expériences pratiques de mise au travail de la masse des chômeurs dans un certain nombre de pays dits sous-développés, au cours des quatre dernières années.

Il s'agit plus particulièrement des programmes d'utilisation des surplus de blé américains,<sup>77</sup> en vue de la mobilisation de la main d'œuvre non employée et sous-employée dans certains pays d'Afrique et d'Asie. En Afrique : la Tunisie,<sup>78</sup> depuis 1958, le Maroc,<sup>79</sup> le Mali, l'Éthiopie, le Tanganyika, plus récemment expérimentent de tels programmes. En Asie on peut citer l'Afghanistan et plus récemment l'Iran, la Corée du Sud qui en bénéficient également.

Dans ce cas, la situation est différente, en ce que la distribution de revenus monétaires va jouer un rôle important *sur la mobilité du travail, exercer un certain nombre d'effets sur la consommation des ouvriers.*

Autant d'aspects, ou pour reprendre l'expression de Nurkse, autant de "fuites" (leakages) que l'auteur n'a pas compris dans son modèle.

C'est à l'examen de ces diverses conséquences que nous allons à présent nous consacrer.

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<sup>76</sup> Par exemple, l'ouvrier chinois ne disposera que du riz et ne pourra augmenter sa consommation qu'en riz.

<sup>77</sup> Ces programmes dits programmes P.L. 480 sont connus également sous le nom de: "Les biens alimentaires au service de la Paix" (Food For Peace).

<sup>78</sup> En Tunisie, la rémunération de l'ouvrier est fixée depuis janvier 1960, à 200 millimes en espèce, (un peu plus de 200 francs français) et à 1,5 kg de semoule par jour, évaluée à 82 millimes.

<sup>79</sup> Au Maroc, 1 ouvrier reçoit par jour 2 dirhams en espèce, (soit 200 frs) et 2 dirhams en nature, en blé, farine de blé et orge.



(A) *Tout d'abord, la perspective d'un salaire monétaire est un des facteurs prédominants que l'ouvrier prend en considération dans sa décision de rester ou de quitter la terre.*

Considérant que le travailleur rural familial est payé selon "sa productivité moyenne", alors que le travailleur industriel l'est sur la base de sa "contribution marginale", l'économiste indien, R. J. Bhatia, en conclut que pour que le paysan quitte la terre, il faut que "la différence (entre productivité et contribution marginales) soit suffisante à l'inciter à abandonner la sécurité de l'emploi familial et à prendre le risque d'un emploi industriel".<sup>80</sup>

En d'autres termes, sans aller jusqu'à parler d'une égalisation stricte à la marge entre utilité du salaire attendu et désutilité du nouvel emploi, "le paysan peut légitimement hésiter à quitter l'exploitation familiale si les revenus monétaires attendus ne couvrent pas suffisamment les avantages matériels et psychologiques dont il jouissait au sein de la famille (et auxquels il doit renoncer).

Cela peut conduire à cette situation apparemment paradoxale, où dans un pays à forte réserve de main d'oeuvre en chômage, on soit obligé d'employer des machines pour pallier à l'absence de l'offre de travail dûe au niveau insuffisant des salaires offerts.

Dans son article sur le *Transfert d'excédents de main d'œuvre du secteur rural*, M. Dharma Kumar citait le cas du barrage de Gangapur aux Indes, où les constructeurs se virent obligés d'utiliser des machines pour des travaux de dépierrage, au lieu du travail manuel prévu, parce que les employeurs n'arrivaient pas à trouver des ouvriers aux salaires proposés.<sup>81</sup>

En Tunisie, par exemple, dans le cadre du programme précité, le salaire monétaire est passé de 100 millimes (un peu plus de 100 francs français) d'avril 1958, à 150 millimes en novembre 1959, à 200 millimes en janvier 1960.

Par ailleurs, il est évident que le paysan sera d'autant plus

<sup>80</sup> R. J. Bhatia: *article précité*.

<sup>81</sup> Dharma Kumar: *The transfer of surplus labour from the rural sector*, "Indian Economic Journal," Avril 1957.

amené à évaluer le salaire qui lui est offert qu'il se trouve à proximité d'une ville ou d'un centre industriel actif, où des rémunérations plus élevées peuvent lui être proposées.<sup>82</sup>

L'expérience marocaine citée plus haut, bien qu'elle soit récente<sup>83</sup> peut dégager des enseignements à ce sujet.

En effet, on a pu constater que dans certaines zones urbaines, le nombre de "projets" financés par les programmes américains mentionnés, ainsi que le nombre des employés embauchés, tendaient à fléchir.

C'est ainsi qu'à Fès, par exemple, du 16 septembre au 1er octobre 1961, le nombre de "projets" est passé de 50 à 41, et celui des employés de 5.630 à 4.055.

A Meknès, au cours de la même quinzaine, le nombre de "projets" est tombé de 22 à 15, et celui des ouvriers de 2.409 à 1.757.

A Tanger, toujours au cours de la même période, alors que le nombre de "projets" était resté stable (11), le nombre des employés a fléchi de 2.396 à 1.157.<sup>84</sup>

Il est probable que de nombreux autres facteurs expliquent ces fluctuations statistiques de l'emploi et des projets créés dans le cadre des programmes précités, mais la comparaison des 2 dirhems offerts par les responsables des programmes de la "Promotion Nationale" avec les salaires que l'industrie, le commerce, ou le secteur des services sont susceptibles de proposer à l'ouvrier, a dû jouer un rôle important dans la diminution du nombre des employés. Il faudrait, cependant, disposer d'une période de temps plus longue pour pouvoir tirer des conclusions définitives.

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<sup>82</sup> A défaut d'emplois dans l'industrie ou le commerce, le secteur des services (domesticité, gardiennage, etc...) peuvent offrir au paysan sous-employé du travail mieux rémunéré que celui proposé dans le cadre des programmes précités.

<sup>83</sup> Ce programme dit "Promotion Nationale", ne date que du 15 juillet 1961.

<sup>84</sup> Ces statistiques, puisées dans un rapport officiel de l'organisme d'aide américain dit "Administration de Coopération Internationale", sont attribuées à l'Office de la Promotion Nationale, Gouvernement Marocain.

Par ailleurs, on a pu attribuer aux salaires des effets d'une autre nature sur le volume de l'emploi.

Des auteurs ont pu constater que dans certains pays d'Afrique, notamment, les augmentations de salaire finissaient par déclencher des effets "pervers" sur le volume de l'emploi, au delà d'un certain seuil de revenus, que le travailleur africain considère comme satisfaisant, en égard aux "besoins" de sa famille. Tout accroissement de salaire au delà de ce niveau, non seulement n'entraîne pas une augmentation de l'offre d'emploi, mais même, tend à réduire le nombre d'heures de travail fournies par l'ouvrier, et considérées par lui comme nécessaires, et suffisantes à la satisfaction de ses besoins.<sup>85</sup>

Quoique une telle affirmation a pu être vérifiée dans certains cas, nous la tenons pour controversée et discutable. Néanmoins, son mérite est de révéler un autre aspect du rôle que le niveau des salaires peut jouer dans les variations de l'offre de l'emploi.

(B) *La distribution de revenus monétaires aux ouvriers nouvellement mis au travail va encore produire un certain nombre d'effets sur l'orientation de leur demande de consommation.*

En effet, en nous référant aux programmes précités de mobilisation de main d'œuvre par l'intermédiaire de surplus agricoles américains, nous constatons qu'au Maroc, par exemple, les employés reçoivent la quasi-totalité de leurs salaires en nature, sous forme de blé, de farine de blé, et d'orge,<sup>86</sup> et qu'en Tunisie, la rémunération en nature était composée de blé, puis de semoule, produit plus adapté à la consommation tunisienne.

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<sup>85</sup> Tout récemment, un article intéressant a été écrit par Elliot J. Berg: *Backward-Sloping Labour Supply Functions in Dual Economies: The African Case*, *Quarterly Journal of Economics*, N. 300, Vol. LXXV, Août 1961, p. 468 et suivantes.

<sup>86</sup> Du riz est également distribué, mais en très faible quantité. Voir document présenté par l'"Administration de Coopération Internationale", précité.

Mais, de plus, le fait le plus remarquable est que, pendant les cinq prochaines années, les estimations approximatives des excédents disponibles aux Etats Unis et pouvant servir, en partie tout au moins, à "financer" des programmes de mise au travail de la main d'œuvre en chômage dans les pays dits sous-développés, sont établies comme suit par les experts de l'Organisation des Nations Unies pour l'Alimentation et l'Agriculture :

<i>Produit</i>	<i>Quantité</i> <i>(millions de tonnes)</i>
Blé et farine de blé	15.35
Céréales secondaires	11.00
Riz (usiné)	0.40
<i>Produits laitiers:</i>	
Lait écrémé en poudre	0.30
Beurre et fromage	0.10
Matières grasses, oléagineux	

La valeur de ces excédents est estimée à 12,5 milliards de dollars environ.<sup>87</sup>

De telles statistiques révèlent que la ration alimentaire qui sera offerte à l'ouvrier au cours des cinq prochaines années, dans le cadre des programmes de mise au travail indiqués, continuera d'être insuffisante et déficiente.

Dans une telle perspective, l'ouvrier va devoir consacrer l'essentiel de son revenu monétaire, sinon la totalité, à l'achat de biens alimentaires complémentaires<sup>88</sup> (huile, légumes, épices,

<sup>87</sup> Ces estimations apparaissent dans une étude de l'Organisation des Nations Unies, pour l'Alimentation et l'Agriculture, intitulée : *Les Produits Alimentaires au service du développement, un système d'utilisation des excédents*, 134 p., Rome 1961. Voir page 85 et Annexe III.

<sup>88</sup> Dans certains cas, le blé fourni n'est propre à la consommation locale. Les travailleurs ont tendance à vendre leur ration de blé à n'importe quel prix ou à l'échanger contre d'autres biens.

On a pu constater, en Tunisie, par exemple, que l'ouvrier préférera acheter du pain plutôt que d'utiliser le blé qui lui est fourni à titre de rémunération.

café, thé, etc...) dont une partie est fournie par la production nationale, et dont une autre provient de l'extérieur, à titre onéreux, sous la forme de biens importés.

Ainsi, sa demande de consommation va s'étendre à une gamme de biens qui ne sont fournis ni par l'exploitation familiale qu'il a quittée, ni par le fonds de subsistance en nature des programmes de mobilisation de main d'œuvre que nous avons décrits.

Sans aller jusqu' à invoquer la théorie de l'effet de démonstration décrite par J. Duenseberry,<sup>89</sup> on peut avancer que le nouvel environnement urbain, industriel ou autre dans lequel vit l'ouvrier peut exercer un certain nombre d'effets sur l'orientation de la demande de consommation de l'ouvrier, laquelle va en partie porter sur toute une série de biens nouveaux que le travailleur ne consommait pas et n'utilisait pas quand il vivait dans l'exploitation familiale.

On peut constater que certains ouvriers, employés sur des chantiers situés autour des grandes villes, comme Tunis, par exemple, s'adonnent à la consommation de vin, de tabac, à certains, dans une proportion plus grande que lorsqu'ils étaient à l'exploitation familiale.

On a pu observer aussi des achats de bicyclettes,<sup>90</sup> de postes de radios ou de transistors, etc...

L'ouvrier va alors avoir de plus en plus tendance à préférer un salaire monétaire à une rémunération en nature.

Ainsi le fonds de subsistance de tels programmes de mise au travail, qu'il soit national ou fourni par une aide étrangère tend à devenir un fonds de salaires.

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<sup>89</sup> Nous avons pu observer nous mêmes, en Tunisie, par exemple, que le jeu de l'effet dit de démonstration, n'est pas systématique et que certaines communautés, come celle des Djerbiens ou celle des habitants de Rad Raf (village agricole situé à quelques kilomètres de Bizerte) restaient relativement indifférents aux attractions de l'environnement urbain capitaliste.

<sup>90</sup> Souvent la déficience de moyens de transport gratuits pour conduire le travailleur jusqu'au chantier, oblige ce dernier à acquérir une bicyclette.

Progressivement, les responsables de tels programmes vont se trouver devant de nouvelles charges financières, et probablement devant la nécessité d'ajuster le nombre d'ouvriers à leurs disponibilités en espèce.

S'il est vrai que ces programmes de mobilisation massive de la main d'œuvre en chômage restent, en face de la déficience de la demande d'emploi dans les secteurs de l'industrie et du commerce, la seule chance et le seul espoir de nombreuses familles déshéritées, il n'en demeure pas moins que la faiblesse de la rémunération offerte aux "chômeurs déguisés" dans le cadre de ces programmes, peut constituer une sérieuse rigidité à leur déplacement des exploitations familiales.

*(C) C'est alors que l'ouvrier obligé de quitter la ferme familiale et d'accepter un emploi faiblement rémunéré, n'aura qu'un seul recours pour pourvoir à ses propres besoins et à ceux de sa famille: le crédit, c'est cette troisième conséquence que nous allons à présent envisager.*

L'insuffisance des disponibilités monétaires de l'ouvrier, les difficultés sinon l'impossibilité pour lui d'obtenir une augmentation de salaires dans les conditions d'emploi où il se trouve, vont le pousser sensiblement dans le circuit du crédit et particulièrement du crédit à la consommation.

Il est rare que des familles d'ouvriers échappent à ce genre d'endettement. L'absence de contrôle sur les prix de détail de nombreux biens de consommation, particulièrement dans les régions situées en dehors des centres urbains va vite transformer le crédit consenti par "l'épicier" au consommateur-ouvrier en un acte d'usure et de spoliation.<sup>91</sup>

De plus, cette institution du crédit va encourager la consom-

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<sup>91</sup> Nous avons remarqué, nous-mêmes, qu'en Tunisie, par exemple, dans certaines agglomérations, situées au Sud du pays, que le consommateur-débiteur payait jusqu'à 30% d'intérêt sur les produits alimentaires qu'il achetait à crédit.

mation de nombreux biens nocifs et, de plus, importés de l'étranger, comme le café et le thé.<sup>92</sup>

Il va en résulter un endettement continu de l'ouvrier, et une dégradation constante de son niveau d'existence.

On pourrait légitimement se demander dans certains cas, dans quelle mesure le niveau de vie de certains ouvriers transférés s'était amélioré par rapport à ce qu'il était au sein de l'exploitation familiale.

Ainsi tout en révélant que le mécanisme de mobilisation de la main d'œuvre en "chômage déguisé" comprend des "fuites" plus nombreuses et plus complexes que celles décrites par Nurkse, cette analyse montre le contenu monétaire réel de l'épargne latente libérée à la suite du transfert de l'excédent de main d'œuvre rurale.

De plus, elle met particulièrement l'accent sur la nécessité d'une action consciente des responsables nationaux et étrangers de ces programmes, afin que ce transfert se traduise en un progrès réel pour les travailleurs déplacés.

Il est indispensable que les fournisseurs étrangers des surplus des biens alimentaires prennent conscience de la nécessité de fournir aux populations mises au travail, une ration alimentaire *plus variée, plus riche, et plus équilibrée.*

Il est indispensable que les responsables nationaux de ces programmes *organisent l'approvisionnement des ouvriers en biens alimentaires sains et à bon marché, luttent contre les crédits usuraires à la consommation et facilitent les conditions d'établissement matérielles et psychologiques des travailleurs déplacés.*

Mais au delà de cette action, il y a encore des coûts plus importants à assumer, sans lesquels toute politique de création d'emploi restera spectaculaire et inefficace.

C'est à l'examen de ces coûts que sera consacré le dernier point de cette étude.

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<sup>92</sup> Pour les pays d'Afrique du Nord, tout au moins.

## Les coûts du transfert de la main d'oeuvre en chômage déguisé

La masse de main d'oeuvre rurale excédentaire va être transférée des exploitations familiales où leur productivité est considérée comme nulle, sinon comme négative, vers des nouveaux secteurs d'activité où "l'effet indirect de cette main d'oeuvre appliquée aux détours de production — c'est-à-dire à l'accumulation de capital — est vraisemblablement très grand dans le pays où le capital est rare"<sup>93</sup> en d'autres termes, où la productivité des travailleurs transférés sera supérieure.

Les expériences pratiques de mobilisation massive de la main d'oeuvre entreprises dans un certain nombre de pays africains et asiatiques dans le cadre des programmes de distribution d'excédents agricoles précités, montrent que la main d'oeuvre libérée des champs va être dirigée vers des "projets" à faible intensité capitalistique, c'est-à-dire où le facteur travail est prédominant (labor intensive).

Pour ne citer que les exemples du Maroc et de la Tunisie, on peut observer, en effet, que les nouveaux "projets" créés se rapportent soit à des travaux de type agricole: reforestation, lutte contre l'érosion, construction de canaux d'irrigation, creusement de puits, soit à des travaux dits d'infrastructure: dépierrage de routes, construction de voies d'accès, construction d'écoles (Maroc) et de marchés locaux (Tunisie).

Il est indéniable que de tels travaux, outre les débouchés qu'ils offrent à la main d'oeuvre, sont utiles et nécessaires au développement agricole et industriel du pays auquel ils fournissent l'infrastructure dont il a besoin.

Il est non moins indéniable que si nous admettons que la productivité marginale du chômeur déguisé est nulle, au sein de l'exploitation agricole,<sup>94</sup> l'emploi de ce dernier dans le cadre

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<sup>93</sup> R. Nurkse: *op. cité*, p. 36.

<sup>94</sup> Ce qui reste une hypothèse controversée, comme nous l'avons vu.



de tels projets est plus "productif"; son transfert semble alors de le justifier.<sup>95</sup>

De tels projets semblent ainsi s'imposer comme la solution la plus efficace et la plus rapide pour la mise au travail de la masse des chômeurs déguisés, dans les pays dits sous-développés.

En effet, en nous référant une fois de plus, aux expériences entreprises au Maroc et en Tunisie, dans le domaine de la mobilisation massive de la main d'œuvre rurale sous-employée, nous constatons que certains chiffres relatifs à l'emploi créée, ne manquent pas de frapper.

C'est ainsi qu'au Maroc, par exemple, du 1er juin au 1er octobre 1961, soit en l'espace de quatre mois, 105.291 travailleurs ont été embauchés, dont 72.291 dans des travaux d'infrastructure et dans des projets agricoles, et 33.000 dans le cadre d'un programme dit "Opération de construction d'écoles".<sup>96</sup>

"Par rapport à la masse globale de la main d'œuvre en chômage déguisé évaluée à 1.800.000 personnes environ<sup>97</sup> (1.500.000 en milieu rural et 300.000 en milieu urbain), le nombre d'emplois créés, au cours de la période envisagée, représente un pourcentage de 6% environ; ou un peu plus de 7% du volume du chômage rural. Ce qui constitue sans aucun doute une réalisation notable".

De plus, les prévisions de création s'annoncent, elles aussi, fort ambitieuses, puisqu'à la fin de l'année 1961, l'objectif de 150.000 emplois doit être atteint et que le Gouvernement Ma-

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<sup>95</sup> J. Viner conteste cette proposition. Il affirme, que "le vrai chômage rural, ou l'emploi du surplus de main d'œuvre dans des travaux *qui ne compromettent pas la fertilité du sol*, serait plus rentable, à long terme, que le plein emploi, article précité, page 20.

<sup>96</sup> Voir rapport de "l'Administration de Coopération Internationale" du Département d'Etat Américain, précité, p. 4.

<sup>97</sup> La force de travail totale disponible en milieu rural est évaluée à 3.200.000 personnes dont 50% n'étant occupés que 150 jours/an, sont considérées en "chômage déguisé".

En milieu urbain, la main d'œuvre disponible est estimée à 1.500.000 personnes, dont 20% sont tenus pour des chômeurs déguisés. Voir rapport de "l'Administration de Coopération Internationale", précité, p. 2.

rocaïn a lancé l'étude d'un programme de mise au travail de 250.000 chômeurs,<sup>98</sup> ce qui représente environ 12 à 13% de la main d'œuvre totale sans emploi, et un peu moins de 17% du volume du chômage rural.

Les responsables marocains annoncent même que les travaux de reforestation et de lutte contre l'érosion, occuperaient, à eux seuls, 1.000.000 de travailleurs sur une période de 30 ans.<sup>99</sup>

En Tunisie, d'avril 1958 à novembre 1959, près de 50.000 à 70.000 travailleurs<sup>100</sup> ont été embauchés, selon un système de rotation dont la périodicité variait entre 10 et 15 jours, ce qui correspondait à 25.000 emplois à plein temps, ceci constitue un peu plus de 8% du volume global de la main d'œuvre en chômage estimée à 300.000 personnes<sup>101</sup> (pour une population active de 1.000.000 de personnes).

Depuis novembre 1959, le nombre d'emplois cités à plein temps est évalué entre 120.000 et 150.000, soit un pourcentage compris entre 40% et 50% du volume total de la force de travail en chômage dans le pays.<sup>102</sup>

Cependant, à l'analyse, le bilan de ces programmes de mise au travail, se révèle moins satisfaisant qu'il ne paraît l'être.

En effet, conçu au départ, comme une action urgente d'aide alimentaire,<sup>103</sup> ces programmes de distribution d'excédents agricoles se préoccupaient, en fait, de fournir des emplois immédiats

<sup>98</sup> Voir rapport cité à la note précédente.

<sup>99</sup> Rapport du Haut Conseil de la Promotion Nationale du 20 octobre 1961.

<sup>100</sup> Rapport de "l'Administration de Coopération Internationale", Département d'Etat Américain, précité, p. 16.

<sup>101</sup> Cette estimation ne repose sur aucune analyse précise. Elle doit être considérée avec le maximum de réserves.

<sup>102</sup> Rémarquons que le Gouvernement Américain cite souvent l'expérience tunisienne, comme un exemple du succès de son programme "Food for Peace".

<sup>103</sup> Le programme appliqué en Tunisie en est un exemple. Il y a été initié comme un "Work Relief Programm", c'est-à-dire comme une action de secours et d'urgence, en avril 1958, à la suite des mauvaises récoltes et de la fuite massive des capitaux privés après l'indépendance du pays.

pour "justifier" la distribution "gratuite" de ces surplus à la masse des sans ressources et des sans travail dans les pays pauvres.

Dès lors, cette mobilisation massive et immédiate d'un nombre impressionnant de "chômeurs", dans ces pays, se traduisait, en réalité, par l'application d'une politique d'emploi temporaire et nécessairement désordonnée.

D'une part, dans la mesure où ces programmes sont conçus et réalisés, en dehors *d'une politique d'emploi réfléchie à long terme, elle même partie intégrante d'un plan de développement économique à long terme*, ils ne pouvaient aboutir qu'à une action partielle et, partant, d'efficacité limitée.

D'autre part, s'il est possible d'affirmer que la productivité marginale de l'ouvrier transféré est supérieure dans les nouveaux secteurs d'activité à sa contribution au produit agricole au sein de l'exploitation familiale, il convient, en revanche, d'observer que l'emploi créé dans le cadre des projets dits "labor intensive" est essentiellement un travail de manœuvre à bas niveau technique et sans spécialisation.

En d'autres termes, s'il est apparemment légitime pour le Gouvernement Marocain de se féliciter que les travaux de D.R.S. (Défense et Restauration des Sols) sont en mesure de fournir de l'emploi à 1.000.000 d'ouvriers pendant 30 ans, il est nécessaire, par contre, de se demander dans quelle mesure, réduire toute une génération de travailleurs à planter des arbres, peut être considéré comme une politique d'emploi conséquente à long terme.

La "productivité sociale" de tels projets ne se limite pas à la création d'un nombre spectaculaire d'emplois, à court terme; *elle implique essentiellement que ces programmes de mise au travail fournissent aux ouvriers engagés les éléments de leur formation, de leur qualification afin que leur contribution puisse s'intégrer de plus en plus dans le développement économique de leur pays.*

Il devient alors évident que l'adaptation de ces programmes aux perspectives du développement à long terme, nécessitera leur

révision, ce qui va se traduire par de nouveaux coûts et de nouveaux investissements.

A quelles conditions, à quels coûts, ces projets de mobilisation massive de la main d'œuvre en "chômage déguisé", peuvent-ils devenir un instrument réel de progrès social?

C'est à cette question que nous tenterons à présent de répondre.

Il nous semble que cette adaptation ne pourra se faire que moyennant trois conditions:

- la confection de plans de développement à long terme,
- les investissements en biens capitaux,
- la formation professionnelle des ouvriers.

(A) *La confection des plans de développement.*

Il est indéniable qu'une politique de création d'emplois, non coordonnée avec les objectifs globaux d'un plan de développement économique à long terme peut engendrer des déséquilibres économiques et sociaux importants.

La construction des éléments d'une infrastructure urbaine et rurale, ne peut être entreprise sans que sa portée, son utilité soient clairement définies en fonction des perspectives du développement industriel et agricole du pays et de ses besoins.

Mrs. J. Robinson, comptait déjà la planification économique parmi "les vrais remèdes au chômage".<sup>104</sup>

Tout en reconnaissant "qu'aucun plan n'est parfait au point d'éliminer entièrement le chômage", l'auteur admettait cependant que grâce au plan "l'utilisation de la force de travail sera définie à l'avance, les employés seront formés en vue d'accomplir le travail que nécessite la réalisation du plan".

"Le pouvoir d'achat, ajoute-t-elle, sera ajusté à l'offre disponible et le problème d'une déficience générale de la demande ne se posera pas".<sup>105</sup>

<sup>104</sup> Mrs. J. Robinson : *The Problem of Full Employment*, London 1949.

<sup>105</sup> Mrs. J. Robinson : *The Problem of Full Employment*, p. 18.

En fait, en nous référant aux expériences pratiquées au Maroc et en Tunisie, on constate que dans ce dernier pays, par exemple, les programmes de mise au travail entrepris depuis avril 1958, étaient menés conjointement par l'Administration Régionale (Gouverneurs) et la Direction du Plan, qui, en réalité ne gérait qu'un budget d'équipement limité.

Ce n'est que dans le cadre de "la Perspective décennale de Développement 1962-1971", que la politique d'emploi et de formation professionnelle a été planifiée et coordonnée avec l'ensemble des objectifs globaux du développement économique national.

Au Maroc, l'administration des programmes de mobilisation de la main d'œuvre, a été confiée à un Office de la Promotion Nationale dont la structure et les liaisons sont plus complexes que celles du système tunisien; mais la politique de création d'emploi n'est liée à aucune perspective de développement à long terme.

Cela a vite conduit à des graves difficultés que certains n'hésitent pas à interpréter comme un échec de tout le programme.

En effet, il semble que le dernier rapport<sup>106</sup> que les responsables de l'Office de la Promotion Nationale ont remis au Gouvernement Marocain sur les résultats accomplis, au cours des six derniers mois, dans le cadre du programme de mise au travail précité, ait déploré que jusque là, on n'a entrepris qu'une "action fragmentaire et hasardeuse" en dehors de tout plan de développement économique à long terme.

"Les autorités provinciales, relevant le rapport, n'avaient pas compris le but du programme et avaient agi comme s'il s'agissait d'une 'course aux projets' pour résoudre le chômage, sans aucune continuité, ni coordination".

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<sup>106</sup> Ce rapport n'est pas encore rendu public. Un commentaire assez bref en est donné par le correspondant au Maroc du "New York Times" du 21 janvier 1962, qui signale que le Délégué Général de l'Office de la Promotion Nationale a été relevé discrètement de ses fonctions par le Roi, à la suite de son dernier rapport.

Le rapport signalait encore que le financement des projets était laissé à la "providence", c'est-à-dire qu'aucune organisation budgétaire n'a été prévue.

De plus, l'absence d'organisation et de coordination explique que le Gouvernement Marocain n'a pas été en mesure de définir ses besoins en cadres et en techniciens pour mener à bien ce programme, comme le lui demandaient à la fois les Etats-Unis et les Nations Unies, qui se déclaraient prêts à fournir leur assistance au Maroc dans ce domaine.

Une telle situation vient ainsi tempérer l'enthousiasme avec lequel les responsables marocains s'étaient lancés dans leurs projections concernant l'efficacité de ces programmes et leur aptitude à créer de l'emploi.

Ainsi l'élaboration d'une politique d'emploi à long terme en harmonie avec l'ensemble des objectifs globaux définis dans le cadre d'un plan de développement économique est une nécessité économique et méthodologique impérieuse, dont les responsables nationaux comme les fournisseurs étrangers des excédents agricoles, doivent en tenir de plus en plus compte.

#### (B) *Les investissements en biens capitaux.*

Dans son modèle, R. Nurkse, considérait qu'au niveau des économies sous-développées à forte population, les investissements en biens capitaux, tout en représentant une certaine aide, demeuraient un mode de financement "secondaire" et, en tout cas, constituaient un "problème bien distinct".

L'auteur faisait alors observer que les ouvriers fabriqueraient eux-mêmes leurs propres outils de travail, telles des pelles, brouettes, etc. qui sont des instruments plus simples que les machines utilisées dans les pays avancés où le facteur-travail est rare.

Du reste, faisait encore remarquer l'auteur, seuls de tels outils peuvent servir dans le cadre des projets dits "labor-intensive", c'est-à-dire où le facteur travail est prédominant, entrepris dans les programmes de mobilisation massive des chômeurs dans les pays dits sous-développés.

C'est ainsi qu'au Maroc, par exemple, le Gouvernement a alloué une somme plafond de 10.000 Dirhams,<sup>107</sup> soit 2.000 dollars environ à l'achat d'outils et de biens d'équipement, pour la mise au travail de 150.000 ouvriers, soit un investissement en capital de 0,013 dollar par ouvrier.

En Tunisie, sur une somme de 579,000 dollars, affectée aux paiements de salaires en espèce et à l'achat d'outils de travail, dans le cadre de la première tranche du programme (avril 1958–juillet 1960), près de 13.500 dollars seulement ont été affectés à l'achat de biens d'équipement<sup>108</sup> (56.603.800 dinars), pour la mise au travail de 25.000 ouvriers à plein temps soit un investissement en capital par ouvrier de l'ordre de 0,20 dollar pour une période d'une année et demie.

Il y a à notre sens, une grave déficience et une erreur de jugement. Car, à supposer même que les travaux entrepris dans le cadre de ces programmes, comme les travaux de Défense et de Restauration des Sols, de dépierrage des routes, et les constructions de voies d'accès, etc... n'exigent, au départ, qu'un équipement technique fort simple, il faut reconnaître, en revanche, que ces projets portent en eux-mêmes *les germes d'un appel de plus en plus croissant aux investissements en biens d'équipement*, dans la mesure où ils constituent l'infrastructure nécessaire au développement industriel et agricole du pays.

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<sup>107</sup> Circulaire du Président du Conseil du Royaume du Maroc, en date du 2 septembre 1961.

<sup>108</sup> Nous devons apporter quelques réserves ici : Le tableau annexe G, figurant à la page 14 du Rapport de "l'Administration de Coopération Internationale" sur la Tunisie, précité, ventile les dépenses en espèces, en salaires et en "autres dépenses". Nous supposons que ces "autres dépenses" représentent sinon en totalité du moins en très grande partie des achats d'outillage.

Par ailleurs, il est fort possible que le Gouvernement Tunisien ait mis à la disposition des "chantiers de chômage" quelques machines qui font partie du parc de l'Etat.

Quoiqu'il en soit, et sous ces réserves, les chiffres que nous avançons ont plus qu'une valeur indicative.

En d'autres termes, ces travaux doivent être conçus comme préparatoires à l'établissement même dans le court terme, de projets de mise en valeur agricole des terres, défrichées et d'activités industrielles de petite et de moyenne dimension.

Le paysan tunisien qui arrache à longueur de journée, le "jujubier"<sup>109</sup> ou construit les "tabias" de retention,<sup>110</sup> ne fait que préparer sa terre pour la cultiver et la féconder. Une fois ces travaux préparatoires terminés, il aura besoin de la machine, du tracteur, et de tout l'équipement nécessaire pour la mise en valeur de la terre.

L'ouvrier qui dépièrre les bords de route à raison de 8 heures par jour est celui qui travaillera demain à l'usine à laquelle il a fourni par son travail une partie de l'infrastructure qu'elle demande.

On ne peut penser à une politique saine de mise au travail des chômeurs "déguisés" ou autres, des pays sous-développés, sans leur fournir les moyens techniques qui leur permettent d'accomplir le travail productif nécessaire au développement de l'économie du pays.

Il y a une continuité dans l'action qui s'oppose à toute dissociation des divers aspects de l'emploi d'entre eux.

C'est pourquoi il est dangereux et irrationnel de vouloir projeter dans l'avenir des programmes d'emploi conçus comme des mesures d'urgence sans assumer ces nouveaux coûts, que sont les investissements en capital.

Mais quelle va être la part de capital à fournir dans le cadre d'une politique d'emploi rationnelle?

De nombreuses évaluations du montant de l'investissement en capital nécessaire ont été données. Si elles ne se recourent pas rigoureusement entre elles, elles ont l'avantage au moins, de fournir des cadres de grandeur des besoins en capital technique que requièrent de tels programmes.

Parmi ces tentatives d'évaluation, nous voulons particulière-

<sup>109</sup> Mauvaise plante.

<sup>110</sup> Construction en courbes de niveau pour lutter contre l'érosion.



ment en mentionner une toute récente avancée par l'organisation des Nations Unies pour l'Alimentation et l'Agriculture (F.A.O.), parce qu'elle a trait directement au sujet qui nous préoccupe.<sup>111</sup>

Etudiant les incidences de la Constitution d'un Fonds Alimentaire Mondial<sup>112</sup> sur le développement économique des pays sous développés, les experts de l'O.A.A. avaient établi "qu'on ne saurait raisonnablement s'attendre à ce que les excédents alimentaires, destinés au développement économique dépassent en moyenne un dixième ou un cinquième du montant de l'aide en capital dont les pays sous-développés ont besoin" et qu'ainsi "à moins d'accroître le volume total de l'aide, les perspectives d'une expansion considérable de l'utilisation des excédents alimentaires en vue du développement économique resteront nécessairement limitées"<sup>113</sup>

Ainsi donc, d'après les précédentes estimations, si nous considérons que le montant de l'aide globale nécessaire pour tous les pays sous-développés (non compris la Chine Continentale, la Corée du Nord, le Nord Viet Nam et l'Albanie), à 4,3 milliards de dollars par an<sup>114</sup> pendant les 10 prochaines années

<sup>111</sup> Voir *Les Produits Alimentaires au Service du Développement. Un système d'utilisation des excédents*. Rome 1961.

<sup>112</sup> Il s'agit d'un projet commun à l'O.A.A. et à l'O.N.U. de mobilisation des excédents agricoles dans le cadre d'un Fonds Alimentaire Mondial expérimental (pour une période de 3 ans), d'une valeur de 100.000.000 de dollars, dont les 2/3, soit 65 millions de dollars en nature et 1/3 en espèces, soit 35 millions de dollars.

Les Etats Unis y contribuent pour 40 millions de dollars en produits.

<sup>113</sup> Etude de l'O.A.A., pages 20 et 21.

<sup>114</sup> Il faudra ajouter 400 millions de dollars par an pour l'assistance technique et 300 millions de dollars pour un fonds d'urgence.

Le chiffre total obtenu de 5 milliards de dollars représente en fait une augmentation de 60% par rapport au volume actuel de l'aide.

De plus, il semble qu'il faille retenir une marge d'erreur dans ces calculs de l'ordre de 25%, d'où, le montant global de l'aide doit être estimé hypothéquement à 5-6 milliards de dollars par an. Voir étude O.A.A., page 91.

Par ailleurs, une autre évaluation de l'aide globale nécessaire doit être citée : Celle du Fonds Spécial de l'O.N.U., elle est destinée à 7 milliards

(en vue d'atteindre un accroissement de 2% du revenu national), il faudra supposer que les excédents alimentaires à fournir seront limités au sixième (700 millions de dollars par an) ou au cinquième (850 millions de dollars par an)<sup>115</sup> du volume global de l'aide requise.

Ceci va nous permettre aussi d'observer que si l'on décide de créer un Fonds Alimentaire Mondial de 100 millions de dollars, ce Fonds ne pourra être utilement "versé" dans les plans de développement économique à long terme si les  $\frac{2}{3}$  soit 65 millions de dollars sont fournis en nature et  $\frac{1}{3}$  seulement soit 35 millions de dollars en espèces, susceptibles d'être utilisés pour l'achat de biens d'équipement.<sup>116</sup>

En effet, selon les estimations précédemment établies, si nous considérons que les  $\frac{2}{3}$  de ces 65 millions de dollars en biens alimentaires seront directement destinés au développement, soit une valeur approximative de 43 millions de dollars, il faudra alors admettre que l'utilisation efficace de ces excédents agricoles nécessitera des investissements en capital de 5 à 6 fois supérieurs à la valeur de ces surplus, soit une somme comprise entre 215 et 258 millions de dollars.

En passant de ces projections de l'aide internationale globale aux pays sous-développés, aux programmes bilatéraux de mobilisation des excédents agricoles financés par le Gouvernement Américain (Food for Peace) nous constatons, en effet, que si les Etats Unis décident de consacrer au développement des économies de nombreux pays d'Asie et d'Afrique, l'équivalent de

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de dollars par an. Voir P. Hoffman : *Cent pays, un milliard un quart d'habitants*, Albert D. et Mary Lasker Foundation, Committee for International Economic Growth, Washington, D.C. 1960.

<sup>115</sup> Les experts de l'O.A.A. considèrent que cette valeur ne représente que la part des excédents alimentaires qui accroissent "directement" les investissements, part estimée aux  $\frac{2}{3}$  du montant global de l'aide alimentaire à fournir. L'autre tiers, évalué entre 350 et 430 millions de dollars par an, est destiné à "stimuler la consommation". D'où le montant total de l'aide alimentaire à fournir doit être compris entre 1.050 et 1.300 millions de dollars.

<sup>116</sup> Voir note 112 p. 247.

6 milliards de dollars<sup>117</sup> en surplus agricole, au cours des cinq prochaines années, soit la moitié des disponibilités totales de ce pays en denrées alimentaires, estimées, on le sait, à 12,5 milliards de dollars<sup>118</sup> ils doivent parallèlement assumer des investissements en biens capitaux d'une valeur de 30 à 36 millions de dollars, pour que la distribution de telles denrées alimentaires puisse s'intégrer efficacement dans les perspectives de développement à long terme.

On peut, à présent, comprendre pourquoi les 40 millions<sup>119</sup> de dollars d'excédents agricoles distribués aux ouvriers marocains dans le cadre du programme de mobilisation de main d'œuvre précité, ne pourraient pas à eux seuls financer une politique d'emploi saine et rationnelle.

L'efficacité de l'utilisation de ces surplus alimentaires dans le cadre du développement économique national nécessiterait des investissements en capital de l'ordre de 130 à 156 millions de dollars, selon la méthode de calcul mentionné.

En comparant ces coûts à la somme plafond de 2.000 dollars que le Gouvernement Marocain avait affectée à l'achat d'outillages et de biens d'équipement dans le cadre de la réalisation du programme précité, il est aisé de se rendre compte à quel point l'optimisme que certains responsables marocains exprimaient au début du lancement du projet et même plus récemment encore, était mal fondé.

En Tunisie, le programme mentionné à été appliqué d'avril 1958 à juin 1960, comme une mesure d'urgence en vue de la création d'emplois (Work Relief Program).

En tant que tel, nous nous contenterons de dire qu'il a apporté un secours appréciable à de nombreux chômeurs sans ressources. Mais dès que l'on a convenu de "verser" ce programme dans la politique de développement économique du pays, sous

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<sup>117</sup> Voir tableau de la répartition des excédents alimentaires américains par secteurs d'utilisation. Etude O.A.A., précitée, page 86.

<sup>118</sup> Voir page 234.

<sup>119</sup> Voir Rapport de "l'Administration de Coopération Internationale" sur le Maroc, précité.

l'appellation de "Labor Intensive Developement" nous lui appliquerons les mêmes conditions d'efficacité, à savoir la fourniture, parallèlement à la distribution d'excédents en nature, d'un volume adéquat d'investissements en biens capitaux.

Pour nous limiter aux perspectives d'avenir, disons que les 124.000 tonnes métriques de blé,<sup>120</sup> d'une valeur approximative de 105 millions de dollars que le Gouvernement Américain s'est engagé à fournir à la Tunisie dans le cadre de l'année fiscale 1962, ne peuvent être utilement employés à des fins de développement économique que si des investissements en biens capitaux de l'ordre de 350 à 420 millions de dollars sont effectués.<sup>121</sup>

Certes, ces évaluations peuvent paraître un peu trop systématiques et dans une certaine mesure alarmantes. Quelque soit l'erreur avec laquelle les experts de l'O.A.A. ont pu définir le ratio capital—biens alimentaires, qui nous a servi dans nos propres extrapolations, il n'en demeure pas moins que ces évaluations indiquent des ordres de grandeur suffisamment significatifs des besoins en capitaux en vue du développement économique et, partant, montrent les limites d'une politique d'emploi fondée exclusivement ou essentiellement sur la distribution d'excédents agricoles.

### (C) *La formation professionnelle des ouvriers.*

La formation professionnelle des ouvriers engagés doit être considérée comme un des coûts nécessaires que devrait assumer toute politique d'emploi rationnelle et conséquente. Elle est un des éléments fondamentaux de la "productivité sociale" à long

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<sup>120</sup> Dont 93,000 T.M. sont affectées à la rémunération en nature des salariés, la contre valeur des 31.000 autres T.M. qui seront vendues servira à financer les achats en biens d'équipement. Voir Rapport précité de "l'Administration de coopération internationale sur la Tunisie".

<sup>121</sup> Pour situer l'ordre de grandeur de telles sommes, disons qu'elles représentent 15 à 18% du volume global des investissements nets prévus dans le cadre des perspectives décennales de développement et évalués à 2 milliards de dollars environ (896 millions de dinars).

terme de tout programme de mobilisation de la main d'œuvre sans travail dans les pays dits sous-développée.

Elle est aussi la condition de la contribution future de l'ouvrier à la production et au développement agricole et industriel de l'économie de son pays.

C'est pourquoi les responsables des politiques d'emploi doivent assumer comme partie intégrante de leur programme les investissements que requièrent l'apprentissage et l'éducation professionnelle des travailleurs engagés.

Plus précisément, il s'agit de promouvoir un programme de "formation accélérée pour adultes" dont le but est de "spécialiser et perfectionner, plutôt que de former d'emblée, en un temps très court, des gens ne sachant encore rien faire de leurs mains".<sup>122</sup>

Dans le système employé en Tunisie, l'encadrement technique des ouvriers engagés et sans expérience, est composé d'un contremaître pour 20 à 30 ouvriers et d'un chef d'équipe pour 100 à 125 ouvriers.

Il s'agit plus d'un encadrement de surveillance que d'un encadrement de formation et d'apprentissage rémunéré entièrement en espèces et à des taux de 2 à 5 fois supérieurs aux salaires monétaires servis aux ouvriers.<sup>123</sup>

Selon les estimations des planificateurs tunisiens, le coût de la formation professionnelle accélérés d'un adulte s'élève à 80 dinars ou 180 dollars environ sur une période de 10 ans.<sup>124</sup>

Ceci nous amène à établir que pour former les 120.000 travailleurs embauchés sur les "chantiers de chômage" dans le cadre des programmes précités, il faut un investissement de 10.800.000 dollars, sur une période moyenne de formation de 5 ans.

Au Maroc, en adoptant les mêmes calculs, le coût de la formation professionnelle des 150.000 ouvriers dont l'emploi était

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<sup>122</sup> Voir *Perspective décennale de développement 1962-1971*, Secrétariat d'Etat au Plan et aux Finances, Tunis, page 363.

<sup>123</sup> Le salaire journalier d'un contremaître est varié de 400 à 450 francs. Celui d'un chef d'équipe de 700 à 1.000 francs.

<sup>124</sup> Voir tableau contenu p. 365 du document "Perspective décennale de développement".

prévu à la fin 1961, s'éleverait à 13.500.000 dollars pour un même cycle quinquennal d'apprentissage.

Les programmes d'enseignement et de formation, peuvent être dispensés aux ouvriers soit aux heures de travail grâce à un système de rotation et de remplacement permettant de libérer régulièrement un certain nombre d'employés, soit après les heures de travail, par l'organisation de cours du soir.<sup>125</sup>

### Conclusion

Que la perspective d'assumer de tels investissements en biens d'équipement et en formation professionnelle soit de nature à rebuter les fournisseurs d'excédents agricoles en vue de développement économique des pays d'Afrique et d'Asie, cela ne fait pas de doute.

Mais, il est nécessaire que les responsables nationaux et étrangers de tels programmes de mise au travail, aient une vision claire des coûts qu'ils doivent supporter pour promouvoir, à partir de ces programmes, une politique d'emploi socialement et économiquement productive.

Il est à la fois inutile et dangereux de continuer à se complaire dans une équivoque, celle qui consiste à confondre mesures d'urgence et de secours et action à long terme.

Qu'il s'agisse de la création d'un Fonds Alimentaire Mondial sous l'égide de l'O.A.A. et de l'O.N.U., ou qu'il s'agisse de renforcer et d'étendre les programmes bilatéraux de distribution des excédents de biens alimentaires on ne peut échapper à cette triple nécessité du Plan, de l'investissement en biens capitaux et de la formation professionnelle des ouvriers engagés.

Au moment où les récessions économiques prolongées que connaissent certaines nations industrialisées, comme celles qui ont affecté les Etats Unis au cours des 4 dernières années, accroissent

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<sup>125</sup> Ceci n'est possible que si les ouvriers habitent aux alentours des chantiers de travail. Ce qui est loin d'être le cas dans de nombreuses places en Tunisie.

de plus en plus les stocks de biens d'équipement inutilisés et rapidement frappés d'obsolescence, il est paradoxal de demander à l'ouvrier du pays sous-développé de continuer à confectionner ses propres outils dans les conditions les plus rudimentaires et les moins efficaces.

On pourrait penser à la création d'un "Fonds d'excédents en biens d'équipement", qui viendrait fort utilement compléter les programmes de distribution de surplus alimentaires, aux travailleurs des pays dits sous-développés.

Ce Fonds serait composé essentiellement d'équipement de seconds main, plus adapté dans une certaine mesure aux conditions de production de tels pays qu'un équipement neuf.

Si les responsables américains citent volontiers l'expérience de la Tunisie pour illustrer la réussite de leur programme dit "Aliments au Service de la Paix", il convient de faire remarquer que jusqu'à présent, nous ne considérons cette expérience que comme une action d'urgence et de secours, sans plus, et cela quelque soient les réalisations spectaculaires que l'on est tenté d'invoquer.

Le dernier rapport mentionné de l'Office National de la Promotion Nationale, au Maroc, est de nature à amener les responsables marocains à une longue réflexion et à de nouveaux calculs du coût de l'opération.

Toute cette analyse a révélé que l'on était loin de l'équilibre du modèle que nous proposait Nurkse. Celui-ci avait bien raison quand il affirmait qu'il ne se faisait pas d'illusions quant aux problèmes pratiques que posait son schéma théorique. Nul doute que s'il avait pu étudier une de ces expériences pratiques de mobilisation de main d'œuvre reconnue en "chômage déguisé," qui se réalisent depuis 4 années environ—l'expérience chinoise mise à part—dans des pays d'Afrique et d'Asie, il aurait découvert des "fuites" plus nombreuses et plus complexes que celles qu'il a décrites.

Prétendre que la masse de "chômeurs déguisés" révèle une "épargne-travail" latente, qu'une politique d'emploi peut être

“financée” exclusivement par la distribution d’excédents agricoles, limités, du reste à des céréales primaires, n’est justifiée ni dans la théorie de Nurkse, ni dans les expériences pratiques que nous avons citées.

Cette analyse a révélé ainsi que le concept de “chômage déguisé” n’était susceptible ni de définitions, ni de mesures satisfaisantes, que la seule forme tangible d’épargne libérée à la suite du transfert de l’excédent de main d’œuvre consistait en un accroissement des disponibilités monétaires de ceux qui restent aux champs, que la “productivité sociale” à long terme de toute politique d’emploi rationnelle exigeait la confection d’un plan de développement économique et des investissements en biens capitaux et en formation professionnelle des ouvriers engagés.

A défaut de ces investissements, nous nous limitons à considérer ces programmes de mise au travail comme une action d’urgence et de secours temporaire.

Dans la mesure où les politiques de développement économique s’élaborent de plus en plus dans le cadre de plans à long terme, il n’y a plus place à une quelconque théorie de l’emploi en dehors de ces plans.

En s’y intégrant, les programmes d’aide bilatérale et internationale sous n’importe quelle forme, doivent être repensés et révisés dans leurs coûts.

Qu’il s’agisse de la création d’un Fonds Alimentaire Mondial, ou du renforcement des moyens d’intervention du programme d’assistance américain dit “Food for Peace”,<sup>126</sup> il est nécessaire de demeurer à tout moment conscient des limites de l’aide en nature dans une perspective de développement à long terme.

Cette conscience permettra de tempérer les enthousiasmes, d’éviter les erreurs qui risquent d’orienter les politiques d’emploi dans le mauvais sens.

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<sup>126</sup> La tendance à remplacer l’aide en espèces par l’aide en nature se renforce chaque jour aux Etats Unis, aussi bien dans les milieux gouvernementaux qu’au niveau du Congrès.



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# LABOUR-INVESTMENT THEORY OF NURKSE AND THE EMPLOYMENT POLICY IN THE UNDERDEVELOPED COUNTRIES

## *Summary*

In a well documented analysis of contemporary writings on the subject of "disguised unemployment", the Author shows that precise criteria for its quantitative evaluation are still lacking. He then proceeds to a critical examination of Ragnar Nurkse's model of labour-intensive investment in densely populated countries, financed by proper supplies of food. Against this theoretical background he described the "investment through food" programmes, as applied in Morocco and Tunisia, to conclude for their insufficiency and the urgent need to link them with long term developmental plans, investment in capital goods and programmes of workers' professional formation. In the final part of his essay, he formulates suggestions for an expanded programme of international assistance to developing countries.

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