AMERICAN LEADERSHIP SEMINARS

Seminar Number One

THE UNITED STATES
AND
THE DEVELOPING NATIONS

Background Folio I

THE FUTURE OF THE UNDERDEVELOPED COUNTRIES

I. Rising Expectations

Thirty years ago a seminar on the growth of underdeveloped nations would have been inconceivable. In those days the only kind of development Americans were interested in was their own. Still suffering from the Great Depression, they were busy trying to revive their own economy. As for "underdeveloped countries," the term itself would have needed explaining; indeed it had not yet been coined.

Then came World War II, and in its wake there was radical change. Areas long dormant began to stir. In Asia and Africa, British, French and Dutch colonies clamored for independence. Some negotiated their way to freedom; others had to fight to win it. In Latin America, countries which had long enjoyed political sovereignty embarked upon new efforts to industrialize and reduce their economic dependence upon the U.S.

For the leaders of the less-industrialized nations, economic development now became the most pressing priority of national policy. The reasons for this emphasis were threefold. Development would lead to modernization and a greater degree of economic independence. It would enhance national power and prestige. It would help provide the means to satisfy the rising demand for food, housing, education and the other ingredients of a better life.

It has proved much easier to fix the goal than to achieve it. The underdeveloped nations and their leaders are discovering that the roadblocks to industrialization are many. Can they be removed? Can the underdeveloped nations make the transition from traditional to modern society? Can they move fast enough to ease the pressure for rapid, tangible results, learning, in Nehru's words, "to run before they walk"? How is this to be done, and what price must be paid?

These are urgent questions for 2 billion men and women--the great majority of mankind--who inhabit the underdeveloped world. Since their fate is tied up with ours, the challenge of underdevelopment is inescapably a challenge to the developed nations of the world.

What role should they play in meeting that challenge? More important for this particular audience: what role should the U.S. play? We have given many billions of dollars since World War II in economic aid. Has this aid served a useful purpose? Should the U.S. continue to provide aid? If so, why? and under what conditions?

These are some of the problems which will occupy our attention in this seminar. The first paper will describe what underdevelopment is, and then examine the nature of the development process. The second will consider Nigeria as a case study in the concrete problems of development. The third examines the American experience in foreign aid and the issues that arise from it. The final paper reviews the challenges that development poses for the aid giver and the aided.

II. Anatomy of Underdevelopment

Two out of every three human beings live in underdeveloped countries. Geographically, the underdeveloped world embraces most of the southern and eastern regions of the globe--over 100 countries and territories. It includes most of Asia, Africa, Latin America, Oceania and a few countries in Europe.

In shape and size, history and culture, the underdeveloped nations differ widely. A few stand on the threshold of modernization; others are groping their way toward it; still others have yet to begin in earnest the struggle to overcome their backwardness. Regardless of their stage of development, these countries are termed underdeveloped because they possess most of the following characteristics: poverty, a traditional society, primitive agriculture, illiteracy, rapid population growth and underexploited resources.

Poverty

For any given underdeveloped nation, poverty means lack of schools, hospitals, roads; inadequate supplies of power and light; poor communications; disease and malnutrition. For the individual, poverty is something much more tangible. To seven out of ten Bolivians--the Andean Indians--it means a one-room hut, shared with sheep, chickens and a pig; a daily diet of barley and dried potatoes--some 700-1,100 calories--and chewing a stimulant, coca, to suppress hunger. To slum dwellers in Mexico City it means a tarpaper shack or a crowded tenement. In Panaderos, a slum ten minutes' walk from the center of Mexico City, 86 people crowd into a single row of 12 windowless, one-room apartments. There are no inside toilets and no piped water. Families of six eat for 64-80 cents a day; their diet consists of black coffee, tortillas, beans and chile. Over 85 percent of the households have an average monthly income of $16 or less.

The standard statistical measure of poverty is per capita income. By that standard life in the underdeveloped nations is harsh indeed. According to a recent UN estimate, the per capita income in four out of five underdeveloped countries (excluding Red China) is less than $300 a year. In two out of five, it is under $100 a year. This is only a rough measure and does not tell the whole story. In some countries, such as Venezuela, the average is inflated by the high incomes of a few. In Tanganyika, per capita income in 1960 was $56. Allowing for discrepancies in wage scales between blacks and whites the income of native Africans was probably even lower.

Traditional Society

The desire to end the degradation of poverty and to achieve a better life is, as we have seen, one of the main reasons why the leaders of the less-industrialized lands are so intent on modernization. But those who realize that the price of modernization is change and are willing to pay the price are still relatively few. Most of the people in the underdeveloped world--the poor, illiterate peasants--cling to folkways which they have followed since time immemorial. That is why anthropologists call the social order prevailing in the underdeveloped world "traditional society."

In such a society, to take a concrete example, the peon, who has lived for generations on the same hacienda, "adheres to tradition as the one proven formula in a threatening world. His wooden plow, his small plot, his subservience to a patron, have allowed him to continue with his bare necessities, as they did his father before him."

In a traditional society the family includes not just the peasant's wife and children but his parents, grandparents, aunts, uncles and cousins. Such an extended family is both a social and an economic unit--an embryonic welfare state. What one peasant grows he divides among all. When one member of the family is sick, the others care for him. When another member falls on hard times, the rest must provide. For the elderly, children represent a built-in form of social security.

The family ties and obligations inherent in this system leave little scope for incentive or individualism. Accustomed to sharing what he has and living a hand-to-mouth existence, the peasant grows only what his family, clan or village needs, plus a small surplus to barter for the staples he can't produce himself. He can literally go through life without ever having one coin to jingle against another. No money means no market for shoes, tools or other manufactured goods--or at best a very restricted one. One economist estimates that three out of every seven Brazilians, for instance, exist outside the market economy.

Primitive Agriculture

In traditional society, 70 to 80 percent of the labor force works the land. Even with the greatest part of the national muscle power devoted to agriculture, most underdeveloped countries are hard put to feed their rapidly growing populations. In Africa, for instance, it takes as many as ten people to raise enough food for themselves and just <u>one</u> additional mouth. Compare this to America where one farmer (with the help of machinery) typically produces enough to feed himself and 24 others.

Why the disparity? Low productivity is the primary answer. For the effort it takes a Vietnamese rice grower to cultivate two to three acres, an American can cultivate 50 to 200; yet the yield per acre of the Vietnamese will be almost one-third lower.

There are a number of reasons for low productivity--poor soil, lack of irrigation, inferior seeds, primitive farming methods, lack of tools and machines. Usually, the peasant doesn't have the knowledge and skills to cope with his physical environment: year after year he may see his crops wiped out by drought, flood or plant pests. He himself is usually debilitated by chronic disease and malnutrition.

Uneconomic land distribution also contributes to low productivity. In Latin America, for example, large estates (2,400 acres or more) cover 65 percent of the arable land--often the richest. Most of these are not commercial plantations but private haciendas on which much of the land is undercultivated or lies fallow. Small farms, on which a large part of the population lives and works, occupy less than 4 percent of the land. The soil is frequently poor and overworked and the plots so fragmented into scattered strips that they can't supply even a subsistence living for the owners or tenants.

Illiteracy

Poverty, primitive agriculture and illiteracy go hand in hand. Because educational opportunities are scarce, the chances of making a better living on the farm or escaping to the city to learn a trade are slim. With the exception of landowners, the top military echelon, the religious leaders and rulers--rarely more than 10 percent of the population--the people in the underdeveloped world have never been exposed to the 3 R's. Many speak a language that has never been written: learning to read or write means learning a foreign tongue.

With an average rate of illiteracy ranging from 50 percent in Latin America to 90 percent in some parts of the world, the supply of technicians, teachers, other professionals and administrators is woefully inadequate. It is even smaller than the literacy statistics suggest. A large proportion of those counted as literate have not gone past the sixth grade. Of the children who attend elementary school in Africa, for example, only 5 percent go on to secondary school and fewer than 1 percent to universities or vocational institutes. These partially-educated are rarely equipped to fill skilled and professional jobs.

Population Explosion

At their present rates of growth, the populations of Syria, the Philippines, Taiwan, Costa Rica, the Dominican Republic and El Salvador will double in 20 years. The populations of Morocco, Ghana, Brazil, Mexico, and Nicaragua, among others, will double in 23 years.

The population boom in the underdeveloped countries is due to declining mortality rates--people are living longer. New discoveries in medicine, better public health facilities, cheap methods of eradicating such dread killers as malaria, and improvements in transportation and communications have sharply reduced the toll taken by disease, epidemic and famine. In Ceylon, for example, the mortality rate dropped in one decade as much as it had in the U.S. from 1880 to 1930 and at a cost of only $2 a head for DDT. In some underdeveloped countries death rates have fallen from more than 40 per thousand to below 30 per thousand in a brief span of time. Each ten-point decline in death rates--if birth rates hold steady--increases a country's population growth rate by 1 percent.

The population explosion in the underdeveloped world is a problem with which most Western nations did not have to contend in the course of their development. By the time death rates in these nations had begun to fall significantly, development was well under way and birth rates were also falling. Economic growth continued to outpace population growth and standards of living improved. By contrast, in most underdeveloped countries the race between population growth and economic development is so dangerously close that if economic expansion falters, standards of living will decline.

Natural Resources

Does the lack of natural resources condemn a nation to poverty? Agronomists point out that much of tropical Africa is cursed with poor soil and that the northern regions are largely desert. Nor is the soil of the large rain forest of South America particularly suited to the raising of crops. In Asia, too, vast areas of land have been deforested, overworked and underfertilized in the course of centuries.

Some underdeveloped countries do not have navigable rivers, natural harbors or a temperate climate. Others lack coal, oil and iron. Yet despite the absence of these natural endowments, it is not possible to equate a poor resource position with lack of development.

Switzerland and Japan, for example, are low on the resource scale but high on the development ladder. Conversely, many underdeveloped countries are rich in natural resources. Indonesia has untapped reservoirs of natural wealth. Bolivia, Latin America's poorest country, the "beggar sitting on the throne of gold," has a wealth of resources--oil, copper, tin and wolfram--but it has never made full use of them. Brazil has virtually all the raw materials needed to become a major industrial power. Burma has iron, coal and other minerals and could produce large quantities of cotton, vegetable oil and other agricultural products.

These underdeveloped countries have much greater natural wealth than their present poverty indicates, but as the word "underdeveloped" implies, they have failed to exploit it. And even countries which are not abundantly endowed by nature can stimulate development with the more efficient utilization of available resources. No one held out much hope for the Gold Coast (now Ghana) until it turned from subsistence farming to producing what is the largest and richest cocoa crop in the world. As slight a change as the substitution of one crop for another, or specialization in a product or skill which gives a country some comparative advantage, can spell the difference between stagnation and progress.

III. The Process of Development

The characteristics of the less-industrialized areas constitute a formidable barrier to change, and some experts contend that most underdeveloped nations will find it insurmountable. We shall examine the pros and cons of this view in the final paper of the seminar. Here we need merely point out that history provides us with a variety of examples of underdeveloped nations--the U.S., Japan, England--that have successfully advanced along the road to modernization.

The experience of such nations tells us something about how the development process might go: Pressure for change--internal or external--

disrupts the traditional order and sets the stage for development. Innovators and reformers wrest power--often by revolution--from the hands of those with a vested interest in the status quo. Their goals come to be shared by a growing segment of the population; and as this happens, social institutions and attitudes are gradually altered. At the same time, the economy of the country moves forward: resources are exploited more efficiently and the energies of the people channeled into new forms of productive enterprise. Irrigation works, dams and roads create new markets and increase investment opportunities. The number of educated and trained citizens increases sharply and gives new momentum to development. Agricultural reforms result in higher productivity, and the peasants no longer needed on the land move to the cities. Factories spring up and the number of men working for a wage instead of a subsistence increases. Some decades after the process has gotten under way, the birth rate begins to fall; and as it does, the people share in the benefits of a richer and expanding economy.

Most of the underdeveloped countries have a long way to go before they reach this point--if indeed they ever will. Is there a formula they can follow? Will more capital or more education or a democratic government guarantee their transformation from backwardness to modernization? There is a growing consensus among the experts that a variety of economic, social and political factors--and no single element--is essential for development. What are some of these vital ingredients in the development mix?

Obtaining Development Capital

A nation's capital resources are a significant index of its economic strength. In underdeveloped countries, the accumulation of capital stock--goods used as a means of production--sooner or later becomes a requirement of highest priority, for capital is the key to rising productivity in agriculture, industry and commerce.

The sources of capital formation are limited for advanced industrial countries and underdeveloped countries alike. Capital can be supplied from within or from without, by public or private sources. Internal public sources of capital are broadly limited to taxation, government borrowing, and deficit financing; internal private sources, to the savings of individuals or private business groups. External public capital is supplied through one of the various forms of foreign aid--grants or loans--while external private capital comes in through the channels of trade or private foreign investment.

Which of these four basic sources of capital, then, proves most fruitful to the needs of underdeveloped economies? Drumming up badly needed capital from internal sources is a difficult task. The quantity of private savings, because of the general poverty of the country, will be relatively small; and the tendency in underdeveloped areas is to hoard rather than invest. Workers and peasants, hard put to meet daily needs, have little to put aside for a rainy day. The small upper class -- landowners, merchants, government officials and professionals--tends to hoard its capital in the form of gold, jewelry or other prestige items. It shies away from local manufacturing in favor of more socially acceptable--and safer--forms of investment.

Public taxation as an internal source of capital is hampered by related obstacles. Taxes imposed on the great mass of people whose incomes or possessions are meager yield correspondingly meager returns. The small group whose wealth might yield better returns is usually the group that dictates government policy: it is loath to impose taxes at its own expense.

Heavy borrowing, a second source of internal public capital, too often proves impractical and unavailing. Who will buy the bonds? And the third source, deficit financing based on government creation of creditor money, is all too frequently accompanied by debilitating economic consequences--inflation and a loss of public confidence in the country's currency. If the deficits are large enough and the inflation bad enough, the whole effort may prove self-defeating. When practiced in moderation, however, deficit financing is, in the minds of many economists, one fruitful means of "forced savings" to be exploited by the government for the development process.

Since internal sources of development capital are ordinarily and for the most part inadequate to heavy capital needs, they must be supplemented by foreign or external sources. Here too, however, difficulties arise.

External Capital Sources

There are three major sources of outside assistance to which underdeveloped countries can turn, one a public source (foreign aid) and the other two private. Private investment in underdeveloped areas can play a major role in the development process, for it acts not only as an important source of capital but as a source of entrepreneurship, managerial talent, skills and know-how as well-- all scarce items in most backward countries. In the 1950's roughly $2 billion a year in long-term private capital, more than half of it from Europe, flowed from rich nations to poor. By pre-World War II standards the figure is small, however, and some economists ruefully note that it is likely to get smaller still.

For one thing, foreign investment in underdeveloped areas is up against a series of discouraging obstacles. The market for manufactured goods is severely limited by general poverty. There is a lack of skilled labor and a shortage of collateral services--roads, running water, telephones. If these are not sufficient to discourage the foreign investor, the hostility of the underdeveloped country's government may do the rest. In the case of newly independent nations, particularly, such hostility frequently springs from the fear of "neocolonialist exploitation" or apprehension over the loss of political independence.

Opportunities for investment have narrowed for other reasons. Many governments own and operate sectors of the economy that once attracted the highest percentage of private foreign capital--railways, public utilities, some of the extractive industries, etc. Many development needs, moreover, such as education, public health and land reclamation, also fall into the area of public enterprise. Consequently, the greatest demand for foreign capital comes from the public rather than the private sector. With entrepreneurial talent in short supply, governments in the underdeveloped countries now generate 80 percent of total demand for foreign capital.

Trade as a Source

Trade is the major source of foreign exchange for underdeveloped areas. Exports from these areas in 1960 amounted to $31 billion, or roughly four times the amount of foreign currency received through all forms of foreign aid and investment combined. There are some economists who believe that the major hope for progress in the underdeveloped world lies in expanding trade--increasing foreign exchange earnings in order to make it possible to import the capital goods needed for development.

But if trade can offer a bountiful supply of foreign exchange, it does not follow that such exchange is automatically translatable into capital. In the early stages of growth, most foreign trade earnings are used to pay for consumer imports, fuel, etc. As development proceeds, moreover, consumer goods imports show a strong tendency to rise. Unless this tendency is forcefully checked, an underdeveloped country's ability to import capital goods needed for industrial development may actually decline rather than advance.

For the great majority of underdeveloped countries, one or possibly two commodities provide the bulk of export earnings. The more fortunate --Nigeria for instance--have a wider range of export products. But the majority of one- or two-commodity countries live in constant anxiety about the vagaries of weather or of consumer demand, vagaries that can spark disaster for an otherwise well-conceived development program. A drop of 1 cent a pound for green coffee, for example, means a $50 million decline in annual income for Latin American producers. A penny decrease in the price of copper on the New York market means $4 million less in Chile's treasury. Since commodity prices are notoriously unstable, export receipts in underdeveloped areas are subject to erratic fluctuation. Consequently, supplies of capital goods are subject to frequent disruption.

While average prices of foodstuffs and raw materials have risen in recent years (1953-1960), they have not kept pace with the rising prices of manufactured goods. The volume of most foodstuff and raw material exports has in fact been leveling off, with a resulting drop in the share of world trade for underdeveloped countries. This share stood at 31.5 percent in 1953. By 1960 it had fallen to less than 25 percent. Thus underdeveloped countries have found it increasingly difficult to pay for their imports.

Stabilization of world commodity prices through international agreements (the recently signed coffee agreement is an example) holds out some hope for tackling these problems. Another solution frequently advanced calls for underdeveloped countries to diversify their economies and export more manufactured and semimanufactured goods. The problem of supplying capital for such undertakings, however, bleakly stares this "solution" in the face.

Some experts question whether manufactured goods from the underdeveloped countries could ever compete successfully in world markets and, if they could, whether they would bring higher returns than exports of raw materials. These experts advise backward areas to continue specializing in the production of raw materials and seek to stabilize their prices through international agreements. Others point out, however, that technological progress in the advanced nations is leading to big economies in the use of raw materials and to the creation of cheap synthetic substitutes. In short, these experts argue that international commodity trade has lost its momentum. Consequently, they say, the backward nations have no choice but to industrialize. Trade considerations aside, industry is considered essential to solve the chronic problem of unemployment and provide the driving force for progress.

Private, external sources of capital being thus limited, there remains the public external source of foreign aid. It is easy to see why some experts view this as the critical component in the development equation. The U.S. foreign assistance effort for underdeveloped countries is discussed in detail in the third paper of this seminar.

Raising Productivity

Raising capital is one phase of the development problem. Raising productivity may be considered another. Human resources are unquestionably a great form of national wealth. And a more efficient and productive use of the large labor force available in most underdeveloped areas can stimulate economic growth, raise national income, and contribute greatly toward development. Here the key is agriculture--wherein rests the great bulk of the toil and wealth of underdeveloped areas.

If agricultural productivity can be raised significantly, the living standards of the producers will rise, there will be food for those who leave the land to work in cities, and possibly a surplus will be created for export. As farm incomes rise, purchasing power increases, the market for consumer goods expands, and the government's source of potential revenue grows. In short, improvement in the agricultural sector is vital to successful economic development. But how can agricultural productivity be raised?

One way is to reduce the size of the agricultural labor force. In most underdeveloped countries, many of the people living on the land are either critically underemployed or unemployed altogether. Fewer peasants could grow as much, probably even more, than the traditional number. Some of the surplus farm labor could then be shifted to work on low-capital development projects--roadbuilding, flood control, housing, irrigation works, etc. These projects in turn could help increase agricultural output and provide the farming community with new markets and easier access to existing ones.

A second method for raising agricultural productivity is land reform --a distribution of the land on a more efficient basis. In some countries this means breaking up large estates which lie fallow, are undercultivated or used for grazing when they could be used for cultivation. In other countries it may mean combining small plots into larger units, and in still others it may mean turning over the ownership of land to those who work it. Land reform may touch off bitter social conflict and so disrupt an agrarian economy that farm output--initially, at least--may actually decline. But if well planned and wisely administered, reform may take place peacefully, and its results may in fact bring a substantial jump in agricultural productivity.

Finally, agricultural productivity can be raised by the method most familiar to American farmers--better machines and tools, better seeds, more fertilizer and pesticides and education on the use of the soil and its products. Half the battle here lies in convincing the peasant that the new methods being urged on him are superior to those he has always followed. It took four experts a year to persuade 17 of the 1,850 peons in Vicos, Peru to plant a new type of seed potato. When the rest could see and feel the difference between the old and the new potatoes, they also planted the improved variety.

The other half of the battle lies in obtaining capital to finance these improvements in method, some of which (the use of new farm machinery, for example) can be costly. In fact, the capital problem literally haunts development planners at every turn. Agricultural development on a significant scale, as well as industrialization, can never come to an underdeveloped country without the creation of an "infrastructure" to support it--of power plants and dams, telephone lines, ports and railways, etc. These items require huge amounts of capital; they must be built on a scale that anticipates future development needs and they may not produce any immediate returns on a considerable investment. For these reasons underdeveloped countries frequently turn to the wealthier nations for financial help. A few countries in history have managed to go it alone, but they are the exceptions.

IV. Development: The Human Element

In the final analysis, no development program can succeed without increasing its "stock" of educated and trained citizens. For this reason many experts contend there is no more urgent task for a backward country than to upgrade its human resources. In economic terms, this may well pay higher dividends than a comparable investment in turbines, trucks or tractors.

The development of human resources involves much more than wiping out illiteracy. It requires better public health, for a sick and diseased population is unable to realize its full potential. It requires better housing, for city slums are the breeding places of society's misfits. It requires the long, slow process of transforming people's habits, customs and attitudes to make modernity rather than tradition the accepted way of life.

Training, whether in the field, on the job or in specialized institutes, is essential to the development of human resources. Technicians are needed to teach people to boil water, to use a steel plow in place of a pointed stick, to make handicrafts to supplement incomes in areas where indebtedness and underemployment are chronic. Training programs are also needed to develop personnel for government and industry--skilled workers, clerks, supervisors, managers and administrators. In industry, as on the farms and in the villages, the training task is enormous, but it is only part of the complicated process of social transformation. A peasant, for example, who leaves his land for factory work, may learn his job quickly enough but require a lifetime to adjust to such alien concepts as factory discipline, punctuality, a regular work week, even to the realization that his low standard of living is not foreordained but can be raised.

Foreign private investors have contributed much to the improvement of local technical competence. The largest foreign firm in Nigeria, for example, has financed seven training schools and currently spends $140,000 a year to train its personnel--but in Nigeria, as in most other underdeveloped countries, the main burden falls on government.

Educational Gaps

The government's two principal handicaps in meeting the need for training and education are funds and personnel. An underdeveloped country spends on the average less than 4 percent of its budget on education and, because costs run higher, gets a smaller return dollar for dollar than do the advanced countries. Primary education costs the U.S. less than 1 percent of national income, Ghana, 2.8 percent and Nigeria, 4 percent. University costs also run higher. For example, it costs roughly three to five times more to send a student through an African university than a European one. With money in short supply, a wise allocation of funds is all the more necessary. Most underdeveloped countries should spend, according to one expert, two out of every three dollars of their educational budgets on secondary and postsecondary education, but few of them do.

The demand for primary education, which today is considered a birthright, has led most countries to divert scarce resources away from the critically urgent task of training engineers, doctors, scientists, managers, teachers, technicians and craftsmen. An acute shortage of teachers makes the goal of universal education all the harder to attain. A little education for the many at the expense of intensive education for a few may or may not be a wise policy, but it is often the only politically acceptable course a government can follow.

Politics also play a role in the allocation of funds earmarked for higher education. If a government must choose between building a technical institute or a university, chances are the university will win out--even though the need for technicians and subprofessional personnel is much greater than for university graduates. A university, rather than a vocational school, is the hallmark of an advanced society and as such is thought to confer greater prestige on the nation. Furthermore, in most underdeveloped countries a university degree has traditionally been a pass key to superior social status and the highest paying jobs. Consequently the political pressure to build or enlarge university facilities is great, and in yielding to the pressure some underdeveloped nations have created a growing class of unemployed intellectuals.

Unemployment among the intellectuals does not stem from a lack of jobs but from a lack of those they consider acceptable. A university graduate is more likely to settle for no job at all than one that pays less than what he thinks he deserves. Because he considers education a "permanent escape from the bush," he is unwilling to return to the countryside, where educated men and women are in demand. In some underdeveloped countries, he has inherited the traditional disdain of the land-owning elite for manual labor or anything connected with it--trade, commerce or manufacturing.

Reinforce the ranks of discontented intellectuals with discontented urban workers--the new generation of men who are aware that although born poor they need not remain so, who become impatient and frustrated if the opportunities for a better life do not measure up to expectations--and you have an explosive mixture that can destroy the development process. These are the people--rather than the poor and ignorant who expect nothing--who make tomorrow's revolutionaries.

V. Development: The Role of Government

The success with which an underdeveloped country mobilizes its economic and social resources depends to a great extent on the effectiveness of its government. Effective government requires more than one dynamic leader, or even a handful; it demands seasoned, honest administrators, competent civil servants and stable institutions. It requires machinery for the peaceful transfer of power from one administration to another, and it requires a dedication to growth--an "emotional new deal," as one economic historian puts it--which is shared by the governed.

Before a government can successfully launch a development program, the traditional ruling group--often the landowners who are committed to the status quo--must be replaced by modernizers and innovators. In some countries the military have been the driving force; in others, a traditional oligarchy which had been exposed to Western influence; in still others, a small group or class suppressed by the dominant elite; and in many former colonies, those who were leaders in the struggle for independence.

Once in power the modernizers will try to win the people's allegiance to make it easier to exercise the authority needed to stimulate development. Such allegiance is hard to get where the people have no sense of common national identity. This is the case in many of the emerging nations which, in reality, are loose federations of rival ethnic, linguistic, religious and tribal groups joined by the arbitrary stroke of a cartographer's pen. The boundaries of Togo, for example, a sliver of land in West Africa 60 miles wide and 325 miles deep, conform to no logic. They encompass a Muslim north, a tribal south and cut right through one tribe, the Ewe, who spill over into Ghana and Dahomey. In Togo, rival groups, which united long enough to overthrow colonial rule, split apart again once independence was won and are a continuing threat to national stability.

Law enforcement is essential not only to quell tribal or other rivalries but to create an atmosphere in which growth can flourish. Unless life and property are secure, the incentive to save, invest and produce will be discouraged.

Enforcing law in a divided country is not easy. If the job falls on leaders identified with one particular region or tribe or too closely associated with a conspicuously Westernized elite, the difficulties are compounded. The recently attempted coups against Presidents Senghor of Senegal and Nkrumah of Ghana and the assassination in January of President Olympio of Togo attest to the precarious tenure of the new African governments. Africa, however, has no monopoly on instability. Bolivia, though independent for 135 years, averaged one revolution every eight months until 1952. Political turmoil did not enhance Bolivia's development; its people are the poorest in Latin America.

Democracy vs. Totalitarianism

Is a democratic form of government the one most likely to promote development and modernization? According to the coauthors of a recent study of the emerging nations, "history demonstrates that there is no neat correlation between the degree of democracy in a country and the degree of economic and social modernization." Over half the countries receiving U.S. economic aid today, according to Chester Bowles, have authoritarian forms of government. Others that have democratic governments today may retrogress into oligarchy as the pressures to produce quick results induce their leaders to tighten their control.

The debate over the future of democracy in the underdeveloped countries leaves the experts sharply divided. At one pole are those who believe authoritarianism, or even totalitarianism, is better suited to the backward nations' needs, or, if not better suited, unavoidable. There are only two possible kinds of government in poor countries, writes one expert: authoritarian governments seeking to perpetuate existing inequalities and authoritarian governments working for reform.

The case for authoritarianism rests on the scarcity of leaders, of literate, politically articulate citizens, of entrepreneurs, administrators--and on the nature of the development task itself. Only a strong, centralized regime, some experts maintain, can impose the discipline and exact the sacrifices required for development and effectively employ the country's resources to break the vicious circle of economic and social stagnation.

At the other pole are those experts who espouse democracy as not only desirable but best suited to a developing country's needs and its people's desires. They oppose authoritarianism even as a temporary expedient because, they maintain, once a ruling group is in power it will want to perpetuate its tenure and further its own interests at the expense of the country. Even if it has promised to pave the way for democracy, when the moment comes, the experts warn, it will refuse to surrender its prerogatives.

The experts concede that democracy has an uphill fight in most underdeveloped countries and that the temptations to adopt authoritarian methods are great. An ambitious leader, for example, experienced in the art of seizing power but not administering it, is likely to promise more than he can deliver. When he fails to produce a chicken for every pot, when a small improvement in the standard of living has whetted appetites but not satisfied them, the frustrations that are built into development accumulate and may jeopardize his authority. At this point the nation is ripe for a coup by a well-organized opposition group, possibly a Communist-dominated one.

Cognizant of the political instability which accompanies development, many underdeveloped countries have opted for rigidly administered, highly centralized, one-party governments which monopolize control over all decisions--political, economic and social. The Ben Bella government in Algeria and Nkrumah's in Ghana are current examples.

Planning

Whether authoritarian or democratic, government is frequently the chief architect and planner of the country's economic development. National development plans range the spectrum from the rigidly formulated, centrally administered, all-embracing planning of a Communist economy to the pragmatic, flexible planning of mixed economies like India or Nigeria, which depend heavily on the free enterprise sector to meet targets and priorities.

The U.S., the champion of free enterprise, has encouraged the pragmatic planning concept. It required Marshall Plan participants to draw up four-year development plans as a basis for aid requests. Aid to Latin America under the Alliance for Progress is allocated on the basis of national ten-year plans. Countries which do not formulate such plans, Washington recently warned, may be in danger of losing U.S. assistance.

The merits of this kind of planning remain highly controversial. The critics claim development plans create nothing, provide no additional resources, are not necessarily wise and, if they miscarry, can be extremely costly. Proponents disagree. Plans, they contend, are a symbol of national purpose. They help a country establish priorities and effectively allocate its resources. They also serve to focus public attention on goals and objectives and rally support for the development effort.

The crux of the controversy over planning centers on the role of government and the extent to which it should regulate or influence economic growth. Will the government's decisions be wiser and more effective than if development were left to chance? Many economists believe they will; others are dubious, and some vehemently deny that they will. "The idea that economic development takes place in spite of, rather than because of, state action, "writes one skeptic, "is well expressed in the Brazilian saying, 'Our country grows by night when the politicians sleep.'"

VI. An Uncertain Future

W. W. Rostow describes the critical stage in a country's development, when the last obstacles to continuing growth are removed, as the "take-off." The term suggests an analogy between development and the flight of an airplane. Taking this analogy one step further, we might compare all the elements that enter into the plane's construction with the prerequisites for development. Given a sound vehicle, what kind of fuel is needed for take-off? What is the best mix to assure that the plane, once off the ground, will gain momentum rather than crash land--or, like a helicopter, hover overhead briefly before setting down again? It is on this point that the experts are most divided.

There is some consensus that an underdeveloped country will remain grounded until its human resources, agriculture, roads, communications and power plants begin to be developed and until the rate of economic growth outdistances the rate at which the population is increasing. There is also agreement that if these preconditions are met, the pace of industrialization will quicken, cities will grow and the standard of living will rise. But the question remains: Can a country turn the corner to where development becomes a continuing process, and if so, how?

The analysts have come up with many answers. Some say that only a "big push," involving a massive injection of foreign capital, can lift a country out of stagnation. Others advocate a gradual approach. Assuming some of these answers are right, there is still no guarantee that the developing countries will be able, or willing--for political or other reasons--to accept them. Accelerated development, not evolutionary growth, is the principal target of most of the developing nations. Can they achieve it and do so fast enough to satisfy the rising expectations of their people? Are their governments strong enough to guide development and guide it wisely? Will they succeed or fail? And how will that success or failure affect the U.S.?