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PART I

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

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## PREFACE

The present grant was awarded in February, 1969 for the purpose of employing quantitative techniques to analyze the sources of inter-country differences in political and economic participation and to make recommendations to AID on the instruments which can be utilized to increase popular participation in the benefits of economic development. The grant was executed under Title IX of the Foreign Assistance Act of 1968 and directed at elucidating some of the concerns of the Congress on the impact of U.S. foreign aid.

The report is organized in three parts. Part I contains the summary, conclusions, and recommendations. Parts II and III present the analytic and empirical results of the investigations into political participation and the distribution of income, respectively. It is upon these studies that the conclusions and recommendations are based.

## SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Irma Adelman

### INTRODUCTION

This summary portion of the final report under Grant AID/csd-2236 is intended to provide a brief overview of the work. The conclusions and recommendations are given first, in order to orient the reader more effectively for the material which follows. The summary itself first treats the interactions among political participation, economic participation, and economic development, next the instruments that can be used by AID to increase political and economic participation, and finally some reservations concerning the application of these instruments. The back-up for the statements in this section is given in Parts II and III, which summarize the analysis of political participation and economic participation, respectively.

It is important that the reader recognize the limitations of the analysis. The conclusions and recommendations are based on the author's interpretation of the analysis, bearing in mind the limitations of the data and methodology. It should be noted particularly that the sample, though unusually large, is still a limited one, that it covers only a limited period of time, that the analysis is based on cross-sectional data rather than on time series data, and that the effects of the transitional character of the many newly independent countries of Black Africa on the validity of the results for the least developed group of countries is not clear.

It should also be noted that the qualifying phrases so necessary for

a valid interpretation of the results of the study are frequently absent in this portion of the report. This was done intentionally in order to facilitate the communication of the conclusions and recommendations and the reasoning behind them. These qualifications should be understood by the reader to be an integral part of the report. The reader who is seriously interested in applying these results to AID policy should study the appropriate portions of Parts II and III to understand the limitations of the analysis.

### CONCLUSION

The conclusions which follow represent the essential result of the analysis. The usual qualifications of the limitations of technique and data should be understood to apply.

The first and perhaps most important conclusion of the present study is

1. The optimistic view -- that if we take care of economic development, economic and political participation will take care of themselves -- is contradicted by the empirical evidence.

This conclusion can be restated more precisely as

- 1a. In the absence of specific policy action for the promotion of political participation there is no discernible correlation between faster rates of economic growth and increases in political participation.
- 1b. In the absence of specific policy measures aimed at improving the distribution of income there is, for the most part, a negative association between the rate of economic development and the share of income accruing to the poorest segment of the population.

The remaining conclusions are

2. The policy instruments which can be used to promote increases in political participation vary with the country's level of socio-economic development.

3. In the least developed countries, possible instruments for increasing political participation are those related to the establishment of independent political structures and those associated with expanding political awareness and political involvement.
4. In the next most developed group, possible instruments for increasing political participation are those basic to the expansion of the middle class. Because the military cadre constitute the key organized element of the middle class, appropriate training courses for the military, in particular, may be a useful instrument.
5. For the most developed group of countries, possible instruments for increasing political participation are the promotion of greater social mobility, land reform, and the strengthening of a multi-party political structure.
6. Measures, direct or indirect, implemented to increase political participation in the longer run are likely to result in a short-run increase in social tension and political instability. In the long run, the success of these measures will lead to reduced social tension and increased political stability.
7. The policy instruments which can be used to promote increases in economic participation involve reliance on development strategies based on more intensive human resource development and use, more government ownership of industry, reductions in socio-economic dualism, and the promotion of greater political participation.
8. Dualistic patterns of development lead to highly persistent patterns of income and inequality.
9. Human-resource-oriented development programs lead to increased social mobility and therefore tend to promote greater political participation as well as increased economic participation.
10. Actions taken to increase political or economic participation will frequently reduce the achievable rate of growth of per capita GNP.
11. AID must face the moral dilemma of either intervening or not intervening to increase political or economic participation, recognizing that, in either case, it must accept the moral responsibility for the consequences, predicted or unforeseen, of the chosen path.

## RECOMMENDATIONS

The Recommendations Which Follow Are Based On The Assumption That AID Does  
Want To Intervene In The Development Process To Increase Political And/Or  
Economic Participation.

1. Human-resource-oriented development strategies, centered about sensibly phased and balanced education and job availability programs, should be adopted in order to increase economic participation and, indirectly, political participation as well.
2. To increase political participation, indirect, rather than direct, instruments should be employed. These include increasing social mobility through education coupled with job availability, training programs for mid-career military officers in economic and political development and administration, and, where appropriate, land reform.
3. To increase participation, the proportion of AID-financed projects carried out by mixed government-private teams, workers' cooperatives, and smaller-scale firms should be increased.
4. Dualistic patterns of economic development should be discouraged if greater economic participation is desired.
5. Conscious, directed AID intervention into economic development for the promotion of increased political or economic participation should be undertaken only after very serious consideration of the possible, as well as the probable, consequences of both intervention and inaction.

## SUMMARY

The Relationship Of Political To Economic Development.

The results of the present study indicate that there is relatively

little interrelationship, causal or otherwise, between the rate of economic development and the extent of political participation. While higher levels of political participation are generally associated with higher levels of socio-economic development, those forces directly related to the process (i.e., the rate) of economic development play a very small role in increasing political participation. Industrialization, agricultural productivity, physical overhead capital, financial and tax institutions, investment, and the rate of growth of per capita GNP virtually never appear as primary variables in the analysis of inter-country differences in political participation.

The primary connection between higher levels of political participation and higher levels of economic development is through the social modernization induced. In particular, countries in which social mobility, a major component of social modernization, is higher tend to be countries with greater opportunities for political participation. However, in the short run, increases in social mobility occur, unfortunately, at the expense of higher rates of growth of per capita GNP.\*

One must therefore conclude that the dynamics of increasing political participation are not closely related to the dynamics of economic development, in spite of the evidence that, in the very long run, higher levels of social and economic modernization are positively correlated.

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\*I. Adelman, M. Geier and G. T. Morris, "Instruments and Goals in Economic Development," American Economic Review Papers and Proceedings, May 1968, pp. 550-573.

## The Relationship of Economic Participation to Economic Development

The present study indicates few opportunities for the increase of economic participation through economic development. Indeed, there is a significant negative correlation between the rate of economic growth and equality of the income distribution. Our analysis indicates that the relationship between levels of economic development and equity of income distribution is asymmetrically U-shaped. Our study suggests that more egalitarian income distributions are characteristic of both extreme economic underdevelopment and high levels of economic development. Between these extremes, however, the relationship is, for the most part, inverse: higher rates of industrialization, faster increases in agricultural productivity, and higher rates of growth all tend to shift the income distribution in favor of the higher income groups and against the low income groups. The dynamics of the process of economic development tend to work relatively against the poor; the major recipients of the rewards of economic development are consistently the middle class and the highest income groups.

It is important to recognize that, in order to reach the relatively small positively correlated portion of the equality-economic level curve, a country must be among the upper half of the LDC's at the highest level of development. Indeed, in the absence of specific domestic policy action, a nation must attain a level of development corresponding to that which exists among the socio-economically most developed of the underdeveloped countries (Argentina, Chile, Taiwan, Israel) before the income distribution tends to become as even as it is in countries that have undergone virtually

no economic development (e.g., Dahomey, Chad, Niger).

### The Relationship between Economic and Political Participation

Our analysis indicates that political and economic participation are not closely related, and that they indeed represent rather different dimensions of increased participation in the fruits of modernization. Greater economic participation does not lead to greater political participation. On the other hand, there is some evidence that greater political participation tends to lead to a more egalitarian distribution of the national product.

### Instruments for Increasing Political Participation

The instruments appropriate for the increase of political participation vary with the level of socioeconomic development. For the least developed countries, both socioeconomically and politically, the appropriate policy instruments appear to be those related to the establishment of independent political structures (parliamentary institutions, bureaucracies, and specialized political organizations such as labor unions) and those associated with expanding political awareness and political involvement. However, the participant institutions at this stage are clearly very fragile, as evidenced by recent political history in the relatively newly independent countries of Black Africa.

In the transitional group of countries (from, e.g., Burma to Syria), the increase of political participation involves incorporating the middle class and its aspirations into the political system. Since middle level military officers constitute the major organized segment of the middle class, they also constitute the primary instrument for effecting this change. One might therefore want to give serious consideration to the

establishment of training programs for mid-career officers in these countries in such subjects as economic development, administration, and political development. Education in political development might be particularly useful, since the early stages of the political participation process show a positive association between a greater political role for the military and increases in popular participation, while the relationship between the role of the military and political participation tends to be reversed for countries at higher levels of development.

At the highest levels of economic development for underdeveloped countries, one might well consider similar educational programs for the military, in the hope that education of the middle-level officer cadre might reverse the negative correlation between political participation and the strength of the military that is presently observed in this group.

In addition to the education of the military, there are three areas of potential influence on political participation for countries in this last group: the strengthening of the political party system, changes in social mobility, and land reform. Encouragement of the structural transformation of political party systems from personalistic parties to structures for aggregating and articulating the preferences of the several socioeconomic groups (especially the workers and peasants) is one aspect of the enhancement of the strength of political parties. Another would be the strengthening of multi-party systems and labor unions.

The mechanisms for increasing social mobility are the expansion of education and the broadening of employment opportunities in a sensibly phased and balanced program to ensure both the improvement in level of skills and the availability of appropriate jobs for the newly trained personnel.

The enactment of land reform is a more complex issue. To be most effective, land reform must be accomplished before the increase of agricultural productivity makes land costs prohibitively high. It should also be accompanied, if possible, by other aspects of agrarian reform, including the supplying of extension services, credit, etc.

#### Instruments for Increasing Economic Participation

The instruments conducive to a more egalitarian pattern of economic growth are few in number and appear to be similar for all levels of socio-economic development.

The primary mechanism for leveling the income distribution involves greater reliance on development strategies based on the exploitation of human resources, as opposed to natural resources and capital. Development strategies based on the exploitation of natural resource abundance or on capital-intensive patterns of industrialization tend to shift the income distribution away from the lower income groups. On the other hand, there is evidence that those countries whose meager natural resource endowments have forced them to rely on human-resource-intensive development strategies have uniformly more equitable income distributions. An important avenue of attack

is therefore through human resource development programs with a mutually balanced expansion of educational and employment opportunities.

The second most important aspect of the growth process which is systematically associated with more even income distributions is the extent of governmental ownership of economic enterprise. Over the range of countries examined (which excludes the Communist nations) the higher the proportion of government enterprise the flatter the income distribution. This suggests the desirability of looking for methods of organization of AID-financed industrial and other ventures more conducive to the goal of greater economic participation: mixed government-private ventures, worker cooperatives, smaller-scale firms, etc.

Another factor that is related to the evenness of income distribution is the extent of socioeconomic dualism. Measures aimed directly at reducing dualism by, for example, emphasizing rural development in a small owner-operated farms may be desirable. Once a country has embarked on a sharply dualistic pattern of development, the adverse effects upon income distribution seem to persist throughout most of the development process.

While a reduction in dualism for this purpose (or for any other) could be achieved by incorporating the level of dualism as one of the criteria for economic planning, such a reduction would imply a reduction in the achievable rate of growth of per capita GNP. Therefore, before advocating any such direction, AID would have to determine the relative weighting of of these conflicting goals.\*

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\*An analogous statement is, of course, applicable to any AID policy decision on directions of economic growth. It is simply more obvious in the present context.

Finally, greater political participation is positively associated with a more equal income distribution.

Comments on the Direct Promotion of Political and Economic Participation

The purpose of the present study has been to investigate the feasibility of active AID involvement in increasing the extent of political and economic participation in economic development. The advisability of such involvement is another matter, outside the scope of the present contract. Nonetheless, the analysis suggests certain relationships among the variables considered that may have some bearing on the advisability of AID intervention aimed at promoting participation.

First of all, the study sheds some light on the relationship between the promotion of political participation, on the one hand, and the extent of social tension and political instability, on the other. On the average, for all countries considered in our analysis, greater political participation, once achieved, is associated with a lower level of social tension. However, the normal process for obtaining increased participation raises social tension, and, at some stages, tends to increase the frequency of military coups and countercoups. Conscious AID involvement in the dynamics of promoting greater political participation will therefore imply some direct AID responsibility for increasing short-run social tension and political instability. How short "short-run" is is an open question.

Secondly, most of the political instruments which are related to promoting increased political participation require direct intervention in changing the internal political structure of the affected countries.

It is not easy to draw the line between working with various structural aspects of the political system and foreign (U.S.) subversion of existing regimes or of genuine domestic revolutionary movements.

On the other hand, increasing social mobility or promoting land reform appear to have only indirect effects on the political structure while offering the possibility of significant increases in political participation.

It should be emphasized, however, that because so little is known about the indirect effects of intervention into any complex social system (such as a country), conscious, directed intervention should be undertaken only after very serious consideration of the possible, as well as the probable, consequences.

With regard to measures designed to promote economic participation, these tend to have only indirect effects on the political structure, and therefore appear to be less dangerous. The word "appear" is used quite intentionally in this context, and the reservation expressed in the preceding paragraph still applies.

One should note, incidentally, that the economic instrument of promotion of human resource development will have, as one consequence, increased social mobility, and therefore will also have some positive impact on political participation.