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CAPITAL RATIONING AND ALLOCATIVE EFFICIENCY

by

ELSAYED GABALLAH, PH.D. (*)

The Problem :

At the most general level the problem investigated is the possibility of formulating the framework of principles derivable from the interrelationships among credit allocation and the allocative effectiveness of resources and incomes under conditions of single-valued and multiple price expectations. More specifically, the analysis is concerned with the farm credit implications on production and the income obtaining thereof, as such credit is conditioned in terms of availability and use in production by the expectational character of agricultural prices.

Underlying the investigation are the justifying assumptions concerning the theoretic significance of the problem which has been treated in the contemporary literature in the capital rationing formulation, and its policy implications in terms of maximizing farmers' incomes and consumers' satisfaction. As an economic concept characterizing the credit market behavior, capital rationing has been elaborately treated by Professor Schultz(1) and his followers,(2) (3) fitted with other concepts into an intricate system of economic thought that has been aptly termed "The New Agricultural Economics", (4) and used to justify public action on behalf of the consuming society and the farmer as income earner.

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(1) SCHULTZ, T.W., "Production and Welfare of Agriculture", The Macmillan Co. NewYork, 1950. Ch. 1, 4, 12, 14.

(2) JOHNSON, G.D., "Forward Prices For Agriculture", The University of Chicago Press, 1947, Ch. 2,3,5,6,7,14.

(3) HEADY, E.O., "Economics of Agricultural Production and Resource Use", Prentice Hall, New York, 1952, Ch. 15, 16,17,18,24.

(4) JONES, W.O., "The New Agricultural Economics", Journal of Farm Economics, Nov. 1952, Vol. XXXIV, No. 4. Commenting on the Schultzian system Professor Jones stated, "This elaborate and growing structure is built of abstraction and theory, in approximately equal parts. Each junction of the girders of theory is bound firmly by an empirical investigation, each empirical finding is firmly tied to the rest of the structure by one or more theoretical girders. This is surely the way to build scientific knowledge p. 446.

Methodologically, the investigation will be carried out in terms of isolating the components of the price expectations - credit allocation - production - income framework, and institutionally identifying them to test the thesretic and practical relevance of that framework as it has been developed in the literature; and to set out, as the analysis permits, certain basic principles concerning the interrelationships among those components with the objective that such principles can serve as proper guides to public credit policy. The institutional analytical approach is suggested by the fact that capital rationing in its problem conception signifies the discrepancy between some existing allocative behavior and an ideal solution particularized by the conditions of some insidiously deterministic model of equilibrium theory. But since that equilibrium model solution implies behavioristic uniqueness that can only render its determinism possible, it becomes imperative to institutionally test its relevance for an acquisitive system that necessarily implies pluralistic behavior.

The problem under investigation is neither concerned with the total volume of credit, nor with interest rate level questions. It is rather limited to questions of credit market allocation of capital funds among borrowing farm firms as such allocation is conditioned by the expectational character of farm prices, and as it bears on the firm's income and the effectiveness of its resource-use.

In part, the investigation is a partial answer to the call of those who seriously tried to critically appraise "The New Agricultural Economics", but on account of its extreme complexity left it for future investigation (1); in another, it is an addition to previous work undertaken by the writer to analyze certain categories of the Schultzian system (2). It is only when the other parts of that system have been analyzed and integrated with previous appraisals that a deeper insight could be gained regarding the system that has forcefully dominated agricultural economics over the last decade and half.

PRICE EXPECTATIONS AND CREDIT ALLOCATION

1. — *The Capital Rationing Problem:*

As it has been developed by Professor Schultz and elaborately treated by Professors Heady and Gale D. Johnson, capital rationing signifies the discrepancy between the behavior of the existing credit market in allocating capital funds

(1) Skeptically, Professor Jones commented, "But can we really trust this impressive creation ? Just how firm are the joints, how strong are the girders ? There is only one way to find out, and this is to test it every step of the way, empirical finding by empirical finding, and theoretical inference by theoretical inference... This is a big job. It will require time and talent." p. 446, "What is lacking. now is more workers to test the facts and examine the interpretation of these facts" p. 450.

(2) GABALLAH, E., "The Forward Price Approach to Agricultural Stabilization", Unpublished Ph. D. Thesis, The University of Wisconsin, Madison, Wis, U.S.A. 1954.

———— "Problem Solution Conception of Agricultural Price Control', Review of Economics Politics and Business, Faculty of Commerce, Cairo University, October 1956.

among borrowing farm firms under conditions of farm price uncertainty and an ideal credit allocation solution adopted from a fundamental assumption of economic theory. Such discrepancy is considered to constitute a serious economic problem that bears on the income of the farm firm and the satisfaction of the consuming society. The reduction of that problem has been the objective of the Schultzian school; and as Professor Heady emphasized, should also be the objective of the production economists (1).

In as much as a problem can only be clearly defined in terms of a given solution, it is necessary to clarify the ideal credit allocation solution recommended particularly in terms of its implications on the income of the farm firm and the effectiveness with which it uses its resources, since the income and resource-use thereby obtaining also constitute the solutions in terms of which the firm's income and resource - use problems under existing credit allocation are defined. Stated differently, to understand the raison d'être of the ideal credit allocation solution recommended, it must be analyzed in terms of its maximizational justification, namely; the firm's income and resource-use goals that it would presumably effect. But since such goals are not realizable under existing credit allocation, they also stand as the solutions in terms of which the firm's income and resource-use problems as they arise from existing credit allocation are also defined.

In terms of systems based on problem-solving, there clearly stands two independent systems or frameworks, namely, an existing system of credit allocation with the firm's income and resource-use that such credit allocation gives rise to, and a projected ideal credit allocation system with the firm's income and resource-use goals that such ideal credit allocation presumably makes possible. The two credit allocation – income – resource – use systems stand independently; and solving the firm's income and resource-use problems under the existing system starts with the behavior of the credit market in allocating capital funds among borrowing farm firms with the objective of reorganizing it in terms of the ideal credit allocation solution.

2. — *Price Certainty and Credit Accessibility:*

Most simply stated the credit solution under consideration specifies that the firm should have accessibility to all the credit funds it desires at the going rates of interest as such funds can be put into profitable productive use. It is here assumed as professor Johnson states, that "the borrower is acting in good faith and expects the investment for which the funds would be utilized to be sufficiently profitable to meet the interest and principal payments". (2)

(1) Heady, E.O., Ibid, p. 557.

(2) Ibid. p. 61.

The limit of maximum profitability which would presumably put a limit to the firm's borrowing needs is specified in terms of a particular production organization, namely; the marginally adjusted production organization that the perfect competitive model signifies(1) (2). Consequently, the firm, in terms of that ideal credit allocation solution, would have accessibility to all the capital funds it needs with the objective of organizing production in terms of marginalism. As most clearly stated by Professor Schultz:

"The conventional supposition is that there is available to the firm an unlimited supply of capital resources at going prices and that the entrepreneur therefore adds additional resources until the purchase price of the marginal input equals the sales price of the marginal output".

This same equilibrium model of conventional theory which the Schultzian school recommends both as the solution to the resource-use problem and the objective of an ideal credit allocation solution is of central significance not particularly because of the fact that it requires, and solely so, this type of credit allocation, but rather because it synchoronizes two maximizational goals, namely; maximum income and profit to the farm firm, and maximum output to the consuming society. And if it is on account of the private and social maximizational attributes of that ideal production organization that the Schultzian school strongly recommended its adoption, sight should not be lost of the fact that it stands as an end to which the ideal credit allocation solution stands as a means. In terms of policy farm credit allocation must therefore be geared to agricultural production optimality that best serves both private and public interests; and if it is such oriented the conventional presumption of unlimited credit accessability must become operative.

If for no other reason than guiding the use of farm resources along the recommended marginal lines, there must prevail farm price certainty that extends from the time of planning production to the sale of the output. The Schultzian school recommends the introduction of such certainty in the agricultural economy by the adoption of a system of agricultural forward pricing. While this pricing system provides price guides to production, it is also considered instrumental in enabling the farmer to have accessibility to all the credit funds that he can put into profitable productive use. Such instrumentality which brings credit allocation closer to the ideal credit allocation solution recommended obtains as a result of the reduction of price uncertainty which, as will be soon discussed, conditions existing credit allocation as to completely deviate from the recommended ideal.

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(1) Ibid. pp. 23-25.

(2) Schultz. Ibid. 20-29.

Although the Schultzian school has defined in unmistakable mathematical terms its recommended production organization(1), it remarkably limited its policies for its achievement to forward pricing. Even with the latter's resource-use guidance and presumed credit allocation implications, the achievement of the production organization under consideration requires further measures that have yet to be identified. But while waiting the development of economics to suggest the rest of the necessary measures, the Schultzian school continued its challenge, namely; that it is only through that production organization that an economy can achieve maximum production efficiency (2)

3. — *Uncertainty and Capital rationing:*

Now that the nature of the relationship between price certainty and unlimited credit accessibility at the going rates of interest has been clarified in terms of the perfect competitive model production organization, the analysis proceeds to investigate the Schultzian problem characterization of the existing system of credit allocation in terms of both causation and allocative implications to the farm firm. If the credit market does not allocate credit funds among farm firms according to the recommended credit ideal, how does it allocate them ? What forces condition the existing system of credit allocation ? What income and resource-use problems does it involve ?

In terms of credit market behavior, the Schultzian school emphasized the limitational attitude of the lending agencies in allocating capital funds among borrowing firms. Such attitude as it generally revolves around "1) limitations of the total amount of capital funds made available, and 2) limitations on the utilization of the funds made available," (3) signifies both the deviation from the unlimited credit accessibility principle and the implication on the firm's income and resource-use from its inability to obtain all the credit funds that could be put into profitable productive use. According to the Schultzian problem characterization of existing credit allocation, capital rationing signifies the departure of the farm firm from the firm presumed in conventional theory to have accessibility to all the capital resources it needs, at the going prices to marginally adjust its production (4). This obtains as a result of the above limitational attitude with which lending agencies do not extend "loan funds in amounts which would equalize the rate of return and the interest rates when applied to the operations of a particular firm." (5)

(1) Heady pp. 98-101.

(2) Typical of the Schultzian school is the challenging question that Professor Gale D. Johnson raises "If there is a given supply of reservices, what conditions must be satisfied before the largest possible national product can be achieved ?" Ibid p. 23. Also typical is its challenging answer, namely; that production should be organized according to its recommended ideal solution.

(3) JOHNSON, GALE, D. Ibid. p. 42

(4) SCHULTZ, T.W., Ibid p. 129.

(5) JOHNSON, GALE, D. Ibid. p. 63.

In more relaxed and general terms capital rationing, as Professor Gale D. Johnson characterizes, "is represented by the inability of the borrower to obtain all the capital funds desired at the going rates of interest. The assumption is made that the borrower is acting in good faith and expects the investments for which the funds would be utilized to be sufficiently profitable to meet interest and principal payments" (1)

In their practices of credit allocation, lending agencies, according to the Schultzian formulation, have established certain "rules of thumb" that guide their decisions as to the volume of the credit allowances and the conditions of payment. In as much as such rules aim to safeguard the interests of the lending agencies, they revolve around limiting loans as not to exceed a fixed ratio of credit to property values. (2) This particular basis of credit allocation, namely; relating loans to the value of security owned, is what characterizes existing credit allocation; and, in terms of the Schultzian problem characterization, its departure from the production optimality credit allocation basis is what constitutes the present credit allocation problem as it finds expression in capital rationing.(3)

The search of the lending agencies to safeguard their loans obtains as a necessary result of the existence of price uncertainty which, in agriculture, is particularly accentuated by technological uncertainty. The conditioning effect of price uncertainty on the limitational attitude of the lending agencies is such that if price uncertainty were removed the basis of credit allocation would be changed as to practically eliminate capital rationing. The measure of the effect of uncertainty on credit allocation and capital rationing differs somewhat among members of the Schultzian school. While Professors Gale O. Johnson (4) and Heady (5) consider capital rationing to be "largely" a response to uncertainty with the consequence that its elimination would "largely" eliminate capital rationing; Professor Schultz considers that with the elimination of uncertainty there will be no reason whatsoever why unlimited credit accessibility would not obtain. Most vividly he states his position on the credit allocation implications of uncertainty and certainty in what follows:

"It is necessary to go a step further and examine why the practice of capital rationing has become established. Leaving aside such features as legal requirements and customary interest rates, which are probably not economic in their origin, it would seem that the tap root of this practice is grounded chiefly in economic uncertainty. This becomes more apparent if we abstract from uncertainty, for then expectations would be always realized, and, if this were so, there would be no economic reason whatsoever for not extending to farmers (and other entre-

(1) Ibid. p. 62.
(2) Ibid p. 63-64
(3) Ibid 61-65.
(4) Ibid p. 63.
(5) Ibid p. 550.

preneurs) all the resources they found it profitable to employ. Or, if it were only risk that was at stake in the gap which separates expectations and realizations, we might presume that creditors and landlords would merely add the necessary risk premium and allow farmers to obtain all the resources which they would care to hire at a price which included a payment for the risk entailed. But clearly this is not what happens." (1)

Effects of Capital rationing:

Capital rationing, according to the Schultzian problem characterization under consideration, affects the allocative performance of the farm firm with far reaching effects on both its income and resource-use effectiveness. So far as scale is concerned, a direct and explicit limitations is imposed (2) since "lenders do not provide loan funds that would equalize the rate of return and the interest rates..." (3) The implication of such inaccessibility to credit, which will be clearly a wide discrepancy between the marginal value productivity of capital and the interest rate has been empirically tested. By fitting a Cobb-Douglas function Professor Gale D. Johnson found that the value of the marginal productivity of capital to be about three times the rate of interest. In attributing this discrepancy to capital rationing, he states:

"Capital rationing by limiting the size of the firm can force a discrepancy between the rates of payment and the value of the marginal productivity without excess profit existing. Similarly the existence of capital rationing can create increasing returns to scale, since it prevents firms from reaching what would be the equilibrium positions in a situation where single-valued expectations existed". (4)

In terms of scale, capital rationing not merely explains the small size of the farm but is responsible for the reduction of both the farmer's income since he cannot push the use of capital to the point considered most profitable, and the effectiveness with which the resources are used since with scale far from optimum the unit cost of production is necessarily increased and consumers have therefore to pay higher farm prices (5).

But the effects of capital rationing on the firm are not limited to scale. The structure of resources within the firm is presumed to be also unfavourably affected since the farmer is forced to place more emphasis on the use of resources that are contractually and technically flexible. "Because of past experience", states Professor Gale D. Johnson, "most farmers are unwilling to commit them-

(1) Ibid p. 133 (2) Ibid p. 58. (3) Ibid p. 63.
(4) Ibid p. 106.
(5) SCHULTZ. Ibid p. 129.

selves to heavy and fixed contractual payments which must be met regardless of the returns of his production. Of the resources used in agriculture, the labor of the operator and his family most nearly approach this requisite degree of flexibility since his labor can be treated as a residual claimant. As a result there seems to be a distinct tendency to employ too much labor and two little non-human resources, resulting in a marked discrepancy in the marginal value productivity of capital and its cost(1). Since "the relative employment of labor is higher than would be the case if capital rationing did not exist,"(2). its returns are lowered and resources become poorly utilized by the lack of optimality in the asset structure of the firm.

In another aspect capital rationing is considered to unfavourably affect the firm by forcing it to keep idle assets. "If a firm is to maintain itself as a going concern in the face of unfavorable contingencies, capital rationing makes it necessary that the firm protect itself by maintaining unused assets in liquid form" (3).

Without going any further into the attack of the Schultzian school on uncertainty, the nature of its problem characterization of credit allocation and capital rationing should be by now quite clear. Briefly, since credit allocation, largely on account of the existence of farm price uncertainty, is not based on the production optimality criterion that signifies both maximum income and maximum output, but rather on the rules of thumb set by the lending agencies to safeguard their loans by relating them to the value of security, the farmer's income and consumer's satifaction are both reduced as a result of production not being optimally organized. As a partial corrective measure forward pricing is recommended to change the credit allocation basis as would reduce the existing capital rationing problem.

Appraisal of Capital Rationing

In the previous section a sharp distinction has been made in terms of problem-solving between the two systems that the up price expectations, credit allocation, the firm's income and resource-use effectiveness. The solution, justified in terms of maximum private and social economic ends, is the marginally adjusted production organization that the perfect competitive equilibrium model signifies: a perfectly definable solution that ties up price certainty or single-valued expectations and unlimited credit accessibility into a consistent and independent system; even though its achievement requires further recommendations that the Schultzian school has to identify.

(1) Ibid p. 90
(2) Ibid p. 64.
(3) Ibid p. 42.

The problem, defined in terms of the above solution, concerns the characterization of the existing system of farm production in terms of its failure to maximize the private and social economic ends on account of farm price uncertainty which is presumed to force capital rationing or the deviation of credit allocation from the unlimited credit accessibility principle. Agricultural forward pricing has therefore been a logical recommendation not merely to guide farm firms in using their resources, but particularly to largely restore the operation of the unlimited credit accessibility principle and consequently reduce capital rationing.

The system of allocation recommended and the problem characterization of the existing system – with capital rationing as one of its important aspects – stand as the major contribution of the Schultzian school: a contribution that has redirected contemporary agricultural economic thought.

It is, however, practically impossible to grasp the inner meaning of the Schultzian school by merely selecting one of its categories and analyzing it in problem-solution terms. Professor Black's hesitance to consider forward pricing as acceptable price fixing or not (1), and the stand of a great number of agricultural economists (2) who considered forward pricing to be a better alternative to parity pricing reflect a complete misunderstanding of both forward pricing and the whole Schultzian system.

It is only when the Schultzian school is analyzed firstly in terms of its recommendations as they stand as a system of allocation that hangs together as a system; secondly, when its problem characterization of the existing system is analyzed in terms of the recommended allocative solution, that an insight can be gained regarding its relevance. This explains the reason for disentangling both aspects of the school, and separately treating its system of allocation and its problem characterization of the existing system of credit allocation with its presumed income and resource-use effects. Consequently, credit allocation as an economic category has been analyzed as a component of the recommended system of allocation, and as a component of the existing system as it has been characterized in problem terms.

Following this analytical procedure renders possible a step by step investigation of the Schultzian school since one does not have to analyze the whole Schultzian problem characterization of the existing system, but has only to fully understand the recommended system of allocation itself; and then, analyze in its terms separately each of the blocks of the Schultzian characterization of the existing system such as capital rationing in this investigation.

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(1) BLACK, JOHN D. "Parity, Parity, Parity", 1942, Ch. 14

(2) In a price policy award contest, a committe of the American Farm Economic Association in 1945 offered the first and second awards to papers recommending forward princing.

Institutional characterization of the Schultzian solution:

Since the Schultzian system of allocation, with the exception of its credit category, has been previously institutionally analyzed, (1)it will be sufficient here to refer briefly to its institutional character and explain how its credit category fits in. As a solution to the resource-use problem, the perfect competitive model production organization is far from being a Schultzian contribution. It is the formal resource-use sclution of socialism(2). Consequently, its recommendation for a private property economy is impossible and irrelevant since its pursuance rests on the complete elimination of private property. The contribution of the Schultzian school so far as this model is concerned has been its presentation in terms most appealing to capitalists. namely; the maximum profit system of production organization.

The price certainty needed to pursue this model production organization in a completely socialized economy has also been worked out by the socialists in what has been termed "socialist calculation(3). The Schultzian forward pricing -a new name for the same socialist pricing – would with the price certainty it introduces eliminate privacy of enterprise or private decision-making which institutionally results in price uncertainty. Furthermore, by changing the institutional character of the agricultural price system, under forward pricing, from an instrument of private economic maximization into an instrument of social production optimality, profit would be eliminated as an economic category. In terms of political economy, the system thereby obtaining would be neither capitalist, nor socialist, but rather a "split system", a system of private property but without privacy of enterprise.

With the institutional character of both the competitive model production organization and price certainty identified as socialist categories, it will not be difficult to comprehend how the unlimited credit accessibility principle fits in as a necessary and complementary category. For the possibility of pursuing that production organization rests on the possibility of making available to the firm, through credit, all the resources needed for the marginal adjustment of production. And with production optimality being the sole goal of the firm in a completely socialized economy from acquiring resources, the credit principle under consideration stands as a socialist category that is both necessary and theoretically operational.

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(1) GABALLAH, E. "The Forward Price Approach to Agricultural Stabilization", unpublished Ph.D. thesis, The University of Wisconsin, Madison, Wis. U.S.A. 1954 Ch. 2-3.

(2), (3) LANGE, O. "On the Economic Theory of Socialism", Lippincott ed. Minneapolis, Minn. 1938.

Institutional Restatement of the Capital Rationing Problem:

Now that the recommended Schultzian system of allocation has been clarified in terms of the institutional character and interrelationships among price certainty, unlimited credit accessibility and the competitive model production organization, the analysis proceeds to investigate the Schultzian problem characterization of credit allocation under price uncertainty or capital rationing as it is considered to exist in the enterprise economy. The following institutional restatement of the problem under consideration will provide a decisive test of its conceptual relevance and the maximizational justifications attributed to its reduction.

Capital rationing signifies the discrepancy between credit allocation in a private enterprise economy and credit allocation in a completely socialized economy. Such discrepancy constitutes a problem that bears on the farmer as income earner, and on all members of society as consumers of farm products. The farmer's income is reduced by his inability to obtain through the credit market all the resources he can profitably use. The consumer's satisfaction is reduced by agricultural production being undertaken by firms that are not optimally organized as a result of the existing credit allocation pattern. In order to maximize the firm's income and resource-use effectiveness in the enterprise economy, it would be necessary to reduce the discrepancy by adopting a system of credit much closer to the socialist system.

The credit allocation discrepancy between the two systems of political economy rests on the discrepancy concerning the operation of the assumption of the firm's unlimited accessibility to all the credit funds it needs at the going rates of interest. While the firm in a completely socialized economy has accessibility to all the credit funds it needs at the going rates of interest and consequently is able with the competitive model production organization to achieve maximum income, profit and resource-use efficiency; the firm in an enterprise economy, on account of the rules of thumb set by the lending agencies in allocating capital funds among borrowers, is unable to obtain all the credit funds desired that could have been used to maximize its income, profit and resource-use efficiency. If the private enterprise firm is to achieve as much income, profit and resource-use efficiency steps have to be taken to realize a state of complete socialization.

Since privacy of enterprise is largely responsible for the existing credit allocation pattern, its elimination will bring that pattern closer to the unlimited credit allocation pattern with the result that the firm, still privately owned but deprived of privacy of enterprise, will largely improve its income, profit and resource-use efficiency.

The readily apparent contradictions of the Schultzian problem characterization of the allocative aspects of the private property economy as the above institutional restatement reveals, are inevitable in view of two facts: (1) that such aspects in terms of problem-solution have been defined in terms of their counterparts in the completely socialized economy: an economy institutionally contradictory to the private enterprise economy; and (2) that the solutions adopted have been defined in private property terms and justified in terms of improving private maximization: when the competitive model production organization eliminates private property, and when the elimination of privacy of enterprise eliminates profit.

If the Schultzian problem-solution system is pushed, in terms of necessary recommendations, to its logical conclusion, an impasse becomes inevitable. For, although it has been possible to present the theoretical production organization in a completely socialized economy as the ideal goal for an enterprise economy in order that private firms could achieve maximum income and profit, it has been only possible to recommend the elimination of privacy of enterprise disguised in terms of forward pricing. But "forward pricing" is not sufficient to achieve Professor Lange's system of allocation which the Schultzian School adopted and recommended as its own but in private property and improved private maximization terms.

Regardless of the irrelevance of defining credit allocation in a private property economy in terms of the socialist credit solution, the characterization that existing credit is, on account of price uncertainty allocated according to the rules of thumb established by the lending agencies, does not explain the nature of credit allocation in the acquisitive system nor the forces that condition its allocation. With no concern about the rules of thumb assertion which simply means in the Schultzian contemplation the departure from the socialist principle of credit allocation, an attempt will be made to interpret the institutional basis of credit allocation in the private property economy as it is actually allocated, namely; credit allocation in terms of the value of security principle.

Private Acquisitiveness and Credit Allocation:

In a private property economy accessibility to credit constitutes a privilege since it enables the firm to acquire resources and income from their use that it would not have otherwise been possible to achieve. Since private ownership and accumulation are major objectives of nearly all members of that economy, credit accessibility can never become unlimited to every present and potential firm since almost any such firm would desire to use more resources or add a new producing unit. The unlimited credit accessibility principle if put into operation would amount to giving the means for every firm to own as much

resources as it desires: a logical impossibility in a system of private acquisitiveness. This impossibility leads to the institutional necessity of "rationing" the credit accessibility privilege. As the term rationing is used here, it has nothing to do whasoerver with the Schultzian concept. It simply means the controlled distribution of the credit privilege as it is institutionally necessitated. What impersonal credit market criterion effects such rationing?

From the supply side private lending agencies are ready to extend loans only when there is reasonable assurance that the debt, principal and interest, will be paid. As a consequence credit is made available on the basis of the value of security owned. While this lending basis satisfies the lender's search for security it simultaneously serves automatically as the impersonal credit market mechanism of rationing the credit accessibility privilege. In terms of principle, the value of security as the basis of credit availability stands as the credit allocation principle in the private property economy; whereas in a completely socialized economy, unlimited credit availability as would satisfy the requirements of production optimality stands as the credit allocation principle in such economy. The two principles are irreconcilable for the very fact that one rests on the existence of private property and the other on its absence. Each stands as a necessary institutional principle of its own political economy system.

If private property institutionally necessitates the system of credit under consideration, would the elimination of privacy of enterprise alone change such credit allocation pattern as to approximate the socialist credit pattern? Is the attack on price uncertainty justified in terms of its presumed conditioning effect of credit allocation? Are the maximizational justifications attributed to socializing enterprise privacy through its effects on accessibility to credit valid? The three questions are interrelated and their answer rests on whether or not firms would largely have unlimited credit accessibility in the "split" system of political economy under forward pricing: the system of private property but no privacy of enterprise. To the extent that private property exists, private ownership and accumulation would undoubtedly remain as basic objectives of almost all members of such economy. The institutional necessity for controlling the distribution of the credit accessibility privilege would continue whether decision-making is privately or socially undertaken. In other words it is not price uncertainty that forces the existing system of credit allocation, but rather private ownership itself.

If neither price certainty nor price uncertainty condition the rationing of the credit accessibility privilege in the acquisitive system, the conclusion is inescapable that the attack on price uncertainty or privacy of enterprise in terms of private maximizational justification originating in added credit accessibility under price certainty or socialized decision-making is ungrounded.

Neither the farm firm's income would increase by controlling additional resources through added credit accessibility, nor could it logically achieve "maximum profit" when, under price certainty, profit as an economic category is eliminated to start with. From a social maximizational viewpoint, the farm output composition may theoretically improve, but this would be a minor contribution compared with the presumed resource-use effectiveness obtaining from scale adequacy and resource structure optimality.

PRINCIPLES OF CREDIT ALLOCATION

As it has been outlined in the statement of the problem, the objective of the investigation is the derivation of some basic principles of credit allocation under conditions of single-valued and multiple price expectations through a critical appraisal of the Schultzian capital rationing formulation. The appraisal reveals that in its manipulation of scientism to justify the adoption of a completely socialized and totaliterianist economy, the Schultzian school has recommended as a first step the partial adoption of the formal credit system of socialism. The complete realization of that credit system depends on the realization of the completely socialized economy that the school recommends. To justify its credit recommendation, credit allocation in the private enterprise economy has been treated as a function of uncertainty with the conclusion that as such uncertainty stands as a barrier to unlimited credit accessibility, the farm firm's income and resource-use effectiveness are kept below what would have otherwise been the case under price certainty.

In its tradition of disguizing the political economic nature of both what it attacks and what it recommends, the Schultzian school disguized its attack on privacy of enterprise by attacking uncertainty or multiple price expectations; and disguized its recommendation of socializing decision-making and the farm price system by recommending price certainty or single-valued price expectations or forward pricing.

Again in its tradition of justifying socialization in terms of private maximization, the school has such manipulated its treatment of credit allocation as to conclude that private owners who are unable to maximize their income and profit on account of their privacy of enterprise would be able to do so under conditions of collectivist decision-making. Still more of the tradition, private owners are promised to achieve "the" maximum income and profit position when the economy is completely socialized and such organized as to operate along Professor Lange's perfect Competitive Solution.

Leaving aside the complexities of the Schultzian school which has aggressively distorted contemporary agricultural economics, the following principles, stated in institutional terms, obtain as a result of the above analysis of the credit allocation formulation.

1. — It is irrelevant to define the credit allocation problem in a private property economy in terms of the credit allocation solution in a completely socialized economy. Credit in each system of political economy is a constituent part of that system. There is no common grounds of economic performance between the two systems to justify any such problem definition when the issue is the existence or absence of private property.

2. — If credit allocation in a system of private acquisitiveness has to be treated, in terms of analysis and policy, as a constituent part of that system accessibility to credit must be considered as a privilege that has to be determined on a selective basis. And in an impersonal market there must exist some impersonal criterion in terms of which the credit accessibility privilege would be "rationed" among borrowers.

3. — In a system of private property and contractual relationships accessibility to credit must be based on the value of security and not on the basis of expected productivity except to the extent that such productivity is regarded as part of the security. Such basis of credit allocation, while it satisfies the lenders desire for security also serves as an impersonal criterion for determining the credit accessibility privilege.

4. — With the credit allocation criterion in a private property economy as such, accessibility to credit has immediate bearing on questions of income distribution since the range of accessibility and hence privilege depends on the value of security. To redistribute income by credit allocation public action is needed to provide credit for those who would have otherwise not been able to obtain it, or guarantee their borrowings if provided by private lending agencies.

5. — Since market credit allocation is only indirectly related to resource-use effectiveness, and sometimes not related at all, public action will be needed to provide credit facilities to producer groups who can actually improve their resource utilization, but are unable to do so on account of shortage of credit as it is allocated by the market mechanism.

6. — In the system of political economy contemplated under forward pricing, accessibility to credit will continue to be based on the value of security principle since private acquisitiveness, still remaining as an institutional necessity of private property, will force the selective basis of allocating the credit accessibility privilege.

7. — The adoption of the unlimited credit accessibility principle is limited to the completely socialized economy.

TOWARDS A THEORY OF ECONOMIC DEVELOPMENT

by

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The vast literature on the economics of business cycles, which many economists deplored, had been an inspiration to me. I came to view business cycles as incidents of historical economic development, and part of the process by which forces making for secular growth create an expanding or contracting economy. In order to understand the elements that produce cycles, one must observe the forces that cause the various sectors of the economy to develop at an accelerating or declining speed.

The statistician has been preceded by the historian in interpreting economic events in terms of evolutionary processes. The history of the nineteenth century describes the forces that transformed the principal nations of Western Europe from predominantly agricultural to industrial economies.

At the beginning of the last century, the majority of people in all countries were almost entirely engaged in farming. Agriculture was in a relatively backward state and its products were distributed in a limited market. Feudal relations were still predominant almost everywhere in Europe. England alone showed signs of increasing industrialization. France followed several decades later, while Germany and the United States did not begin their rapid industrial expansion until the second half of the century.

Population increased slowly during the early part of the century. Towns were relatively few, and manufactured in the handicrafts stage. Poor roads limited the transfer and exchange of goods. The first half of the century was marked by the building of roads and railways which greatly widened the market for commodities. A succession of important inventions, beginning after the middle of the eighteenth century, transferred manufacturing from home and shop to factories and led to the movement of population to the cities. Starting with the mechanical inventions which revolutionized the textile industry, there followed the invention of steam and application of mechanical power to mining and manufacturing. These industrial changes began to revolutionize the economic, political, and social structure of Europe. The construction of railroads and steam-

ships starting in the second quarter of the nineteenth century opened up world markets for raw materials and the sale of manufactured goods. The age of steel, was followed up by the age of electricity each in turn speeding up the processes of industrialization.

So far as it is possible to summarize the economic development of the nineteenth century in a page, this account is more applicable to England than to other leading industrial countries. Of course, the historian generally points out that the industrial progress was interrupted by recurrent crisis. But the main interest is in tracing the growth of industry and commerce. The statistician whose curves measure long-term movements of historical processes, may be of real service to the historian. Instead of descriptive statements of economic development, the statistician indicates the rates of growth of population, agriculture, mining, and manufacturing, the magnitude of internal and external commerce, and the long-term changes in other branches of economic activities. His curves are helpful in establishing the persistence of one or more factors as well as in determining the direction of the rate of economic change.

Economic Theory and Secular Growth.

A theory of economic development is of course not identical with the empirical process of establishing secular trends. After gathering statistical series showing the production of agricultural crops and minerals, the output of manufacturing industries, the amount of freight carried by railways, waterways, and roads, the volume of wholesale and retail trade, the amount of loans extended by banks, rates of interest, population growth, the volume of employment and of payrolls, commodity prices and the like, and after developing curves summarizing their rate of increase or decrease, there remains the task of determining the relationships between them. These series are interrelated, but unfortunately the causal connection which account for their development is not readily apparent. There is a system or a structure which gives meaning and significance to the separate series. That system is the economic theory which the investigator develops and whose assumptions he must test in the light of the statistical data.

Unfortunately, neoclassical economists paid little attention to the problems of economic development. In fact, the theory of secular growth was almost as completely neglected by them as the theory of business cycles. The heart of their systems, namely, the theory of value and distribution, was formulated in terms which largely ignored the forces of secular growth. These criticisms are much less applicable to the classical economists. For example, Adam Smith's(1) doc-

(1) ADAM SMITH, "An Inquiry into the Nature and Causes of the Wealth of Nations", Modern library edition (New York 1937).

trine of the division of labour and the extent of the market, and Malthus' (1) law of population imply a theory of secular development.

Adam Smith in "The Wealth of Nations", analysed a policy for an underdeveloped country. He was concerned with the creation of a social and political framework appropriate to a policy of economic development in Britain and the world. He considered economic development as involving a radical change in the attitude and behaviour of the population towards development as implicit in his famous statement "the progressing state is in reality the cheerful and the hearty state to all different needs of society, the stationary is dull, the declining is melancholy". (2) It is quite feasible, and by no means an exaggeration, to regard "The Wealth of Nations" as a dynamic analysis of the forces determining changes in the long period factors, placed in a setting of the social and political forces relevant to economic development. He used history not only to relay static relationships but also to describe the processes whereby the wealth of nations may increase or decrease. Thus we find Adam Smith focussing his attention on the long-term course of the yield from new investment, on the accumulation of stocks, on the natural progress of opulence, the appropriate distribution of investments among various sectors of the economy, and the relationship of public policy to the rate of economic development.

John Stuart Mill, though devoting a whole book to the "Influence of the Progress of Society on Production and Distribution" (3), touched on economic development briefly. He defined underdeveloped societies as those whose potentially productive forms of investment were not exploited for lack of will or for lack of an appropriate institutional environment (4). According to Mill, economic development is a synonyme to the growth of capital within what he called the effective desire of accumulation.

David Hume, however, did expound a theorem of economic development. He maintained that the economic history of a society can be divided into two distinct phases. In the earlier phase, the family is a self-supporting unit with consumption patterns and production methods fixed by tradition. It is the true economic society, and, according to Hume, it is unlikely to change unless it is forced to do so by an outside agent. The most important of these external forces is foreign trade, which by creating new wants incites men to produce a disposable surplus of goods over and above their own traditional requirements. Once this

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(1) T.R. MALTHUS, "Principles of Political Economy Considered with a view to their Practical Application", Book II, New York 1951.

(2) Quoted by K.E. BOULDING, "Economic Progress as a Goal of Economic Life" in *Goals of Economic Life*,, edited by A.D. WARD, New York 1953, pp. 76.

(3) J.S. MILLS, Principles of Political Economy, London 1909.

(4) Schumpter, *History of Economic Analysis*, edited by E.B. SCHUMPETER, New York 1954, p. 542.

revolution has taken place and a desire for luxurious consumption has bred a spirit of calculation and ambition in economic affairs, continuous future expansion and development becomes possible "...till every person in the state ... enjoys as great plenty of home commodities ... as he desires; which can never possibly happen"(1). International trade, however, produces complications in this simple process. In the first place, what changes occur in the relationship between the country which originally enticed another out of its "barbaric sloth" At that time, the former was clearly more developed than the latter, and would sell its manufactures in return for agricultural products. It is true that imitation would soon lead some of the inhabitants of the less developed country to set up traders and manufacturers. But it was clear to Hume that they would be at a serious disadvantage compared with their foreign competitors – "skills would be less developed, and the rate of interest would be higher". Nor is there evidence to suggest that Hume thought that time would eventually reduce this leeway. Adam Smith, and Josiah Tucker shared David Hume's doubts in this respect. They both agreed that the "real" advantages of the division of labour and capitalistic method of production would enable a rich country to perpetuate its superiority over a poor country.

It is hardly necessary to note that there are divergent viewpoints among the classics as is illustrated in numerous exchanges between Ricardo and Malthus. Smith's theory of economic development stands out in that it postulates cumulative growth and thus does not share the pessimism which earned economics the title of "the dismal science". The optimistic tone of Smith's theory is essentially similar to that of Hansen's stagnation thesis(2). The latter, while pessimistic when the rate of population growth declines, is optimistic when the rate increases. In other words it shares the optimism of Smith but rejects the pessimism of Malthus and Ricardo with respect to population increase(3).

Alfred Marshall, repeatedly asserted that the element of time "is the centre of the chief difficulty of almost every economic problem"(4). He criticized his classical predecessors for attributing "to the forces of supply and demand a much more mechanical and regular action than they actually have ... But their most vital fault was that they did not see how liable to change are the habits and institutions of industry"(5). In his analysis of prices he distinguished between long-run and short-run factors; and such concepts as "quasi-rent" indicate his

(1) *Essays*, New Universal Library Edition, p. 192.
(2) A.H. HANSEN, "Full Recovery or Stagnation", New York 1938.
(3) A.H. HANSEN, "Economic Progress and Declining Population Growth" American Economic Review, March 1939 pp. 1-15. See also his "Extensive Expansion and Population Growth" in Journal of Political Economy, April 1940 pp. 583-585.
(4) MARSHALL, *Principles of Economics*, Macmillan, London 8th ed. 1920, p. vii.
(5) *Memorials of Alfred Marshall*, edited by Pigou, Macmillan, London 1925, p. 155.

emphasis on the element of time. In Book IV of the Principles, Marshall discussed what might be called the sociological rudiments of ecoromic progress. He described the long-run forces which cause the so-called agents of production: land, labour, capital and management tc expand and also indicated the forces limiting their growth. He asserted that economic development is essentially a long-period phenomenor; and he was aware that the introduction of long-term forces into economic analysis would vastly increase the number of variables, and thus decrease the feasibility of a theoretical statement. Like most neo-classics (1), in his preoccupation with micro – and short-run analysis, Marshall almost completely by-passed the question of economic growth. In a way, this was a reaction against some of the rather obvious difficulties raised by the sweeping long-run generalization. It is apparent, however, that he was definitely interested in the theory of economic development, but he never got round to it systematically (2). He developed the concepts of "exterral" and internal economies, increasing returns, and the representative firm". These are methodological tools. He made the mistake, however, of regarding economic development as that of marginal additions in the economy, rather than one of structural change and an all-round growth. The notion of an all-round growth or balanced growth is not a modern one. It is inherent in the classical Law of Markets called Say's Law. According to J.S. Mill's formulation of it, "every increase of production, if distributed without miscalculation among all kinds of produce in the proportion of which private interests would dictate, creates, or rather, constitutes its own demand" (3).

Marshall's concept of economic development leads to the well-known deadlock, or more precisely, the under-development equilibrium, where technical discontinuities may call for sizeable forward "jumps" in the rate of output, while the small and inelastic demand in a low-income country tend to make such jumps risky, if not unpromising in any given sector considered by itself. This deadlock is also similar in nature to the concept that economic development is affected by the size of markets. This is a modern interpretation of Adam Smith's famous proposition that "the division of labour is limited by the extent of the market". It is easy to see, and Adam Smith recognized it himself, that the division of labour is connected with the use of capital in promoting economic development(4).

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(1) The neo-classics is not well defined. They include Jevons and Menger, the Cambridge School, Marshall, Pigou J.B. Clark and Tassig in the U.S.

(2) A.J. YOUNGSON, "Marshall on Economic Growth", Scottish Journal of Political Economy" February 1956.

(3) J.S. MILL, *Essays on Some Unsettled Questions of Political Economy*, London School of Economics reprint 1948 p. 73.

(4) ALLYN YOUNG *"Increasing Returns and Economic Progress Economic Journal*, December 1928.

A more extreme stand than Marshall's is taken by F.H. Knight who emphasized the inapplicability of equilibrium concepts to the study of economic growth:

"Our conclusion must be that in the field of economic progress the notion of tendency towards equilibrium is definitely inapplicable to particular elements of growth and with reference to progress as a unitary process or system of interconnected changes is of such a limited and partial application as to be misleading rather than useful". (1)

The difference between Knight's position and that of a theorist such as Karl Marx lies in the fact that the former relegated a theory of economic development to the field of history, while the latter attempted to analyse economic processes within a framework of social and economic categories that sought to illuminate the actual course of historical changes.

A good deal of present day thinking about economic development is dominated, consciously or otherwise, by the famous Marxian generalization; according to which, it is the history of advanced industrial countries which traces out the road to development for the less developed countries (2). "The industrially more developed country presents to the less developed country a picture of the latter's future". To accept this generalization, one would have to study the process of development of underdeveloped countries as shown by historical information on the economic development of the European countries in the nineteenth century. The typical situation prior to the initiation of a considerable industrialization process may be described as characterized by "the tension between the actual state of economic activities in the country and the existing obstacles to economic development on the one hand, and the great promise inherent in such development on the other" (3). The extent of opportunities that development presents varies with the individual country's endownment of natural resources. Furthermore, no industrialization seems possible, and hence no tension exists, as long as certain formidable institutional obstacles (serfdom of the peasantry, for instance) remain.

(1) F. KNIGHT The Ethics of Competition Harper N.Y. 1935 pp. 184-5.

(2) An up-to-date account of neo-Keynsian dynamics of economic growth as ably expounded in D. Hamberg "Economic Growth and Instability New York 1956 reveals such a conclusion. One has to look through the following works to see for himself; R.F. Harrod "An Essay in Dynamic Theory Economic Journal (March 1939) pp. 14-33; idem, "Towards a dynamic Economics (London 1948); Evsy D. Domar, Capital Expansion, Rate of Growth and Employment , Economettica (1946) pp. 137-147; idem, "Expansion and Employment , American Economic Review (March 1947) pp. 34-55, idem, "The Problem of Capital Accumulation , American Economic Review (December 1948), pp.777-794; idem, "Economic Growth, An Econometric Approach , Papers and Proceedings of the Sixty-fourth Annual Meeting of the American Economic Association, American iEconomic Review (May 1952), pp. 479-495; William Fellner, "The Capital Output Ratio n Dynamic Economics ', in Money, Trade and Economic Growth" in Honour of John H. Williams (New York 1951) pp. 105-134. See also the various reports and studies by the U.N.

(3) A. Gerschenkron, "Economic Backwardness in Historical Perspective", in *The Progress of Underdeveloped Areas*, ed., by B. Hoselitz, Chicago 1952.

Economic development is an economic process with an enormous span; as it goes on, it is governed by, but also imposes, fundamental relationships. A major characteristic of development is its capacity to prevail over all structural and institutional environment making its way through all the maladjustments of the economy. In doing so, however, it is governed by three fundamental principles:

i) The principle of economic effect (1), i.e. the "principium movens" of every change responding to human aim.

ii) The principle of the means employed (2), i.e. of the laws governing the participation of the factors of production in the quantitative growth of the economy.

iii) The principle of environment (3), i.e. the institutional framework and the climate of business conditions.

Now, how do these three principles affect the process of development ?, and, indeed, to what extent does a general theory of economic development become influenced by them ?

Economic development is a complex of these three principles; it is measured not only by subjective results, but also by objective efforts; i.e., by the use of various means, with physical environment setting the pace. The latter, however, does not determine economic development because it is dominated by the desire for progress. The fundamental relationships can, therefore, be summarized as follows:

(*a*) A theory of economic development would be too narrow if it were limited to the analysis of the behaviour of the combinations of factors subject to the requirements of product maximization. Alone they would not achieve the qualitative development of processes and products. Historically, the industrial revolution increasingly required the development and differentiation of the qualities of all men participating in the efforts of production (4).

(*b*) In the process of development, the increase in the social product may serve to increase the part accruing to certain groups, while diminishing the part accruing to others. The increase may serve, within each group,

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(1) L. VON MISES, *Human Action*, "A Treaties on Economics", London, 1949.

(2) A. TAYMANS, "L'homme agent du développement économique", Lovain, Nauwelaerts, 1951.

(3) H. GUITTON, "L'objet de l'économie politique", Paris, Riviere, 1951, p. 87.

(4) This could be clearly illustrated if we compare the notion of "hands required" as representing the demand of enterprises for workers in many underdeveloped countries with that of advanced countries for the same notion, i.e. "employment offered".

either to increase the reward per unit, or to increase the number of participating factors or both(1). It is clear that these two aspects are linked and that the total product is not indifferent to the type of distribution. It may prove useful(2) to distinguish between the factors as agents of development, and as participants in the fruits of development.

(c) Economic history accustoms us to put the salient facts of the industrial revolution into relation with general history and, more particularly, with institutional changes, social structures, and mental attitudes. It shows how economic aims are subject to facts which it is not up to the economist to explain. History thus establishes numerous links, in no way necessary but none the less valid. The sum of these historical correlations gives concrete contours to economic growth, but does not constitute a theory.

The ideological climate (tension) within which economic development proceeds is an important issue. The economic development in France under Napoleon III, for example, owed a great deal to Saint-Simon who had a profound interest in what he used to call "The most numerous and most suffering classes" and who introduced in the economic system a number of socialistic ideas, and mainly establishing a system of planned economy designed to direct and develop the economy of the country. To break through the barrier of stagnation in an underdeveloped country, to ignite the imagination of its population, and to place their energies in the cause of economic development; a stronger medicine is needed than the promise of a better allocation of resources, or even of the lower price of bread. This seemed to inspire Friedrich List to translate the inspirational message of St. Simon into a language acceptable to German environment, and to produce his famous theory of nationalist socialism.

The growing literature on the economic problems of the underdeveloped countries is a reflection of the admirable response of the social sciences to the interests and worries of the society in the life of which they are a part. In writing this paper, one is aware of merely following in the general stream of the ideological adjustment on the part of the social sciences to the new political situation in the world. This complex of problems can, however, be viewed from many angles, and differing approaches may be chosen.

The loud voices of the underdeveloped countries stem from the realization that very large and steadily increasing economic irregularities exist as between themselves and developed countries. A possible approach to find a remedy may be explored by asking the question: why and how have these irregularities

(1) J.R. HICKS, "The Theory of Wages", London 1932, p. 115.

(2) At least politically.

come to exist, why do they persist, and why do they tend to increase? (1). In other words, what is the causal mechanism at work which produces these trends, and how could the trends be turned ?

Conditions of Economic Stagnation

Most of the refined Keynesian growth models deal with the working of a developed economy and, perhaps unwittingly, retain the essential features of the Keynes-Hansen stagnation thesis (postulating a prolonged low rate of economic activity arising from exhaustion of investment opportunities). The conditions in less developed countries are far from similar. There, the possibilities and problems of growth vary according to many factors, such as whether the country is characterized by empty spaces (Syrian Region) or by population pressure (Egyptian Region) by richness in natural resources or by intensive exploitation of known resources, by small or large size, by a local culture or a civilizational heritage. If the term stagnation, however, suggests a sort of stationary state, the latter may be an illusion created by a mere trick of averaging. There is no lack of evidence of sometimes feverish activity in many underdeveloped countries in certain periods, regions and sectors. The more fruitful question to ask may therefore be why sustained development is supressed, frustrated, interrupted or blocked, and why development in some regions and sectors fails to spread to other regions and sectors. "The obstacles to growth at a given time and locality and in a given economic branch may have been quite different from the obstacles in other circumstances"(2). Indeed the use of a national average requires one to presuppose at least a certain degree of homegeneity and cohesion, and it may therefore be not particularly revealing in a "disjointed economy"(3).

The condition of economic stagnation in most underdeveloped countries contain a dormant legacy which is favourable for the process of economic development. Apart from the fact that political unrest is always "round the corner", which – after political storms are over – gives an impetus to a progress of social and economic reforms, the economic parameters are usually favourable; prices are relatively low, the cost of "doing business" is relatively less than in advanced countries, existing business enterprises are capitalized conservatively, bank reserves are sizeable and stocks of goods (other than speculative stocks) are low.

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(1) G. MYRDAL, "Economic Theory and Underdeveloped Regions" London 1957

(2) N.T. WANG "Theories of Economic Growth and Stagnation, with Particular Reference to China 1840-1940.

(3) The term "disjointed economy" is used here in lieu of the accepted term of "dual economy" which refers to the co-existence of a traditional agricultural sector and a Western-type sector in large cities. A disjointed economy may be understood to refer more generally to two or more sectors or regions where integration and articulate communications are largely lacking.

But the prospects of development is not often so rosy. In advanced countries, within their national boundaries a process of integration has taken place so that expansionary momentus tend to spread more effectively to other localities, and inequality has been mitigated through interferences in the play of the market forces by organized society. These factors lead to a national harmony of interest which because of the role played by state policies, has to be characterized as a "created harmony"; and this has increasingly sustained their further economic development. Underdeveloped countries, however, in a rather close correlation to their poverty, are ridden by internal economic inequalities(1) and a relative lack of national economic integration. Thus we have a low level of social mobility, communications, education and national sharing in beliefs and valuations, which imply greater impediments to the "spread effects" of expansionary momentum.

These conditions of stagnation cannot be remedied by the growth of international trade or even by capital movements. In fact, international trade has actually impoverished underdeveloped countries culturally(2). International trade helped to promote and expand the production of primary products and such production that employs mostly unskilled labour. In these lines, they invariably meet inelastic demands in the export markets and excessive price fluctuations. Having an unlimited supply of unskilled labour, any technological improvement in the export production tends to confer the advantages from the cheapening of production to the importing countries. Under a broad perspective, and from a long-term point of view, what is needed is to increase productivity, incomes and living standards in the large agriculture sectors. But expanding the export sector through international trade does not lead to such a development(3). Rather, it tends to have back-setting effects and to strengthen the forces maintaining stagnation or regression as long as population keeps rapidly increasing providing the required unskilled labour. Wages and the export returns per unit of product will tend to remain low as the supply of unskilled labour is almost unlimited.

Nor can capital movements be relied upon to counteract international inequalities between the rich and poor countries. Under the circumstances, capital will, on the whole, shun the underdeveloped countries, particularly as the advanced countries themselves are rapidly developing further and can offer their

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(1) Which tends to weaken the effectiveness of their democratic systems of government in the cases where they are not under one form or another of oligarthic or forthright dictatorial rule.

(2) Skills in many crafts inherited from centuries back have been lost. And even those surviving have adapted patterns from abroad requiring less craftsmanship.

(3) The advice and assistance which the underdeveloped countries receive from the West is generally directed towards increasing their production of primary goods for export. This advice is certainly given in good faith, and it may even be rational from the short-term point of view of each poor country in isolation. G. Murdal, op. cit.

owners of capital both good profit and security. After the collapse of the international capital markets in the early 'thirties, which has not been remedied yet, and the gradual breakdown of the colonial system, which had given security to the foreign investor, it would be naive to expect capital in large quantities to voluntarily seek its way to underdeveloped countries in order to play a role in their economic development.

Therefore, if left unregulated, international trade (and capital movement) would often be the media through which the economic progress in the advanced countries would have back-setting effects in the underdeveloped world. Under these circumstances, the forces in the markets will in a cumulative way tend to cause even greater international inequalities between countries as to their level of economic development and average national income per capita.

From Stagnation to a Possible Take-Off (1).

With the "great awakening" after the 2nd World War, most underdeveloped countries, under the encouragement of advanced nations, attempt to furnish themselves with an overall integrated national plan which constitutes a programme for the strategy of a national government in applying a system of state interferences in the play of the forces in the markets, thereby conditioning them and giving a push upwards to the social process which had settled down in a vicious circle of inequality and economic regression, stagnation or a too slow development (2). The emergence of this common urge to economic development as a major political issue in most underdeveloped countries, the definition of development as a rise in the levels of living of the common people, the uncontested understanding that economic development is a task for the governments and that the governments have to prepare and enforce a general plan, containing a system of applied controls and impulses to get development started and to keep it going is an entirely new thing in economic history, indeed a complete conversion of the Schumpeterian model of what once happened in the new developed countries (3).

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(1) The term "take-off" has been introduced to economic literature by Professor Rostow: "The Take-off Into Self-sustained Growth", *Economic* Journal, Vol. LXVI, March 1956, pp. 25-49.

(2) Because of the various deficiencies in an underdeveloped country it is accepted by everybody that the government will have to take over many economic functions. Cf. United Nations Economic Commission for Latin America, "Analyses and Projections of Economic Development I. An Introduction to the Technique of Programming", New York 1955.

(3) It is interesting to note that nobody in the advanced countries sees any way out of the difficulties of underdeveloped countries other than by the positive and urgent advice to pursue – on a grand scale – a socialistic policy line, however differently a country's attitude may be towards economic problems at home. See the various solemn resolutions of all the inter-governmental organizations.

A main element of every national plan is a decision to increase the total amount of investment, aimed at raising the productive powers of the country, and to procure the capital formation necessary for the purpose. The plan must determine this overall amount and must, in addition, determine the proportions of the capital which should be allocated in different directions (1).

Even if such a plan (2) can be constructed, the underdeveloped countries will find themselves up against stale institutions of social and economic inequality which often cannot be broken easily. And, what is more important, frequently the state is itself in the hands of social groups which have an interest in preserving the traditional social chasms.

The first step therefore for a country to be elevated from its conditions of stagnation is not the attempt towards the redistributional measures, but to overcome the difficulties which a true democracy faces in holding down the level of consumption to the degree necessary for rapid development. In the advanced countries, political suffrage was by various devices restricted to the upper income strata until late in the development process. That type of restricted democracy has, nowadays, lost its appeal. However, the tendency towards dynamic dictatorship, visible in all main parts of the underdeveloped world should be viewed under the perspective of this basic political dilemma.

In the process of development, however, the problem of redistribution is not as grave as it appears on first sight. In its current form, the theory of socialist distribution is concerned with the distribution, between factors, of the product of a combination of productive efforts. It determines the respective rewards on the assumption of a given social product, but it is not concerned with changes in effective demand nor with their repercussions on the number and the quality of participating factors. A theory of development sets the problem from this very angle; it must determine, not the distribution of income in given conditions of production, but the decisive distribution which will result from and successive adaptations inherent in growth. Thus we do not keep all primary the theory of socialist distribution in the background, but we use it in combination with a "theory" of factors. Classical Economists may help us here, as they treated the problems of the factors separately, viz., the rewards of labour per man in relation to the increase in population, the rent of land in relation to the growing mastery of man over tillable soil, the rate of interest (and the

(1) Moreover, to be practical and effective, the plan must be worked out not only as a general frame, but must have this frame filled and concretized by careful segmental planning.

(2) To increase the overall facilities in transport and power production, to construct new plants and acquire the machinery for heavy industries and for light industries of various types, to raise the productivity level in agriculture by long-term investments in irrigation schemes and short-term investments in tools, machinery and fertilizers, to improve the levels of health, education and training of the working people, etc.

marginal efficiency of capital) in relation to the increase in reproducible real capital. In other words, a "theory" of factors considered both as agents of progress and as participants in the fruits of progress; constitutes a basic premise in a theory of economic development (1).

Central economic planning is always a difficult thing and, when it has been tried, it has not been too much of a success in the advanced countries. Now, what amounts to a sort of super planning has to be staged by underdeveloped countries with weak political and administrative apparatuses and a largely illiterate and apathetic citizency. If nothing can be done – in the short-run – about the latter, the former must at least be strengthened and harmonized.

However, the lack of both these major factors is no excuse for not embarking on a plan of development for fear of failure. The alternative to making the heroic attempt to achieve economic development is continued acquiescence in economic and cultural stagnation or regression which, in any case, is politically impossible in the world of today.

The national plans for economic development cannot be made in terms of costs and profits. Most of the investments to be planned are not profitable from the market point of view. This is true not only in regard to the big overall investments whose main purpose is to create the external economies for industries (which mostly as yet are not in existence but only planned). It is equally true of the investments in most of the manufacturing industries. In fact, the reason why they have not been made earlier, and why they would not be made now without the incentive to be rendered by the state in some form or another is simply that they cannot be expected to produce the product for sale at a competitive price. The explanation why a country has a stagnating economy is that it cannot compete successfully. And from this point of view, the whole meaning of the national plan is to give such shelter from the market forces to investment, enterprise and production that they become undertaken in spite of the fact that they are not remunerative according to private business calculations. From the point of view of the common long-term interests every new investment and every new enterprise has another sort of yield than the expected money returns. This is so if we can assume that the aggregate of new investments and new enterprises can succeed to set off a cumulative process of economic growth.

However, in order to give a rational basis for the decisions of the national plan, it is necessary to supplement the profit calculations with other yields. In other words, the economic plan cannot be rationally constructed by the application of the criteria of the price system and private business profitability alone,

(1) "Etudes et Conjoncture" in Revue de l'Institut National de la statistique et des Etudes Economiques" (Nov./Dec. 1952) have made a highly interesting theoretical contribution to this point.

but that the plan must consist of the "blue-printing" in real terms of a process of circular and cumulative causation. It is only by doing so will the reasons for an economic policy of suppressing the temptations to raise levels of living very soon and very much be apparent to the public eye.

If such a plan is undertaken, the economy and the society of which it is a part will transform themselves in such ways that economic growth is subsequently, more or less, automatic. "The "take-off" is defined as the interval during which the rate of investment increases in such a way that real output per capita rises and this initial increase carries with its radical changes in production techniques and the disposition of income flows which perpetuate the new scale of investment and perpetuate thereby the rising trend in per capita output".

The Take-off Into Self-Sustained Growth.

In this section, it is proposed to study the pattern of the aggregate economic activity taking place in the economy as a result of the economic "take-off". There are two possible approaches to explore the processes of economic change: in aggregates that are measurable; namely, gross and net national income, and economic activity as indicated by other various parameters.(2).

These two approaches will be used in the text, so that the statistical investigation will determine what actually takes place in the various segments of the economy during the process of "take-off". Then we shall attempt to classify the data so as to establish the magnitude of influence of various factors that help the process forward. The difficulties of measuring economic activities vis a vis measuring aggregate income or aggregate employment is not unsurmountable as some may think. One may start, for example, with a precise definition of the national income, which lends itself to statistical measurement, and may be subdivided unambiguously into its component parts. Yet this concept may be less useful in analyzing the continuous waves that ultimately constitute the development process than the "vaguer" notion of aggreagate economic activity for two reasons, one theoretical and the other practical.

1. — The definition of national income may be too restrictive in the sense that it excludes aspects of the economy which are highly important for understanding economic development. It loses in breadth precisely because of its greater

(1) *Ibid.*, p.25.

(2) The production of commodities by farmers, miners and manufacturers, the transporting of freight and passengers by land and water; the pricing of commodities at successive stages of their journey to business enterprises and households, marketing merchandise at home and abroad; carrying stocks of raw materials and finished products; employing men and disbursing wages, borrowing money and paying interest, making profits or losses and declaring dividents, saving and investing capital, paying current expenses and maturing debt with money or bank credit.

precision. Income payments for productive services may be less important than the much larger volume of money transactions between business firms. Again, are not price relationship of considerable significance in understanding the behaviour of the process of development and in determining its degree of success or failure ?

2. — Even if it is preferable to work wholly with the concept of national income, one is confronted by the lack of adequate data. The process of take-off must be studied month by month or quarter by quarter rather than year by year. The economy at this period of transformation is very vulnerable; a reverse of expectations might lead to a standstill in the economy; a forecast of price rise might lead to speculative hoarding of goods rather than productive work and so on. Unless the timing and strength of each economic waves (that will ultimately lead to "take-off"), is carefully handled, a country would be faced with considerable margins of uncertainty in the final results.

By accepting the notion of aggregate economic activity, one does not have to begin with the construction of a single statistical measure of this concept. The first step is the formation of the hypothesis that the period "take-off" may last from 5 tc 10 years which consist of expansion occurring at the same time in many economic activities. The next step is to ascertain how general is the consensus among the expansionary movement; i.e. what types of activity share in the expansion, and what do not.

Before answering these questions, we would like just to deal briefly with the other approach, that of measuring aggregate income during the period of take-off. Of course what is essential here is the measurement of the ratio of net capital formation to national product.

According to Professor Rostow (1), "the take-off is defined as requiring all three of the following related conditions:

a) a rise in the rate of productive investment from (say) 5% or less to over 10% of national income (or net national product);

b) The development of one or more substantial manufacturing sectors (including the processing of agricultural products) with a high rate of growth.

c) The existence of quick emergence of political, social and institutional framework . . ." (2).

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(1) W.W. Rostow "The Take-Off into Self-Sustained Growth", *The Economic Journal*, March 1956, Vol. LXVI.

(1) *Ibid*, p. 32.

"... If we take the aggregate marginal capital-output ratio for an economy in its early stage of economic development at 3.5-1 and if we assume, as is not abnormal, a population rise of 1-1.5 per cent. per annum, it is clear that something between 3.5 and 5.25 per cent. of net national product must be regularly invested if net national product per capita is to be sustained. An increase of 2 per cent. per annum in net national product per capita requires under these assumptions, that something between 10.5 per cent. and 12.5 per cent. of net national product be regularly invested. By definition and assumption, then, a transition from relatively stagnant to substantial regular rise in net national product per capita, under typical population conditions, requires that the proportion of national product productively invested move from somewhere in the vicinity of 5 per cent. to something in the vicinity of 10 per cent." (1).

The Behaviour of Economic Parameters During The "Take-Off" Period.

During the period of "take-off" onwards, the structure of the economy takes on a different shape reflecting the activities of the various sectors during the phases of development. Any prediction of the behaviour of the various parameters of the economy must, by necessity, be crude. However, if we examine the historical trends of a selected group of time series in a developing country, the descriptive account of their behaviour may be considered as tentative hypothesis on what takes place in this early phase of development and during the later stages.

For this purpose, I chose several sets of measurements developed by the National Bureau of Economic Research of the U.S.A. dating back to 1857 (2). The purpose of this research, however, was the measurement of business cycles. I have used the material relevant to the period 1840-1860 which would be considered as the U.S. take-off period (Rostow). The behaviour of the series during this period has been compared with their behaviour during the period of revival from depressions during the nineteenth century, specifically the following revival periods:

End of 1867 to mid-1869
End of 1871 to mid-1873
From 1879 to end of 1881
Mid-1885 to beginning of 1887
Mid-1888 to mid-1890
Mid-1891 to end 1892
Mid-1894 to end 1895
Mid-1897 to mid-1899

(1) *Ibid.*, p. 34.

(2) The important technical questions upon which these series were based will not be dealt with here. For a thorough treatment of these questions, see A.F. Burns' and W.C. Mitchell's "Measuring Business Cycles", National Bureau of Economic Research, New York 1946.

The conformation of a similar pattern of behaviour during all these periods is remarkable, as the following table shows.

SUMMARY OF MOVEMENT: NUMBER OF PHASES

SERIES	Covered	IN WHICH SERIES	
		conformed (i)	fails to conform (ii)
General Business activity	9	8	1
Orders for Investment goods	9	7	2
Production	9	7	2
Foreign Trade	9	6	3
Index of Prices	9	7	2
Wholesale Price of commodities . . .	9	8 (iii)	1
Money & Security Markets	9	9	—

Although the sample leaves much to be desired, it covers fairly well the behaviour of commodity prices, short and long-term interest rates, security prices, trading in securities, foreign trade, payment by cheque, the activities of various industrial sectors, railroad traffic and railroad investment. Several indices of business conditions which combine on different planes and a variety of activities are also included. The sample is thus of sufficient scope to lend serious interest to the results. The behaviour of these series for 1857 to 1901 is shown in Table 1, which gives the average rate of change from stage to stage in the take-off period which is divided into five stages.

(i) Rises during the revival period with the same average rate as the initial period of tak-off 1850-1860.

(ii) Difference between the two preceding columns.

(iii) Includes one expansion phase during which the series show no change.

Sources: Compiled from various data in Burns' and Mitchell's "Measuring Business Cycles".

AVERAGE RATES OF CHANGE FROM STAGE TO STAGE IN THE PROCESS OF DEVELOPMENT (*a*)

SERIES	AVERAGE RATES OF CHANGE PER MONTH FROM STAGE TO STAGE DURING THE TAKE-OFF PERIOD:				
	1st Stage	2nd Stage	3rd Stage	4th Stage	5th Stage
Index of Business Activity*b*	+ 1.2	+ 1.6	+ 0.6	+ 0.5	+ 0.5
Bank clearings*b*	+ 1.1	+ 1.4	+ 0.8	+ 1.1	+ 0.7
Number of Incorporations*b*	+ 0.9	+ 1.4	+ 1.0	+ 1.1	+ 0.6
Commercial paper rates*b* ..	— 0.7	— 0.9	+ 0.4	+ 1.2	+ 3.7
Inter. rates charges to cust.*b*	— 0.6	— 0.9	0 0.2	+ 0.2	+ 1.0
BondsSold onStockExch.*c*	+ 3.0	+ 2.6	— 0.3	— 1.0	— 0.6
Yields on high grade bonds*c*	— 0.2	— 0.3	— 0.1	+ 0.1	+ 0.4
Banks reserve ratios*b*	+ 0.4	+ 0.3	— 0.2	— 0.4	— 0.3
Total Bank Loans*b*	+ 0.6	+ 0.5	+ 0.4	+ 1.0	+ 1.1
Industrial share prices*c* ..	+ 3.6	+ 3.1	+ 1.3	+ 1.5	— 0.5
Other share prices*c*	+ 1.4	+ 1.3	+ 0.7	+ 0.7	— 0.4
Number of shares sold*d* ..	+ 6.3	+ 7.5	— 1.6	+ 0.9	— 0.6
Index of Indust. Prod.*b* ..	+ 1.9	+ 2.1	+ 1.4	+ 1.1	+ 1.8
– do – durable goods	+ 1.8	+ 2.6	+ 2.5	+ 0.9	+ 2.9
– do – non-durable goods .	+ 1.5	+ 1.8	+ 0.9	+ 1.1	+ 0.9
– do – producers' goods ..	+ 2.3	+ 2.8	+ 2.1	+ 0.7	+ 1.6
– do – consumers' goods ..	+ 1.7	+ 1.5	+ 1.0	+ 1.9	+ 0.1
Index of factory Employ.*d*	+ 1.2	+ 1.0	+ 0.9	+ 0.8	+ 0.8
– do – payrolls*d*	+ 0.7	+ 0.9	+ 1.7	+ 1.2	+ 2.4
Department storesales*d* ...	+ 0.5	+ 0.8	+ 1.0	+ 0.7	+ 1.0
Physical volume of-do-*d* ..	+ 0.5	+ 0.8	+ 0.6	+ 0.1	+ 0.4
Ton miles of freight byRly.*d*	+ 2.1	+ 1.4	+ 0.8	+ 1.2	+ 1.9
prices*d*	+ 0.1	+ 0.3	+ 0.2	+ 0.3	+ 0.3
Net Profits of Indus. firms	+ 6.4	+11.2	+ 7.9	+ 5.1	+ 3.2
Total value of building cont.	+ 7.9	+ 4.6	+ 2.1	+ 2.2	+ 1.2

(*a*) The division into stages is arbitrarily calculated. On average the first stage comprises 10-15 months, 2nd stage 18-24 months, third stage 18-30 months, 4th stage 15-30 months and the 5th stage 14-26 months. The length of stage is a direct function of the duration of the whole upward trend in economic activity. Therefore, the movement from stage one to stage five may take place in 75-133 months. These, however, mainly refer to 19th century standards. In trade cycle analysis of the 20th century the period of the expansion phase varied as follows: 44 months (Nov. 1914–July 1918), 15 months (May 1919–August 1920), 22 months (July 1921–May 1923), 19 months (July 1924–February 1926), and 20 months (November 1927-July 1929).

(*b*) Federal Reserve Board. (*c*) Dow Jones. (*d*) Bureau of Labour Statistics.

Source: Compled from Burns and Mitchell "Measuring Business Cycles", National Bureau of Economic Research, New York 1946, pp. 26, 101 and 112, and Edwin Frickey "Economic Fluctuations in the United States", Harvard University Press, Cambridge 1942.

1. — *New Orders, Construction Contracts and the Security Markets.*

1. — Orders for commodities, contracts for construction, the volume of transactions on the stock exchange, bond and stock prices, and new incorporations of business firms are the conspicuous leaders of the initial stage of the take-off.

2. — It takes months of preparation before actual construction begins. Plans have to be drawn, suitable sites assembled nnd improvements laid out, financing arranged, contracts awarded and terms settled. Therefore, if the construction industry is to synchronize its activities more or less with the anticipated improvement in general business, operations must begin earlier than in other fields.

3. — Therefore, the security markets, rather more than the construction industry, are the leaders in the first stage of development. The increased purchases of securities in anticipation of a rise in corporate earnings, motivated largely by expectations of capital gains, accounts for that fact.

4. — The security market furnishes the first avenue for quick turnover of otherwise idle funds. It is worth noting, however, that activity in the bonds markets increases before share markets; reflecting, of course, the conservatism of the investor at this early stage of development. This can prove very helpful in underdeveloped countries as almost invariably it is the government who will be first in the market to borrow funds. Government borrowing usually takes place in the form of bonds offered to the public. If the move is successful, then the market is ready to absorb shares of industrial and commercial companies newly established.

2. — *Physical Volume of Production and Trade.*

1. — The money volume of business transactions, i.e. total incoming and outgoing payments as measured by, say, bank clearings, lead the expansion. This index reflects the increased commitments as represented by the expansion of orders, and the expansion of business operations not measured by the indices of physical volume of production.

2. — The statistical evidence on whether the initial rise in the index of industrial production is due to the early expansion of capital goods or consumers' goods is not very definite.

3. — The increase in consumer spending through retail channels, however, appears to lag behind the rise in the manufacture of consumers' goods. (The index of money volume of department stores' sales lag behind by almost 3 months, while the index of industrial production leads by two months.)

4. — In view of the greater lead in production series, it would appear that manufacturers do not wait for an actual increase in buying by ultimate consumers before they expand the scale of their operations. It would be instructive to know the extent to which retailers and wholesalers augment their purchases from manufacturers before the final consumer begins to increase his spending. Unfortunately, satisfactory statistics are lacking.

3. — *Commodity Prices and Production.*

1. — In addition to the fact that business spending increases before consumer spending, production starts to rise while prices continue to be the same. (The U.S. Bureau of Labour Statistics' index of wholesale price lags behind the Federal Reserve Banks' index of industrial production by four months). This lag at the beginning of developmnt can be explained by the fact that those who are in a position to place new orders can obtain usually favourable terms from firms eager to fulfil them. Orders, moreover, can be easily handled by the existing working capacity, and with the increase in sales, overhead cost per unit of output is lowered.

2. — With the rise in new orders, and a rapid expansion of orders and production, the price level begins to move upward in the later stages.

3. — The timing and rate of increase in prices vary with different groups of commodities. Wholesale prices begin to rise sooner for raw materials than for semi-manufactured and finished goods. The relatively early and rapid rise in the prices of raw materials, which are important components in the fabrication of a wide variety of goods contributes greatly towards the spread of price rises throughout industry and trade.

4. — The upswing in prices is cumulative. On the one hand, increased costs of materials are passed down from the higher to lower stages of production – although at a lower rate as we come closer to the finished product. On the other hand, business firms desiring to build up inventories at a time when prices are expected to continue their rise for some time, increase their orders from suppliers. The rising demand by buyers strengthens the ability of sellers to command higher prices.

5. — The increase of orders, production trade and prices in the early stages greatly intensifies business confidence. As the spirit of optimism begins to envelop the business community, there is a greater readiness to undertake commitments. New firms continue to come into existence.

4. — *Employment, Payrolls and Consumer Expenditures.*

The increase in business activity releases greater volume of consumer purchasing power. The statistical data show that, first, there is a rise in the number

of hours worked by wage earners, then in factory employment, and finally in factory pay rolls. Average weekly earnings increase little in the early stages (not until the late stages of expansion does this manifest its greatest rate of increase).

5. — *Interest Rates, Profits and Security Prices.*

1. — The ample cash resources of banks, the legacy of stagnation, permit the expansion of loans at relatively low interest rate. The lowest level of short-term interest rates is reached one or two months after the "take-off". Call money rates rise earlier than commercial paper rates, largely because of the early increase in stock market activity.

2. — Long-term interest rates (as measured by yields on high-grade railroad bonds) continue their downward trend during the first two stages of the expansion. Only after the expansion is well under way, does pressure to increase long-term interest rates begin to make itself felt.

3. — Profits, as measured by the net income of manufacturing corporations, move up sharply in the first stages. This sharp rise is the result of a marked increase in production and rates, the lag in the rise of overhead costs, such as rents, and interest rates, as well as in prime costs like wages and freight rates. These factors are more than sufficient to overcome the adverse influence on profits arising from the fact that raw material prices move upward faster than prices of finished goods.

4. — The favourable showing of profits in the first stages is reflected in the upward surge of industrial and transport stock prices – the rates of increase being greater than at any other stage of development. As we mentioned earlier, bond prices show the maximum increase in the first stage while shares tend to lag behind. In fact, this reflects the increased demand for funds and in part greater confidence of investors, as the development plan proceeds, especially the more conservative type not yet lured by the rising curve of stock prices.

LIMITATIONS DURING THE "TAKE-OFF" PERIOD

1. — *Physical limitations.*

1. — As development continues, overhead costs begin to climb. The expansion of plants and introduction of new equipment at higher construction costs, as well as the renewal of contracts on less favourable terms as leases expire or bonds become due, result in an upswing of overhead costs. The change in overhead costs take the form of higher interest rates, rents and enterpreneurial salaries.

2. — While the index of factory employment moves up steadily from stage 2 through stage 5, the index of factory payrolls, which maintains the same average monthly rate of increase as employment in stages 1 and 2, rises much swifter during the remainder of the expansion phase. The relatively greater climb in payrolls than in employment is due to the increase in number of hours worked per week, and to greater hourly payment. Average hourly earnings show the greatest rise in stage 5.

3. — The fund of efficient labour decreases as the expansion gathers momentum, and the personnel hired tends to be less efficient.

4. — Marginal firms find conditions favourable for entering anew on the scene. Less efficient producers add to the increasing demand for labour and materials, and the increase in the supply of goods they furnish the market with makes it more difficult to raise selling prices sufficiently to compensate for the increasing costs.

5. — Managerial ability becomes more scarce.

6. — All of these factors result in the rise of the labour cost per unit of output. Statistical evidence on the increase of labour cost per unit of output in the course of development is far from satisfactory. The use of hourly wage rates as a measure of changing labour costs may be misleading since the physical output per man-hour, or productivity, varies during the different stages of development.

7. — More important than the effects of wage changes on the earnings of business firms may be the shifts in cost of materials. In many manufacturing industries, the cost of goods purchased is at least twice as large as wages, and the ratio may even be greater for wholesale and retail trade. Especially significant is the fact that buying prices encroach upon selling prices in particular industries and firms. Even though profits as a whole continue to rise, the narrowing of profit margins in certain segments of the economy is of considerable importance.

2. — *Monetary limitations.*

1. — Business expansion is accompanied by an increasing volume of bank credit loans and discounts having reached their maximum monthly average in stage 2, more or less maintain this high rate through stage 5, but at a declining rate.

2. — Changes in individual deposits of national banks follow rather closely those of loans and discounts, with wider amplitude of fluctuations for the former than the latter. The sharpest rate of increase in total deposits is in stage 2. For the stages 2 to 5, the average monthly increase of deposits is much lower .

3. — Short-term interest rates lag by a number of months behind the rise in bank loans and bank deposits. In other words, for a considerable time, there is a sizeable expansion in the volume of bank accommodations without any jump in rates charged on loans for commercial and industrial use. But when short-term interest rates increase, they do so at an accelerating rate.

4. — Call money rates begin to climb in stage 2. By the time stage 4 is reached, the average monthly increase is more than three times that of stage 2 and in stage 5 five times as great. Commercial paper rates do not begin to rise until stage 3, but each succeeding stage of expansion shows a monthly rate of increase that is three times that of the preceeding.

5. — Interest rates charged to customers exhibit a much lower amptitude of fluctuations than commercial paper, but follow a similar pattern of change – they begin to climb in stage 3 and treble their rate of increase in the remaining stages.

6. — Despite this jump in the cost of loans, the demand for accommodations from banks continues to rise at a steady pace. Inelasticity of demand for short-term loans is based on the judgment of business-men that the higher costs can be absorbed, for a time at least, by greater sales at higher prices.

7. — The augmented requirements for currency in circulation tend to decrease the reserve ratios of the banks and thus reinforce the influence of rising deposits on reserve ratios. The reserve ratios begin to decline in stage 2, double its average monthly drop in stage 3, and in the succeeding stages of expansion show rates of decline that are about twice as large. This weakening in the cash position of banks is accompanied after a time by the steady upswing in short-term interest rates.

8. — Long-term interest rates fall during stage 3, start climbing in stage 4, and advance rapidly in the following stages. Bond prices move inversely with long-term interest rates.

SUMMING-UP:

Identifying the Take-Off Process with the Aid of Business Indicators.

We have seen that the establishment of a theory of development is based upon opinions of contemporary literary sources. Our enquiry is based on the question: Can more objective measurements be established which would not lend themselves to different interpretations arising from the ambiguity of descriptive terms ? With the use of available numerical data, it would seem feasible to derive measures showing the rate of increase (or decrease) of business activity as the process of take-off unfolds. By means of a "representative" statistical series it should be possible to determine the amplitudes as well as timing of the economic waves which constitute the structure of the "take-off" transformation period.

Unfortunately, the straightforward objective of studying the process of development with the aid of statistical measures is beset with many difficulties. Only a small fraction of the available data that might be used (i.e. relevant to the process of development of the now advanced countries) extends as far back as the last quarter of the nineteenth century. The United States in this context provides economic series on a monthly basis. But there as well as in Europe the greatest progress has been made only since World War I. In other words, too late for guidance to the underdeveloped countries of today.

Even for the U.S.A. in which there is a certain abundance of materials, it is difficult to select series which can satisfactorily meet the requirements of an index of aggregate economic activity. Since the aim is not to forecast but to study past processes, two desiderata must be met by quantitative measures :

i) They must furnish objective critieria for the timing of the various phases during the process;

ii) measures of the amptitude of the expansion of the indicators must be typical of that of aggregate economic activity.

Even then, the institutional setup in most underdeveloped countries differs materially from that prevailing in the U.S.A., or other developed countries during their take-off period. The existence of a money market where movements in interest rates, for instance, can be taken as indicators of monetary stresses is doubtful in many countries. Indicated wage increases during the take-off period may not take place where a reservoir of unemployment exists, and so on. However, the indicators help in pointing out probabilities of trespassing outside the permissible region of the stage of development. When an indicator rises in an organized market, it signifies a certain pressure on the relevant variables. Given similar causes these variables would be subject to pressure, whether they are in an organized market or otherwise. The outcome of such pressure may of course vary.

On the whole a system of following-up the path of development should be elaborated particularly in a planned economy. This is the only alarm system to the possibility of working against market forces and existing institutions.

ON THE IMPORTANCE OF MARKETING MANAGEMENT IN EGYPT

By

HARPER W. BOYD, JR., and ABDEL AZIZ EL SHERBINI (*)

It has been typically thought that marketing is of greater importance in a mature industrialized country than in one less well developed. Of the countless research studies conducted on the economic development of underdeveloped countries, one is hard pressed to find any that pay real attention to the subject of marketing (1) One reason for this neglect is that most economists hold a rather narrow view of the meaning and significance of marketing. By marketing the authors refer to all ... "those activities necessary to place tangible goods in the hands of household consumers and industrial users, excluding only such activities as involve a significant change in the form of goods."(2) When so viewed it would seem that marketing has a vital role to play in the development of an underdeveloped country and that failure to recognize such will inevitably produce certain important problems.

Marketing, in a very real sense, is the very essence of a business firm. In considering this view we have only to consider the specific purpose of a business firm. On this subject Peter Drucker states:(3) "If we want to know what a business is we have to start with its *purpose* and its purpose must lie outside of the business itself. In fact, it lies in society since a business enterprise is an organ of society. There is only one valid definition of business purpose: *to create a customer.*"

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(1) For example, one United Nations' report in discussing the obstacles to industrialization in underdeveloped countries discusses marketing under the heading of "market inadequacy" and concludes that this is a "deterrent to the expansion of local manufacturing." See United Nations, *Processes and Problems of Industrialization in Under-Developed Countries*, 1955. Note particularly pp. 11-13.

(2) Charles F. Phillips and Delbert J. Duncan, *Marketing* (Homewood, Illinois: Richard D. Irwin

(3) Peter F. Drucker, *The Practice of Management* (New York: Harper and Brothers Publishers 1954), p. 37.

From such a statement of purpose or objectives it follows that marketing must be the basic and dominant force within the firm since *the market* determines not only the existence of the firm, but its character as well. Thus, the primary responsibility of business management is to produce for the market.(1) Marketing also serves as the co-ordinating force within a business since ... "functions such as product design, pricing and engineering development must *start* with a clear understanding of the customer situation as it relates to these areas. This market-place understanding can eliminate much of the time an executive spends in reconciling plans for each function of the business because they have not been prepared with a previously understood common objective."(2)

A major error committed by many business managers is to substitute the word "selling" for marketing. To be sure selling is apart—and an important part—of marketing, but the latter "is not only broader than selling, it is not a specialized activity at all. It encompasses the entire business. It is the whole business seen from the point-of-view of its final result, that is, from the customer's point of view. Concern and responsibility for marketing must therefore permeate all areas of the enterprise."(3)

In Egypt the production or technical function is typically regarded as the major activity of management. Engineering is a high status occupation and is the usual training ground for top management. Marketing, on the other hand, is frequently associated with the work of the individual trader who is held in low regard because his services are thought of as being non-productive. Thus, in most Egyptian firms the concept of producing for the market is seriously lacking. There is little awareness that the firm has the responsibility of being market oriented. This, in the view of the authors, results in a considerable waste of scarce resources — something that no country can afford.

It is the purpose of this paper to describe and evaluate the role played by marketing management in the Egyptian economy and the impact of this role on the country's progress over the next several years. Through such an investigation the authors hope they will contribute to a greater understanding of and appreciation for the importance of marketing management in the economic development of Egypt. It is probably not possible in the short run for Egyptian

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(1) There are, in reality, five different markets; the domestic consumer market, the export consumer market, the domestic industrial market, the export industrial market, and the government market. Thus, marketing deals with the ways in which a firm strives to serve any combination of these five markets.

(2) Fred J. Borth, "The Marketing Philosophy as a Way of Business Life", *American Management Association,. Inc.*, Marketing Series No. 99, 1957.

(3) Drucker, *op. cit.*, pp. 38-39. Also see T.A. Staudt, "Business Management as a Total System of Action and the Role of Marketing, "in E.J. Kelley and William Lazer, *Managerial Marketing* (Homewood, Illinois: Richar D. Irwin, Inc., 1958) p. 8.

managers to develop a market oriented way of looking at the administrative process through which they manage new firms. The production or engineering point of view is so strongly held that only through time will any change be manifested and then, only after the individuals have experienced the need. Further, there is a great shortage of experienced marketing men in Egypt. Thus, few organizations have a man who can help management put into action the marketing concept.

THE MARKETING ORGANIZATION IN EGYPTIAN COMPANIES

As noted earlier, the production function is dominant in most Egyptian companies. This can be readily seen by examining their organization charts. A sales department, headed by a sales manager, is typically present in the larger companies. The manager's primary concern is to serve as a contact with wholesalers who often take over most of the functions of marketing management. In some companies the purchasing, selling, and store-keeping activities are combined in one department which is usually called the "commercial department". With but few exceptions the sales manager or the commercial manager is at a lower management level than the production manager. Rarely is the marketing man ever promoted to a high management position. Very few of the top executives in established Egyptian companies started their career in marketing or have had any experience in this field.

In deciding upon investments in new facilities or the development of new products, Egyptian management makes very little use of the marketing concept. As a consequence, many new enterprises have been set up with production resources which are not "in tune" with the requirements of the market. For instance, investment decisions in new plants are often made without an accurate estimate of the size of the present market, or of the market potential. Emphasis is usually placed on import statistics which often do not reflect the absorbtive capacity of the domestic market. Time series of import statistics relating to numerous commodities have usually shown remarkable inconsistency from one year to another. It has been seldom possible to infer a trend line from available data. Import statistics at best seem to reflect the volume of import licences granted by the government in any year, which in turn is affected by state policy regarding the allocation of foreign exchange resources.

During the initial stages of starting a business the management group is almost exclusively preoccupied with production. Marketing problems are relegated to the "post-operative phase". Usually the starting management group does not even include a sales manager. For example, in the Nasr group of new firms, attention has been given primarily to the production, finance, and control func-

tions, with little regard to the sales function. The position of the "commercial manager" is usually left vacant until production commences. As a general rule, there have been few instances where a marketing plan was prepared to launch the new product in the domestic market.

This lack of a marketing plan on the part of new firms can only lead to a policy of trial and error. This is evidenced clearly in the frequent changes which most new companies have had to make in terms of their major marketing policies. The case of El Nasr Television Company presents a dramatic illustration in this respect. This company made sweeping changes in its distribution policies in a very short period of time. For instance, the company switched from a policy of selling through twenty agents in the Cairo Area, to a policy of assigning the entire task of distribution to a leading department store, with several branches in Cairo and all over the country. The selection of the agents was not based on objective criteria, and because of some unethical practices on the part of few agents, the company decided to change the entire policy of distribution.

In view of the change in its distributive policy, the company made some basic changes in its service policy. As the department store was not in a position to install or repair TV Sets, the company was forced to open up service stations at important centres like Cairo and Alexandria. However, the geographic expansion of the Company's distributive network made the company seek once more the help of agents in small towns and rural areas. It is also doubtful that Company's service stations in the major cities will be able to cope up with increasing demand for installation and repair services resulting from increased TV ownership.

It is not possible in an article such as this to suggest an organizational structure which will help insure that the firm is, indeed, market oriented. As noted earlier marketing must permeate the *entire* organization. Further, each firm's organization will be unique in that it must follow the firm's plan of action whereby it hopes to obtain its stated objectives.(1) It is, however, possible to make some general observations regarding the relations between the marketing department and the other departments within the firm, as well as the organization of the marketing department itself.

Functions of Marketing Department:

The marketing department should perform certain basic functions. At the very minimum these must include responsibility for personal selling, adver-

(1) For more detail regarding the setting of objectives and the formulating of plans, see Lyndall F. Urwick, *The Elements of Administration* (New York: Harper and Brothers, 1943). Also see Theodore Levitt, "Marketing Myopia", *Harvard Business Review*, July-August, 1960 and Edward T.P. Watson, "Diagnosis of Management Problems", *Harvard Business Review*, January-February, 1958.

tising, marketing research, selection of and relations with channels of distribution, pricing, packaging, customer relations, physical distribution (warehousing and transportation), product planning, and finished goods inventory. This long list of functions to be handled by the marketing department will unquestionably be challenged by Egyptian management since the typical Egyptian company rarely assigns more than sales and advertising to its sales department. The other functions, where performed, are assigned elsewhere or are handled alternately by a variety of individuals. And yet if the firm is to produce for the market there is no alternative but to group together those functions which have to do with producing the right product at the right time at the right price in the right quantities.

Those individuals who are specialists in interpreting market demand (as well as the changes in demand) and who must sell the product must have the opportunity to make those decisions which determine whether a sale is made. The functions enumerated above are all mutually interdependent and a change in one will typically affect the other. For example, the decision to produce a product of superior quality will affect the amount and type of advertising, the kind of personal selling required, and so on. Thus, from an integration point-of-view, these functions should be grouped under a single department. (1)

Unfortunately, this interdependence of marketing functions has not been fully understood by Egyptian management. As mentioned above, the decision of El Nasr Television Company to sell exclusively through a leading department store, has had an immediate bearing on its service policy. Similarly, the decision of El Nasr Bicycles Company to sell its products in an assembled form, made it possible to use department stores as outlets together with other shops. Such stores did not in the past wish to handle imported bicycles, since they lacked the facilities for assembling and repairing bicycles. A large installment-selling retail store which has been very successful in mass merchandising home appliances, failed to achieve satisfactory results in the marketing of furniture. Buying habits and motives for furniture in Egypt seem to have a unique set of characteristics and therefore require a marketing mix different from that used for home appliances.

Lazo and Corbin suggest that the marketing department be organized into three main divisions: planning, sales, and service (2) *Planning* would include the "development of policies and programs, the establishment of standards for measurement, the coordination and development of the product line, and the integ-

(1) For a further discussion of the need and logic of integrating and coordinating various marketing activities or functions, see Albert W. Frey, "The Effective Marketing Mix", *Amos Tuck School of Business Administration*, Dartmouth College, Hanover, New Hampshire.

(2) Hector Lazo and Arnold Corbin, *Management in Marketing*, (New York: Mc Graw-Hill Book Company, Inc., 1961) pp. 112-21.

ration of marketing plans within the department and in company as a whole." (1) *Sales* would include all the activities concerned with the sales force (selection, training, control, and evaluation), the channels of distribution, and advertising. The *service* area would include certain housekeeping activities, forecasting, and marketing research. There seems little reason why this three-fold division would not be applicable to many Egyptian companies.

Planning and Marketing Research:

Planning is obviously essential to the successful operation of any business and plans must be based on facts. Thus, if the firm is to serve well its defined market, its planning must start with facts about the market. While both the concept and the techniques of marketing research are relatively unknown in Egypt there exists, in readily available form, a vast body of literature about this subject. (2)

Marketing research becomes increasingly important as the locus of decision making is shifted further and further away from the market. No longer can casual contacts with the market suffice for obtaining information on which to base decisions. The widening separation of the decision maker from the market is becoming increasingly true in Egypt due to the growth of larger firms, the establishment of super economic organizations to supervise the activities of firms, and the capital rationing decisions made at the ministry level.

Marketing research should provide a continuous flow of factual information about the needs of the market to the decision makers. Such data about the market are vital to the development of optimum products; the choice of channels of distribution; the size, type, and duties of the salesforce; and the selection of advertising copy and media. Sales forecasting is an important function of the research department. There are many other kinds of information which marketing research can obtain but it should be kept in mind that, by definition, marketing research is research on *any phase of marketing* and is not restricted to any given types of marketing problems. (3)

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(1) *Ibid.*, p. 113.

(2) For example see Harper W. Boyd, Jr. and Ralph Westfall, *Marketing Research* (Homewood, Illinois: Richard D. Irwin, Inc., 1956); James H. Lorie and Harry V. Roberts, *Basic Methods of Marketing Research* (New York: McGraw-Hill Book Company, Inc., 1957); American Marketing Association, *A Survey of Marketing Research*, Chicago, Illinois, 1959, and Henry Bund and James W. Carroll, "The Changing Role of the Marketing Function", *Journal of Marketing*, January, 1957, p. 275.

(3) For an interesting list of specific marketing research functions performed by companies in the United States, see Richard D. Crisp, "Marketing Research Organization and Operation", Research Study 35, *American Management Association*, New York, 1958, pp. 48-52.

Relationship of Marketing Department to Other Departments Within the Firm:

From the above section it follows that marketing provides a vehicle for effecting coordination within the total firm. Thus, for example, the marketing department should provide top management with a forecast of sales which, in turn, becomes the basis for planning the firm's activities for some specified period of time and, ultimately, of course, the firm's budget. Sales forecasting is a management tool which has not yet been accepted by many Egyptian firms. The rationale which is used to excuse this lack of planning is that the firm is operating in a seller's market and, thus, is reasonably sure that its total production will be sold. Further, many firms operate under the assumption that the size of the market is given. Even those companies who have competition appear to have little desire to increase their market share. Management makes little use of forecasting even in deciding on investments in new facilities or the development of new products and, as a consequence, the establishment of new firms with a production capacity far in excess of the needs of the market is not atypical.

Marketing and manufacturing are, of course, intimately related since the former should be in the best position to provide information regarding what the market wants or needs and in what quantities. Coordination between these two departments can be effected through the use of such specialists as production coordinators and sales engineers. In the United States many large companies have assigned the responsibility for production scheduling to the marketing department. Such is not recommended for Egypt, but it is urged that production work closely with specially trained marketing personnel to develop the optimum production schedule for the firm's line of goods.

Marketing is also tied closely with finances and accounting. These activities have the important task of providing management with quantitative control data dealing with costs, profits, and return on investment. Further, certain cost data will help marketing determine whether certain efforts are producing the desired results.

But most important, marketing must help top management set its objectives, plan its long range activities: build an organization to accomplish its plans, and control and reappraise the activities of the total firm. (1)

We turn now to a more detailed examination of the primary functions of the marketing department: product development, channels of distribution, and sales promotion (advertising and personal selling).

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(1) For a case study of a firm regarding its adjustments to the market see Robert J. Keith, "The Marketing Revolution", *Journal of Marketing*, January 1960. Also see Watson, *op. cit.*

PRODUCT DEVELOPMENT

Industrialization in Egypt can be viewed as literally one large scale continuous process of product development. The selection of new products to produce, the building of the required plant, the installation of the necessary machinery and manufacturing processes, the financing of the new venture (including the obtaining of foreign exchange), the selection and training of new personnel — both management and workers, and the sale of the new product are some of the more important decisions involved in product development. Few companies to date have engaged in product research of any magnitude. Nor is product research conceived of as a continuous responsibility of management.

When producing a new or altered industrial product, management must make certain that the firm's customers are using processes and equipment which can accommodate the "innovation" *or* that the value of the innovation is sufficiently great to the customer to warrant his making the required adjustments. This concept is especially important to a country like Egypt who is attempting to industrialize rapidly and who is importing machinery and processes from a variety of sources. For example, one factory was set up to produce a synthetic fiber and after the factory was built was it determined that the present spinners and weavers did not have the machinery required to handle efficiently the new fiber.

As noted earlier, marketing has practically no say in what little product development is done since such an activity is thought to be the exclusive responsibility or production or engineering personnel. Before any new product is scheduled for production marketing should provide a sales forecast and approve the final product. Marketing should not be forced to sell a product which it does not feel is "right" for the market. This implies that during the conception and gestation periods of product development that marketing personnel will work closely with engineering and/or production to determine the specifications for the new product.

In Egypt most firms are followers and not leaders in product development and typically look abroad for new product ideas and standards. Product imitation is an easy substitute for originality and can divorce product design and development from the needs of the local market. For instance, the design and development of Egyptian made refrigerators has been greatly influenced by American and European designs, with little regard to the needs of the domestic market. Egyptians usually shop daily for a fresh supply of vegetables and fruit. Consequently, there seems to be little need for a dehydrator. The refrigerator seems to be important for the storage of left-over foods, and for providing ice and cold water. Shelf space for butter and eggs may not be in great demand. On the hand, an ice water faucet may be desirable.

Product development must rely on a knowledge of the needs of the market; however, in Egypt there is little communication from the market to the firm and frequently what is available is distorted since many firms rely heavily on wholesalers to carry out the marketing of their products. (1) This feedback function should be one of the prime responsibilites of salesmen who sell technical products. They should provide the channel of communication to and from the market and must keep the firm apprised of the changing technology and manufacturing processes which are being contemplated by the firm's customers.

Most local firms are protected from foreign competition either through an import embargo or extremely high duties. This protection is understandable since the government must conserve its foreign exchange holdings and also protect its young industries. But, as a consequence of this protection, the firm is relieved from market pressures regarding product development and improvement. It has frequently been suggested that the government permit small quantities of foreign goods to enter as a means of providing the local producer with at least a minimum of quality competition. Certainly in the long run the lack of minimum product quality and product development will provide serious barriers to those firms who wish to export a portion of their output.

CHANNELS OF DISTRIBUTION

In Egypt little attention is paid to the concept that the buying habits and motives of the market dictate the choice of channels of distribution. Rather, a policy is followed of starting at the other end of the line. Thus, wholesalers and/or agents are selected who are permitted to decide to whom they will sell. It is most unusual for a firm to work with their wholesalers in selecting and selling the next level of institutions in the distribution process and set standards for their performance. Rather the usual procedure is to delegate to the wholesalers the marketing job en toto.

After products are produced they must, of course, be distributed to the final user. To accomplish this a number of functions must be performed including handling, storing, shipping, delivering, providing credit, breaking bulk (that is, buying in large quantities and selling in small lots), providing credit, promoting, and selling. Unfortunately, Egyptian managers have to date shown little concern or even awareness, regarding the alternative ways in which these functions can be performed most efficiently. Thus, a firm always has the option of performing

(1) For a list of things to do before introducing a new product, see the publication entitled "Check List for the Introduction of New Consumer Products", U.S. Bureau of Foreign and Domestic Commerce, Economic Series No. 41, U.S. Government Printing Office, Washington, D.C., 1946.

all or part of these functions itself versus having them done by middlemen. Too frequently wholesalers or agents are given the total distribution assignment without a proper evaluation of whether the firm can perform the required functions more efficiently. Wholesalers have responded to this lack of concern by concentrating primarily on the physical distribution functions.

Egyptian management must determine the precise functions which will be performed by the various middlemen and then assess the value of the services rendered. This implies that the marketing component of the company's overall plan has been constructed taking into account exactly what must be done to distribute and sell the firm's output. Thus, the marketing plan would specify what retailers were needed, what size and assortment of inventory they should carry, what promotion was expected, what credit they needed, what kinds of wholesalers were required to service their needs, what training of their salesmen was required, and so on. The cost of the optimum distribution plan using middlemen could then be compared against the cost of the firm doing the job itself. Typically, one would expect to find a mixed distribution system in which the firm performed certain functions while middlemen perform the others.

It is true, of course, that wholesalers have occupied historically a strong, if not dominant position, in the marketing structure of Egypt. (1) This position was obtained as a result of their strong financial resources which made it possible for them to frequently delay or make difficult the entry of a local product into the market. The bargaining position of the domestic producer versus the wholesaler has been recently enhanced owing to the tariff. Even so, most firms have been all too eager to find one or more wholesalers to whom he will delegate the entire marketing job.

SALES PROMOTION

Egyptian management rarely believes that sales promotion can expand the domestic demand for a given product. The size of the market is assumed to be fixed and subject to change only due to population increases. Yet there is evidence to the contrary; for example. the demand for shoes, soap, and similar items has increased; and ceramics, plastic products, home appliances, furniture, bicycles, and ready-made shirts appear to have a substantial potential. The adaptation of some items to local tastes has resulted in increased sales; for example, such was true with a small stove for making Turkish coffee and a low-priced electric refrigerator.

(1) This has been true in other underdeveloped countries. See William H. Nicholls' "Domestic Trade in an Underdeveloped Country—Turkey", *The Journal of Political Economy*, December, 1951.

Personal Selling: Only a few of the larger companies employ a sales force and these sell such items as sweets, groceries, drugs, and cigarettes. A small sales force is used by most companies who sell to wholesalers since the latter are expected to "phone-in" their orders. Practically no companies employ salesmen to work with wholesalers and help them do a better job.

Those firms who do employ salesmen rarely employ objective recruiting and selection techniques. Few even have a job description. Usually a person gets to be a salesman only after he has served as an assistant salesman (a part-time occupation) for several years. There is little formal training of salesmen and control of their activities centers around salaries and expenses. Little attention is paid to the establishment of effective sales territories or to standards (quotas) by which to evaluate their efforts.

Advertising: Management typically regards advertising more as a public relations device than as a force which will activate sales. What little advertising is done is of the direct action type. There is almost no concept of using advertising to build demand for a product over a long period of time.

It has frequently been thought that advertising can be used to expand demand; that is, to change the position of the demand curve. The increase in the sales of a product may come as a result of non-users entering the market or from present users being induced to buy more of the product. In a country with expanding production and with a greater number of individuals coming into the effective market advertising should present certain sellers with an opportunity to "educate" certain groups on the value of their product. Assuming that the copy claims for the product or service to have integrity, then advertising can be thought of as an educational device which, if the product has merit, has a high probability of increasing its acceptance and sale through making more individuals aware of its existence. (1)

Brand preference of "pull" advertising is not usually regarded as feasible in Egypt because of the strength of the channels, the almost total lack of impulse buying, the fact that many products are sold unbranded and unpackaged, the lack of uniform quality, and the lack of media suitable for national advertising.

Uusually the advertising function is assigned to the public relations or the sales departments. Advertising budgets are not determined in any systematic way and the decision as to how much to spend frequently rests with a non-marketing executive. Rarely is advertising integrated with the sales activities of the

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(1) See Neil H. Borden, *The Economic Effects of Advertising* (Homewood, Illinois: Richard D. Irwin, Inc., 1942).

firm. (1) It is interesting to note that for a number of leading Egyptian advertisers, the largest item in the advertising budget is assigned to "give-aways" such as calendars, desk sets, etc. Such "give-aways" are usually bulked on certain occasions, like the New Year, Bairam, Christmas, and the like. Public relations advertising is also restricted to specific occasions, such as Independence Day and similar holidays. Thus, these activities have little or nothing to do with the sales plans of the firm.

SUMMARY AND CONCLUSIONS

The management of most Egyptian companies underestimate the importance of marketing and conversely, magnify the importance of the production function. Management fails to look to the market to determine what product in what amounts to produce with the result that all too frequently there is a misallocation of resources from the standpoint of the total economy. Because of the "have not" nature of the economy this failure is not taken too seriously by many, although most business executives will admit that such must be overcome when the firm attempts to sell in a foreign market.

It is understandable why many, if not most, management groups pay little attention to the market and why the primary concern is with physical distribution. In the absence of multi-firm industries and because of the lack of foreign competition, most firms are *not compelled* to produce for the market.

The lack of a marketing concept and its resultant impact on organizational structure deprives the firm and the economy of demand stimulation which could provide greater consumer satisfaction and perhaps more incentive to work in order to purchase the new products. What little attempt is made to stimulate demand is dissipated largely through failure to employ proper and adequate sales promotion activities.

Perhaps the most serious lack of marketing management lies in product development. The whole process of industrialization may be in reality viewed as a large-scale process of product development. Consequently, the ultimate success of domestic manufactures will depend to no small portion upon their ability to determine what the market wants and when.

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(1) For a discussion of ways of setting advertising budgets see Joel Dean, *Managerial Economics* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1951), pp. 349-394.

QUELQUES REMARQUES SUR LA NOTION DE L'ACTE JURIDIQUE EN DROIT CIVIL

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INTRODUCTION

L'étude de l'acte juridique apparaît dans la doctrine française, mais d'une manière incomplète, ne permettant pas de remplacer la théorie des obligations des exegètes par celle de l'acte juridique. Il en est de même, à plus forte raison, dans la doctrine égyptienne relativement limitée.

En vérité, la théorie de l'acte juridique n'est apparue dans la doctrine française qu'après la promulgation du code civil allemand. Ce code a réglementé législativement la théorie de l'acte juridique comme elle apparaissait dans les études antérieures des juristes allemands.

Nous n'avons pas l'intention, dans ces remarques, de faire une étude complète de la théorie de l'acte juridique, nous nous contenterons de tenter l'analyse de sa notion.

L'acte juridique est généralement défini ainsi: "la volonté déclarée qui a pour but la production des effets juridiques". Les auteurs distinguent deux sortes d'actes: l'acte unilatéral (ils l'appellent volonté unilatérale) et l'acte bilatéral, le contrat; ils considèrent le contrat "le type même de l'acte juridique". Ils trouvent qu'en principe il faut au moins deux personnes pour passer un acte juridique, car "la plupart des actes juridiques sont des contrats, c.à.d. des accords de volontés entre diverses personnes". (1)

Cette division de l'acte juridique se heurte, à notre avis, à deux objections:

1. — La première objection est tirée de la définition même de l'acte juridique; la définition dominante en fait une volonté (déclarée). Cette définition suppose (*a*) que l'acte juridique est une seule volonté (*b*) que l'essence de cet acte est la volonté elle-même. Dans un contrat il y a certainement plus qu'une seule volonté, l'essence du contrat réside dans l'accord des volontés (2). On ne peut pas identifier la nature de la volonté et celle de l'accord entre plusieurs volontés. C'est pourquoi certains auteurs ont changé la définition de l'acte juridique d'une manière qui évite cette objection (3).

(1) Planiol, Ripert & Boulanger t I No. 278 Voy. aussi Josserand t 1 No. 128.

(2) Planiol, Ripert & Boulanger t II No. 34: Colin & Capitant par Juliot de la Morandière t II No. 12.

(3) Planiol, Ripert & Boulanger t I No. 275: Bonnecase, celui-ci le définit "un acte de volonté unilatérale ou bilatérale" suppl. de Baudry t II p. 251.

2. — La deuxième objection se rencontre dans l'impossibilité de la détermination des éléments du contrat en tant qu'acte juridique, revêtant l'unité qu'implique sa conception. (*a*) Il en est ainsi de l'objet ou la cause; la doctrine classique en parlait comme éléments du contrat(1). Mais la doctrine moderne constate qu'il y a plusieurs objets et causes dans un même contrat. Elle les range parmi les éléments de l'obligation, ce qui est inacceptable, car les conditions ne peuvent être exigées que dans le fait qui constitue la cause efficiente de certains effets juridiques et non pas dans les effets que produit cette cause. L'objet et la cause doivent être considérés des éléments de l'acte juridique qui est la source des obligations et non pas dans ces obligations. Les auteurs modernes persistent, cependant, à étudier l'objet et la cause dans la théorie du contrat, le justifiant par des raisons pratiques(2). La véritable raison est que, ni le contrat, ni l'obligation ne peuvent avoir d'objet ou de cause. Ce qui peut en avoir, c'est l'acte juridique conçu comme une seule volonté. L'objet et la cause sont plusieurs dans un contrat unique, ils sont aussi nombreux que les volontés qui forment ce contrat, c.à.d. les actes juridiques qui le composent. Ce point de vue est le seul qui concilie le départ logique des classiques (en considérant l'objet et la cause objet et cause du contrat) avec la constatation évidente des modernes (multiplicité des objets et causes dans un seul contrat).

b) La même difficulté existe dans la théorie des vices du consentement: Tout le monde reconnaît que ces vices sont des vices de la volonté, on met le mot consentement comme synonyme du mot volonté. Cependant, quand on définit le consentement on dit que c'est "l'accord de volontés" (3), cet accord ne peut jamais être vicié d'un des vices de la volonté; erreur ou crainte. Le défaut ne réside pas seulement dans le domaine de terminologie; mais à cause de cette conception unitaire du contrat, les auteurs essayaient de déterminer l'effet des vices sur le consentement en tant qu'accord de volontés, et font une distinction entre les vices qui empêchent le consentement d'exister et ceux qui ne l'empêchent pas(4). En vérité, le vice atteint la volonté et non pas le consentement, il doit avoir toujours un même effet sur cette volonté. C'est l'opinion qui paraît être admise par les auteurs modernes (5), le code civil allemand a adopté cette solution (6).

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(1) Voy. par ex. Aubry & Rau t IV § 342: Gaudemet, Théorie des obligations p. 92

(2) Voy. Alsanhoury Théorie du contrat No. 152.

(3) Gaudemet, obligations p. 34.

(4) Voy. Laurent t 15 No. 484, pour lui l'erreur substantielle cause la nullité relative seulement parce qu'elle "n'empêche pas le consentement d'exister, il y a concours de volontés donc il y a consentement".

(5) Planiol, Ripert, & Boulanger t II No. 52.

(6) Saleilles, Déclaration de la volonté p. 34.

La vraie notion de l'acte juridique

Il paraît que la cause de ces difficultés réside dans l'identification de la nature de l'acte unilatéral et celle du contrat, comme deux types d'une même chose; l'acte juridique. Cette identification a provoqué les essais de trouver, dans les éléments du contrat, l'unité qui permet de le présenter comme rival de l'acte unilatéral.

L'acte juridique, d'après la définition dominante est *UN* acte de volonté destiné à produire des effets de droit. Il faut le concevoir toujours ainsi, même s'il est destiné à contribuer à la construction d'un édifice juridique complexe; un contrat (ou toute autre convention) qui exige le rassemblement de plusieurs volontés. Chacune de ces volontés ne perd pas son autonomie comme acte juridique. La construction nouvelle, le contrat, n'est pas un être simple, unique, qui se crée par la confusion de toutes ces volontés, elle est un être complexe, composé de ces volontés restées autonomes. Le contrat est donc un composé d'actes juridiques.

La conception de l'acte juridique qui en fait un acte nécessairement unilatéral se fonde sur la force de la volonté unilatérale comme source d'effets juridiques, ce que nous soutenons. Mais nous admettons que le contrat reste à être le moyen prépondérant des transactions. Il nous faut alors montrer le véritable rôle de l'accord de volontés dans le contrat. Nous étudions sommairement ces deux questions dans deux chapitres successifs.

CHAPITRE PREMIER

LA VOLONTÉ UNILATÉRALE, SOURCE D'EFFETS DE DROIT. L'ACTE JURIDIQUE, UNE SEULE VOLONTÉ

Il nous faut soutenir l'opinion de ceux qui défendent la volonté unilatérale comme source d'effets de droit, surtout la création des obligations. Nous y voyons le type même de l'acte juridique.

La théorie de la volonté unilatérale est récente; les auteurs classiques du droit français ne connaissaient des sources volontaires des obligations que le contrat (ou la convention en général). L'accord de volontés des parties dans le contrat, non les volontés elles-mêmes, est la source des effets de droit. C'est pourquoi un acte juridique, chez les classiques, n'a d'autre sens que le contrat. Planiol représente parfaitement cette doctrine en limitant les sources des obligations aux seules deux sources de force égale: la loi et le contrat. La doctrine classique donne, ainsi, à la volonté la même valeur d'un pur fait tandis que l'accord entre deux ou plusieurs volontés (le contrat) est aussi puissant que la loi en ce qui concerne la production des effets de droit. En verité, cette attitude envers la volonté unilatérale est la méconnaissance la plus flagrante du principe de l'autonomie de la volonté que les classiques prétendent défendre.

La doctrine classique est influencée par les traditions romaines qui refusaient le principe de l'engagement unilatéral. Cependant, le droit romain a connu exceptionnellement deux cas d'engagement unilatéral, celui du vœu (ou engagement envers Dieu) et celui de pollicitation (engagement envers une cité) Ces deux exceptions ne soutiennent pas, il est vrai, une conclusion que l'engagement unilatéral existait en droit privé romain, mais elles prouvent cependant que sous la pression des besoins pratiques, ce droit, dût en arriver (sous l'empire) dans certains cas à dispenser l'offre d'acceptation et à lui faire produire effet par elle-même(1). Les juristes romains ne rencontraient aucun obstacle pour satisfaire aux exigences pratiques par des solutions adaptées, grâce au caractère spécial de leur doctrine, qui en faisait le serviteur de la pratique. Ils evitaient les théories générales qui caractérisent l'œuvre de la doctrine moderne, et qui, par leurs règles rigides, mettent des entraves à de telles solutions (2).

Nous ne contestons pas que l'élaboration des théories générales est une qualité de la doctrine moderne, seulement la révision de ces théories doit être faite toutes les fois qu'elles s'avèrent inaptes à répondre à tous les besoins pratiques, afin d'en trouver les termes exacts. La théorie qu'il faut réviser, en notre cas, est la théorie de l'acte juridique; l'adoption de l'engagement unilatéral est, en fait, une attaque à la théorie actuelle et un renouvellement complet (3).

La théorie de l'engagement unilatéral est introduite dans la doctrine française il y a plus d'un demi-siècle, cependant elle n'a pas attiré assez de partisans(4). Ceux qui la soutiennent ne le font que pour quelques applications en réfutant, en même temps, son principe et son fondement logique. Nous croyons que la cause de cette contradiction est le maintien de la conception classique du contrat. En tout cas nous constatons que les adversaires de la théorie n'ont pas pu démentir ses arguments que nous exposons sommairement, ainsi que les réponses des adversaires et nos remarques:

Arguments pour la volonté unilatérale.

1. — En vertu du principe de l'autonomie il faut reconnaître à la volonté le droit de se lier toute seule. Il ne faut pas craindre que le créancier ait un droit sans son consentement car, malgré la naissance de ce droit par la seule volonté du débiteur, son acquisition par le créancier est conditionnée par l'acceptation de celui-ci.

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(1) Worms, La volonté unilatérale thèse Paris 1891 p. 80 et s.

(2) Monier, Manuel du droit romain t I No. 73 & Arangio Ruiz Cours de doctorat Le Caire 1947.

(3) Alsanhoury, Théorie du contrat No. 185.

(4) Par Saleilles dans son ouvrage sur les obligations en droit allemand & Worms dans sa thèse précitée.

2. — Si ce n'est pas la volonté elle-même qui est la source des effets du droit, on ne peut pas concevoir comment son accord avec une autre peut produire ces effets.

3. — Le besoin pratique qui nécessite l'engagement unilatéral dans quelques cas, (p. ex. offre obligatoire).

4. — L'accord de volontés dans le contrat est souvent fictif ou présumé.

Arguments contre la théorie.

Planiol était à la tête des adversaires, il réfute ainsi ses arguments:

1. — Une obligation ne se conçoit pas sans créancier ayant le droit de l'exiger, si celui-ci existe et accepte l'obligation, l'accord de volontés se réalise et on est en présence d'un contrat. On ne peut pas distinguer la naissance d'un droit de son acquisition.

2. — La reconnaissance du pouvoir absolu de la volonté pour la création d'une obligation implique la reconnaissance de son pouvoir pour la révoquer.

3. — Les effets qui naissent dans un contrat sont le produit de deux volontés des parties fondues dans un dessein unique.

Nos remarques.

Les arguments contre la théorie sont, à notre avis, faciles à combattre:

— On ne peut refuser le pouvoir de la volonté pour la création des effets juridiques que sous l'influence d'une certaine conception de l'obligation; la conception purement subjective. Cette conception du droit personnel présente le lien entre deux personnes comme l'essence du droit de créance, ce qui n'est pas exact. La notion même de ce droit éveille à l'esprit l'idée d'une certaine valeur qui représente l'intérêt que le créancier peut obtenir du débiteur. Cette valeur est l'essence du droit, le lien entre le créancier et le débiteur n'est que le moyen de réalisation de cette valeur, et n'est pas, donc, l'essence du droit (ex. un lésé par un fait fautif a un droit à la réparation envers l'auteur de la faute, l'essence de ce droit ne peut pas être le lien, ceci n'étant que le moyen de l'obtention de la valeur qui répare le dommage). Cette conception matérielle du droit, qui en fait une valeur pécuniaire avant d'être un lien entre personnes, élimine la première objection et permet d'accepter la distinction entre la naissance du droit et son acquisition. Il y a un cas où cette distinction est reconnue incontestablement: c'est le cas du droit du bénéficiaire d'une stipulation pour autrui, ce droit se crée avant même que le bénéficiaire l'accepte, c.-à-d. l'acquiert.

Il ne faut pas croire qu'il soit possible de révoquer absolument l'engagement unilatéral, car cette croyance se base sur une négligence complète des facteurs sociaux et juridiques qui aboutissent à l'irrévocabilité de la volonté; la déclaration de cette volonté ou son accord avec une autre volonté.

La troisième objection se base sur une confusion entre le contenu de la volonté déclarée c.à.d. juridique, et l'opération psychologique qui détermine cette volonté déclarée. Il n'y a aucun doute que toutes les circonstances, y compris la volonté d'une autre partie s'il s'agit d'un contrat, participent à la formation de la volonté déclarée, mais sans contredire tout de même que celle-ci est la source des effets juridiques.

Cet exposé résumé nous permet de conclure que la théorie de la volonté unilatérale reste intacte malgré les oppositions qu'elle rencontre dans la doctrine. "La reconnaissance de l'engagement par promesse unilatérale se presente *prima facia* comme une conséquence fort naturelle en soi de l'autonomie de la volonté telle que la recommande l'organisation sociale moderne(1)" Un argument pour la théorie est fourni par ses adversaires qui admettent l'engagement unilatéral dans certains cas exceptionnels, en la repoussant en principe, ce qui est une contradiction évidente(2).

La portée réelle de la théorie.

Si la doctrine moderne n'accepte l'engagement unilatéral qu'en tant qu'exception dans certains cas, imposée par la nécessité pratique, ce qui est contradiction, comme nous l'avons déjà dit, les partisans de la théorie tirent de l'admission du principe même de la théorie ses conséquences nécessaires. Ils considèrent la volonté unilatérale, la source des obligations dans tous les cas, même dans un contrat; "ce que dans un contrat... apparaîtra comme essentiel, ce n'est plus la rencontre et l'échange des volontés, c'est chacune de ces volontés considérée isolément"(3). Ceci équivaut à dire que la volonté unilatérale est l'acte juridique.

Il ne faut pas croire, cependant, que l'admission du principe de l'engagement unilatéral aboutisse à l'exclusion du contrat du domaine des transactions comme l'ont pensé certains adversaires de la théorie de la volonté unilatérale. Nous constatons que le contrat occupe une place manifestement plus importante que la place de la volonté unilatérale, et dans la pratique et dans la législation (le code allemand montre cette importance dans son art. 305). Nous ne le contestons pas, ce que nous exigeons, c'est de reviser la théorie du contrat pour faire apparaître sa conception vraie qui écarte toute contradiction entre l'engagement unilatéral et le contrat.

(1) Gény, Méthodes d'interprétation et sources du droit privé positif t II Nos. 172 et s. p. 156, 2ème éd.
(2) Chabas, La déclaration de la volonté, thèse Paris 1931 pp. 168-169.
(3) Worms, thèse précitée pp. 87 et s.

CHAPITRE DEUXIEME

ROLE DE LA VOLONTÉ CONCORDANTE AVEC D'AUTRES VOLONTÉS. LE CONTRAT, COMPOSÉ D'ACTES JURIDIQUES

Le contrat, d'après la doctrine, est le type même de l'acte juridique. Les auteurs n'étudient pas la volonté unilatérale qu'accidentellement dans l'étude du contrat. Les lois s'occupent, dans la plupart de leurs textes, de la réglementation du contrat. Il en est ainsi en droit égyptien (art. 89 et s.), en droit français et même en droit allemand (art. 145-157 et art. 305-361 qui traitent du contrat en général).

Le maintien du contrat avec l'admission du principe de l'engagement unilatéral nous paraît évident, mais il faut réfuter la notion actuelle du contrat, pour la remplacer par sa notion vraie qui permet ce maintien, ce que nous essayons dans les deux sections suivantes:

SECTION PREMIERE

LA NOTION DU CONTRAT DANS LA DOCTRINE, CRITIQUE

Le contrat est l'accord de deux ou plusieurs volontés, cet accord est considéré par les auteurs comme un acte juridique. Ceci exige que le contrat soit un seul être représentant l'unité qu'inspire le mot "acte". Les auteurs ne l'ont pas dit expressément, mais on peut en trouver des indices:

1. — Les auteurs font de l'accord des volontés la source des obligations des parties, cet accord ne peut pas l'être pour les deux parties sans être une entité nouvelle distincte des volontés mêmes, et résultant de la fusion de ces volontés.

2. — On parle des éléments du contrat; un consentement, un objet et une cause, d'une manière qui reflète la conception unitaire du contrat. On parle aussi de l'essence, de la nature et de la qualité propre du contrat.

Hauriou traduit la pensée traditionnelle sur la notion du contrat, en le comparant avec ce qu'il appelle l'acte complexe qui n'est pas un contrat, il dit "il y a là dedans (dans l'acte complexe) des phénomènes de consentement puisque ces actes successifs sont des décisions, mais *il n'y a pas fusion subjective des consentements* (ce qui existe dans le contrat)... Il n'y a pas concours de consentements à un même acte subjectif."(1) Duguit explique les phrases de Hauriou en disant "Le contrat est un acte juridique *un* parce que les deux volontés s'accordent, se coordonnent et *se fondent en un dessein juridique unique*"(2).

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(1) Principes du droit public 2ème éd. 1916 pp. 163 et s. (aussi pp. 143-146).

(2) Traité du droit constitutionnel t I No. 37 p. 378.

Nous inclinons à croire que cette conception du contrat n'est acceptée que sous l'influence des exegètes. Ceux-ci avaient comme point de départ le texte de l'art. 1108 c.civ.fr. qui énumère les conditions des conventions. Avec quelques retouches à ce texte, ils disent qu'il exige: le consentement, l'objet et la cause comme éléments de la convention. Pour déterminer l'objet de la convention, les auteurs sont arrivés à des résultats incompréhensibles; Aubry & Rau disent que l'objet d'un contrat de vente est la chose vendue, le prix ne l'est pas, il est un élément de l'essence du contrat mais non pas son objet. (1) Ainsi, il devient impossible de déterminer l'objet d'un contrat d'échange.

Les auteurs ont rencontré un échec plus flagrant dans la détermination de la cause du contrat. Un tout petit nombre d'auteurs ose défendre l'idée.(2) Nous avons déjà signalé les difficultés qui naissent de la tentative de l'unification du consentement, élément du contrat.

Les auteurs modernes constatent la multiplicité des objets et des causes dans un même contrat, ils en font des éléments des obligations et non pas du contrat. Ils maintiennent, cependant, la conception traditionnelle du contrat, en gardant l'unité de l'élément consentement. En vérité, cette unité est assez fragile, pour soutenir une conception simpliste du contrat; elle n'est que superficielle, les vices du consentenent sont des vices des volontés, vices de chaque volonté dans le contrat.

Ce désordre dans la notion du contrat a poussé certains auteurs à entrevoir sa véritable notion. Ils déclarent que les prétendus éléments du contrat ne sont que les éléments de la volonté visant la production des effets juridiques c.à.d. les éléments de l'acte juridique. (3)

Pour les partisans de l'engagement unilatéral, le contrat n'est que "la somme de deux déclarations de volonté unilatérales, la force de chacune d'elles n'est pas due à l'accord mais à l'émission de cette volonté"(4). Cette analyse du contrat en deux actes n'exclut pas la nécessité de l'accord entre une offre et une acceptation; pour les partisans de la volonté unilatérale l'acceptation n'est pas la cause de l'engagement de l'offrant, elle est seulement une condition pour opposer l'offre à celui qui l'a émise. Ils detruisent, avec raison, la conception dominante du contrat, parce qu'elle est une conception fausse. (5) Nous nous rangeons à leur opinion.

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(1) t IV No. 342.

(2) Bufnoir, Propriété et contrat p. 534: Savatier Cours de droit civil t II No. 135 in fine.

(3) Bahgat Badawy, Théorie du contrat Nos. 47-48.

(4) Worms, thèse précitée pp. 185-190.

(5) Worms, thèse précitée p. 191.

SECTION DEUXIEME

LA CONCEPTION PLURILATÉRALE DU CONTRAT

Comme nous admettons la force de la volonté unilatérale, nous soutenons la conception du contrat que professent ses partisans. Le contrat se compose de deux ou plusieurs actes juridiques distincts, il n'est que le lien entre ces actes (1).

Certains ont cru que ceci signifie que chacune des obligations des contractants soit douée d'une vie autonome.(2) En vérité, l'interdépendance qui se trouve entre les obligations nées des actes composant le contrat, et qui se révèle de l'analyse des volontés constituant ces actes, cette interdépendance lie la création et la destinée de ces obligations. En fait, aucun des arguments ne peut détruire la valeur de la conception plurilatérale du contrat. Il nous reste à déterminer le rôle du consentement, c.à.d. l'accord entre les volontés, dans le contrat. Ce rôle se borne, à notre avis, à réaliser l'irrévocabilité des effets de l'acte juridique, c.à.d la volonté qui contribue à former un contrat. L'auteur de cet acte ne peut pas revenir sur sa promesse après l'accord de sa volonté avec celle de l'autre contractant. Il faut dire que la germe de cette irrévocabilité naît dans la volonté même de l'auteur de l'acte. Dans cette même volonté on peut chercher si l'irrévocabilité des effets visés par elle soit retardée jusqu'à l'accord avec une autre volonté ou qu'elle se réalise aussitôt par la seule déclaration de la volonté.

Il est curieux de constater, enfin, que cette conception du contrat aboutit à réduire les cas de l'engagement unilatéral au sens classique, aux seuls cas de l'offre obligatoire et la fondation. Ce sont les seuls cas où on ne peut pas trouver chez l'auteur d'un acte l'intention de ne pas s'obliger définitivement jusqu'à l'accord avec une autre personne.

Définition de l'acte juridique.

D'habitude, on définit ainsi l'acte juridique: "une déclaration de volonté qui a pour but la production des effets de droit". C'est plus exact de dire que l'acte juridique est la volonté elle-même et non pas sa déclaration. Aussi faut-il rappeler toujours que l'acte juridique est un être juridique qui ne peut pas exister en dehors des règles obligatoires du droit. C'est pourquoi nous préconisons une définition de l'acte, qui tient compte de ces observations, en présentant la volonté comme l'essence de l'acte juridique et en faisant apparaître son caractère légal. Nous suggérons la définition suivante : L'acte juridique est "la volonté d'un effet juridique, déclarée et conforme au droit qui reconnaît la production de cet effet", nous n'avons pas négligé, on le voit, la déclaration de la volonté.

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(1) Rapprochez Ihering, Esprit du droit romain t IV pp. 194 et s.
(2) Chabas, thèse p. 156.

La conception unilatérale de l'acte juridique nous oblige de rester toujours dans le domaine de la volonté unilatérale pour déterminer les conditions de formation de l'acte, et par conséquent, de rester dans ce même domaine pour chercher les causes de la nullité, celle-ci étant le résultat du défaut de l'une ou de toutes ces conditions.

La nullité d'un acte lié par un ou par d'autres actes dans un contrat, entraîne la non formation de l'accord entre ces actes, c.à.d. la non formation du contrat et chacun des actes juridiques reste révocable. Le défaut d'accord qui signifie la non formation du contrat n'a pas pour seule cause la nullité de l'un ou de tous les actes juridiques qui composent le contrat. Il peut se réaliser par exemple dans le cas où l'offrant rétracte conformément au droit son offre, avant l'acceptation de l'autre partie. Dans ce dernier cas le contrat ne se forme pas et les effets des actes ne se produisent pas, mais on ne peut pas songer à la nullité pour expliquer cette absence d'effets. La non formation du contrat est une chose distincte de la nullité qui atteint l'acte juridique. Il paraît que le droit allemand, qui admet la conception unilatérale de l'acte juridique(1), fait cette distinction entre la disparition de l'acte juridique par suite de sa nullité et la non formation du contrat qui peut être une conséquence de cette disparition, (art. 154-155).

On peut trouver dans la doctrine une acceptation de ce que nous soutenons, acceptation qui n'est empêchée d'apparître et d'être précisée, à notre avis, que sous l'influence de la pensée classique. Certains auteurs sentent le besoin de qualifier la volonté elle-même en cas du vice de l'acte juridique, mais ils ne la qualifient pas de nullité, ils la qualifient de "viciée" (2) ou d'"inopérante" (3) en réservant le qualificatif "nul" dans son sens technique, au contrat.

Les travaux préparatoires du code civil égyptien révèlent l'intention du législateur de rester dans les cadres classiques de la conception de l'acte juridique. Mais nous ne croyons pas cependant que notre conception soit contredite dans ce même Droit, parce que nous basons cette conception sur les principes admis par la majorité de la doctrine et de la jurisprudence et auxquels le nouveau code civil égyptien a adhéré.

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(1) Le Balle, Influence de la technique de l'obligation volontaire sur le concept de la volonté autonome en droit égytpien, Egypte contemporaine 1935 p. 334.

(2) Elsanhoury, Théorie du contrat, p. 350.

(3) Bahgat Badawy, Le contrat, pp. 145-146: Voy. Chafik Chehata Obligations, No. 26, il la qulifie de "non efficace".

LE COTE JURIDIQUE ET L'ASPECT ECONOMIQUE ET MORAL DE LA CORRUPTION

par

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I. — Introduction :

On peut affirmer que l'étude, en matière de corruption, de la Législation, de la Doctrine et de la Jurisprudence Egyptienne, c'est-à-dire au point de vue théorique et pratique, sera utile en Droit Egyptien et en Droit Français. Ce qui m'a persuadé à examiner un sujet de Droit Egyptien et à le rédiger en langue française, pour qu'il soit toujours sous les yeux des Juristes Egyptiens après avoir été passé par le contrôle et l'appréciation des pénalistes français dont l'expérience sera d'une grande utilité. (1)

Dans ce travail, dans lequel nous ne prétendons pas avoir tout examiné, nous avons plutôt évoqué les difficultés que pose ou que doit poser une étude sur la corruption, faite tant au point de vue théorique et doctrinal qu'au point de vue pratique et jurisprudentiel. Chaque difficulté peut à son tour constituer l'objet d'une étude plus approfondie et plus développée.

Nous nous sommes efforcés de préciser plutôt l'orientation et le but d'une législation que de rechercher ses détails, d'essayer d'en dégager son esprit que de présenter une réglementation. Quel jugement peut-on porter sur la législation? Sur l'ensemble de cette réglementation, une réforme serait peut-être souhaitable, tendant à protéger la société avec plus d'efficacité contre le vice de la corruption, dans le but de réaliser l'épuration des mœurs publiques.

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(1) Voir Nos. 288, 290, 293, 295, 298 de l'Egypte Contemporaine, où nous avons présenté en grande ligne la notion de la corruption, et l'intérêt de son étude. Après cette étude très générale sur la matière nous sommes entrés dans les détails de notre oeuvre en abordant le fond même de cette étude.

Je n'ai pas suivi un plan scolaire ou didactique, mais un plan plus scientifique tiré du fond du sujet. Mon intention n'a jamais été d'entreprendre un examen de tous les aspects de la question. Je me borne à traiter ce qui est nécessaire au but de mes recherches et suivant les limites que j'ai tenu à leur imposer. J'ai simplement voulu essayer de préciser exactement la notion de la corruption et de traiter quelques problèmes qui méritent une étude approfondie

Mon plan consiste à envisager successivement l'étude la corruption en genéral et l'infraction de la corruption proprement dite. Enfin en guise de conclusion je me propose de présenter une critique personnelle concernant la législation égyptienne tirée de l'étude de ce sujet. C'est l'objet de cet article.

2. — *Le côté juridique de la corruption* :

Les textes de la loi du 19 Février 1953 ont-ils atteint le but qu'ils se proposaient ?

En réalité, l'étude de la corruption, telle qu'elle est prévue par notre droit pénal, nous a révélé des imperfections nombreuses et graves.

Aussi, nous nous proposons d'examiner les critiques sur les dispositions, aussi bien que les réformes qui doivent être apportées dans sa répression.

3. — *Critique des textes* :

Il existe deux façons de faire la critique, en premier lieu, au point de vue formel et en deuxième lieu, au point de vue de la réglementation répressive.

4. — *Critique de forme* :

Comme il a été dit, le troisième chapitre du deuxième titre du Code Pénal est intitulé "de la corruption", alors que ce titre englobe en outre des infractions autres que la corruption, comme par exemple le trafic d'influence et la contrainte par voies de fait ou menaces lesquelles doivent être écartés de ce chapitre pour en faire l'objet d'un autre chapitre.

De même, le législateur a traité la corruption de fonctionnaires publics en tant qu'une infraction contre la chose publique et il engloba dans ce même chapitre la corruption des employés.

Or, le délit de corruption d'employés n'est qu'un délit contre les particuliers, Donc, il doit être porté parmi les dispositions du troisième titre du Code pénal relatif aux infractions contre les particuliers. La législation a ainsi agi à propos du péculat ou soustraction des deniers publics qui est prévu dans le deuxième titre après la corruption des fonctionnaires publics et il a classé cet acte, s'il est commis contre les particuliers, dans le troisième titre parmi les infractions du vol, de l'escroquerie et de l'abus de confiance.

Il ne suffit pas d'agir comme le législateur français qui a modifié le titre du chapitre en le qualifiant "de la corruption des fonctionnaires publics et des employés des entreprises privées." (Article 4 de la loi du 16 Février 1919).

Il est préférable de ne pas toucher au nom du titre, ce qui a fait, avec raison, la loi égyptienne No. 69 du 19 Février 1953.

Le rédacteur du Code pénal international a agi plus scientifiquement en classant la corruption des fonctionnaires publics dans le premier chapitre intitulé "Infractions des fonctionnaires publics contre l'administration publique" du deuxième titre relatif aux infractions contre l'administration publique, dans les

articles 633, 634, 672 et 673. Tandis qu'il a introduit l'article 960 relatif à la corruption de l'employé dans le troisième chapitre concernant les infractions contre l'industrie et le commerce du VIIIe Titre consacré aux infractions contre l'économie nationale.

Quoiqu'il en soit, on doit classer la disposition relative à la corruption des employés parmi les textes des infractions contre les particuliers. Ce sera, nous pensons, plus logique.

5. — *Critique de fond* :

Si le but de la modification des textes de corruption le 19 Février 1953, comme l'a déclaré la note explicative de la loi No.69, était d'aggraver la répression, de combler les lacunes et de remédier à la carence qui existait dans le Code pénal et déjà critiquée par les pénalistes, il faut admettre que le législateur égyptien a erré en plusieurs cas. Par exemple, il a considéré comme corrompu le fonctionnaire public qui se laisse corrompre pour accomplir un acte qui est en dehors de sa compétence tant qu'il prétend que cet acte soit de sa compétence. Cet acte ne menace l'Etat d'aucun péril puisque le fonctionnaire n'a pas agi compétemment. Cette infraction peut constituer un délit d'escroquerie si ces éléments se réunissent. Mais on ne peut pas englober cette incrimination parmi les faits constituant la corruption. Il faut toujours poser la ligne de démarcation entre les divers délits en différenciant les traits essentiels qui les distinguent les uns aux autres. Il faut délimiter le domaine d'application de chaque délit d'après sa nature même. Cette solution n'a pas été adoptée et avec raison par le législateur français.

Mais le problème le plus intéressant, c'est celui qui concerne l'aggravation de la répression.

6. — *Critique de la peine* :

Le législateur français depuis la loi de 1945 a prévu une peine correctionnelle pour l'infraction de corruption des fonctionnaires publics. Par contre, le Code pénal égyptien a édicté une peine criminelle trop lourde, en appliquant les travaux forcés à perpétuité. Quelle est, parmi ces deux tendances, la solution la meilleure ? Certainement la tendance égyptienne est plus adaptée avec le but de la répression qui est la lutte contre la corruption. Les continuateurs de Garçon ont déclaré que : "Nous reprochons à l'ordonnance du 1945 d'avoir maintenu la correctionalisation de la corruption. Ce fait si grave aurait dû conserver son caractère criminel". Mr. Maurice Parin a admis que la corruption est une des plaies du siècle. Elle doit être sévèrement réprimée. Combien m'apparaissent néfastes - dit-il,-les lois et ordonnances qui ont transformé en simple délit ce crime si funeste à l'ordre social. (1)

(1) Patin (Maurice) : "*Revue de science criminelle et de droit pénal comparé*, 1949, p. 576.

Mais il faut se demander si l'aggravation de la pénalité a-t-elle atteint le but qu'elle se proposait. Pour répondre à cette question, on doit faire recours au nombre des affaires de corruption. En d'autres termes, on doit examiner les statistiques. On doit comparer les infractions de corruption commises avant la loi du 19 Février 1953 et celles commises après cette loi. C'est l'œuvre des rapports de l'administration de la sécurité publique de l'Egypte.

De l'étude des rapports des années 1952, 1953, 1954, 1955 et 1956 on constate que les infractions de corruption commises dans l'année 1952 sont au nombre de trente-deux, (1) et que ces infractions dans l'année 1953 ont augmenté d'une manière considérable; elles sont montées au chiffre de cent quatre vingt trois(2). C'est une progression grave. C'est une augmentation terrifiante comme l'a déclaré le rapport de l'état de la sécurité publique en 1953. C'est une augmentation de 572%. Mais le chiffre des affaires de corruption a baissé en 1954 au nombre de 172, (3) et qu'il est resté stationnaire en 1955 (4) Il a baissé également en 1956 au nombre de 160. (5)

RAPPORT

DE L'ADMINISTRATION DE LA SÉCURITÉ PUBLIQUE SUR L'ÉTAT DE LA SÉCURITÉ EN ÉGYPTE

Années	*Nombre des affaires*
1952	32
1953	183
1954	172
1955	172
1956	160

Il résulte que l'aggravation de la répression n'a pas réalisé son but de lutter avec une main de fer contre la corruption.

Il faut chercher les causes de cette augmentation. Il faut expliquer pourquoi le chiffre de la corruption a progressé après la modification édictée par la loi No. 69 du 19 Février 1953.

Bien sûr, ce n'est pas l'aggravation de la peine qui est le seul moyen efficace de lutter contre ce danger.

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(1) Voir le rapport de l'administration de la sécurité publique sur l'état de la sécurité dans l'année 1952 : 14e paragraphe intitulé "la corruption" de la troisième section du 1er Chapitre de la Première Partie, Page 50.

(2) V. le rapport de l'année 1953, p. 69.

(3) V. le rapport de l'année 1954, p. 57.

(4) V. le rapport de l'année 1955 (publié en Février (29) 1956) p. 2 et p. 41

(5) V. le rapport de l'année 1956, p. 3 et p. 36.

Il faut aller plus loin pour déceler la cause réelle de cette progression. C'est l'objet de l'étude de l'aspect économique et de l'aspect moral de la corruption.

7. — *Aspect économique de la corruption* :

Quelle est l'étendue de l'efficacité de la peine de la corruption? C'est une peine trop grave, mais son efficacité n'est que relative. Quelles sont les raisons de ce phénomène? Pour les mettre en évidence, il faut examiner le facteur économique.

D'abord, il est nécessaire de connaître le coût de la vie qui comprend toutes les dépenses indispensables d'une famille en considération du genre de vie qu'elle mène suivant son rang social. On doit donc avoir recours aux statistiques pour savoir dans quelle mesure le coût de la vie a augmenté :

Majoration	*Indice de coût* (Base 100 en 1939) (1)
en Décembre 1952	274
en Décembre 1953	289
en Décembre 1954	298
en Décembre 1955	301

Quelle est donc la cause de cette augmentation?

Nous sommes obligés maintenant de toucher au phénomène de l'inflation des prix en comparaison à la majoration des salaires.

La fonctionnaire qui se laisse corrompre est, la plupart des fois, victime de ses besoins d'argent et est la plupart des fois poussé par les nécessités de la vie à cause de la cherté des prix et de la diminution du pouvoir d'achat de son traitement. Les appointements ne peuvent pas couvrir ses nécessités à cause du coût de la vie. La valeur de la monnaie (on dit aussi son pouvoir d'achat) par rapport aux marchandises et aux services dépend évidemment de leurs prix, elle augmente quand ces prix diminuent et inversement. On la définit en disant qu'elle correspond à l'inverse de l'indice général des prix, ses variations sont les inverses de celles de l'indice des prix. Si l'on étudie les statistiques de l'évolution des prix en Egypte, on s'aperçoit que les prix sont en augmentation constante. La deuxième guerre mondiale a donné aux difficultés causées par la hausse des prix une acuité beaucoup plus préoccupante. (2)

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(1) Revue économique publiée par la Banque Nationale d'Egypte "Section des Statistiques", 8e Tome 1955, p. 280, 281, 358 et 359.

(2) Reboud, *Précis d'Economie Politique*, collection Dalloz, Tome I, 1953. pages 521 et s.,

Cette étude ne peut pas s'étendre aux causes de la hausse des prix et de l'inflation. C'est une question de pure économie politique. Mais il faut admettre que les prix montent en flèche avec toutes les fâcheuses conséquences que leur hausse entraîne.

Et lorsque le coût de la vie augmente, comment peut-on refuser aux masses laborieuses le relèvement des salaires qu'elles réclament d'une façon menaçante et parfois violente?

Mais il s'agit d'un cycle infernal. A chaque majoration de salaires correspond invariablement une augmentation du coût de tous les produits nécessaires à la vie. (1)

Il est constant que depuis les dernières guerres, les prix montent, mais les salaires aussi sont en hausse. Mais il y a aussi le phénomène de l'inflation qui a un effet néfaste sur la valeur d'échange de la monnaie par rapport aux marchandises, car comme on le dit communément, son pouvoir d'achat a diminué. En d'autres termes, les trois phénomènes, celui de la hausse des prix avec son corollaire de la hausse de salaires, tous deux dus à l'inflation sont mutuellement influencés à cause de leur dépendance réciproque.

Aussi, nous sommes amenés à étudier le facteur monétaire. L'inflation est un processus cumulatif de hausse des prix dû à un désajustement des flux monétaires et des flux des produits réels. L'émission excessive des billets de banque qui diminue leur couverture *or* est suivie du phénomène de la dépréciation du papier monnaie d'où résulte la hausse générale des prix et parfois le dédoublement des prix.

Alors on peut conclure, en admettant qu'à la suite de l'inflation, qui est la cause de la diminution du pouvoir d'achat de la somme d'argent payée au fonctionnaire public à titre d'appointement ou à l'employé privé à titre de salaire, ceux-ci se trouvent poussés par les nécessités de la vie de devenir plus vulnérables aux propositions alléchantes de la corruption.

A ces considérations il faut ajouter aussi un autre phénomène économique qui caractérise l'Egypte à l'instar des autres Etats. C'est que le revenu général est trop bas. D'après les statistiques, le revenu de chaque individu en Egypte ne dépasse pas les L.E. 39 par année, tandis que le revenu moyen en France est de L.E. 239, en Angleterre de L.E. 284, aux Etats-Unis de L.E. 799. (2) L'Adminis-

(1) V. les statistiques de l'évolution des salaires dans l'ouvrage des Reboud, *Précis d'économie politique*, collection Dalloz, Tome II, 1953. p. 446,

V. l'article de Robert Goetz Girey, publié dans la *Revue d'Economie Politique* 1953, No. 3, intitulé "Salaires et inflation depuis la seconde guerre mondiale", c'est un rapport au Congrès des économistes de langue française fait le 18 Mai 1953.

(2) V. le rapport de l'administration de la sécurité publique de l'année 1954, p. 1.

tration de la Sécurité Publique en Egypte a cru qu'elle pouvait se baser sur ce phénomène pour expliquer l'augmentation des affaires de la corruption (1). De même, elle a invité les personnes compétentes à demander à l'Etat d'appliquer des mesures tendant à relever le niveau de la vie en Egypte (2), qui aura comme résultat de prémunir les gens enclins à commettre ce genre d'infraction à raison des causes sociales existantes actuellement.

8. — *Aspect moral de la corruption* :

Le droit pénal est une science qui fait partie du groupe des sciences sociales qui étudient l'homme vivant en société, mais qui l'envisagent de points de vue différents. Cependant, il existe forcément entre elles des points de contact nombreux, à cause de l'unité de leur objet, qui est l'homme social; ces points de contact sont particulièrement nombreux entre le droit pénal et la morale. Celle-ci est ordinairement définie : la science du bien. Elle comprend les règles de conduite qui, à une époque déterminée et chez un peuple également déterminé, sont tenues pour obligatoires par la très grande majorité des individus, de sorte que toute violation de ces règles entraîne une réprobation générale chez les membres de la société. Elle est formée par ce fond d'idées sur le bien et le juste qui se retrouve dans les consciences individuelles et qui constitue, peut-on dire, la conscience commune d'un peuple.

Or, à cause de deux guerres mondiales qui ont sévi sur l'humanité, la morale est en décadence. Nous vivons sous le régime d'une crise de moralité. C'est une crise qui peut justifier dans une certaine mesure l'augmentation de la corruption. Alors, il faut admettre qu'il y a le facteur moral qui influe sur l'efficacité de la répression en matière de corruption.

Sans doute, les lois sont très utiles contre ces diverses corruptions, mais elles sont le plus souvent impuissantes et il est nécessaire que les mœurs publiques, honnêtes, droites et loyales, les appuient, les sanctionnent. On disait autrefois: "Que valent les lois sans les mœurs et la conscience des peuples!"

"Quid leges sine moribus!"

Cette maxime est toujours vraie, aussi bien dans le siècle présent que dans les âges disparus. Si les lois sont utiles pour maintenir l'ordre et l'harmonie au sein des sociétés civilisées, les mœurs publiques sont encore les meilleurs soutiens et les grandes assises des peuples qui veulent vivre libres et prospères. Mr. Guizot a donc très justement dit que :

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(1) V. le rapport précité, page 58.

(2) V. le Journal Al Ahram, du 10 Août 1955, l'article de mon confrère, l'avocat Mtre Gamal el Outaifi.

"Les lois puisent plus de force dans le cœur et la conscience humaine que dans leur pénalité" (1).

9. — *Le seul remède*

Dans ces conditions, peu importe qu'une peine criminelle soit lourde ou qu'une peine correctionnelle soit légère. Cette tendance d'aggraver la répression ne serait pas, croyons-nous, suffisante pour empêcher ou tout au moins diminuer les cas de la corruption.

Nous pensons qu'en notre matière plus qu'en toute autre, peut-être, il est absolument nécessaire de recourir à ce que Ferri appelle avec l'école positiviste italienne "les substituts de la peine", c'est à dire les moyens préventifs. Les mesures préventives sont les seuls moyens de réprimer la corruption. Il faut que l'Etat tienne compte du facteur économique, c'est à dire qu'il faut élever les traitements des fonctionnaires publics, il faut augmenter les salaires des employés en Egypte et enfin il faut prendre des mesures économiques qui tendent à élever le niveau de la vie en augmentant le revenu global de l'Egypte. Ces mesures aboutiront à pousser les agents d'avoir une meilleure conduite et d'échapper à la tentation du vice de la corruption, car ils ne seront pas oppressés par le besoin. Ils auront à cœur de sauvegarder leur dignité sociale.

De même, il faut tenir compte de l'élément moral, c'est à dire de prendre des mesures qui auront comme but d'améliorer la moralité des individus. Mais comment faut-il agir pour le relèvement qui aura comme résultat le progrès moral? Ceci est de la compétence du Ministère des Affaires Sociales.

Nous terminons, en concluant, que les moyens préventifs que nous venons d'examiner rapidement sont susceptibles, sans doute, de donner de bons résultats, néanmoins ils ne sauraient représentr que quelques aspects d'un système général de prévention.

Les lois ne suffisent pas cependant à fonder la morale d'un peuple. L'aggravation de la répression édictée par le législateur ne suffit pas à lutter contre la corruption.

En réalité, le principal, croyons-nous, réside toujours dans les moyens préventifs. Cela est indiqué par le résultat des statistiques.

10. — *La corruption sera en diminution croissante* :

En agissant ainsi, on pourra assurer à la moralité publique une défense adéquate qui aura comme résultat qu'un jour viendra, sans nul doute, où les infrac-

(1) Bourgeois (Charles), *op. cit.*, p. 169 et s.

itons de corruption diminueront sensiblement pour ne pas prétendre à trop d'optimisme en assurant qu'elles disparaîtront totalement.

La corruption qui, de nos jours, s'est développée de façon anormale, est une gangrène de la moralité publique. C'est particulièrement en ces moments de crise morale que la loi sur la corruption trouve son meilleur emploi, elle agit en chirurgien qui écarte par l'ablation le membre malade mais l'on n'est pas sûr que cette façon guérira le corps. Il faut plutôt appliquer la cure préventive aux fins d'éviter une maladie soit corporelle, soit sociale.

C'est donc la tâche du Ministère de l'Economie Nationale, du Ministère des Affaires Sociales et des associations économiques et sociales de prendre des mesures en vue d'améliorer l'état économique de l'Egypte, de relever la moralité publique de notre pays.

Ainsi, grâce au facteur économique en constante amélioration et à l'élément moral, la corruption sera, sans doute, en diminution croissante. C'est le but de ces mesures. C'est l'espoir de tous.

En concluant finalement je dois répeter ce qu' a déclaré Michel de l'Hospital:

"Celui qui tâche à s'enricher par vils gains, de riche de biens, deviendra pauvre d'honneur. La marchandise est chère que l'on achète avec perte de gloire"(1).

(1) Harangue an Parlement de Rouen. Déclaration de la majorité de Charles IX, 17 août 1563.

ACTUALITÉS

LES PROBLÈMES DU DÉVELOPPEMENT ECONOMIQUE

Deuxième Congrès DE L'ASSOCIATION INTERNATIONALE DES SCIENCES ECONOMIQUES

Vienne (Autriche)

(30 août - 6 septembre 1962)

PARTICIPATION:

Ce Congrès fait suite à celui organisé à Rome, en 1956. Y sont invités tous les membres des associations nationales affiliées à l'Association Internationale. Un droit d'inscription de dix dollars permettra aux participants de recevoir les rapports du Congrès, qui seront à leur disposition à Vienne, mais ne seront pas distribués en avance.

PROGRAMME:

Le Congrès aura pour objet l'étude des problèmes du Développement Economique. Il y aura deux sessions plénières, ouvertes à tous les participants, l'une au début, le jeudi 30 août 1962, l'autre à la fin, le jeudi 6 septembre 1962. Dans l'intervalle le Congrès sera divisé en quatre sections, de façon que le plus grand nombre possible de participants ait l'occasion de prendre part effectivement aux discussions. Les quatre sections prévues traiteront des sujets suivants:

Section 1: Les facteurs du développement économique.
Président: le Professeur E.A.G. Robinson.

Section 2: L'industrialisation et les méthodes d'accroissement de la productivité.
Président: le Professeur Clark Kerr.

Section 3: Les techniques et les problèmes de la planification du développement.
Président: le Professeur J. Tinbergen.

Section 4: La stabilisation de l'activité des pays producteurs de matières premières.
Président: le Professeur A. Lewis.

Chaque séance sera consacrée à la discussion d'un rapport, dont le texte sera disponible dans les deux langues de l'Association: l'anglais et le français. La discussion sera introduite par un ou deux participants choisis à l'avance. Puis elle sera ouverte à tous. Elle sera interprétée dans les deux langues de l'Association.

Il sera demandé aux participants d'indiquer sur leurs cartes d'inscription la section dont ils veulent faire partie.

INSCRIPTIONS ET LOGEMENT:

Le Bureau de Tourisme Autrichien est chargé de l'inscription des participants et de retenir les chambres d'hôtel. Il est à craindre que les chambres d'hôtel soient difficiles à obtenir à la dernière minute: en conséquence il est très fortement recommandé aux futurs participants d'écrire *aussitôt que possible* à l'Oesterreichisches Verkehrsburo, Wien I, Friedrichstrasse 7 (Autriche), pour demander une carte d'inscription et recevoir tous renseignements utiles sur les ressources hôtelières de la ville et de ses environs.

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على الجندى ، محمد صالح سمك ، محمد ابو الفضل ابراهيم . اطوار الثقافة والفكر فى ظلال العروبة والاسلام جزءان مكتبة الانجلو المصرية بالقاهرة سنة ٥٩ـ١٩٦٠

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II - REVUES LOCALES مجلات محلية

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ابحـاث ومقـالات

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عمر ابو شادى : سقوط ربط ضريبة التركات
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13ème Année, No. 126 — Alexandrie, Février 1961

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25ème Année, Nos. 295, 296 — Alexandrie, Avril/Mai 1961

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25ème Année, No. 294 — Alexandrie — Mars 1961

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Les facteurs de stimulation au marché financier.

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L'EGYPTE INDUSTRIELLE

37ème Année, No. 1 — Le Caire, Janvier 1961

L'industrie sucrière en 1960.
L'Engrais de scories phosphatées (Scories Thomas).
La conjoncture en Allemagne occidentale.

QUESTIONS DU TRAVAIL

Congé annuel — renonciation à ce congé.
La première conférence régionale africaine de l'organisation internationale du travail.

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L'industrie des allumettes — Le mouvement du trafic dans le Canal de Suez — La balance commerciale de la province d'Egypte avec les divers pays — La monnaie et la circulation fiduciaire — Les avoirs et la compensation.

Actes législatifs intéressant l'indutrie du 1er au 31 Décembre 1960.

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ـ التنمية الاقتصادية فى السودان
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القسم الاحصائى

L'ECONOMIE ET LES FINANCES DE LA SYRIE ET DES PAYS ARABES

4ème Année, No. 40 — Damas, Avril 1961

LES FAITS DU MOIS

— Synthèse économique du mois d'avril 1961.
— Le congrès économique Arabe tient sa 7ème session.
— Le projet de budget de la R.A.U. pour l'exercice 1961-1962.
— Création d'une autorité monétaire supra-régionale en République Arabe Unie.
— Assouplissement du régime des importations en Province Syrienne de la R.A.U.
— Pourparlers entre l'I.P.C. et l'Irak.

CHRONIQUES

— Chroniques économiques :
  — L'économie libyenne vue par la Mission Economique de la B.I.R.D.
  — Le plan quinquennal marocain.
— A travers les idées :
  — Evolution de l'économie agricole égyptienne dans les cinquante dernières années.

SITUATION ECONOMIQUE ET FINANCIERE

R.A.U. — SYRIE

Monnaie et Crédit :
— Circulation fiduciaire.
— L'activité bancaire.

Le Coton

Les Prix

Le Commerce Extérieur :
— La balance commerciale.

R.A.U. — EGYPTE

Monnaie et Crédit :
— La circulation fiduciaire.
— L'activité bancaire — L'Epargne.

Le Coton

Le Commerce Extérieur :
— La balance commerciale

L I B A N

Monnaie et Crédit :
— La circulation fiduciaire.
— L'activité bancaire.

I R A K

Monnaie et Crédit :
— La circulation fiduciaire.
— Situation de la B.C.I.

D O C U M E N T S

— Exposé du Ministre Central de l'Economie et du Trésor sur le nouveau Budget 1961-1962 devant l'Assemblée Nationale.
— Arrêté No. 213 du 6/4/1961.

4ème Année, No. 31 — Damas — Avril 1961

LES ECONOMIES ARABES EN 1960

L'ECONOMIE DE LA REPUBLIQUE ARABE UNIE EN 1960

— Les principaux traits caractéristiques de l'évolution de l'économie de la République Arabe Unie en 1960.
  — La planification du développement économique.
  — Socialisation de l'économie, développement du secteur public et dirigisme économique.
  — Le progrès dans l'intégration économique.

L'ECONOMIE DE LA PROVINCE SYRIENNE DE LA R.A.U. EN 1960

INTRODUCTION

— Fléchissement de l'économie agricole.
  — Les cultures d'hiver.
  — La production fruitière.
  — Les cultures industrielles.
— Développement de la production industrielle :
  — La production industrielle.
  — Création et extension industrielle.
  — Les problèmes de l'industrie syrienne.
— Rôle accru des dépenses publiques dans l'économie nationale :
  — Les dépenses.
  — Les recettes.
— Extension des crédits à l'économie:
  — L'amélioration de l'activité bancaire.
  — Tendance à l'organisation de l'activité bancaire.
— Instabilité des marchés monétaire et financier :
  — Le marché des devises.
  — Le marché des valeurs.
— Elargissement des flux monétaires dans la balance des paiements :
  — Le commerce extérieur.
  — Le mouvement des capitaux privés.
— Recherche de l'équilibre économique par la planification :
  — Caractéristiques du Plan de Développement.
  — Les traits généraux du Plan 1960-1961.
  — Les ressources du financement.
  — L'exécution du plan.
  — Extension du secteur public.

L'ECONOMIE DE LA PROVINCE EGYPTIENNE DE LA R.A.U. EN 1960

— Introduction.
— Planification de l'économie et extension du secteur public.
  — Les objectifs globaux du plan.
  — Le volume des investissements et leur répartition.
  — Répartition du coût des investissements en monnaies locales et en devises étrangères.
  — Les moyens de financement.
  — Extension du secteur public.
— Croissance et rôle accru des dépenses publiques :
  — Les dépenses.
  — Les recettes.
— Tendances contradictoires sur le marché financier.
— Extension de la production industrielle.
— Rationalisation de la campagne et de la politique cotonnières :
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  — Le déroulement de la campagne.
  — La politique cotonnière.
— Développement des échanges et tendance à l'équilibre du commerce extérieur :
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  — Tendance à l'équilibre de la balance commerciale.
  — Diversification plus poussée des biens exportés.
  — Augmentation des importations des biens de production.
— Développement des recettes de la balance des paiements.

— L'ECONOMIE LIBANAISE EN 1960.
  — Aperçu général.
  — Les principaux facteurs de la prospérité libanaise.
  — Le développement du réseau bancaire.
  — Engorgement des circuits commerciaux.
  — La progression de la production agricole.
  — Stagnation de la production industrielle et probèmes sociaux.
  — Les postes invisibles de la balance des paiements.
  — Fluctuations de l'épargne et de la spéculation.
  — La réorganisation administrative et la réforme des structures.

— STATISTIQUES.

4ème Année, No. 41 — Damas, Mai 1961

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— Le Budget de la République Arabe Unie au Parlement :
  — Accélération du rythme d'expansion des dépenses publiques et progrès dans les méthodes de financement.
— Les urgences de la conjoncture libanaise.
— Politique fiscale et développement en Irak.

LES CHRONIQUES

— Chroniques Financière : l'activité de la banque Industrielle (Province Syrienne) en 1960 vue à travers son second Rapport.
— A travers les idées : Colloque sur le financement des investissements par le crédit à moyen terme.
— Chronique Pétrolière : par Youssef Helbaoui.
— Chronique Législative : par Dr. Négib HADDAD.

LA SITUATION ECONOMIQUE ET FINANCIERE

R.A.U. — SYRIE

Monnaie et Crédit :

— La circulation fiduciaire
— La situation de la B.C.S.
— L'activité bancaire

Le Marché des changes
Le marché des valeurs
Les prix

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— L'estimation de la récolte céréalière

L'industrie :

— La production industrielle en 1960.

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— La situation générale. Troisième et dernière estimation de la récolte 1960/1961.
— L'approvisionnement cotonnier.
— Le marché local du coton.
— Les exportations cotonnières.

Le Commerce Extérieur :
— La balance commerciale
— Les échanges entre les deux provinces.
— Trafic du Port de Lattakié.

R.A.U. — EGYPTE

Monnaie et Crédit :
— La circulation fiduciaire
— La situation de la Banque Nationale.
Le Marché des Valeurs
Les Prix
Le coton
— La situation général.e
— L'approvisionnement cotonnier.
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— Les exportations cotonnières.
— La consommation locale.

Le Commerce Extérieur :
— La balance commerciale.
— Le trafic du Port d'Alexandrie.
— Le trafic du Canal de Suez.

L I B A N

Monnaie et Crédit :
— La circulation fiduciaire.
Le Marché des devises et de l'or
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Le Commerce Extérieur :
— Les exportations de fruits
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Monnaie et Crédit :
— La circulation fiduciaire
— La situation de la Banque Centrale.
Le Marché des Valeurs

L'Agriculture :
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Monnaie et Crédit :
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— La situation de la Banque du Maroc.
— La masse monétaire
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NOUVELLES ECONOMIQUES ET FINANCIERES

— R..A.U — Province Syrienne.
— R.A.U. — Province Egyptienne.
— Liban
— Irak
— Jordanie
— Arabie Séoudite
— Bahrein
— Koweit
— Soudan
— Yémen.

D O C U M E N T S

— Décret No. 317 de 1961 portant création d'un Conseil Supérieur pour la Monnaie, Le Crédit et les changes en R.A.U.
— Décret No. 437 de 1961 modifiant l'article 1er du Décret No. 2108 de 1960 relatif à l'investissement des capitaux étrangers.

STATISTIQUES.

4ème Année, Numéro spécial II — Damas, Mai 1961

L'ECONOMIE SEOUDIENNE EN 1960
— La monnaie séoudienne
— Finances publiques et finances privées
— Développement, grands travaux et industrialisation
— Le pétrole séoudien.

L'ECONOMIE IRAKIENNE EN 1960
— Consolidation de la monnaie irakienne
— Déséquilibre accentué de la production
— Faiblesse de finances publiques
— Progression du volume des échanges et du déficit extérieurs.
— Viscosité de la conjoncture commercial
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