

PRIORITY PROBLEMS IN THE GROWTH PROCESS OF DEVELOPING COUNTRIES

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The problems of economic growth are at present being discussed at many levels. Not only the improvement in the living-standards depends on the rapid growth of the dynamic forces of economy, but also socio-political changes that have become overdue and their realization is the main task of our time.

In the process of the break-up of the imperialist colonial system, up to now about 80 former colonially dependent states have obtained political independence. Now they face the difficult task of securing their political independence won at great sacrifices by achieving economic independence. Considering the economic situation that the old colonial powers left to them as an heritage of their century-old colonial rule, the overcoming of their backwardness in all fields of social life seems an almost hopeless job. Nonetheless it has to be tackled and solved under the purposeful leadership of the progressive national forces and with the support of the progressive forces, especially of the socialist world system. The task is all the more difficult to fulfil as, beside the extremely unfavourable starting conditions, the resistance of the former colonial powers and the strong influences from the USA, West Germany and Japan have to be broken up and reduced to nought. Then there is the existence of the reactionary classes and strata in these countries. The influence of imperialism on the developing countries in this respect extends to the fields of all social processes and can be understood and eliminated only in its global effect. Beside the old methods of direct military intervention their measures even include ideological subversion, corruption and blackmail. The effects of the science of the capitalist countries, which thoroughly investigates into the problems of the developing countries and makes propositions for the future design of policy and economy in these countries, should not be underestimated.

If their propositions are analyzed more closely, the ones based on the premise that the economic problems of the developing countries can only be solved in a capitalist way, i.e., by building a capitalist society embedded in the whole capitalist system, are in the majority. But there are also propositions for individual problems worth discussing from a rational standpoint. This thesis cannot be dealt with in this contribution. The insolubility of the problems of the developing countries taking the capitalist road of development has already been dealt with in other contributions.⁽¹⁾ Here it is intended to go into an important partial problem of the process of growth, which is, to be sure, of general importance for all developing countries, but is here to be treated especially under the aspect of the non-capitalist road of development.⁽²⁾

It is undisputed that the rapid economic growth in the developing countries is a necessary condition for their economic liberation from the dependence on imperialist countries. But as to how the economic growth can be accelerated opinions differ. In this connection the question, where the first changes are made and on what efforts are focussed, plays a considerable role. This is the problem of priorities in the process of economic growth. First it must be stated that the posing of the problem necessitates a political premise governing all further considerations. In which direction shall the economy to be examined develop ? Towards a capitalist or a new social formation ensuring national independence and capable of solving the social question ?

It depends primarily on the answer to this question, whether the striving after profits or economic criteria for the construction of an independent economy are determining criteria ? The aim of the latter kind of economy is the optimum satisfaction of the basis needs of the entire population and the creation of a society free of exploitation. There is no priority of growth in the abstract, but only one that is defined from a socio-political angle, i.e., one existing in a certain social system with socio-political objectives as regards its changes. In this sense, that measure or that factor of growth has priority that serves the planned objectives best. If you take the existing socio-political structure in the developing countries as the

point of departure, the general objective can only consist in changing it in order to create the best possible conditions for all factors of growth.

What must be the aim of these socio-political structural changes ?

- (a) Establishment of a political force that gathers support from the masses for political objectives (party, trade-union, or some other well-organized organizations etc.) with a qualified and disciplined leadership and a state apparatus controlled by them;
- (b) Existence of a scientifically-based development programme that is distinctly anti-imperialist and anti-capitalist and relies on the masses ;
- (c) Mobilization of all progressive strata and democratization of social life ;
- (d) Changes in the property relations, building up and extension of a determining state sector in the national economy, elimination or at least restriction and control of home and foreign capitalist property ;
- (e) Changes in the economic structure in order to eliminate the factors that hinder growth and to strengthen the dynamic factors :
 - changes in monoculture ;
 - changes in the proportion between agriculture and industry ;
 - changes in the proportion between inland market and foreign market ;
 - changes in the proportion between the employed and unemployed ;
 - changes in the regional structure (town-country) ;
 - changes in the economic-technological infrastructure.

(f) Changes in the social infrastructure.

The changes mentioned do not say anything about priority, but are merely aims or partial aims to be achieved in general. The decision on priority is only taken after the analysis of the situation in the various fields of the partial aims mentioned under d) — f).

When priority is decided upon, the political aspect of its effects should always take precedence. It must be borne in mind, however, that there will always be specific conditions in every country for the decision on priority apart from the very general and global principles (law-governing processes).

Such general principles are e.g. the priority of the development of production relations with social property or the securing of the basic means of existence for the population; the carrying out of democratic reforms (e.g. agricultural reforms); the establishment of a state sector in industry and commerce; the development of the working class as a progressive class; the building up of a well-organized state apparatus and the democratization of social life.

Besides, the decision on the priority of a particular measure that stimulates growth will depend upon the following conditions that vary considerably from nation to nation :

- (a) the present political power relations — nationally/internationally (conditions, treaties etc.);
- (b) the national resources
 - material;
 - manpower ;
- (c) the possible acceptance of foreign resources and its political consequences.

When priority is decided upon, a complex analysis has to be made of :

- the effects changing structure ;

- the chronological order ;
- the regional effects of the measure ;

All three spheres must also be seen in the light of political economy, although it must be stated that the effects on political economy do not occur before the measures have been carried through after considering all aspects. Beside the generally accepted measures of political economy, which also have political priority in the course of making a decision, there are no general principles of priority in the process of development because of the varied national conditions in the developing countries.

Beside the generally political and administrative measures of the parties, organizations etc. as well as the government, investment policy is the chief means by which the previously mentioned objectives of social structural change can be achieved. All measures must run parallel.

When the priority decision of investment policy is made, the following has to be taken into account :

1. The above-mentioned changes in property relations as a first-rate political decision ;
2. The achievement of a high rate of growth in the national economy of the country concerned ;

Both of these are preconditions and aims at the same time, i.e., they condition each other.

Bearing in mind the objectives of political economy, the following will have to be taken into special consideration when a decision on priority as regards the complex of «economic structural change» is taken :

- (a) The effect on the increase of the national income — this effect must be assessed from a national economic point of view of the individual project. It is important to assess the complex effect of an investment project on the entire

national economy. Through the right choice of an initial project other branches of economy will often show greater effects of accumulation than the original project did (e.g. construction of a railway-line or a source of energy, agricultural engineering etc.).

Structural effect and national income effect are to be combined with optimum results.

Although conditions vary in the developing countries for such an optimum, some priority might be conceded to the consideration of this effect when decisions on investments are taken.

- (b) There is no generally accepted decision on priority for the remaining measures changing structure mentioned under e) and f). This is ruled out by the differing national conditions in the developing countries.

However, certain criteria can be found for the individual decisions to be taken. (The following list of criteria does not claim to be exhaustive).

About monoculture : There is no doubt about the fact that the economy of a developing country based on monoculture is especially susceptible to disturbances and at the mercy of the manipulations (in market and prices) of the imperialist monopolies. Its elimination is therefore often regarded as a priority in the development planning. If the national conditions of a developing country permit to produce other goods with the same or almost the same productivity, such efforts are absolutely correct. It would be wrong, however, to destroy such a monoculture for the sake of the principle and to develop other cultures under less favourable productive conditions, which would result in a lower national income. It is essential to make optimum use of all facilities in order to increase the national income and use the often singularly favourable conditions for a monoculture, to promote it and use its yields for the creation of the production capacity of the processing or finishing industry or to build up new productions running parallel with it. First Cuba e.g. wrongly restricted sugar-production. But later this

mistake was corrected, and the growing of sugar-cane, for which there are first-class, almost unique, favourable conditions, was extended again. Running parallel with it, new agricultural and industrial productions were built up. It is important for countries with a monoculture to aim at changing their one-sided relations with consumer nation or, still worse, with consumer monopolies in favour of a multilateral system of exchange relations. Continuous planned relations with the socialist world market give these countries greater security and advantageous exchange relations without political discrimination.

Priority in the process of industrialization

In most developing countries the problem of priority requires the clarification of the concept of industrialization. This process is by no means limited to the necessity of the establishment of an industrial sector in the national economy but embraces all spheres. It also includes agriculture, trade, commerce, traffic, transport and administration.

The question of priority is not whether, but where and how industrialization is to be given priority. In view of the limited finances, the insufficient number of qualified staff, obstructive traditional and political groupings and exogenous influences, decisions in this sphere are especially difficult. However, correct decisions, i.e. in the national interest, will have especially positive effects as to the previously listed objectives (social structural changes) whereas false decisions will have grave, negative consequences.

Although there are very varied conditions and factors, the question as regards priority will be whether agriculture or industry is to be given precedence. Opinions vary on this. But the view that there is an either — or alternative in priority between the two spheres is no longer valid. GUNNAR MYRDAL justly rejects the presentation of this problem as either — or.⁽³⁾ He holds the view that the development of the two spheres must run parallel. In view of the catastrophic development of the production of foodstuffs on one hand and the rate of increase in population on the other, any neglect of agricultural production is indefensible.⁽⁴⁾ In addition to this, industrialization by itself is neither capable of supplying a sufficient number of jobs

nor can it by itself ensure sufficiently the necessary national accumulation. On the contrary. For a long time ahead the possibility for a rapid accumulation for the national economy through agriculture will continue to exist in most developing countries, if basic changes occur in this sphere. Apart from fundamental changes in agriculture, these would include the application of scientific methods of production and the use of appropriate machinery. Both require active and continuous support by the state by way of the training of qualified staff and material help (financial and technical). But technical aid requires the development of appropriate technology, preferably in the national industry. It is by no means necessary to immediately introduce the latest agricultural machinery. On the contrary, « intermediate technology » has proved more useful in the first stage of development (small machines, easy to operate, solid, unsusceptible to trouble).⁽⁵⁾ Such machinery can be easily manufactured in the country itself and the operators do not need long training courses. But if this set of problems is more closely analyzed, certain effects on the problem of priority become obvious. It is true, there is no qualitative alternative : agriculture or industry. As far as the chronological aspect is concerned, one must give priority to an industry supplying machinery, fertilizers etc. if one wants to develop agriculture adequately.

In addition to this, in some countries the transport system (roads and railways) will have to be developed at least parallel if not even before anything else, if rising agricultural production is to find the necessary market conditions. This includes the development of the inland market as well as the foreign market (including also the integrated markets of several developing countries). There is no doubt about the fact that some developing countries are favoured by their geographical situation whereas others are at a disadvantage in this respect. Those countries are certainly at an advantage that have direct access to the sea whereas the land-locked countries (e.g. Mali, Central Africa, Bolivia) are very much at a disadvantage. They must try to make special economic arrangements with their neighbouring countries, which have direct access to the sea. The latests agreements between Guinea, Mali, Senegal and Congo (Kinshassa), Tchad and the Central African Union are typical

of this development. There is no doubt about the fact either, that this development is objectively necessary. But it is bound to be accompanied by great difficulties because of the differing socio-political positions and aims of the individual countries.

This brief outline has shown the complexity and also the intricacy of the problem of priorities.

The decision on priority in a sector

In a sector, e.g. agriculture or industry, the decision on priority is by no means similar for all countries. In agriculture as well as industry, market conditions can and must be taken into consideration (internal as well as foreign market), but the national conditions as to the resources vary so much that there are no universally applied priorities.⁽⁶⁾

In agriculture ensuring food for the population will have priority to a great extent in agricultural production. But even this is not always imperative. If e.g. especially favourable production for the foreign market is possible, ensuring a high rate of national accumulation, the necessary supply of the population with imports from neighbouring countries may possibly be more favourable than the restriction of exports and the extension of the domestic supply.

It is also important to make the right choice of cultures to be developed in agriculture. There are certain priorities necessitating an exact analysis of the national conditions and possibilities and the market conditions.

A wrong choice of cultures may lead to considerable wrong investments resulting in big losses. It is well-known that many natural raw materials have lost their importance because of the rapid development of chemical industry. There is a whole gamut of materials of this kind, ranging from salt petre to natural raw-silk, from sisal to rubber. An extension of unmarketable cultures is at variance with the aims of accumulation of the developing countries. It can be stated, however, that the trends of production and market are overlooked by some developing countries. This then leads to saturated markets, falls in prices and losses that prevent the investments from flowing back and result in a lower national income.

A sound analysis of market tendencies is always required before investments are decided upon. This naturally also includes all investment projects outside agriculture.

In industry this decision becomes still more complicated, as the complexity of correlations and interactions (reciprocal effect) takes much more scope.

There is first the branch structure that is strongly influenced by the investment policy. The proportion between the heavy and the light industry, the coordination of the bases for energy and raw materials, the manpower situation and finally the market conditions (inland — foreign — integrated market) and the considerations for the accumulation effect require profound discussions, analyses, prognosis and decisions.

Priority is given to such measure that ensures the highest dynamic effect on the entire national economy.

According to the special national conditions of a country this effect can be achieved by giving priority to heavy industry or to light industry. Where there is raw material shortage for the establishment of heavy industry, this project has to be dropped. Then the means to import the means of production (exportable agricultural products or raw materials) will have to be obtained by speeding up light industry and agriculture. In such cases cooperation and integration with other national economies must be stressed to avoid subjecting this import to conditions that put independence at stake. Especially the countries that are on the non-capitalist road of development have the possibility of cooperating with the socialist countries that permit them to widely use such chances of cooperation that do not hamper their socio-political objectives. These principal statements naturally oblige the socialist countries to pursue a policy of economic relations that is accomodating to the non-capitalist developing countries.

After deciding the question whether the establishment of heavy or light industry should have priority (or possibly parallel development), the priority of power industry, raw material basis, the direction and supply of manpower and the develop-

ment of the transport system must be assessed.

Power industry and the development of the transport system certainly must have priority inasmuch as they are conditions for the work of the industry to be developed. Their position of priority derives, however, from the direct connection with the envisaged industrialization and only on the condition that the planned projects — as was said at the beginning — correspond to the socio-political objectives.

If these connections are not taken into account, the development of transport may be overemphasized, putting much strain on the national economy and yielding an insufficient accumulation effect. There are examples of this in many developing countries.⁽⁷⁾ As far as the production of raw materials is concerned, it must be especially noted whether processing and manufacturing yield an adequate accumulation effect.

Priority will be given to those raw materials that can be processed with the highest efficiency.

Region, time and technology are further factors that strongly influence the decision on priority. They are inasmuch secondary factors as they always depend on the investment project. At least they are closely linked with it. In a particular case it is true, they may acquire an essential determining force e.g. when manpower is concentrated in a certain area of the country or in a region rich in a certain raw material. But the investment will always be decisive.

The time-factor has two aspects, first the capital back flow of the investment capital, a factor that must be taken into account considering the shortage of capital in the developing countries, secondly the chronological order of investments that may be linked with the first aspect and depends on the overall planning of the developing of the country. Also the creation of resources may possibly influence the chronological order of certain investments.

The right choice of technology is especially important and often decisive for the efficiency of investments. As has been

repeatedly stated on other occasions, it holds true that there are no general principles for the decision of what kind of technology is to be given priority. The claim often made to apply the most modern technology expresses the situation in the developing countries too unproblematically. But it is certain that the application of the most modern technology only can meet the requirements of competition. That holds true for countries where export plays a major role, i.e., where there must be produced for the world-market. Incidentally, the thesis of Prof. Dr. Mottek on this problem points to a plausible way⁽⁸⁾.

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