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Cartier, Robert

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9. ABSTRACT
Economists were the first of the social scientists to investigate planned economic development, offering ideas on economic growth and building models of development since the first part of the nineteenth century. However, most early economists did not make extensive use of noneconomic factors in their work. As the science of economic development progressed and our knowledge of the nonwestern world increased, it became apparent that sociocultural factors played a greater part in economic development than traditional economic models indicated. To incorporate noneconomic factors into the economists' interpretations of economic development, concepts of sociocultural behavior were adopted from the writings of anthropologists and sociologists. Relatively recently social scientists, other than economists, have also begun to examine planned economic development, using multivariable frameworks and overall perspectives which are cultural in their orientation. When both the early and the more current models of development are reviewed, we see that social groups and cultural values emerge as two of the most significant of noneconomic factors.

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PROGRAM OF DEVELOPMENT STUDIES
121 Sewall Hall
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Noneconomic Factors in the Study of Economic Development

by

Robert Cartier

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The author is a graduate student in Anthropology and Sociology at Rice University. This paper reports research related to AID contract no. AID/csd-3302, on Distribution of Gains, Wealth and Income from Development.

Preface

This discussion paper is the first in a series of three essays which deal with sociocultural factors in economic development. The majority of this work, and almost the entirety of the two sequel works, examine sociocultural factors on the micro level of economic development--specifically focusing on the role of social groups and cultural values in preindustrialized nations. Two major goals are set forth in this study: first, to discern what part social groups and cultural values maintain in theories of development; and, second, to examine the relationships which exist between the macro and the micro levels of economic growth. Designed mainly as an introduction to the study of sociocultural variables in economic development, this discussion paper also functions as a background for the particular theories and concepts dealt with in the two companion discussion papers.

Within the context of the Program of Development Studies' multifaceted approach to income distribution, this discussion paper treats noneconomic factors involved in the development of preindustrialized nations. The study of noneconomic factors, particularly social groups and religious values, has been proposed as a topic for research by von der Mehden in the Program of Development Studies' outline of research. In the existing literature on economic development, only a few works specifically treat noneconomic aspects of development; but these few writings repeatedly state that sociocultural factors, such as cultural values and social bodies, are vastly important in the implementation of developmental projects within peasant communities. At this time, our general knowledge of the sociocultural variables in rural development is slight and systematic studies of these factors are lacking in the scholarly writings on economic development. To contribute towards a better understanding of this subject, this discussion paper reviews the writings on sociocultural factors beginning with the most basic concepts in economic theory and continuing through the latest trends in the recent literature on economic development.

Noneconomic Factors in the Study of Economic Development*

1. The Interrelatedness of Economic and Noneconomic Variables

Economic and noneconomic factors have been brought together in the modern study of economic development through a synthesis of knowledge from the disciplines of economics, anthropology, and other social sciences. Drawn from the field of economics are understandings of the national, or macro level, of economic development. The central concepts used in macro level analysis are the subjects considered significant by economists--entrepreneurship, industrial technology, capital investment, savings, foreign trade, income distribution, agricultural production, etc. These macro level concepts describe the factors and processes in the national economy of a country. However, the local economy in the small communities of underdeveloped countries is a vastly different realm from the macro level economies of nations, and to deal with this micro level of development anthropological understandings of rural societies are employed. The task, however, of conjoining the macro theories from economics with the anthropological knowledge of small communities is a difficult one, due to

*This paper is based on work performed in conjunction with the author's doctoral dissertation.

the contrasts between the two types of development and the differences between the disciplines themselves.[1]

The study of economic development has long been dominated by economists who focus their attention on the processes and problems of economic growth at the national level. Development, for most economists, is measured by a nation's annual rate of growth in gross national product, the degree of advanced technology in major industry, and the amount of per capita income and its distribution. These indices of economic development follow from the fact that economists have traditionally used the already developed nations of Europe, Britain, and North America as their base of reference. According to most economic theories, development can be encouraged by increasing the economic output per head of population through an understanding and manipulation of economic variables. This macroeconomic approach to development is found to be a highly descriptive of the economy in nation-states and heuristic for dealing with many of the problems that arise in economically advanced countries. However, these macroeconomic theories are inadequate for treating the smaller economic systems that are present in little communities.

Economic change, as it occurs in small-scale communities, is not the specialization of the economist with his macroeconomic models, but instead falls into the domain of the social anthropologist, or the

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[1]For a general discussion of the different approaches, major assumptions, and significant works in sociocultural studies of development see Wilbert Moore, "Social Aspects of Economic Development," in Handbook of Modern Sociology, ed. by Robert Faris (Chicago: Rand McNally and Co., 1964), pp. 882-912; and George Dalton, "Introduction," in Economic Development and Social Change: The Modernization of Village Communities, ed. by George Dalton (N.Y.: The National History Press, 1971), pp. 1-37.

sociologist, who studies the structure and process of small social units such as a tribe or a village. To the anthropologist, community development implies homogeneous change in the complete network of cultural elements--economy being one of many. Social structure, religion, world-view, art, and other aspects of culture are seen by the anthropologist to be interconnected in such a way that any significant alteration in one of the cultural elements is usually reflected in changes in the other elements. Interrelationships between the elements of a culture are usually the focus of interest for most anthropologists, and when an anthropologist concerns himself with economic development, he is most often examining the interactions between economic changes and other facets of the cultural system. Anthropologists thus think of economic development as a total evolvement of a whole cultural system by means of gradual readjustments in the cultural network.

When United States' foreign policies of the mid-twentieth century emphasized the desire to modernize backward nations, the experts of economic development began to include concepts from micro level economics into their theories. Once assimilated, the revised theories treated both the macro and the micro levels of development with a combination of economic and noneconomic factors.

From case studies conducted in developing countries, it was learned that economic development does not come about in small communities or on the national level alone, but it occurs on both levels simultaneously. The economy of a village society is interrelated with the greater units of the nation's economy in such a way that the micro and the macro levels are mutually dependent upon one another. Economic development within a village rarely takes place without some adjustments in the regional market places, in the transportation and communication systems in the area, or in the educational programs of the nation. Macroeconomic factors pertaining to national development are, in these ways, linked to the economic changes in peasant communities. This link is pointed out by Dalton (1969) when he asks the question, "...how do small groups--the tribe, the village--become part of a regional or national economy?"[1]

Rapid economic development seldom begins in small communities without some sort of external stimulus. Stimuli for development may come in the form of military invasions, demands from governmental leaders of the nation or region, traders from outside of the community, or from developmental planning experts who enter the community for the specific purpose of initiating economic reform. In the latter case, economic changes are deliberately instituted, and it is the designers and the administrators of the economic program who are faced with the responsibility of joining the village economy with the country's greater economic system. The choice of a particular stimulus for generating economic development is a crucial decision for the experts of a developmental project. Policies for generating new sources of income and higher standards of living in local communities have, in the past, centered around the creation of entrepreneurs, the encouragement of producing an economic surplus, capital accumulation in the form of savings, and village programs such as water systems. The major problem with these stimuli is that, when applied, they tend to be divorced from the cultural context in which they are used.

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[1]George Dalton, "Theoretical Issues in Economic Anthropology," Current Anthropology, X, 1 (Feb., 1969), pp. 63-80.

In choosing stimuli for the initiation of community development, both economic and noneconomic variables should be considered if development is to be successfully fostered. The problem of selecting the proper stimuli to use at different stages of a developmental project is simplified by an inherent relationship between the two types of variables and the dichotomous nature of economic development. Although there are many exceptions, there is a definite tendency for economic factors to be associated with the macro, or nation-state level, of development, whereas noneconomic factors are key variables at the micro level of small-scale societies. With this relationship in mind, it can be said that stimuli of the economic variety (trade controls, income distribution, capital accumulation, etc.) are generally associated with policy decisions concerning the national level of development. In contrast, noneconomic variables, such as social status, religious sanctions, personality traits, and indigenous customs, tend to be the elements associated with the stimuli for development in the little community.

Even though contrasts between the economic and the anthropological approaches to economic change prevented the inclusion of noneconomic factors into theories of economic development until fairly recently, socio-cultural variables were used to a slight extent in the writings of early economists. By briefly summarizing the history of economic development theory, we may see how noneconomic factors came to be incorporated into the economic frameworks of modern developmental models.

The study of economic development previous to the twentieth century

Noneconomic factors are present in varying degrees in the works of a number of economists, anthropologists, and sociologists who wrote during the eighteenth and the nineteenth centuries. Anthropologists and sociologists of this time explained economic development as one facet of the overall evolution of culture from primitive tribes through technological civilizations. According to their theories of cultural evolution, social structure, economic means, religious institutions, and other components of culture evolve together in a series of stages, each of which is more complex than the last. Most of these evolutionary theories emphasized innovations in economy as prime factors that lead to the general development of culture at large. However, economic development, in the contemporary sense, was not the specific concern of these cultural evolutionists; instead, it was studied by economists who analyzed it primarily with economic variables. Since the mid-eighteenth century, economists devoted a large proportion of their labors to the subject of economic development, but only a small fraction of these studies include noneconomic variables and these few works are scattered throughout the mainstream of economic thought.[1]

Commonly referred to as classical analysis, the first body of thought in the history of economic theory deals with the causes of long-term growth in national income and the processes by which this growth occurs. The analytical divisions which classical economists make in the economy of any particular nation are threefold: wages, rent, and profits. Classical economists thought that economic growth could be understood by investigating the interactions of these three aspects of a nation's economy. Most factors

[1]Much of the following discussion of traditional economic theory has been taken from Gerald Meier and Robert Baldwin's Economic Development: Theory, History, and Policy (N.Y.: John Wiley and Sons, Inc., 1957).

employed in the studies of the early classical economists were strictly economic, but in a few of their works there is mention of noneconomic variables such as social groups. The later classical economists, who were elaborating on the ideas put forth by their predecessors, considered noneconomic variables as important factors in analyses of economic growth.

Adam Smith--the commonly recognized founder of classical economics--thought that "nature" was the most desirable and just system for promoting economic development. He held that this "natural" system, if allowed to function according to its own capacities and limitations, would take the form of a perfectly competitive market structure. Some of the factors which Smith treated in his explanation of the competitive market system were division of labor, capital reserves, savings, and the expansion of markets. Smith understood economic development as a cumulative process in which wages and profit were at first high, but as capital stocks increased accumulation slackened and wages declined. Development at this point in the process is retarded. The most prominent noneconomic variable in Smith's writings is population dynamics which is thought of by later economists as being a factor of appreciable influence in the growth of economy.

Basing his theories on the earlier works of Smith, David Ricardo attempted to explain the interrelationships between profit, wages, and rent by means of a model of social interaction. The social groups used in his model are capitalists, laborers, and landlords, and by having a knowledge of their interactions, Ricardo held that economic development could be comprehended in terms of profit, wages, and rent. Profit, wages, and rent are said to act on one another via the interrelations of the three social groups. When the economy achieves its greatest potential of development, a stationary state is attained and rents are high, the wage rate is at a minimum, and the profit rate is near zero. Ricardo argued in his works against certain governmental policies concerning economic control which he felt threatened the Utilitarian philosophy that the greatest good is for the greatest number.

Noneconomic factors exist both within the economic theories of the classical economists as well as within the social philosophies which underlie their theories. The treatment of population dynamics in Smith's writings and the role of social groups in Ricardo's model are two of the earliest usages of noneconomic variables in the study of economic development. These noneconomic variables, however, are not employed as primary elements in the classical models of development, but rather as secondary factors that explain the functioning of wages, rent, and profit. The distinct effect of contemporary social philosophies on the classical economists indicate that noneconomic factors are of central importance in understanding why these economists created the theories that they did.

A theory of economic development that made use of noneconomic variables was offered in the nineteenth century by Karl Marx. Marx was interested in the historical process of socioeconomic change, and his theory generally predicted the inevitable downfall of capitalism and the advent of socialism. His theory of development was materialistic and deterministic, for he thought that the mode of economic production was the decisive factor in the social, political, and spiritual realms of human life. Somewhat in the same fashion as Ricardo, Marx explained the process of economic change with an analysis of social interaction. Distinguished by their means of livelihood, the social groups in Marx's analysis are the capitalists who own the means of production and the laborers who perform the physical work for the capitalists. Underdeveloped nations were briefly dealt with in Marx's theory of economic growth. Marx propounded that capitalism functions to exploit underdeveloped areas by gaining cheap foodstuffs, raw materials, and low cost labor, while it simultaneously opens up new foreign markets for manufactured goods. However, the exploitation of underdeveloped nations by the capitalistic countries was, in Marx's opinion, merely one of the temporary conditions that preceded the revolution of the suppressed laborers. Underdeveloped nations are thus interpreted in Marxian theory as population centers for the working class.

As in the economic theories previously discussed, the Marxian analysis treats noneconomic factors as secondary to the economic ones, and its explanations of economic growth are decidedly materialistic. Social groups were used, as they were in classical economic analyses, as a way of explaining the functioning of the economic factors. Throughout Marx's writings numerous other noneconomic subjects such as religion and family structure were also related to economic variables as secondary elements.

In the nineteenth century, rapid industrialization of the western nations brought about economic situations that prompted economists to revise their earlier ideas regarding economic growth. Large economic centers which arose at this time in history did not display the low subsistence wages as previously predicted. Furthermore, improved technological progress seemed to be certain in the future and rent did not constitute a large share of the national income. Most economists now dropped the idea of subsistence wage theory and departed from the study of long-term economic growth, turning their attentions to the realm of short-duration problems in national economies.

These economists, known as the neoclassical economists, were interested in the interrelationships between various parts of an economy over brief spans of time. Like their predecessors, the neoclassical economists viewed historical development as continual, cumulative, and endless, but they thought that the study of development was futile without first gaining an understanding of the major variables as they interacted over short periods. Standing out as one of the only neoclassical economists to make extensive use of noneconomic variables was Alfred Marshall--perhaps the most prominent economist of the neoclassical group. Marshall recognized the limits of economic analysis with purely economic factors, and he used noneconomic factors in his holistic depiction of economic development. In his writings, he portrays economic development as being analogous to biological evolution and went so far as to declare it to be a form of organic growth.

The neoclassical economists were followed by a later group of scholars who viewed economic development as an inconsistent series of leaps and spurts which occurred whenever innovations were introduced into an economic system by entrepreneurs. This school of thought is referred to as Schumpeterian analysis after its founder, Joseph Schumpeter. Schumpeter touches on a number of noneconomic variables in his theory of economic growth, the most important of which is a social conflict between workers and capitalists that is said to result from the emergence of a rational philosophy within the society. Schumpeter builds his theory around the concepts of entrepreneurs, savings, and credit borrowing--stating that capitalistic economies promote rational thinking societies, which act to bring about the downfall of capitalism. When business becomes so large that the proprietor role disappears and the interests of the manager and the owner are divided, then the incentives for success, which were once present in the role of the proprietor, are destroyed. Another reason that the capitalistic system begins to break down, according to Schumpeter, is that the social groups and political structures, which once protected the capitalists, are influenced by the notions of the new rationalistic philosophy. As the political structure is recreated for purposes other than the protection of the capitalists, the capitalistic economy crumbles from lack of support. This train of thought is clearly Marxian in its foretelling of class rebellion out of alienation, but Schumpeter differs from Marx in his emphasis on the part that intellectuals play in the ousting of the capitalists.

In the 1930s, the study of economic development was directed towards the investigation of short-term economic change by John Keynes. This British economist restricted the dynamic variables of his analytic framework by assuming that the constants in economy were the existing skill and quantity of available labor, the existing quality and quantity of available equipment, the existing technique, the degree of competition, and the tasks and habits of the consumer. These constants limited the applicability of Keynes' theories to short-period fluctuations in economy which were, for the most part, examined with economic variables. Economists who followed Keynes expanded his short-term theories into more comprehensive, long-run explanations of output and employment, while they continued to deal with the original questions that Keynes had put forth. E. Domar and R. Harrod were two of these post-Keynesian economists who extended the ideas of Keynes by combining the understandings of capital stock demand forwarded by Keynes with the capacity factor of capital accumulation previously outlined by the classical economists. Keynesian and post-Keynesian theories did not make notable use of noneconomic variables in their explanations of economic development, but these theories did change the perspective on economic development in a manner that led to the later introduction of noneconomic factors.

No longer were scholars limited to long-run models of socio-economic change, which suffered from their lack of mechanical explanations, or to the short-term theories that failed to reach the more general levels of development over extended periods of time. The scholarly study of economic development was now mature enough to approach the phenomenon of economic growth as it exists from the innovations of a single entrepreneur to the century-long process of a nation's industrialization.

The need for additional noneconomic variables

Although the macroeconomic theories were sufficient for the goals for which they were originally designed, these theories were not adequate for dealing with the problems of community development that arose in the twentieth century. Many of the models used to analyze economic growth were created in England or the European continent for the purpose of understanding the problems and processes involved in the economics of the emerging industrial nations of former times. These models were tailored specifically to these societies and they were highly useful for treating economies with large volumes of foreign trade and heavy industry. Characteristic of the industrialized economies of the West were capitalistic endeavors and entrepreneurial activities. Theories of economic development generated within this cultural milieu reflected these social and economic traits in the variables that they employed. This macroeconomic approach was very appropriate in describing the economic transformations in England and Europe from the sixteenth through the nineteenth centuries; however, the arrival of a new body of literature from sociology and the desire to spur economic development in backward nations, which lacked industrial centers and large foreign trade, gave rise to a new interest in sociocultural factors relevant to peasant societies.

One of the first studies to make extensive use of socioeconomic variables was The Protestant Ethic and the Spirit of Capitalism by Max Weber. In this work, religious values were shown to be significant factors in the economic development of western nations where Protestant religion was practiced. Weber elaborated on this idea by explaining that capitalism arose out of the sentiments found in Calvinism, Anabaptism, and their combinations, which held that a man's economic success was proof that he was favored in the eyes of God. In an attempt to apply this general theory to Oriental civilizations, Weber claimed that capitalism and rationalism in economic production did not emerge in India because of the nature of its religious values. With these studies of economic development, Weber demonstrated that cultural factors could be examined as entities in themselves and integrated on an equal basis with economic variables. Weber's works were, in this way, a hallmark in the investigation of economic development, acting as an impetus for further studies that investigated the sociocultural factors of economic change.

A second reason that noneconomic factors suddenly became popular in developmental studies had to do with the political strategies and foreign policies maintained by western nations during the middle of the twentieth century. These policies advocated large governmental programs aimed at the economic development of underdeveloped countries. Up to this time, economic development had been largely concerned with economic growth in industrial nations which were characterized by capitalistic, industrial economies. This challenge of modernizing nonwestern countries was now accepted by the experts of economic development, who tried to apply their macroeconomic models to the problems of rural nations. The first difficulty encountered by the economic experts, with the exception of agricultural economists, was a lack of analytical tools with which to deal with small social units. Agencies for international development usually approached the problem of economic growth at the national level, using macro concepts from economics. In an attempt to reach peasant villagers with the policies derived out of the macroeconomic models, the designers of developmental projects devised national programs that would benefit the rural populace, and they began to question how small social units such as villages fit into regional or national economies. A need for additional studies of rural development became apparent, and by the 1950s a new trend formed in the literature on economic development, with questions and hypotheses pertaining to non-economic variables in village economy.

Early schemes for combining economic and noneconomic variables

Since the turn of the last century, two types of studies have appeared that join sociocultural variables with economic variables. The earlier of these two types of studies was limited in its scope to case studies of two variables, one economic and one noneconomic. Classic examples of this approach are Weber's theory which has already been discussed, and R. H. Tawney's treatment of religion and capitalism. A second theoretical approach, which is employed in almost all of the developmental models that we are about to review, became prominent in the late 1950s and early 1940s. In this category of studies, economic and noneconomic factors were generalized, and attention was directed to explanations of how various economic variables were interrelated with sociocultural factors. Rather than focusing on the interactions of two specific factors as the earlier studes had done, the generalized approach aimed at finding universal patterns that could be applied to all instances of economic development.

Beginning with the specific type of approach and later shifting to a more generalized model, the writings of Thorstein Veblen exemplify the overall trend in the earlier multivariable models. Veblen's first major work was similar to those of his contemporaries in that it dealt with an economic and a noneconomic variable of a particular society. In the earliest of his popular works,[1] Veblen focused on the patterns of spending associated with the social classes in America, and to describe these patterns of spending he coined the phrase "conspicuous consumption" to denote a behavior that is a combination of both economic activities and social values. Later in his career, Veblen attempted to depict the socioeconomic life of man as it existed previous to the emergence of modern society.[2] This was done in a series of evolutionary stages, each stage being distinguished by certain relationships between economy and other elements of culture. The writings of Veblen served as a definite influence on later social scientists who further examined the interrelated nature of social factors and economy.

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[1] Thorstein Veblen, The Theory of the Leisure Class: An Economic Study of Institutions (N.Y.: New American Library, 1899).

[2] Thorstein Veblen, The Instinct of Workmanship and the State of the Industrial Arts (N.Y.: Macmillan, 1914).

One of these scholars was C. E. Ayres, who wrote on the social aspects of economic change. Ayres criticized the economists of his day for being "obsessed with price theory,"[1] and he encouraged the additional study of economics within the context of society as Veblen had done. Ayres went on to argue that economic activity is only part of human behavior and that economic analysis should examine economic activity in perspective to other cultural behavior. To support this position, Ayres cited the more popular anthropological works of his day, using anthropological theory to show how economy could be viewed as an element of a cultural whole. Ayres was also one of the first economists to become interested in small communities, stating that a better understanding of primitive economic systems would foster a more thorough comprehension of modern economy.

Around the middle of the twentieth century, a relatively large number of publications appeared which attempted to form generalized theories that would join a host of economic and noneconomic variables. One of the most successful works in this group of writings is The Structure of Social Action[2] in which Parsons tries to formulate a means for standardizing units of analysis in social sciences so that the concepts in these fields can be interrelated. To demonstrate the interrelated nature of economics, political science, and sociology, Parsons divides all analytical systems into three categories according to the degree that they abstract their data. In this tripartite division, physical sciences work with concrete, empirical subject

[1] Clarence Ayres, The Theory of Economic Progress (Chapel Hill: The University of North Carolina Press, 1944).

[2] Talcott Parsons, The Structure of Social Action: A Study of Social Theory with Special Reference to a Group of Recent European Writers (Glencoe, Illinois: The Free Press, 1949).

material, and are classified into the group of systems that abstract their data least. Cultural systems, in contrast, deal with data that are non-spatial and atemporal, and these systems are considered by Parsons to be most highly abstracted of all analytical systems. Economics, political science, and sociology fall between the two extremes of abstraction, and by nature of this common trait are lumped together in a category that Parsons calls "organized action systems." On this basis, the three disciplines are held to be connected in a manner that allows their theories to be interrelated.[1]

Another model of development which links social and economic variables is offered by J. Spengler.[2] Spengler lists nineteen "determinants" of economic growth in his work, many of which constitute the social characteristics of a developing society. Of the nineteen "determinants," those which take in social factors include the following:

1. Makeup of the prevailing value system; in particular, the values of the socioeconomic leaders and the values which significantly affect economic creativity and the disposition of man to put forth economically productive effort.

2. Dominant character of the political-economic system: is it free enterprise, mixed, social-democratic, or totalitarian in character?

3. Degree of cooperation and amity obtained between groups and classes composing the population.

4. Degree of specialization and division of labor in effect.

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[1]Further comments on the relationships of economic and noneconomic variables are made by Parsons in his Essays in Sociological Theory Pure and Applied, especially Chapter IX, "The Motivation of Economic Activities"(Glencoe, Ill.: Free Press, 1954).

[2]Joseph Spengler, "Theories of socioeconomic growth," Problems in the Study of Economic Growth (National Bureau of Economic esearch, July,1949).

Value systems and social groups are central concepts which comprise the core of these four social "determinants." Spengler has concentrated on the values that center around socioeconomic leaders and political-economic systems; however, he also maintains that any other values affecting economy should be considered as significant to processes of economic development. His treatment of interest groups is somewhat more nebulous, but social mobility and the division of labor are mentioned as promising areas for socioeconomic study.

Karl Polanyi is certainly the most widely known of the mid-century scholars who investigated the social aspects of economic development. Polanyi compared primitive and archaic economies with modern economic institutions in order to gain a firmer knowledge of market economies.[1] Reciprocity and redistribution were portrayed by Polanyi to be the central economic mechanisms in primitive and archaic societies. Both reciprocity and redistribution were explained to function through social obligations which are absent in the social institutions of industrialized nations. These were some of the first economic concepts to elaborate on the non-economic factors so highly important to preindustrialized societies. Despite the breakthrough that Polanyi made in the subject of noneconomic variables, his study contains several drawbacks that have been extensively criticized. The most outstanding shortcoming in his analyses is the lack of attention given to peasant communities where the distribution of goods in markets is vital to the economy. Without a knowledge of peasant market systems, the essential transitional stage between primitive and modern

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[1]Karl Polanyi, <u>The Great Transformation</u> (N.Y.: Rinehart, 1955); Polanyi, <u>Trade and Market in the Early Empires</u> (Glencoe: The Free Press, 1957).

economies is missing, and it is this peasant stage of development that applies to the overwhelming majority of the population in underdeveloped nations. Other criticisms of Polanyi's works include the fact that most of his ideas were supported with data from European historical accounts, and that his writings are principally concerned with the synchronic nature of primitive economies--hence lacking a dynamic perspective of economic change over time.

Also focusing his attention on the problems of socioeconomic growth is the well-known economist Gunnar Myrdal. Within his writings, Myrdal argues against the separation of economic and noneconomic factors, stating that both should be recognized and incorporated in developmental studies.[1] Economic change is treated by Myrdal with a concept that he refers to as cumulative causation. The notion of cumulative causation holds that socioeconomic changes foster secondary changes of a similar nature; these secondary changes tend to support the initial changes and also to promote tertiary changes that perpetuate this process indefinitely. This concept was used to refute the earlier economic theories of equilibrium and circular causation. Myrdal thought that his theory of cumulative causation could help to bring about economic development if it were applied and progressive innovations were made. Cumulative causation and other concepts were related to the development of industrial and preindustrial countries in Myrdal's other writings where he made notable use of noneconomic variables.

Values held by the members of underdeveloped nations are reported by some authors to have direct bearing on a nation's potential for economic growth. This notion is treated in an article by James Duesenberry, which

[1]Gunnar Myrdal, Economic Theory and Underdeveloped Regions (London: Gerald Duckworth and Co., Ltd., 1957).

focuses on the social and psychological foundations of economic development.[1] Assuming that innovation is a central factor in development, Duesenberry discusses the social values and institutions that precipitate innovative activities. Societal values such as national attitudes regarding experimentation and traditionalism are explained as being powerful forces that may promote or discourage innovation. If societal values and institutions discourage entrepreneurial activities and innovations, then the growth of the economic system may be retarded.

Of all the early attempts to combine social factors with economic variables, one of the most influential has been made by Rostow.[2] The basic framework used in Rostow's book is a list of six noneconomic propensities for economic growth that are explained as interacting with economic variables. These noneconomic propensities are: the propensity to develop fundamental science, to apply science to economic ends, to accept innovations, to seek material advance, to consume, and the propensity to have children. Rostow has designed his propensities "to provide a link between the domain of the conventional economist on the one hand, and the sociologist, anthropologist, psychologist, and historian on the other."[3] This "link" is established by Rostow in an extensive discussion of some of the complexities present in the interplay between the six propensities and several economic variables. Rostow's goal in associating noneconomic and economic variables is to allow social, cultural, and psychological factors to be absorbed into the analytical models of the economist.

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[1] James Duesenberry, "Some Aspects of the Theory of Economic Development," Explorations in Entrepreneurial History, III, 2 (Dec., 1950), 68-74.

[2] Walt Rostow, The Process of Economic Growth (London: Oxford University Press, 1953).

[3] Ibid., 11.

In Rostow's treatment of the propensities and economic factors, he avoids taking a one-sided position on the subject of causation between the variables. He points out that those scholars who previously treated the topic of economic growth claimed that social phenomena gave rise to economic conditions, or that economic life partially determined the greater portion of society. Rostow himself thinks that both arguments are valid in different instances or aspects of economic development. To demonstrate the utility of both approaches, he first examines the way in which social life determines the levels of output and the rate of growth in an economy, and then he looks at the manner in which the structure and function of an economy can be seen to create or change social elements. He further states that no single variable or group of variables has priority on causation, and that development is an open system of more complex interactions than any one-way process. The six propensities in Rostow's model are meant to serve as a common ground for studying the interactions of economic and noneconomic variables without assumptions of causation.

When Rostow examines the relationships between the noneconomic propensities and economic factors, he does so with the intention of keeping the cultural process intact and not dichotomizing it into social versus economic aspects. To do this, he portrays the two categories of variables as coexisting in social values, institutions, and interest groups. Within this general paradigm, the values of a society are said to be imbued in the societal institutions; these institutions, in turn, affect the working force through political groups, social classes, and other social groups.

Contemporary models of economic development

Almost all of the works concerned with economic development which have appeared since the mid-1950s adopt the view of multiple causation and make some mention of noneconomic variables. These recent studies of economic development bring together economic and noneconomic factors in a number of ways which may be presented as four bodies of theory. The distinctions drawn between these four types of works are derived from the different ways that they combine economic and sociocultural variables. These distinctions also reflect the overall traits of the developmental models and the ability of the models to analyze processes of economic growth. In the following review of works representing the four groups of studies, one may notice a contrast between specific and generalized models. The highly specific models restrict the factors that they treat, whereas the generalized models abstract the phenomena of development, avoiding reference to particular variables or rigidly structured schemes of economic growth. This contrast will be discussed in more detail in our conclusion.

Our first group of studies is characterized by theoretical frameworks that separate social and economic factors, while also explaining that both types of factors are equally important to economic development. The descriptions of the sociocultural factors in these studies are usually accompanied by a few brief illustrations of how interaction between the two types of factors may occur. In keeping with the dichotomous nature of these works, I refer to this group as the separate but equal studies. The separate but equal approach is used in the writing by Pepelasis, Mears, and Adelman[1] which

[1] Adamanitios Pepelasis, Leon Mears, and Irma Adelman, Economic Development: Analysis and Case Studies (N.Y.: Harper & Bros., 1961).

begins with five chapters that introduce the "determinants" of economic development. In the first four of these five chapters, the authors devote their attention to the ways in which economic factors operate in a developmental situation. Following the discussion of the economic factors, the sociocultural variables are grouped together in a concluding chapter under the subjects of values and institutions, educational systems, family ties, and nationalism. Dealt with at this point in their work are the relationships between the noneconomic and economic variables. These relationships are treated in a similar fashion as Rostow handled them in his work: causation, according to Pepelasis _et al_, is a thorny issue that cannot be answered with arguments of economic determinism or cultural determinism. The shortcomings of both of these positions are put forth and a theory of interaction is adopted which views economic variables as the principal elements in the developmental process, and sociocultural factors as variables that "tend to persist and contribute to the perpetuation of economic backwardness."[1] When used in this sense, sociocultural factors connote indigenous cultural elements of a traditional style of life, and the concept lacks the dichronic features of culture such as innovation, diffusion, and other avenues of change. Within a few years of the publication of this study, one of the coauthors produced a work that made a more positive use of noneconomic factors. This later writing is extensively reviewed in the third of our four categories of works.

Meier and Baldwin also analyze the subject of development from the separate but equal perspective, concentrating on economic factors and

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[1] _Ibid._, 164.

describing sociocultural elements as a backdrop or as obstacles to development.[1] The greatest portion of Meier and Baldwin's book concerns the economic variables of trade, industrial output, population, resource development, capital reserves, and amounts of imports; but near the end of their study, noneconomic factors are discussed as they pertain to economic growth in underdeveloped countries. Social structure and values are the primary sociocultural elements treated; however, total cultural networks are also mentioned as important in regards to any economic changes that may be implemented in a society. Meier and Baldwin further state that, "Every specific principle of economic change should be considered alongside a specific principle of culture change.[2] Exemplifying this idea are illustrations taken from village communities where sociocultural factors override the a priori notions that most developmental experts have about the forces that govern economic growth. In one of these illustrations, associations through kinship are shown to provide mutual aid, reciprocities, and the general unit of economic productivity within a village. When confronted with such traditional village institutions, the models of macroeconomics fall short of the accurate descriptive abilities that they maintain when applied to industrial nations. These traditional forms of behavior found in the little communities of underdeveloped areas have been labeled as "irrational" by many experts of development, for they are inconsistent with what most westerners would consider to be a rational approach to economic matters. Meier and Baldwin, however, explain this "irrational"

[1]Gerald Meier and Robert Baldwin, Economic Development: Theory History, and Policy (N.Y.: John Wiley and Sons, Inc., 1957).

[2]Ibid., 357.

behavior as stemming from the indigenous value systems, the familial orientation of peasant economies, and the propensity toward beliefs in supernatural forces--all of which are common elements in preindustrialized societies. As a means of resolving the conflicts between the "rational" economic theories and the "irrational" behavior in village communities, Meier and Baldwin suggest the further study of noneconomic factors.

A second body of writings which deal with noneconomic factors in economic development consists of behavioralistic and psychodynamic theories. These theories make use of Freudian postulates of subconscious mechanisms to investigate how personality traits serve to promote or thwart economic growth. In the works of McClelland[1] and McClelland and Winter,[2] a theory of development is built around the subconscious need for achievement that is said to exist, to some degree, in every person. A high degree of this need for achievement, or n-Achievement, in the members of a society is supposed to produce more successful entrepreneurs who function to create more rapid economic development. The specific amount of n-Achievement present in any person or society depends on the methods of child rearing used in families. Different techniques of child rearing and different cultural values in the family setting give rise to different degrees of n-Achievement in particular societies; and following McClelland's argument, this promotes various rates of economic growth. McClelland's theory of n-Achievement is applied to the problems of underdeveloped countries by McClelland and Winter through a scheme that employs training programs directed at the creation of

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[1] David McClelland, The Achieving Society (Princeton: D. Van Nostrand, 1961).

[2] David McClelland and David Winter, Motivating Economic Achievement (N.Y.: The Free Press, 1969).

achievement-oriented behavior.[1] The remotivation of potential entrepreneurs would, according to the n-Achievement theory, bring about the subconscious changes necessary before the people of a backward nation will undertake the tasks involved in economic growth.

Another psychodynamic model of economic development is the heavily criticized theory of personality change by Hagen.[2] This theory centers on innovators who are depicted as the primary factor for the economic growth of developing nations. Innovators, however, are uncommon in backward regions of the world due to the fact that the modal personality of peasant peoples is authoritarian and non-innovative. Conversion of non-innovative personalities to innovative ones occurs, according to Hagen, by a series of psychological transitions over generations. The sequence of these transitions is first retreatism, then creative imagination, and finally tendencies toward innovation. The criticisms of this theory, as well as all of the psychodynamic and behavioralistic models in general, strongly indicate that the theory makes questionable inferences without sufficient data for support and that it relies too heavily on psychoanalytic assumptions which are ethnocentric in their interpretations.

For implementing economic development, the most pragmatic of the behavioralistic writings seem to be those which look at the positive rewards for development-oriented behavior. By stimulating villagers with successful examples of new methods in agriculture, diet, health, and other economic techniques, economic development projects have found that

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[1] Ibid.

[2] Everett Hagen, On the Theory of Social Change: How Economic Growth Begins (Homewood: The Dorsey Press, Inc., 1962).

significant economic innovations can be brought about. The anthropologist Erasmus has referred to such changes in the views of a villager as alterations in the "frequency prediction."[1] By "frequency prediction," Erasmus means a person's prediction of the future based on his observations and experiences of the past. When "frequency predictions" are changed by successful examples of innovative economic projects, a villager tends to reevaluate the possibilities open to him in the future and can be expected to experiment with the innovative economic methods. To provide successful examples for the villager, prototypic models must display minimal risks and significant rewards in order to induce the alteration of the "frequency prediction." Once this kind of change is accomplished in the mind of the villager, then additional reinforcement, correction, and revision can be used to solidify the new patterns of expectation.

Psychodynamic and behavioralistic theories which bear on economic development are reviewed by Kunkel, who summarizes this facet of development into a guideline for planning economic development programs.[2] Kunkel's guideline starts out with an evaluation of the proposed developmental project and the specification of the behavioral patterns associated with the project. Next, all of the new behavior demanded by the project is compared with the autochthonous patterns of behavior in the society. Compatible behavior is further encouraged, whereas that which is incompatible is modified or "extinguished." Patterns of behavior which are not present but demanded in the future project are promoted and maintained by reward and

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[1] Charles Erasmus, Man Takes Control of Himself (Minneapolis: University of Minnesota Press, 1961).

[2] John Kunkel, Society and Economic Growth: A Behavioral Perspective of Social Change (N.Y.: Oxford University Press, 1970).

reinforcement. A final step in the planning of developmental projects is the integration of the economic and the noneconomic factors on both the national and the community levels. This guide for implementing development makes extensive use of behavioral conditioning techniques such as stimulus-response models and some of the psychodynamic theories described above.

Made-up of only a few studies, a third group of recent works on economic development is distinguished by its quantitative expression of noneconomic variables. The most prominent works in this category have resulted from the combined efforts of Adelman and Morris. These scholars have designed a model to determine what factors are important to an understanding of development and how these factors are interrelated. Their model is built upon data which represent the economic and sociocultural characteristics of numerous underdeveloped nations as they existed in the years 1957 through 1962. A background on the data sample and the general methodology employed is described in Society, Politics, and Economic Development,[1] and the key factors used in their model are brought out in a later article.[2] In yet a third work, Adelman and Morris concentrate on the functional interrelationships of the factors, expressing these relationships with mathematical formulae and a lattice model.[3]

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[1]Irma Adelman and Cynthia Morris, Society, Politics, and Economic Development: A Quantitative Approach (Baltimore: Johns Hopkins Press, 1967).

[2]Irma Adelman and Cynthia Morris, "Performance Criteria for Evaluating Economic Development Potential--an Operational Approach," Quarterly Journal of Economics, LXXXII (May, 1968).

[3]Irma Adelman and Cynthia Morris, "An Econometric Model of Socio-economic and Political Change in Underdeveloped Countries," The American Economic Review (December, 1968), 1184-1218.

The general structure of the Adelman and Morris model is constructed upon eighteen individual variables that have been obtained by a relatively rigorous statistical methodology. Instead of using the traditional variable of gross national product as the base indicator of development as most macroeconomic studies do, Adelman and Morris derive their indicators of economic growth by a discriminate analysis of twenty-nine factors that represent sociocultural and economic characteristics of underdeveloped nations. Their discriminant analysis indicates that two economic and two noneconomic factors are statistically significant in the process of economic growth. These factors are: 1) the degree of improvement in financial institutions, 2) the degree of modernization of outlook, 3) the extent of leadership commitment to economic development, and 4) the degree of improvement in agricultural productivity. Fourteen other factors are drawn into the model by a stepwise regression computation using the original four indicators of development. The fourteen variables arrived at by this second procedure are determined to be significant in explaining the four original indicators selected through the discriminant analysis. An important feature of the eighteen factors in the model is that the majority of them are sociocultural. Furthermore, the sociocultural factors are statistically determined to be more significant than the economic factors in fostering a nation's development. Most of the noneconomic factors are concerned with different types of social groups within a developing nation or with the relationships among these groups.

Functional interrelationships between the eighteen elements in the Adelman and Morris model are expressed by means of fourteen mathematical equations and a lattice diagram. The equations make use of regression coefficients to indicate the relative importance of each of the variables and to describe the probable interactions between the variables. These interactions are presented in a lattice diagram that represents the force of one factor upon another with a single-headed arrow, and mutually reinforcing feedback relationships with two-headed arrows. Adelman and Morris evaluate the lattice diagram by stating that it "...illustrates graphically that the social and socioeconomic influences play a significant role in the process of economic development."[1]

Our fourth group of current, multivariable studies consists of works that coalesce economic and noneconomic variables in models that lack any major use of psychodynamic concepts or quantitative analyses. Such a work is the short, but succinct, book by Whyte and Williams.[2] The goal of Whyte and Williams' study is to demonstrate that economic and noneconomic variables can be successfully combined in a feasible and pragmatic theory of socioeconomic development. Their study sets out by distinguishing the different problems and needs of community development in contrast to national development. Connections between these two levels of economic development are discussed using examples from case studies in which national and community development projects merged around transportation systems and institutions of trading.

To conjoin economic and noneconomic variables, Whyte and Williams employ motivational theory, social rewards, and exchange theory--each of which has been dealt with in the foregoing pages. Motivational theory is

[1] Ibid., 1203.

[2] William Whyte and Lawrence Williams, Toward an Integrated Theory of Development: Economic and Noneconomic Variables in Rural Development (Ithaca, N.Y.: New York State School of Industrial and Labor Relations, Cornell University, 1968).

concerned with the analysis, change, extinction, and creation of behavior involved in economic projects. Social rewards for village development frequently take the form of social status associated with positions of leadership in decision-making bodies. In theories of exchange, the social practices of reciprocity and redistribution are viewed as the main functions of village economy.

Whyte and Williams conclude their book by strongly suggesting that both analytical and concrete connections be made between the levels of economic development. They recommend that future studies of development should connect macro and micro levels of economy, compare backward communities with societies that are well along in their development, and investigate chief factors of rural development--entrepreneurs, social incentives, trading activities, etc. The abstract, analytical theories must, according to Whyte and Williams, be used in conjunction with real instances of development if the study of economic development is ever to yield heuristic models that will better describe the economic changes that are occurring in pre-industrialized countries.

Somewhat in keeping with the notions of Whyte and Williams is the multivariable model of development devised by a group of political scientists and economists at the Program of Development Studies at Rice University. This model has been constructed to deal specifically with income distribution in the economy of underdeveloped nations; however, the model has come to include noneconomic factors through the elaboration by other scholars in the Program who have inserted sociocultural elements into the overall theory.[1]

[1]The Program of Development Studies' outline of research interests is contained in James Land, "Distribution of Gains, Wealth and Income from Economic and Political Development," Program of Development Studies Discussion Paper number 24, Rice University, Houston (Summer, 1972).

Various types of social groups are seen to interact with economic variables in the model, together producing an influence on the distribution and changes in the income of the different social classes in developing countries. The social groups include large social bodies as are found at the national level of development and small groups as exist in peasant societies. Even though this model of development is intended to take in only a certain portion of the developmental process, it is commendable for its ability to join the abstract and concrete facets of development on the macro and micro levels of development.

2. Conclusion

Throughout the writings which deal with noneconomic aspects of economic development, we have seen that social groups and cultural values are two of the more widely used of all sociocultural variables. Both in the early theories of economic development and in the more recent works on this subject, social groups are interpreted as being the most significant of any noneconomic factors. Social groups, in the form of social classes, were employed mainly as secondary factors in early economic studies to explain the interaction of economic variables such as wages or rent; but contemporary studies of economic growth accord social groups an equal, if not superior, role with economic factors. In comparison to social groups, cultural values did not receive a great deal of attention by early economists who wrote on economic growth. Within the last two decades, however, cross-cultural studies of development have indicated that cultural values in small villages are frequent sources of deeply intrenched beliefs about the way in which a livelihood should be acquired, and what may or may not be done in regard to economic innovation.

Also evident in our overview of developmental theories is a recurrent problem in methodology. The writings of Whyte and Williams, Kunkel, and others have touched upon a dilemma that many models of development confront whenever they choose between specific and abstract methods of analysis. The majority of the works on economic development are abstract, or generalized, in their method of approach. These abstract models most often combine a large number of broad socioeconomic variables within a loose structure in an attempt to create universal explanations of development. The drawback to these models is that they tend to be vague and difficult to apply to particular cases of socioeconomic growth. When these generalized models deal with the interrelationships between the many factors that they offer, they do so with illustrative examples which only tell the reader how the variables might interact. Highly specific models of development, on the other hand, are attractive for the ease with which they may be incorporated into developmental plans and projects. The small number of variables and well defined set of relationships that characterize the specific type of model lend themselves to pragmatic applications. However, the negative feature of the specific models is that they are limited to certain kinds of societies and situations by their narrowly defined factors and interactions, thus making them poorly suited for comprehensive application. The needs, capacities, assets, and general cultural setting of a particular society are largely ignored in the more specific models, and this detracts from the purpose for which multivariable models were originally designed. This problem of overly specifying the models or excessively generalizing them is faced by almost all of the scholars who have attempted to establish multivariable theories for describing socioeconomic development.

PROGRAM OF DEVELOPMENT STUDIES
Discussion Papers

44. "Factor Intensity of Consumption Patterns, Income Distribution and Employment Growth in Pakistan" (1973), 34 pp., Ronald Soligo.

45. "Industrialization in Malaysia: A Penang Micro-Study" (1973), 42 pp., Fred R. von der Mehden.

46. "Short-run Effects of Income Distribution on Some Macroeconomic Variables: The Case of Turkey" (1973), 33 pp., Tuncay M. Sunman.

47. "The Inequity of Taxing Iniquity: A Plea for Reduced Sumptuary Taxes in Developing Countries" (1973), 51 pp., C. E. McLure, Jr. & W. R. Thirsk.

48. "A Numerical Exposition of the Harberger Model of Tax and Expenditure Incidence" (1973), 51 pp., C. E. McLure, Jr. and W. R. Thirsk.

49. "Public Goods and Income Distribution: An Explanatory Comment" (1974), 17 pp., C.E. McLure, Jr.

50. "Education and Modernization in Zaire: A Case Study" (1974), 29 pp., Gaston V. Rimlinger.

51. "Rural Credit and Income Distribution in Colombia" (1974), 26 pp., Wayne R. Thirsk.

52. "The Short-run Burden of Taxes on the Turkish Agriculture in the Sixties" (1974), 41 pp., Marian Krzyzaniak and Süleyman Ozmucur.

53. "Some Aspects of Efficiency and Income Distribution in Colombian Land Reform" (1974), 25 pp., Wayne R. Thirsk.

54. "Income Distribution and Colombian Rural Education" (1974), 22 pp., Wayne R. Thirsk.

55. "The Within-Nation Distribution of Public Expenditures and Services: A Two-Nation Analysis" (1974), 19 pp., Kim Q. Hill.

56. "Managerial Discretion and the Choice of Technology by Multinational Firms in Brazil" (1974), 37 pp., Samuel A. Morley & Gordon W. Smith.

57. "Inflation and the Share of Government Tax Revenue in National Income: An Empirical Test" (1974), 30 pp., Yhi-Min Ho.

58. "The Choice of Technology: Multinational Firms in Brazil" (1974), 42 pp., Samuel A. Morley and Gordon W. Smith.

59. "The Developmental Significance of the Rise of Populism in Colombia" (1975), 21 pp., Robert H. Dix.

60. "Inflationary Financing, Industrial Expansion and the Gains from Development in Brazil" (1975), 43 pp., Donald L. Huddle.

61. "Noneconomic Factors in the Study of Economic Development" (1975), 33 pp , Robert Cartier.

NOTE: Discussion Papers are available upon request to individual scholars and researchers and libraries of educational institutions.