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**Titulo: POSSIBILITIES OF ECONOMIC PROGRESS**

**Capitulo: THE PRESENT: SUGGESTIONS**

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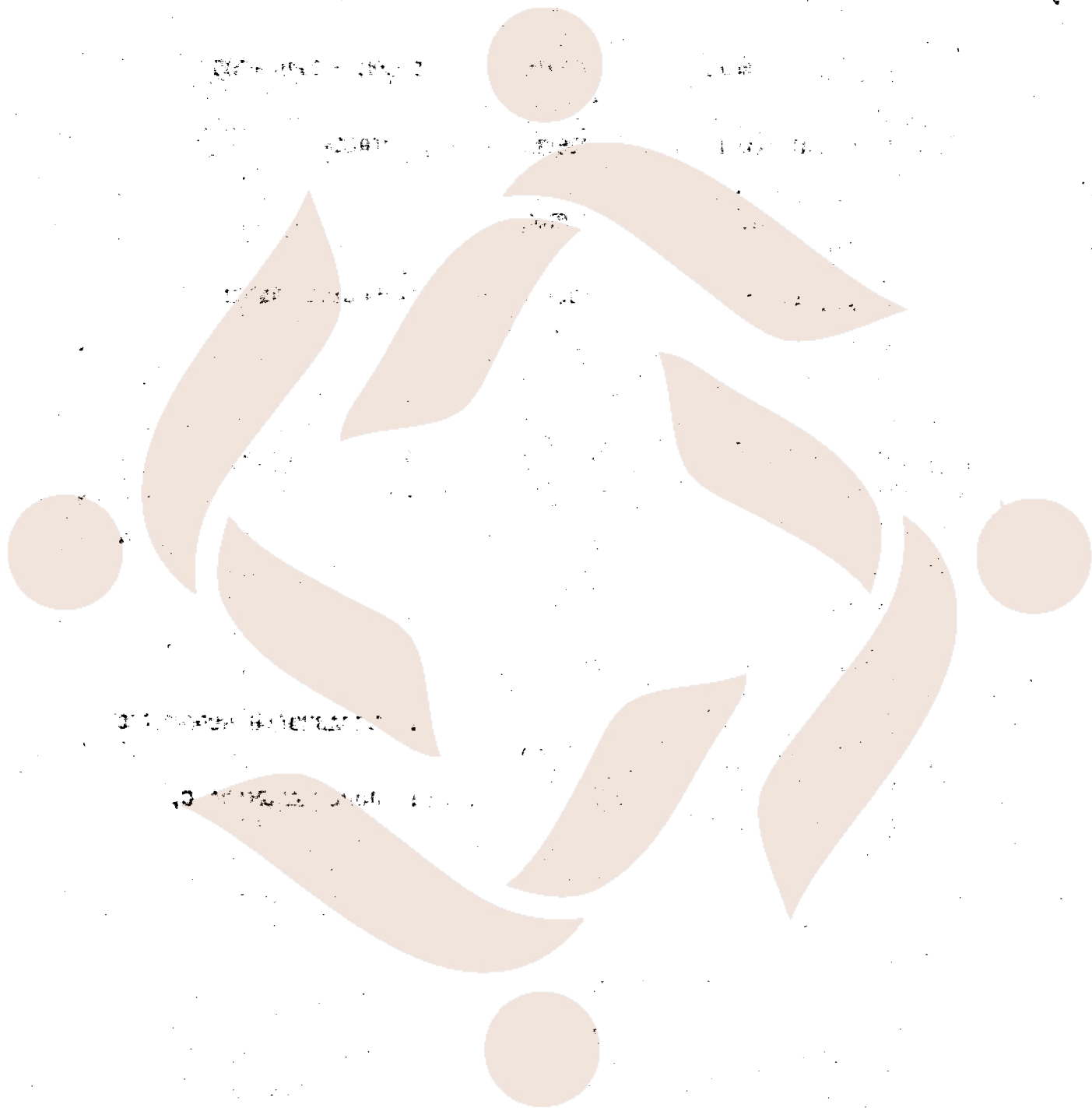
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## THE PRESENT: SUGGESTIONS

The task of applying the ideas of theory and the so-called lessons of history to the solution of contemporary problems is one for the politician, the administrator, and the economic adviser. General principles, as Schumpeter once remarked, 'acquire fruitfulness, and even their true meaning, only in the thicket of details of the empirical world'. (1) The 'results' of this study, in so far as it can be said to have any 'results' must be interpreted afresh in each case where a practical application is envisaged; and this interpretation must always be the work of those who are expert in the particular circumstances involved. In turning from the past to the present, therefore, the author of this book can say little without embarking on a whole new range of assumption, selection, and argumentation. And therefore it remains only to offer a few words of warning, and -- hazardous and presumptuous enterprise -- three or four generalised pieces of advice.

To begin with, the few words of warning. In the first place the past cannot teach the present what to do. For example, because a high rate of reinvestment of profits was often an important aid to economic progress in the nineteenth century, it does not follow that we must arrange, if we can, for such reinvestment today. But it does follow that careful thought should be given to the possible consequences of there being a low rate of reinvestment of profits. If there is little or no reinvestment, if it is prevented, say, by high taxation or by an excessively spendthrift and short-sighted attitude on the part of entrepreneurs, then experience suggests that it is advisable to make sure whether the volume of investment should not be supplemented or encouraged in some way or other. The past provides comparisons and therefore suggestions, although it can lay down no rules and provide no solutions. This is especially true

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(1) A. Schumpeter, *Ten Great Economists* (London, 1952), p. 150.

when we seek to apply the 'lessons' of western economic history to the present-day problems of Asia or Africa.

In the second place, as has been remarked already, economic progress is an extremely complex process, and it is all too easy to think about it in ways which, if not too simple, are certainly too tidy. For example, it is often said that the analysis of economic progress must contain an enormous number of variables; but it should be added that thinking of economic progress in terms of variables, however numerous, is apt to mislead. This is because changes in quantities are, when economic progress is taking place, almost necessarily accompanied by institutional changes. Thus it is sometimes argued that economic progress presupposes capital formation; that capital formation generates money income before it produces consumer goods; and that this produces an inflationary gap which may hinder progress, or destroy social and political stability, or do both. There is much truth in this argument, especially if a lot is attempted in a short time -- especially, also, if population is rising rapidly, necessitating a large amount of capital formation only to keep the standard of living from falling. But the argument sometimes seems to assume as final what, in the course of economic progress, usually alters. If, for example, capital formation is being undertaken, then it is likely that the organisation and utilisation of existing resources will be improved. Labour may become more suitably employed, better methods be introduced, enterprise be awakened, economies of scale begin to appear. In other words, the ratio of output to physical capital must not be supposed constant. On the side of money, also, changes may occur. Not only may saving tend to rise *pari passu* with income, but it is highly probable that institutional changes for the encouragement and facilitation of saving will take place, so that money not spent comes to be transferred more rapidly, more cheaply, and more entirely into the hands of

those who are best able to use it. This, at any rate, is what happened in the case of the majority of European countries in the nineteenth century. Moreover, even if an inflationary gap does appear, heavier taxes may not be needed. Economies in government expenditure are not always impossible; and the efficiency with which revenue is collected in poor countries is sometimes capable of remarkable, even of staggering, improvement. (2) What is implied for policy by considerations of these kinds is that policy must be much more than a manipulation of magnitudes. In the case outlined above, there is obviously room for measures to encouraging savings banks and savings movements; and for the promotion of capital saving techniques. The institutional changes, whether spontaneous or partly government-encouraged, will themselves at least help to solve some of the apparently intractable problems which a merely quantitative analysis sometimes seems to reveal.

In the third place, we must remember not only that there is a multitude of economic problems connected with economic development, but also that there is a diversity of 'underdeveloped' economies. Among the many economies of the world where the standard of life is low, some are large, like India, and some are small, like Barbados; some have a dense and rapidly growing population, like British Guiana, and some, such as the Sudanese Republic, have not; some have been shown to possess considerable if so far inadequate economic possibilities, such as Malaya and Iraq, some countries, such as Saudi Arabia -- and still more some regions, such as southern Italy -- have not; some, like Greece, have a well-established, active and indigenous commercial tradition, while others, like Uganda, have not.

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(2) According to E. M. Bernstein and I. G. Patel in 'Inflation in relation to Economic Development' (I.M.F. Staff Papers, vol. II (1951-2), pp. 363-98) improvements in the collection of revenue in the Philippines in 1951 resulted in an increase of tax revenue of 80% while the burden of taxation remained unchanged!

The list of contrasts might be almost indefinitely extended. In itself it is not uninformative; but it is far more important as emphasising the extreme unlikelihood that the pattern of policies which can succeed in one instance can also succeed, without very radical alteration, in another. What is sauce for the goose may be sauce for the gander, but it would not do with sole meunière.

Furthermore, economic development creates or exacerbates within all economies, however primitive, or small, or 'underdeveloped', some clash and conflict of interests. Sometimes this is a conflict between income groups, between the rich who wish to consume their incomes and the poor who would be benefited if these incomes were more largely invested; or it may arise between those who are in established monopolistic positions and those who do not share the monopolistic gains; or it may be conflict between one region and another. These conflicts may easily impede progress. Often, in the past, the forces of progress have been able to ride rough-shod over other interests, and in the end all have benefited. But to-day we may be too circumspect, too considerate, too 'civilized' -- or alternatively, all interests in the community may be too well represented politically -- for drastic measures to be adopted. There is no doubt that this is a very serious consideration. Suppose, for example, that there had been universal manhood suffrage in Great Britain during the Napoleonic War; what would have been the fate of those frequent petitions drawn up by work-people and presented to Parliament praying for a halt to the introduction of machinery into the woollen industry? We know, of course, what the reply actually was:

if the principles on which the use of these particular machines is objected to were once admitted, it would be impossible to draw the line, or to foresee the fatal extent of their application. No one will deny that, if Parliament had acted on such principles fifty

years ago, the woollen manufacture would never have attained to half its present size. (3)

In this case, those who were on the side of the new developments had it almost all their own way. But it is not always so, and one only has to remember how the early British railway lines struggled into existence despite the scepticism of engineers and the active hostility of canal, coaching and other interests, to become aware of some of the dangers. Looking back, it is easy to see the rights and wrongs of these disputes, easy to know the consequences of the course adopted and not altogether too difficult to imagine the results of the courses not adopted. But assessing present-day situations is another matter. It is all very well for the historian to talk about 'the forces of progress'; but before the progress has taken place, how, pray, are we to recognize which these forces are?

And, fourthly, those who seek to use economic knowledge in doing good works must remember how widely political systems differ from one another, and how important these differences can be. The honesty and efficiency of government administration, in the first place, is clearly a matter of great importance about which an economist can say very little -- except, of course, to make the obvious point that government inefficiency and corruption is an argument against the extension of government activity. This is particularly important when it is remembered that the degree of government control over an economy which is possible nowadays is enormously greater than was thought possible fifty years ago. It is, indeed, well nigh absolute; and many governments choose to exercise all or almost all their possible power -- sometimes, it must be added, with an eye on the consequent extension of government

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(3) Report of the Committee on the Woollen Manufactory (1806),

patronage. Such considerations are outside the scope of this book. As was remarked in chapter v, the assumptions of this book are on the whole inapplicable to 'planned' economies. Yet in all economies there is some 'planning', and how the various difficulties in the way of economic progress are met and handled -- to some extent, even, which of these various difficulties emerge as the most serious -- depends on the kind and amount of 'planning' there is. To take one of the most famous examples, the so-called 'liquidation of the kulaks' was the Soviet Government's way of stimulating agricultural output in Russia and of trying to ensure that the necessary balance between industrial and agricultural rates of growth was achieved. Where such solutions are possible, difficulties about the mobility of persons or the recruitment of entrepreneurs fade into relative insignificance; although, of course, other troubles, less definable in economic terms, may result.

And now, what advice is to be tendered, bearing in mind the uniqueness of every instance of every problem?

In venturing to give advice, it is only proper that the usual semblance of impersonality which clothes an author's words should be discarded. Giving advice must in this case be a matter of personal judgment, of unprovable opinion; and, of course, everyone is entitled to his own judgments and his own opinions -- provided that he has conscientiously reviewed the evidence.

I wish to make only four suggestions, all of which have, I think, a very wide applicability, and which I believe involve matters of absolutely first-rate importance for economic progress.

The first is, that countries seeking accelerated economic development should think very carefully about the possibilities of extending their contacts with overseas markets and producers, and should ponder all the possible consequences of not extending



these contacts. This is not a recommendation of the adoption of free trade, nor even of any sudden substantial movements in that direction. But there is some tendency nowadays for economic progress to be sought via a raising rather than a lowering of tariff barriers, and for development to be envisaged within national boundaries or at most within the framework of some rather limited customs union. I believe ideas and policies of this kind to be mistaken. (4)

Attempts to justified policies which are in fact nationalistic and autarkic in various degrees usually rely rather heavily on generalisations about the risks of foreign trade. These risks are supposed to arise, in the main, from the probable behaviour of large trading nations, ideas about whose behaviour seem usually to be based on some aspects of British and American practices and misfortunes in the 1920's and 1930's. It is true that America in the 1930's suffered a catastrophic contraction of her national income and passed some of this on to her trading partners; it is true that America tariff policy between the wars persistently handicapped other nations in their attempts to pay what they owed and buy what they wanted; it is true that Great Britain exploited a strong bargaining position in the general *saue qui peut* after 1931, possibly to the detriment of some smaller and poorer countries. But

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(4) Sometimes of course, such policies are followed to a large extent for their own sake, the first aim of policy being a high degree of national self-sufficiency, economic progress, in the sense used in this book being -- although this is not always realised and is sometimes denied -- a secondary consideration.

It should also be remembered that systems of protection are in most cases far more effective today than they used to be. The degree of 'true' protection afforded by tariff systems in the eighteenth and to a lesser extent in the nineteenth century was often a good deal less than appeared, due to smuggling. Smuggling was so prevalent that it seems in some cases even to have had a noticeable effect on the balance of payments. (Heckscher thought it possible that up to one fifth of Swedish imports in the eighteenth century were smuggled: See E. F. Heckscher *Sveriges Ekonomiska Historia från Gustav Vasa* (Stockholm, 1949), pt II. pp. 650 ff.) Thus a policy of high protection today does not correspond so closely as might be supposed to similar policies pursued in the past.

all this is only one side of the medal, even for those two troubled decades. The question should also be asked, how much worse off would everyone have been had international trade been a great deal smaller in volume and a great deal more rigidly controlled throughout the period? And in any case, if the bases of policy are to be belief in the continuation of a forbidden American tariff a violently unstable American economy, and ungenerous and opportunist trade practices by Britain, this should be stated more clearly and some attempt made to justify it. The question of the general pattern and atmosphere of international economic developments in the next few decades is a large one; any answer involves a substantial amount of guess-work, but, generally speaking, it seems unwise to anticipate a future characterised by several of the worst features of the peculiarly difficult and experimental years before 1939, unless there is little to be gained by anticipating anything better.

But there may be a great deal to be gained, if more sanguine expectations are made the basis of more liberal trade policies on the part of 'underdeveloped' countries. Low tariffs enable a country to live cheaply, to procure the requirements for its economic development at a minimum cost; consider how France benefited from the importation of British iron at a low rate of duty, or Denmark from similar importation of agricultural equipment. High cost production of saucepans at home may provide employment in the saucepan industry, but it does not make cooking any cheaper; and it should never be forgotten that industries as well as households are consumers -- dears saucepans are a charge on the hotel and tourist industry, as well as on the housewife. (5) Secondly,

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(5) The case against tariffs is a familiar one, and there is no need to elaborate it here. Two observations made by Bagehot, however, are perhaps worth quoting. 'Every nation', he wrote, 'wishes prosperity for some particular industry. At what cost to the consumer, by what hardship to less conspicuous industries, that prosperity is obtained, it does not care.' And again, 'All governments like to interfere; it elevates their position to make out that they can cure the evils of mankind. And all zealots wish they should interfere, for such zealots think they can and may convert the rulers and manipulate the State control' (Economic Studies, ed. Hutton (1895), pp. 5-6).

selling in foreign markets is very likely to mean selling in wider markets, and this offers the chance of realising internal and external economies of scale. Such economies improve the competitive position of the industry concerned, cheapen the product in the home market and increase the earnings of foreign exchange. These earnings are then available to finance further development within the industry and in other directions also. And in the meantime there is a constant exchange of ideas going on, perhaps also of persons, an interchange very likely -- if experience is any guide -- to prove immensely helpful to poorer countries, so long as they have the will to take advantage of it.

It is not likely that considerable economies of scale can be realised by a poor country in more than a few directions, perhaps not in more than one; they are in part also the economies of specialisation and concentration of effort. Hence I believe that within a framework of liberal trade every effort should be made by each so-called 'underdeveloped' country not only to modernise its agriculture and to build up local industry -- much of which may be unspectacular and dependent on raw materials supplied by local agriculture -- but also to find and concentrate upon some export line in which it can establish a good competitive position in international markets. This should be one of the first as it is certainly one of the most important tasks. By such means the economy can get on its feet. It is scarcely an exaggeration to call this the traditional first major step in economic development. In the case of Denmark, progress came via the building up of an export trade in dairy produce; in the case of Sweden, it was the timber trade; Great Britain, woollen manufacture; North America (with some reservations) wheat; Switzerland, lace-making and clock-making. Such statements involve, obviously, vast oversimplification, the omission of a great number of other relevant factors and conjoint developments; but the kernel of truth which they contain is

exceedingly important. (6)

Numerous poor countries at the present day seem to be establishing or are trying to establish just such an export line as is advocated here. In Ghana, for example, the export of cocoa is a thriving and apparently efficient trade, and the chief problem seems now to be how to stabilise the revenue derived from the trade and how best to use it for further economic developments. In the Sudanese Republic, cotton growing in the Gezira region, developed as a result of the twenty million pound Gezira Scheme of the 1930's, has supplied the country with an export staple, although not, as yet, on a scale sufficient to serve as the basis for further rapid development. But in the twenty century there is, of course, one staple export which eclipses all others in importance and profitability: oil. Borneo, Iraq, Iran, Saudi Arabia, Kuwait, Trinidad, Venezuela, all these and others are carried forward on a great tide of oil revenue, and see, in most cases still just beyond realisation, the glittering promise of a prosperous future. Of them all, Iraq and Venezuela have so far probably made the greater solid progress.

But there often seems, and indeed there often is, a peculiarity, which is also a weakness, in the position and prospects of these oil powers. It is easy to mistake the nature of this peculiarity, and to suppose that it arises from the exhaustibility of oil reserves. Exhaustion of oil reserves must certainly be expected, but the wearing out of advantages in one line of trade and the

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(6) It may be objected that heavy reliance on a narrow range of export goods is likely to produce serious income instability. This is true. But it is also true that intelligent monetary policies and the more widespread use than at present of export taxes could do much to offset such instability. It should also be noticed that economic progress, by developing the home market and increasing the volume and variety of home production, is itself a force working towards a reduction of the importance of variations in the foreign trade multiplicand.

consequent necessity to move on to some other is a common -- perhaps the commonest -- feature of economic progress. The real point is that oil revenue is in the nature of a rent, a bonus from nature, and that its receipt is not the consequence of work done and saving previously carried out within the economy, nor does it involve much present effort nor the development of much new skill, nor the undertaking of changes in social and economic organization by the inhabitants. In other words, drilling for and exporting oil is very liable to be an economic activity pretty well extraneous to all the other operations of the economy. The kinds of employment offered to the inhabitants are usually of a menial sort, efforts of organization by them are not required, and the necessary selling and financial arrangements are usually the work of foreigners. The result is, that the national income rises by the amount of the net outgoings of the oil interests within the country, but the economic structure is not directly effected. This is in marked contrast with all cases of, so to speak, indigenous development, where the benefit of early progress is as much the change in personal attitudes and the modification of the economic and social structure, as it is the accompanying increases in income. Increases in income can, of course, always be saved; but they are much more valuable when they are achieved as a result of human and structural changes which facilitate further economic progress. The trouble about oil exporting is not that the oil reserves will not last for ever, but that when they give out the economy may be no better prepared for the next step in economic development than it was before oil exporting began.

Considerations such as these lead to the second piece of advice which I wish to offer. This is, that governments might profitably concern themselves rather less than they are sometimes inclined to do with specific projects and plans -- in the fields

of industry, agriculture, power supply, and so on -- and rather more with the general conditions and equipment of economic life. To say this is not to raise the question of how much government control there should be. That is primarily a matter for political decision.

It is assumed in this book only that government control of the economy is far from complete; that there is ample scope for private enterprise. (7) The question at issue is not how much government control there should be but how government effort is best distributed. And one of the points about its distribution is that it should not be too much concentrated upon the accumulation of physical capital, especially of government-created physical capital. Of course, I do not for one moment advocate that governments should not concern themselves with specific projects and plans. History provides innumerable examples of the benefits of government<sup>o</sup> intervention', especially in the field of transport. (8) In other

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(7) This seems a not unreasonable assumption, for a poor country can ill afford an expensive and complicated administrative machine, even if it can find competent staff for one. Methods and plans which depend on the services of a highly trained and expensive civil service are therefore not appropriate to poor countries. It should also be remembered that the uncertainties involved in planning major projects are very real even when the work is done by expert planners, and the consequence of mistakes may be serious. The original 1952 White Paper (London, 8702) on the Volta River Project, for example, costed the first stage of the scheme at £100 million and the whole scheme at £144 million. It is now (1957) estimated that the first stage will cost £162.6 million and the whole plan £231.3 million. It is also stated that 45% should be added for contingencies. Much of this change may be due to changes in capital and construction costs; but the financial implications for Ghana are nonetheless formidable.

(8) In our opinion the history of railway construction in East Africa and the surveys that have been made from time to time since the present lines were built, show clearly that new lines traversing hitherto undeveloped areas can in general not be expected to meet the total costs, including the servicing of the capital invested, for anything from twenty to forty years, unless they tap valuable mineral resources. But the history of railway construction of this kind also shows that without the basic framework of rail

(will continue)

fields, too, major acts of government investment are often very desirable, indeed essential. At the present day the Wadi Tharthar and Habbaniya projects in Iraq, providing flood control for the Tigris and Euphrates, are likely to prove object lessons in the kind of beneficial activity which governments can undertake, and which only they can undertake. But there is a danger that official concern for the accumulation of physical capital will lead governments into two different kinds of mistake. In the first place they may themselves attempt too much capital creation, over-centralising the work of decision-taking and over-burdening their administrative and technical staffs. And in the second place they may expect too much from capital creation alone, by whomever undertaken, and devote too little time and thought to the building up of human skills, appropriate social and economic institutions, and what Marshall once called 'that moral capital which is the heir of the ages' and which manifests itself in the activities of working and saving.

For in addition to creating or encouraging others to create physical capital there are many fields in which government action may be equally urgently required. For example, governments setting out to promote economic progress in underdeveloped countries might

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(Continuation 8) communication, supplemented by a network of serviceable roads, it will not be possible to introduce modern economic systems of production, or to stimulate mineral exploitation in many regions at all....In so far as capital can be made available for investment of this kind, in which the returns are long postponed and often also largely indirect, development expenditure on communications should be given priority. This principle has not always been observed. We have found the paradoxical situation in which priority has been given for expenditure on social services, on un-economic housing schemes, and even for investment in particular industries where private enterprise regards the risk as too high, while the expansion and improvement of the communications network, on which all basic development must in the last resort depend, has been unduly postponed' (Royal Commission on East Africa, Report, ch. 12, para 13). It is possible of course, to waste government money on transport 'improvements'. For an example of such a case, see J. S. Furnivall, *Colonial Policy and Practice* (Cambridge, 1948), ch. II.

often do worse than begin by undertaking a careful overhaul of their existing fiscal system and methods of presenting their accounts. (9) There is also the need to oversee the provision of adequate banking and financial facilities. There is financial policy itself (about which the varying experiences of the economies studied in this book do not, unfortunately, invite any very firm conclusions; except that fairly gradual movements of prices in either direction do not seem to be inconsistent with economic progress). And, last but not least, there is the provision of education.

A shortage of even moderately skilled men, still more a shortage of men who can be taught to become moderately skilled, is characteristic of every acceleration of economic progress. Watt's difficulties in teaching millwrights and mechanics the elementary principles of their trade is perhaps the most famous instance of a shortage of this kind. But probably elementary technological education is the category least likely to be neglected by modern governments. What is all too likely to be neglected, and what is all too difficult to achieve, at any rate in a hurry, is the establishment of some means -- and general education is surely the best means -- of getting rid of devotion to custom and contentment with an established way of life while at the same time imparting some ability to understand the inescapable nature of obstacles and sacrifices, if anything worthwhile is to be achieved. A broad and general education teaches men not only the wider possibilities of life; it also teaches them how slowly and with what difficulty successful advances have been made in the past. It is this kind of knowledge of the practical world, diffused as widely as possible among the entire population, which is badly wanted in many underdeveloped areas which so far possess little more than some concentrated economic ambition. The deficiency can

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(9) See A. R. Prest. A Fiscal Survey of the British Caribbean (London, 1957), especially ch. I, sect. 2, and ch. III, sections I and 2.



be made good only slowly, and only by expenditure on that item of apparent luxury, non-technical education.

And this brings us back to the point already made about the complexity of economic progress. So much depends upon the multitude of everyday activities and small decisions which compose the functioning of an economic system. An economy, indeed, may be likened to an army in time of war. In a military campaign, the senior officers draw up plans, they face certain limitations imposed by supply and transport, they lay on air strikes and artillery bombardments, they exhort their troops; but in the event the degree of success or failure is likely to depend as much on the courage, initiative, determination, skill and improvising ability of the troops themselves as on the foresight and soundness of planning of the general staff. Just so with an economy: the government and the leaders of industry make plans, there are technological limitations, major acts of fixed capital investment are undertaken; but the outcome depends to a large extent on the behaviour of the people. If they are skilful and enterprising, adaptable and industrious, then the framework of economic development within which they work may be quickly filled in and amply furnished -- the framework itself, even, may be altered and improved. (For example, it was the intention of a whole series of British governments in the eighteenth century, and certainly it was the fixed intention of the great woollen interests, that British should not have a cotton industry; but the ingenuity and devotion to self interest of many small men overcame the obstacles, and a cotton industry arose; and then the government changed the rules. ) Seventeenth-century writers, living in a more primitive and less capital-intensive economy than our own, and therefore being in some ways in a better position to understand the problems of poor countries than we are, frequently dwelt on the importance of the 'skill and enterprise' of the population. Yet they were also well

aware of the part played in economic advance by the economic and institutional framework. It is not easy, in general, to strike a balance between these two fields of consideration. But there is certainly a temptation for the politicians who legislate and for the economists who advise them to exaggerate the importance of that framework of laws and institutions which politics can directly affect, and to underestimate or minimise the importance of individual skill, responsibility and initiative, which are open only to a gradual improvement by political decision.

Thirdly, there is the tremendously important, perhaps in many countries supremely important, subject of agricultural development. Within this field the subject of land tenure especially deserves attention, partly because of its importance and partly because it can be directly influenced by legislation. Land tenure is a well-worn theme in economic history, and in my judgment economic historians have not been wrong in directing a very large part of their attention to it. In almost all underdeveloped countries the proportion of the population engaged in agriculture is -- and in similar circumstances in the past always was -- high. For this reason alone land-ownership is a vital matter. In the history of economic development in America, Denmark and Sweden changes in the law relating to the buying, selling and holding of land have been of the greatest consequence. These changes often encouraged enterprise and sometimes, also, technical progress. Now, technical progress in agriculture is apt to be slow; but there is no doubt that this tendency is reinforced by morcellement or by other arrangements which prevent holdings from being of an economic size and which thus also prevent sufficiently large sums of capital being accumulated by or being made available to farmers or landowners; equally, improvement is impeded by arrangements which concentrate agricultural land and capital in a few hands and yet do not encourage the

holders to take an active interest in agricultural development. Hence reform of agricultural organization, along with that of other kinds of primary production, should receive high priority in the planning of economic progress. There may be a good deal of unemployment or underemployment in the agriculture of underdeveloped areas, just as there used to be in British agriculture, and reform may entail some shifting of labour out of agriculture. Reduction of the agricultural population may lead to difficulties, and the warning given as regards East Africa has a more general application:

As [the process of raising agricultural productivity] proceeds there will always be twin dangers to be avoided: on the one hand policies which, while raising income per head, may displace persons too rapidly from the land; on the other hand, policies which, while accommodating more people on the land, may do so in a manner which does not raise income per head sufficiently...the change cannot be viewed only in terms of economic efficiency...It is necessary above all to avoid the creation of a landless and homeless proletariat which cannot find employment in the towns. (10)

But it need not be thought that reform must entail a considerable contraction of agriculture. Such contraction might not prove to be in the long-term interests of many countries. As in the case of Denmark, agriculture may have a leading role to play. And whether a large or a small agricultural sector is envisaged as the end-result of progress, a prosperous agriculture, even if diminishing in size, is always important because it reacts with industry to provide a demand specifically for farm equipment and transport services and generally for consumer goods. It is always difficult to cut down the agricultural sector unless the level of incomes in industry is raised; and an important aid to the modernization and prosperous working of industry is a rising level of demand among primary

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(10) Royal Commission on East Africa, Report, ch. 22, para. 7.

producers enjoying (and in part perhaps also saving) good incomes. It is often actually easier to have progress in industry and in agriculture together than in one of them alone. Thus in seeking to determine what governs the wage level which...labour is prepared to accept [in the towns] and at which supplies of labour are forthcoming, the Royal Commission on East Africa went so far as to declare:

The governing factor is the real income which can be obtained in alternative occupations...However low many appear to be the real incomes of those in paid employment there is a strong presumption that the real income derived from subsistence farming [in East Africa] is still lower. If this view is sustained, an important consequence follows: apart from the factors which govern the demand for labour and the wage which employers are able and willing to pay for the labour they employ, the key to a permanent raising of the supply price of African labour is to foster an increase in the real incomes of the peasants, whether they produce for their own subsistence or for sale in the market. (11)

And, as the Royal Commission elsewhere observed, an increase in agricultural incomes in East Africa is impossible without a reform of the system of land tenure: 'The relationship of land tenure and land usage...permeates all the faults of the present system.' (12)

All this is apart from the arguments, already advanced, that primary producers may be the chief earners of foreign exchange in underdeveloped countries, and that their capacity in this direction may make borrowing abroad possible, by offering the only reasonable

(11) Royal Commission on East Africa, Report, ch. 15, paras. 6 and 7.

(12) Ibid. ch. 22, para. 77.

grounds for expecting that loans made to such countries will be serviced. Lastly, it must be remembered that if anything like the amount of industrialization which is at present contemplated in the world actually takes place, the terms of trade for primary products are very likely to improve, perhaps substantially. It is probably true that the income elasticity of world demand for primary products is often underestimated. Before countries go too far in developing industry at the expense of primary production, therefore, they should ponder Marshall's words written at the beginning of this century:

Before another century has passed...there may then remain but a few small areas...which are not so well supplied with both population and capital as to be able to produce most of the manufactured products which they require....When that times comes, those who have surplus raw products to sell will have to upper hand in international bargains. (13)

Finally, I suggest that governments should give more attention than they usually do to the creation of a more tolerant and flexible social system, and one which will be more sympathetic to economic progress. Social problems, like political problems, have been largely disregarded in this book, but such treatment is by no means intended as a denial of their importance. They deserve separate and expert study. In a rough and ready way, no doubt, it is clear enough that some social forms, backed up maybe by religious sanctions, are apt to prove much more hostile to economic development than others. The caste system in India, for example, does not appear favourable to economic progress. (14) But such vague reflections

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(13) A. Marshall, *Official Papers* (London, 1926), p. 402.

(14) The caste system is not the only conspicuous man-made difficulty in India. Writing on the prospects for an increase in agricultural efficiency in India, a correspondent of *The Times* (16 January 1957) observed, 'The sacred cow is the most untouchable proposition. One sixth only of the immense cattle population (188 million) produces milk. One fifth are valueless for all purposes (save that they produce dung); but they cannot be killed or sterilized except by stealth.' Owing to scarcity of alternative fuels, most of the dung is burned.

are not very helpful; and, as an authority on the economic life of Latin America has pointed out, there is an urgent need, if we are to grapple successfully with the problems of underdeveloped countries, 'for studying and evaluating the tenacity of semifeudal institutions in individual countries'. (15)

In the case of the countries with which we have been dealing, there is much to be learned in this respect from the history of the United States. Over most of the United States there is a complete absence of any permanent or sacrosanct complex framework of attitudes and appetites, and it has very plausibly been argued that this 'allows economic development to take place against very little internal friction, and encourages people to feel confident of being able to do all sorts of things which in societies with a great weight of tradition they would know before hand were doomed to failure'. (16) The attitudes of those who are politically and socially powerful are of great importance in this connection. In eighteenth-century Britain the aristocracy tended to be interested in economic development, partly because money flowed into some aristocratic pockets from the earnings of such organisations as the East India Company, partly because many aristocratic families had trade or even industrial connections, partly because agriculture itself was a progressive industry. In the American South in the nineteenth century on the other hand, the socially influential families were the old-fashioned families. Their ideals were old-fashioned and their prejudices were old-fashioned. They continued, for example, to regard the negro as a hewer of wood and a drawer of water. By debasing him in their thoughts they prepared the way for debasing

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(15) S. A. Mosk, 'Latin America versus the United States', in *American Economic Review (Papers and Proceedings)*, vol. XLI, no. 2 (1951), p. 383.

(16) *Cousins and Strangers* (New York, 1956), ed. S. Gorley-Putt, p. 26.

him in actuality and they thus disqualified for progress a large fraction of the labour force and a still greater number of consumers. In the British case, the government was able to help the economy by repealing restrictive economic legislation (turning a deaf ear to the resulting complaints of vested interests -- often well justified from a short-run point of view), and by facilitating a few novel, usually local activities; but it did not have to try to reform the social structure. (17) In the American South the opposite was the case; economic legislation needed little alteration, but the social structure had to be modified by the influence of T.V.A., the New Deal, the requirements of war, and, above all and as usual, by the economic progress currently being achieved. It is worth adding that the provision of equal educational opportunities is almost always one of the best ways open to a government of building up social mobility and flexibility.

A last chapter is not the place for an author to lay down fundamental principles, still less to begin a defence of them. Others may draw different conclusions from the chapters which have preceded this one. Any conclusions relating to the past are open to dispute, to modification; any applications to the present may be irrelevant, misleading, even absurd. But in this case the author can at least claim that his conclusions were reached after the first eleven chapters were written, and not before. And in the matter of present-day policy, it must by now be abundantly clear that a rigorous and inflexible application of principles to any and every case is never likely to be advocated by anyone who has studied the endless idiosyncrasies of history. Certainly it

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(17) Professor Pares remarks that 'One has only to look at the statute-book to see that bills of this sort [setting up local agencies, such as turnpike, paving, enclosure or improvement commissioners'] accounted for most of the legislation in the middle of the century' (B. Pares, *King George III and the Politicians* (Oxford, 1953), p. 3).

is not being advocated here.

Above all, it is surely the duty of the historian to insist on what today would be regarded as the slowness of economic progress in the past. Economic progress has been going on for hundreds of years. That is a marvellous fact. Its acceleration in some countries within the past one hundred and fifty or two hundred years is no less marvellous. But its speed has seldom come up to what seem to be common present-day expectations. Quite possibly we can today do better than our forebears did. Certainly we have more equipment, more means, even more knowledge, although it is not always clear that this includes a better appreciation of the basic facts. But in the matter of what can be achieved in the space of five or ten years we may be pitching our expectations too high. No doubt there are urgent reasons in the modern world for haste; no doubt time must be seized by the forelock, and beyond question there is no better opportunity for making local progress than a world-wide boom such as today's; but too much haste can lead one into the mire. In thinking about so vast and complex a problem as the economic development of a nation, it is exceedingly difficult to give due weight to all the important considerations. Thus we are constantly reminded that sustained economic development takes capital, that it takes entrepreneurs, that it takes "know-how", that it takes mobility. But we should not allow ourselves to forget that whatever else it takes, it certainly takes time.

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 (Respetada autografía del autor)