I. Development as Economic Strategy

REALITY TENDS, as Karl Mannheim pointed out a generation ago, to be a matter of one's perspective. Thus, to the economists development is an economic strategy. For them it consists of those activities which bring shifts in the total national income, or shifts in the composition of the total output, or shifts in per capita income or in the gross national product, or shifts in capital accumulation or in some other directly relevant economic category. For each of these measures and conceptions of development a cogent argument is constructed, its cogency, one suspects, varying with the economic sophistication or commitment of the reader.

Certainly on this problem economic literature displays an intriguing, often imaginative ingenuity (Papanek 1960: 307–372). For some economists the strategy of development consists in an increase in capital and savings. Others are impressed with the importance of special skills in production and exchange; they call for national programs that increase, enhance and facilitate such groups in the developing society as entrepreneurs, inventors, technicians, decision-makers, and so forth. This enthusiasm for key groups in the national economy takes many different forms. For example, after the second war (world) heavy emphasis was laid on the role of technicians: programs of technical assistance blossomed. Currently, an enlarging literature is being devoted to the role of a native “elite” in developing countries, though it must be admitted that there has been precious little public talk about “elite assistance programs.” The elite theme, it should be noted, shares the spotlight with the popular studies of power structures in the decision-making processes; this theme likewise sounds the note that innovative groups have a key developmental role (Mc Clelland 1959).

Reflecting perhaps the long standing orientation of the classical economic tradition, the savings strategy has received substantial attention. To be sure, this approach has its minority dissidents. Majority opinion lays stress on the need to obtain maximum national income, for this permits a maximum increase in savings. Minority opinion focusses on the proposition that savings depend on the distribution of such growth, for, as it is contended, savings come from
those who earn identical profits. It is not proposed here to take sides in this argument. However, one is impressed with the fact that the intellectual setting of the argument is classical economics (Tinbergen 1958, Leibenstein 1957, Higgens 1959). Viewing economic change as a kind of race between technological progress and population growth, the classical economists turned to the former, quite appropriately perhaps in view of the fact that they were merely economists! For technological progress they regarded as dependent on capital accumulation, through which would come greater mechanization and division of labor.

It is possible to put this proposition into a functional equation. We may, following Higgins, visualize the classical model of development as follows: $0 = f(L, K, Q, T)$, in which $0$ is total output, $L$ is the size of the labor force, $K$ is the supply of known resources, $Q$ is the available land, and $T$ is the level of techniques. Since $T = f[T(I)]$—the level of techniques is a function of the level of investment—and since $I = dQ - (R)$—in which $R$ represents return on fixed factors of production, $dQ$ is the stock of capital, and $I$ is the net investment—then the sensitive indicator (and lever) of development is $R$. The rate of profit—that historically paramount inducer of savings and barometer of the economy—becomes the focal point of capital accumulation theory as well as the chief forensic weapon of the anti-classicists, including the Marxians, who saw in its seldom ceasing instability and its apparent (or hoped for) long-run decline the inevitable collapse of economic development efforts, particularly in the capitalist West or in areas in which the capitalist West is involved. Indeed, Marxian prophets of doom, extrapolating a fated rate of profits, with attendant internecine class wars and rising tide of social justice demands, have been able critics and antagonists of the development idea—except in those situations where it has proved possible to socialize the factors of production and hence nationally co-opt the rate of profits. Only in such situations, they contend, can the conditions of expanding output through expanding technology be maintained. Characteristically, among the protagonists of socialist development the population factor is relatively unimportant, for the simple reason, as stated above: $0 = f(T)$.

The idea of development as a special economic strategy has a powerful appeal. With it one can construct vast ideological slogans or equally vast (and equally ideological) programs of development. Thus, the neo-Malthusians, operating from the classical economics base that $0 = f(T,P)$, seek to win governmental and popular support for efforts to restrict population increase so that the net effect of expansion in technology will not be cancelled by greater human demand. In its simplest form the population formula reads: $P = f(N)$—population is a function of natural resources. However, as anyone with even the slightest familiarity with economic theorizing knows, the formula must be expanded: $P = f(R \times EC \times T)$—population is a function of resources times economic culture times technology.

Recent writers, sensitively aware of the rising standards of mass insistences (sometimes called “the revolution of rising expectations”) and of their inevitable