

**DEVELOPING COUNTRIES BETWEEN
THEORIES OF ECONOMIC GROWTH
AND THE THEORY OF SOCIO - ECONOMIC DEVELOPMENT**
(Some Methodological Considerations)*
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I. **Growth and Development :**

1. Theories of economic growth are that part of economic theory which :

- (a) studies the long-run relations and interconnections between certain economic aggregates within a given socio-economic formation, in order to set out the conditions for the optimization of certain-continuously changing economic magnitudes (such as the per capita income) of which the optimization is considered to be desirable from the point of view of society :
- (b) or which studies the long-run performance of the given economic system, in order to evaluate this performance in terms of or with reference to those desirable optima, and to find out how they can be actually approximated.

It will be seen from this (admittedly but unavoidably somewhat arbitrary) definition that theories of economic growth are taken to be those theories which deal with the quantitative aspect of the motion of the economic system within a given socio-economic formation. (This explicit reference to a given socio-economic formation does not exclude the possibility of certain quantitative relationships relating to economic growth — e.g. the rate of accumulation and the rate of income growth — being relevant to more than one socio-economic formation. Such relationships, however, when extended to more than one socio-economic formation, are more formal than substantive. Their

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real content is determined by the nature of the socio-economic formation to which they are applied). Furthermore, it is seen from that definition that all theories of economic growth, since they revolve around the concept of desirable optima, include an explicit normative element.⁽¹⁾ The strength of this element usually varies according as to whether the particular variant of growth theory lays greater stress on the elaboration of optimal conditions or on the actual working of the given economic system.

(2) Development is an endless process of negation of what is, and the emergence thereof of what is new. Thus, in contradiction with growth theories, the theory of socio-economic development concentrates on the quantitative aspect of the motion of society, within a given socio-economic formation, or from one socio-economic formation to another, or through successive socio-economic formations (in which latter case it becomes identical with historical materialism). It does not concern itself with evaluation, with the setting up of criteria and conditions for optima, but with the objective analysis of the historical process as it actually proceeds, with the view of discovering the laws which govern its motion. If qualitative norms such as « progress » « higher » stages of development ... etc., appear in this analysis, they are (supremely significant and important as they are in practice) only implicit in the logical structure on which such an analysis is based. The main object of the theory of socio-economic development is the discovery of the internal logic of the historical process. If, in the historical conditions in which that theory appeared this discovery was necessary for speeding up that process, and if this also is considered to be desirable, this is all an inherent part of the logic of the theory itself, and not « values » or « norms » added to it from outside.

(3) It has been maintained above — in (1) and (2) — that, whereas theories of growth relate to certain (economic) quantitative aspects of the motion of society, the theory of development deals in the first place with the qualitative aspect of that motion.

1) For the theory of socialist economic growth, however, see further paragraph (5) (c) of this paper in connection with this point.

This, in itself, is sufficient to indicate that both types of theory are ultimately and inseparably linked with one another. Growth cannot be profitably or meaningfully analysed independently from the type of socio-economic formation within which it takes place (and its effects thereupon); and every socio-economic formation develops, then is transformed into another, through quantitative changes which, when aggregated, form wholly or partly the subject matter of the study of growth. Instead, however, of developing this theme into what may be an exercise in elementary logic, it will be more relevant to the purposes of this discussion to make a brief reference to the place of theories of economic growth and development, and their interconnections, in both bourgeois and marxist literature.

II. Growth and Development in Bourgeois and Marxist Literature

(4) Beginning with bourgeois theories, one elementary remark needs to be made here. Bourgeois economic theory, by definition, cannot be expected to entertain even a remotely scientific theory of economic development. It would cease to be bourgeois if it did, since the permanency of the capitalist system is an integral part of the ideology of the bourgeoisie.

(Generally speaking, it was only in the early stages of its development, when it was fighting for capitalism and against feudalism, that bourgeois economic theory contained some restricted, relatively valid, elements of a theory of development. No attempt is made here to deal with petit bourgeois and other unscientific « theories » of Development).

Growth, by contrast, was the main concern of Classical Political Economy. It is no accident that Adam Smith's book was entitled: « An Inquiry into the Nature and Causes of the Wealth of Nations. » This pre-occupation with growth, however, soon receded in favour of what came later to be called (micro-economic) equilibrium analysis, that is, analysis which deals not with the movement of global aggregates, but takes as its basic unit the individual and the private enterprise, and which avowedly or surreptitiously, has a simple (though camouflaged under the

weight of more and more complex techniques) message to convey ; that in the world of private enterprise and market economy, almost everything, including optimal conditions of various kinds, regulated itself automatically. It was only after nearly a century in this waste land of apologia that bourgeois economic theory began to concern itself seriously again with problems of economic growth, a concern which grew so fast during the last two decades that these problems came to occupy once again the centre of bourgeois economic speculation.

Three main factors contributed to this development :

- (a) The successively deepening economic crises — particularly during the inter-war years — to which the capitalist economy was exposed and the pre-occupation of bourgeois economists with the possibility that these crises might stretch themselves into what was usually called secular stagnation ».
 - (b) The high rates of economic growth achieved by socialist countries and the fear that, compared with the rates of growth of capitalist economics, the capitalist system will be decisively morally exposed and economically undermined.
 - (c) The awareness that newly liberated countries, bent on achieving rapid rates of growth, will sooner or later turn towards socialism, and the desire to provide these countries both with an alternative theoretical model of growth based on capitalism and with a convincing example that capitalism can do the job, but always with the aim of keeping those countries within the orbit of imperialist influence and exploitation.
- (5) It will thus be seen that, though recent pre-occupation of modern bourgeois theory with problems of economic growth stems directly from the weaknesses of the capitalist economic system (its growing contradictions, its economic inefficiency as compared with the demonstrated performance of the socialist

system, and its inability to provide a solution to the problems of developing countries) yet the main aim of such theories remains to justify and at best to improve the working of the capitalist system, that is, attempting to save it by introducing certain modifications on its working while maintaining its essentials. This is evidenced by the fact that, implicitly or explicitly, all such theories pre-suppose a free enterprise market type of economy. As mentioned before, they would cease to be bourgeois theories, and altogether theories of growth, if they did not operate within the general framework of capitalist societies. It is to be noted in this respect that, viewed in terms of our previous definitions, some so-called theories of growth (e.g. Rostow) are in fact pseudo-theories of development aiming explicitly or implicitly at providing an alternative to the Marxist theory of socio-economic development.

(6) Marxist Political Economy, on the other hand, is essentially a theory of economic development and not of economic growth. It also remained almost solely such a theory for almost a whole century, that is, until the establishment of a developed system of socialist economy. This does not mean that it completely neglected the growth aspect — in the sense defined above — of various socio-economic formations, and in particular of capitalism — a scientific theory of development can hardly do that. Nor does it mean that it does not contain the basic analytical tools from which a fully — fledged economic theory of growth, the theory of socialist economic growth, can be constructed and elaborated. In fact, such analytical tools and concepts such as the division of the economy into departments I and II, extensive and intensive extended reproduction, the Law of the Economy of Time . . . etc., provide the required basis for such a theory. What the opening sentence of the present paragraph intends to convey is the following :

(a) As the main task of Marxist political economy, until the actual establishment of the first socialist economy, was to lay bare the laws of motion of the capitalist economy and of its inevitable and pending transformation into a socialist economy, (that is with the course of development of that economy) it can

hardly be expected to concern itself primarily with problems of growth within the capitalist society, since pre-occupation with growth implies, as we have seen, pre-occupation with optimization problems and always contains a strong normative element.⁽¹⁾

(b) Equally, before the actual establishment of a socialist economy, Marxist political economy cannot be expected to elaborate a fully fledged theory of socialist economic growth. At that early stage, such an attempt would have had the nature of speculation about problems not yet posed by life, hence, (beyond the basic generalizations relating to the nature of the economic system of socialism), lacking in scientific foundation.

(c) With the establishment of the economic system of socialism, however, a scientific theory of economic growth becomes not only possible, but also imperative. It becomes possible, for the first time, to establish such a theory on a really scientific basis because, as we have seen, a theory of economic growth — in contrast to the theory of economic development — must always contain a strong normative element, that is, a set of evaluated desiderata to which the economy is made to conform. And it is only under conditions of socialism that these evaluated desiderata:

(1) can concretely be scientifically determined,

1) Eric Habson writes in his introduction to Marx's Pre-Capitalist Economic Formations (Lawrence and Wishart, London, 1964, P. 17) : «Economic Development cannot be simplified down into «Economic Growth», still less into the variation of isolated Factors such as productivity or the rate of capital accumulation, in the way of the modern vulgar economist who used to argue that growth is produced when more, say, than 5 percent of the national income is invested. It cannot be discussed except in terms of particular historic epochs and particular social structures». He further adds in a footnote to the same page that : «Marx was perfectly aware of the possibility of such simplifications, and, though he did not rate them as too important, their use. Hence his suggestion that a study of the historic growth of productivity might be a way of giving some scientific significance to Adam Smith's Aperen on stagnant and progressive economies (Introduction to the Critique of Political Economy. I, I Werke, 6/8) ».

(2) can actually be achieved.

In fact, their normative character becomes one and the same as the scientific character of the economic goals which the socialist society tends to reach. In other words, the very same process of discovering the objective laws of socialist development and always reshaping the economy in conformity with them not only abolishes the old distinction — even juxtaposition — between growth and development, but also with it vanishes the old juxtaposition between positive science and normative theorising. The reasons why the elaboration of such a theory of socialist economic growth is imperative are so obvious as to require no further statement here.

(7) Given the above characteristics of the theory of economic growth under socialism, given also the fact that the basic analytical tools and concepts of extended reproduction provide a suitable foundation for such a theory, it seems immaterial to the present writer whether to call this extension of marxist political economy (which is bound to shift more and more in socialist countries to the centre of the theoretical investigation) the theory of socialist economic growth or merely a development of Marxist political economy to suit the conditions and requirements of socialist economic growth and development.

III. Developing Countries between Growth and Development Theories

(8) The main drift of the argument, so far, was that : whereas theories of economic growth are feasible within the framework of a given socio-economic formation and by reference to it, they acquire definite validity and full relevance only when they are elaborated within the context of a fully established socialist economy and grow out of its developing conditions and requirements. For societies still wrung with the basic and antagonistic contradictions of class, where man is yet unable, through collective action, consciously to reshape society and its economic,

system in accordance with the objective requirements of economic progress (for this, after all, in the simplest of terms, is what a theory of economic growth is about) the only fully relevant and valid theory is that of socio-economic development.

(9) This conclusion applies — perhaps even more strongly — also to societies which are undergoing a period of transition to socialism, where the main and immediate issue (given that successful transition is the primary condition for future rapid growth) is not that of growth but of consolidating the power of the revolutionary classes, which are able to secure the conditions for growth. This observation should not be construed as allowing revolutionary governments a sort of license to disregard at will the requirements of economic growth. It simply draws attention to the fact that revolutionary transition periods — where two sets of laws, the one pertaining to the old order and the other to the emerging one, fight with one another for supremacy and which moreover, obey their own specific laws relating to transition — such periods are very special periods. Under certain circumstances, successful revolutionary development may run side by side with the requirements of economic growth and each reinforce the other, but under other circumstances they may run counter to each other.

(10) Developing countries, even those ruled by regimes which set as their aim the movement towards socialism, are class societies. Hence it is the theory of socio-economic development and not theories of economic growth which should be applied to the analysis of conditions prevailing in these countries, and which should guide the action of their progressive forces. This is quite obvious as regards the bourgeois theory of economic growth. Not only whatever validity such theories may possess is extremely partial and limited (since they are rooted in the conditions of the capitalist system and at best aim only at its improvement) but also they are particularly unsuited to the requirements of developing countries, since the immediate task facing these countries — if they are at all to achieve a consistent and accelerated rate of growth — is to by-pass or turn away from the capitalist mode of production. The dangers and ways

of infiltration of bourgeois theories of growth into developing countries however, have been sufficiently clarified in Dr. habil. Breetzmann's paper to this conference (entitled *Bürgerliche Wachstumstheorie und erweiterte Reproduktion in Entwicklungsländern*) so as to require no further elaboration. It needs only to be remarked here that out of the extensive wreck of bourgeois theorizing about growth, the possibility should not be excluded that some analytical tool or the other may be salvaged which could be of some use in throwing some light on certain aspects of economic growth or even development, always provided that it can fit within the basic framework of scientific theory about either.

(11) It is the connection between the theory of socialist economic growth and developed countries that needs to be dwelt upon a little longer. Since in its turn it is rooted in the conditions and pre-suppositions of socialist economic relations, the temptation should be strongly resisted to find in it a substitute for the positive analysis of socio-economic developments in developing countries, even those which are following a non-capitalist road of development, or to extend its generalizations to those countries, in the hope of contributing to solving the more immediately economic (one might say the less socio-economic) problems of growth in those countries. Per contra, it is legitimate, even necessary, to argue back from the theory of socialist economic growth, not immediately to the growth problems of developing countries, but to the socio-economic conditions of those countries, in order (since a theory of socialist economic growth sets out the optima conditions of growth *and* the *realizable* ways of attaining them) to establish or rather in order to re-set in a form both modern and adapted to the conditions of developing countries — the economic aspect of the argument for the necessary socio-economic changes which need to be carried out.

In other words, the socialist theory of economic growth, though not immediately applicable to conditions of developing countries, can provide, in a modern setting, a scientific and immediately graspable demonstration of the contradiction between the prevailing relations of production in developing countries and

the potential⁽¹⁾ forces of production which could be liberated there.

(11) This limitation on (and the potentialities of) the application of the theory of socialist economic growth to developing countries cannot be too strongly stressed. Sometimes problems of developing countries are discussed as if the laws, concepts and mechanisms relating to economic growth in highly developed socialist countries were directly applicable to them. Thus it may happen that economic specialists, called upon for advice or lecturing in developing countries (particularly when they are not directly connected with the theoretical study of conditions in developing countries) and drawing on the present practice of their own socialist countries, may speak of the use of price mechanisms, of economic decentralization, of economic incentives, etc. as organizational factors contributing to economic growth, without being aware that in the context of socio-economic conditions prevailing in developing countries, it may well be exactly the opposite which needs to be stressed, not only on socio-economic grounds relating to the particular phase of social development in which these countries find themselves, but also on purely economic grounds immediately connected with growth requirements during that phase.

Many factors contribute to this tendency towards mistaken generalization, such as the young enthusiasm for the new discoveries of socialist economic science, and the increasing specialization among economic scientists. But the chief factor behind this tendency seems to be that fundamental research, scientific precision, and clear elaboration and demarcation have not yet clarified certain important theoretical aspects relating to the concept of « the non-capitalist way of development. » If the deliberations of this conference help to bring about this clarification, it will have done a great service to economic science as well as to the cause of developing countries.

1) For an elaboration of the concept of Potential forces of production and its relevance to developing countries, see our paper entitled « A Special Political Economy For Developing Countries ? » Hochschule für Ökonomie, Berlin, April 1969. (L'Égypte Contemporaine, No. 341 July 1970).