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PLANNING AND ECONOMIC DEVELOPMENT

by

PROFESSOR V. M. KOLLONTAI*

The necessity of planning in this or that form is to-day nearly universally recognized. None the less it is worthwhile to dwell on the main reasons for planning in a developing society since this gives us an insight into the tasks that lie before planning, since it allows us to better understand what is expected from planning and consequently what are the forms and methods of planning which could best help to achieve the desired results.

The present level of technology, the whole structure of a modern economy presupposes a very high degree of interaction between economic units, a very complex interdependence between the different sectors of the economy. Present-day production is based on a very high degree of concentration and specialization of production, on large-scale investments. Nowadays no product is created by a single producer, it is the result of the functioning of numerous interconnected economic units, whose efficiency depends on the creation and maintenance of the necessary relationships between them (a certain ratio between interconnected branches, a constant flow of goods etc.). On a more aggregate level a complicated balance must be checked for each given period of time between different and sometimes contradictory economic and social processes (growth of investment and of consumption funds, manpower development and allocation, urbanization, territorial distribution of production, creation of new industries, flow of commodity and monetary resources etc.).

All these considerations dictate the necessity of planning in developed countries. The socialist countries have always

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given high priority to planning and have shown by their experience that planning can substantially increase the rate of economic and social development. Moreover to-day even capitalist countries are forced to introduce some elements of planning.

The rapid advance of technology in the years after World War II only stimulates this need for planning, since it brings about far-reaching shifts in the whole of society. A wide-scale introduction of modern production techniques and methods makes it imperative to foresee the future pattern of society, to assess the main shifts, that are taking place in the economic and social structure, to examine the future relationships between the main components of the economy.

In a developing society the shifts that have to take place in the economic and social structure are of a much larger scope and magnitude. Here it is not just a question of superimposing present day discoveries on a modern up-to-date economy; there it is an even more difficult task of introducing into the economy the numerous achievements of previous decades and centuries, achievements which in a developed society have already been incorporated into the social and economic pattern.

Developing countries are thus faced with a very difficult problem. On the one hand they have to break up the old traditional structure of society, with its rigid, undynamic pattern, which dooms them to economic backwardness, inequality and imperialist exploitation. This can only be done through far-reaching and profound changes in all the numerous fields of social and economic life. On the other hand it is imperative that at each separate stage of development, at each given period of time, a maximum balance and coordination between interrelated economic and/or social phenomenon should exist, that old ratios and proportions must not only be destructed but also substituted by new ones.

And all this has to be done not only on an aggregate overall national level but also on a very detailed form. If, for instance, a new productive unit has all the necessary capital investments and has a sufficient quantity of all the necessary productive components except some one item, that productive unit cannot

in practice function. Moreover such a situation means that all the capital and current assets of that productive unit (and often of many adjacent units) are invalidated, are made worthless and in fact excluded from the national development effort. In terms of the national economy such a situation can be overcome only if the whole structure of the economy is so balanced as to achieve the necessary flow of goods (with a small margin of possible correction through foreign trade).

Economic advancement means that there is going to be a growing interrelationship and interdependence between the different economic and social components. The corresponding shifts in the economy and the necessary balance can be achieved by different means.

Historically in the first industrial nation (in Western Europe and North America) the shifts connected with the introduction of modern production methods and techniques were brought about primarily through the market mechanism and on the basis of private enterprise (though not without a large degree of state intervention). The present economic and social structure of these countries is a result of numerous small shifts and changes which were carried out in numerous small stages, during several centuries and at a large social cost of incalculable bankruptcies, closing down of many enterprises, unemployment, crisis, misery and poverty. New scientific discoveries or new production techniques evolved by degrees, and were slowly assimilated into the economy, new industries were created gradually, after the formation of a significantly large and profitable market.

Such a model of development is irrelevant to the problems facing the developing countries. To-day there is an enormous store of scientific and technical knowledge which can immediately be used by developing nations. Correspondingly the sequence of development in the newly developing countries will be quite different from the one which inevitably stems from the market mechanism. Most developing societies want to and can eliminate their economic backwardness in a shorter time than it took the imperialist countries to create their present productive apparatus. But to modernize quickly, to introduce

on a broad scale modern production methods and techniques it is necessary to concentrate large resources for capital investment and also to introduce a modern level of specialization and interaction in a large sector if not in the whole of the economy. In other words the structural shifts necessary to overcome backwardness inevitably have to be more violent, more condensed in time and more far-reaching than they were in Western Europe and North America.

Such changes cannot be carried out on the basis of a private enterprise market economy, they necessitate a broad participation of the state in national development and a well worked out system of national planning.

This conclusion is supported also by the following train of thought. Modern production is based on an ever increasing division of labour. As a result new branches of the economy come into being, new social functions have to be carried out. In earlier days the producer was also the seller of his produce, later this function was taken over by traders, who in their turn specialized on wholesale and retail trade. In earlier days the main of energy was the manpower in the enterprise, later a watermill or a local furnace in the production unit became the main source of energy, now energy is produced by special units and transported for long distances. In earlier days education training and health were purely individual problems now there exist numerous institutions catering for these needs.

Some of these functions (e.g. trade, credit etc.) are very profitable fields of activity; others on the contrary are very capital-intensive and are slow in giving returns. In a private enterprise market economy (especially in the earlier stages of development) the former activities develop to a distortedly large degree whereas the latter are often retarded (if they are not handed over to the state). Such a situation (if it were to prevail in developing countries) could strangle economic growth.

Countries which aim at overcoming economic backwardness — and this has also been the experience of the USSR — have many problems to solve which cannot be either correctly assessed or solved on the basis of market mechanism criteria.

or the profit motive. In some cases it is necessary to build large-scale enterprises whose capacity exceeds the size of the market and which cannot in the short run be profitable but whose products help to increase productivity in other fields, or have other desired effects. The development of new economic regions rarely gives large returns in terms of immediate profits especially in the early stages. The problems of education and training also cannot be solved on a profit seeking basis.

At an early stage of development, when a country has a very large amount of unused / underused natural and labour resources activities like the ones described above inevitably play a vital role in economic development. This means that not only is the private enterprise market mechanism incapable of solving cardinal problems of developing countries, but also that the economic criteria and economic calculations stemming from that mechanism are in many respects irrelevant. In assessing the need to expand education or the advisability of developing new regions, calculations cannot be based on the criterion of profitability of individual economic units or institutions.

Since in developing societies the magnitude and scope of such activities is very large, they cannot but have a profound impact on all aspects of economic growth.

From a theoretical point of view this impact can take two forms. Either an overall concept or plan of national development is worked out and accordingly a broad set of criteria is introduced to form a basis of economic and social judgement, or else, society and the national economy must be divided into two sections, one motivated and judged by the profit criterion, the other by the desire to solve some of the national problems which remain unsolved.

This latter approach is typical of most bourgeois concepts of capitalist development. With some variations they can be summed up as follows. The state takes upon itself the unprofitable functions inside the economy; the rest of the economy is modeled on the profit basis by private entrepreneurs. The underlying idea is that such a system will give the greatest efficiency and an optimal structure of the economy. But such a model creates many new problems. Such a model cannot but

envisage a large-scale redistribution of income in favour of private entrepreneurs; and nobody can give a social justification of one group of people getting richer at the expense of others. Private entrepreneurs who have a possibility of increasing their profits at the cost of the state and whose position to a large extent depends on the action of state employers, on the attainment of a licence or a contract cannot but try to better their lot by bribes. A mixed economy oriented towards favouring private enterprise creates a big stimulus for corruption.

Moreover the profit motive does not exclude a far from optimal distribution of capital investment even inside the private sector (private capital always tends to overflow into trading, speculation, holding etc.). But on a national scale the problem is even more difficult. State investments into infrastructure presuppose a certain response from the private sector. Experience however shows that railroads and dams can be built at a great cost, but private enterprise still can consider conditions not favourable enough to open the expected enterprises producing final products. From an overall national viewpoint large resources have been wasted although the private sector has operated only profitably.

It follows that the market mechanism and the profitability of individual enterprises cannot be considered as the decisive criterion. This is not to say that the efficiency of individual enterprises is of no importance or that resources may be squandered at will. On the contrary, it is vital for a developing society to achieve the maximum possible efficiency of every existing enterprise, since this efficiency is a major prerequisite of increased savings in the country, of increased competitiveness in world markets etc. But in a period of violent shifts in the socio-economic structure the criterion of profitability of individual units cannot be the decisive guide in establishing the structure of the economy and it interlinks at different periods of time, the sequence of creating new industries, the scope and forms of manpower development and other vital problems.

Therefore a new type of criteria, a new basis of assessment and motivation has to be evolved. The character of these criteria will largely depend on the concrete conditions prevailing

in each country, on the type of problems which are of paramount importance in each case. Consequently the criteria may sometimes differ from country to country.

In the Soviet Union the Great October Revolution brought about profound and rapid changes in the social structure which eliminated many obstacles to economic development and at the same time resulted in an active and conscientious participation of the broad popular masses in the process of economic development.

The establishment of a workers and peasants state, the consistent curtailing of the activities of the major exploiter classes created a major prerequisite for a rapid development of society. The communist party which had acquired a large experience through nearly two decades of struggle against the old regime became a vital driving force which mobilized large portions of the population in an all-out effort to overcome economic backwardness, and build a society free from exploitation, based on a new moral code. This tended to create a new mentality in people, to bring about a new system of motivation based on the interests of the nation as a whole.

The social changes that followed the October Revolution had not only a social and political significance; they also became a vital factor in economic life. Due to these changes many economic problems posed themselves somewhat differently and it was often possible to find unprecedented solutions.

Let us take the problem of capital formation. In the USSR in the twenties (like in most developing countries) the existing financial and material resources were insufficient to attain a high level of economic growth. In these circumstances the new mentality of people expressed itself among other things in a conscientious limiting of consumption by broad masses and in a readiness to carry out additional work as to augment the resources of the nation. Since everybody saw that the resultant products were directed towards a general development of the economy and not to the interests of separate individuals a new and formidable economic factor came into being.

It was thus possible to supplement the existing economic resources for capital formation with resources stemming from a new mentality worked out in the process of social change. Moreover these changes made it possible to eliminate, or to a large degree, to minimize certain phenomenon and processes which otherwise would have played a larger role such as the demonstration effect, the consumer preferences. If these phenomenon were allowed to run wild they would inevitably have diverted large resources from capital formation into consumption and lead to a slowing down of the rate of economic growth.

Let us take another example, the problem of industrialization. In many countries the creation of new industrial enterprises is blocked by very narrow markets, which at the same time often force existing enterprises to work far below capacity. Democratic social changes curtail the higher income groups and diminish inequality in the distribution of income. This has a significant influence on the structure of consumer demand, and on the whole structure of the economy. When income is distributed more unevenly a market is created for more types of products, but the market for each product is smaller. When incomes are distributed more evenly a market is created for less types of products but the market in each case is much larger. With economic growth the number of products consumed increases. It follows from this that in countries with a more equal distribution of income there exist much more favourable conditions for mass industrial production for the creation of modern industrial enterprises since the problem of market is less acute.

Numerous similar examples show that there is a very close and vital interaction between economic and social change. The experience of the USSR and of other countries has shown that progressive social changes create a new atmosphere in which economic problems can be solved by quite new methods.

Going over to the more economic aspects we come up against the necessity (which has already been mentioned) of changing the existing structure and simultaneously of achieving a balance between interconnected processes. This is not only a vital prerequisite of an uninterrupted flow of production; a more efficient use of all the resources of a country is equivalent to an increase in the capital accumulation.

In examining the problem of proportionality one is faced by two sets of indices. On the one hand indices of a more technical character (e.g. input-output coefficients, capital-output ratios etc.) which change rather slowly, usually under the influence of technological advance, changes in the role of different branches of industry, etc. On the other hand there are overall synthetic economic indices each one of which consists of numerous components and is influenced by many factors including different policy decisions. The ratios and relationships between these overall economic indices is very complex; shifts in the necessary ratios and relationships (which will have serious repercussions on the whole national economy) may be caused by any of numerous causes. Therefore it is imperative not only to study the overall aggregate indices but also to have as detailed a breakdown of these indices as possible, and to analyze the dynamics and the interaction of the component parts.

In the Soviet Union such a breakdown was achieved not only as a result of detailed scientific studies but also through the whole existing system of planning based on the public ownership of the basic means of production. In very general terms the existing system of planning in the USSR can be described as follows. On the basis of an analysis of the existing state of the economy, of the reports of various enterprises, as well as of an analysis of the desired and possible trends during the plan period a preliminary model or hypothesis in very aggregate terms is worked out. This is broken down in larger detail into plan-proposals for republics and latter-large economic areas. This in turn is detailed for smaller regions and finally for individual enterprises. In each case the questions are posed : if you are given these and these materials, fuels, this amount of machines, this amount of manpower, will you be able to produce a specified amount of products. In each case the management, the trade unions and the specialists examine in detail the alternative possibilities, put forward their own proposals and corrections, elaborate the more feasible proposals.

Then at a latter stage the adopted plans are summed up on a regional, republican and at last All-Union level. At each stage new proposals are put forth, scrutinized and either adop-

ted or rejected. At the earlier years the higher-level planning organization occupied itself both with the internal problems and with the external ties of its subordinate economic units. It broke down the plan-proposals in great detail and in the final stages it adopted a very detailed plan for each unit under its control. With the development of planning each higher-level planning organization began to concentrate its work on the external ties and relationships of subordinate units, leaving to an ever growing extent their internal problems to themselves. And this greater flexibility of planning inside the economic unit has been a major aspect of the economic reform which has become possible due to the growth of planning experience, management capabilities etc. in the USSR.

The method of planning described above, when plan-targets are broken down and detailed by economic units and then summed up again, gives an economic substance and concreteness to the overall synthetic economic indicators.

This system aims at predefining the whole chain of production, at guaranteeing that each economic unit receives all the necessary fuel, raw materials, semi-manufactured and other inputs it needs, at seeing to it that each economic unit produces items which are needed by the economy.

The efficiency resulting from such a coordinated and inter-dependent working of the economy can be looked upon as an important auxiliary type of capital formation. But this effect can only be achieved if each economic unit fulfils its role. During the first stages of plan formulation, the plan proposals are not final and are open to discussion and correction. But once the plan is adopted it becomes binding and obligatory for each economic unit; unfulfilment of the plan means a break in the chain of production, which will have serious repercussions on many other enterprises and industries and constitutes a loss to the whole economy. This is why so much emphasis has been put in the Soviet Union on the obligatory character of the plan.

At the same time the stress that has been put on the problems of introducing latent resources into economic development and of maintaining a balanced proportional development while changing the structure of the economy and of the society do

not mean that the efficiency of existing enterprises and the need to achieve the most efficient working of individual economic units is of no importance.

The arguments that have been put forward on the previous pages show that in some cases economic decisions have to be taken with the full understanding that returns on capital investment will be low and slow in coming. This inter alia was reflected in the emphasis given in the USSR to new economic criteria—growth in the physical volume of production, increase in productive capacities etc.

At the same time it is evident that such an approach can give birth to cases of unwarranted disregard to economic efficiency, to a slackening of efforts to increase efficiency in a given situation, in the working of individual enterprises etc. To counteract such a tendency in the USSR numerous additional plan indices and norms were introduced (e.g. stipulating the amount of raw materials or fuel used per unit of product, the number of workers, the size of the wage bill etc.). Such a detailed and manifold control was a vital method of sustaining the efficiency of existing economic units in a period of violent structural changes.

With economic development such a system inevitably becomes very complex since new factors and considerations have to be introduced. Moreover with the increase in productive capacities, with the growth of specialization and diversification of production, with the increased emphasis on the quality of goods such methods become inadequate.

In the Soviet Union the profound economic and social changes that have taken place have made it possible to increase the role of the profitability criterion in assessing the functioning of individual enterprises while at the same time directing the overall pattern of development on the basis of a national plan. It should be pointed out that in the Soviet Union even in the twenties and the thirties there always existed a set of indicators which assessed the result of the working of an enterprise in profit form, in monetary terms. But this was a criteria and not the criteria. It was one of many criterion in a situation in which other criteria were given a much paramount role.

The economic reform that is now taking place in the Soviet Union does not envisage a full discarding of previous criteria and the introduction of totally new ones. On the contrary the reform is conceived first of all as a shift of emphasis in the existing criteria of judgement and motivation. It is only a question of giving more weight, assigning a greater importance to some criteria in relation to others.

Why has such a shift become necessary in the economy ? Primarily because the structure of the economy has been altered, the main tasks lying before the economy have changed. If at an earlier stage the main problem was to introduce new resources into the economy to-day the main resources have on the whole been introduced into the economy; the main virgin areas or areas that were not integrated into the economy previously have become part of the national economy. Industrial centers have been created in all the major regions. All the major resources have been accounted for, overall geological, soil and climatic maps (in larger or smaller detail) have been charted. All the major branches of industry have been created. There are no people who are unemployed. The labour problem is one of increasing skills and not of finding a working place.

Therefore to-day a new situation is evolving in which the future development of the economy depends not as before on the introduction of new resources and creation of new capacities but to an ever growing extent on the more efficient use of already existing productive capacities. This poses quite a new set of planning problems.

Another aspect that has changed is the fact that the whole level of economic education, the economic mentality in the nation has grown many folds. Previously we had only a small group of people who were able to calculate, to plan, to manage enterprises; to-day the number of people who can do this type of work has grown immensely. Therefore if previously different plan calculations were possible only at a very high level it becomes possible to do them now at a much lower level.

A very serious shift has taken place in the whole structure of the economy because previously we had to think in terms of one or two steel mills, or tractor factories, or automobile plants.

In this situation everything that was done at the factory and all that was needed by that factory had a national significance and could be taken account of only on a national level; in other words the operation of such factories and plants could be planned only centrally on the national level basis. To-day the structure of the economy is different, we are thinking in terms of 10 — 20 steel mills of certain specialities, of tens of tractor factories, or automobile plants and so on. This does not mean that problems do not exist, they exist, but they are different problems, they are the problems of the degree of specialisation. Previously it was a question of organizing production of steel as such, of creating the necessary productive capacities of training the workers who could work in a steel mill. Any type of steel because no steel existed. It was to a much lesser degree a question of having this or that quality of steel, this or that standard of steel; any and all types of steel was necessary. To-day the problem is different. It is not a question of any steel, it is a question of steel with these or those qualities. It is not a question of any tractors, it is the question of 50 horse power tractors, 25 horse power tractors, 10 horse power tractors. It is a question of each region having different industries and each plant or factory specialising and satisfying the needs of a neighbouring region.

Even more important are the changes which took place in the social structure of the Soviet society and first of all the establishment of public ownership of the means of production. It has become possible not only to put a limit and to control the development of market relations but also to subjugate the market mechanism to the national plan, to convert it into an instrument of plan implementation.

With the curtailment of private property the use of national resources in the interests of private profits has been drastically limited and eliminated. This has struck a decisive blow at speculation, corruption and many other drains on national resources. State ownership of enterprises makes it possible to ascertain in detail the main sources of profits and correspondingly to enforce that the activities of the enterprise conform with the plan and with the national interest (which was very hard to do in an atmosphere of commercial secrets inherent to private enterprise).

In these circumstances the market mechanism functions somewhat differently; it does not define the main dimensions of economic development. The overall national targets and proportions are not established on the basis of the market mechanism or its criteria; only certain aspects of the implementation of the plan are relegated to the market. The public ownership of the means of production becomes a vital safeguard of the prevailing role of the national interests as reflected in the plan.

It is not the objective of this article to analyse the economic reform that is being carried out in the USSR. Suffice it to say that the methods of planning at each stage depend on the concrete situation in the country, its level of development, its structure etc.

But the history of many countries, including the Soviet Union, shows that economically backward countries especially during the early stages of development have to cope with a set of economic and social problems many of which cannot be solved on the basis of the private enterprise market mechanism, with its profit motive and criteria. These problems lend themselves to solution only in the framework of an overall national plan, which can be successfully implemented only if the major means of production are in public ownership. With economic development some of the previous reasons for planning cease to play a vital role; but at the same time economic development leads to a new more complex structure of the economy, a higher degree of concentration and specialisation which predetermine the necessity to develop on a planned basis, at the same time streamlining the methods of planning.

PLANIFICATION ET TECHNIQUES BUDGETAIRES
A L'EPOQUE CONTEMPORAINE

PROF. J. P. LASSALE *

La programmation à moyen ou à long terme constitue l'une des idées neuves de l'économie contemporaine. Le secteur privé en a depuis longtemps adopté les techniques, et l'on sait que certaines grandes firmes, notamment américaines, élaborent aujourd'hui des modèles de développement qui sont liés à la croissance nationale. Mais ce qui est particulièrement significatif, c'est l'apparition, à l'époque actuelle, au niveau des Etats, d'institutions nouvelles qui ont pour but de limiter la part du hasard et de l'aléa dans la vie économique. Je n'insisterai pas sur les raisons qui poussent désormais les Etats à penser le présent en fonction de l'avenir, tant elles sont diverses et variables d'ailleurs suivant les pays. Il est évident que dans une société en voie de développement, le problème de l'allocation des ressources, vital dans une situation de pénurie, ne peut être résolu qu'en organisant dans le temps les contraintes nécessaires. Dans les sociétés industrielles, et notamment en Occident, les motivations peuvent être différentes : il s'agit de dépasser l'économie de marché pour aboutir à une croissance harmonisée. Le droit au maintien et à l'expansion du niveau de vie devient en effet une des libertés publiques essentielles du monde occidental, que les autorités politiques ne sauraient désormais méconnaître sans s'exposer à de vives réactions.

Très diverse par ses motivations, la programmation contemporaine l'est aussi par ses modalités, et il faut souligner qu'elle est susceptible de revêtir deux formes principales. Elle peut consister tout d'abord dans une série de prévisions de longue durée. L'Etat se préoccupe alors essentiellement de déchiffrer l'avenir à partir d'une projection des tendances actuelles. C'est le cas, par exemple, des documents établis par le Bureau des Conseillers Economiques aux Etats-Unis, ou des

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systèmes adoptés par l'Allemagne fédérale ou la Hollande. La programmation revêt alors essentiellement le caractère d'une étude de marché généralisée. Mais elle peut aussi prendre la forme d'une planification véritable. Contrairement à ce que l'on a pu naguère penser, l'idée de plan n'est pas nécessairement liée à la notion de direction centralisée, ou à la propriété collective des moyens de production. Mais elle implique, au minimum, la réunion de deux éléments : tout d'abord, la détermination d'objectifs de longue ou de moyenne durée, reliés entre eux dans un ensemble cohérent. Un plan est avant tout une économie volontaire, basée sur le désir non pas seulement de connaître, mais aussi de transformer l'avenir. En second lieu, la planification suppose un minimum de contrainte exercée par la puissance publique sur les groupes ou sur les particuliers, contrainte rendue possible par la mise en place d'un appareil d'exécution. Il est évident que l'intérêt général est loin de coïncider toujours avec la somme des intérêts particuliers, et il appartient à l'Etat d'imposer aux divers intérêts économiques les arbitrages nécessaires.

La planification, au sens strict du terme, est donc à l'époque contemporaine une idée neuve, et comme telle, elle a fait surgir un certain nombre de problèmes, nouveaux eux aussi. Quels sont ces problèmes ? Les uns sont liés à l'élaboration du plan et font apparaître des questions de méthode. Sans entrer dans les détails, je me contenterai d'indiquer ici qu'il existe deux voies possibles pour assurer la cohérence d'ensemble du plan : l'une consiste à établir a priori un modèle complet de développement, et c'est ce qu'on appelle la programmation formalisée ; l'autre repose sur un modèle qui s'élabore par approximations et retouches successives : c'est ce qu'on entend par programmation discrétionnaire, technique qui a été adoptée notamment en France. D'autres problèmes concernent l'adoption du plan, et sont de nature essentiellement politique. Les prévisions à long terme sont aujourd'hui établies par des organismes sur lesquels le parlement n'a le plus souvent aucun contrôle. La multiplication des dépenses dirigées conduit donc inévitablement à une dévaluation des compétences financières des assemblées, et ainsi se trouve posée la question de la compatibilité entre planification et démocratie. Enfin, il existe une dernière série de problèmes qui,

eux, sont liés à l'exécution du plan, et qui sont d'ordre essentiellement technique. Au premier rang d'entre eux, figure celui de l'exécution financière du plan, et plus précisément, le problème des relations qui doivent s'établir entre le plan et le budget de l'Etat.

Si le plan est, en effet, une idée neuve, le budget est une institution déjà ancienne, dont la nature et les structures ont profondément évolué à l'époque contemporaine. De simple inventaire des besoins et des ressources de l'Etat qu'il était au siècle dernier, il est devenu à l'époque actuelle un instrument privilégié d'intervention dans la vie économique. Mais si sa finalité a changé, les règles juridiques qui gouvernent les autorisations budgétaires n'ont pas dans de nombreux Etats, évolué au même rythme, et continuent de relever d'une inspiration qui est aujourd'hui dépassée. Parmi ces règles, l'une nous intéresse plus particulièrement ici, c'est celle de l'annualité. Primitivement, elle signifiait que la vie financière de l'Etat devait être, en quelque sorte, découpée en tranches annuelles, et répartir chaque année de géro. Introduite à l'origine dans le droit budgétaire pour des raisons politiques — il s'agissait de permettre au Parlement de contrôler l'Exécutif en soumettant ce dernier à une tutelle financière périodique —, la règle de l'annualité a surtout aujourd'hui une justification d'ordre technique : le budget constitué en effet l'un des instruments d'une politique de conjoncture, et permet à l'Etat d'exercer sur l'économie une influence stimulante ou modératrice selon les besoins. L'annualité introduit donc un indispensable facteur de souplesse dans la tactique financière de l'Etat, et c'est la raison pour laquelle elle a été maintenue dans la plupart des droits positifs.

Mais c'est ici qu'apparaît une divergence flagrante entre deux intérêts opposés. D'une part, les nécessités de l'action conjoncturelle impliquent le maintien d'une politique budgétaire à court terme, qui se situe autant que possible dans le cadre de l'année. Mais, d'autre part, les exigences de la planification supposent une certaine garantie d'exécution financière, et le dépassement du cadre de l'annualité. Comme on l'a dit, il est évident qu'un plan qui serait remis en cause tous les ans au moment du vote du budget risquerait de perdre une large partie

de sa signification. Il y a là une antinomie entre politique de structure et politique de conjoncture, entre souplesse et rigidité budgétaire, qui place tous les Etats contemporains devant un choix délicat. A vrai dire, on peut considérer qu'à l'heure actuelle, aucun d'eux n'a résolu ce dilemme de façon satisfaisante, pas même l'U.R.S.S. qui pourtant a une longue expérience des problèmes de la planification, et qui, cependant, par une sorte de paradoxe, a choisi de privilégier l'annualité au détriment des décisions financières de longue durée. Qu'en est-il, à cet égard, de l'expérience française, sur laquelle je voudrais plus particulièrement insister ? Depuis la mise en oeuvre du premier plan, c'est à dire depuis 1946, le droit budgétaire français a cherché une situation d'équilibre entre les deux impératifs que j'ai soulignés. La situation actuelle peut se résumer sous la forme des deux propositions suivantes : en France, le plan oriente désormais les perspectives budgétaires, mais ses conditions d'exécution financière restent fixées sur une base annuelle.

I — LE PLAN ET L'ORIENTATION DES PERSPECTIVES BUDGETAIRES

Il faut souligner avec force qu'en ce qui concerne les finances publiques françaises, le budget a cessé, à l'heure actuelle, de constituer un acte isolé, et par là même, le vote de la loi de finance n'est plus cette décision essentielle qu'il était jadis, parce qu'il commandait, pour douze mois, la vie financière de l'Etat. Le budget annuel, tout au moins dans le domaine des investissements, se contente de traduire, sous forme d'autorisations juridiques, des prévisions de longue durée qui ont leur source dans des documents extra-budgétaires. Ces prévisions, dans lesquelles s'insère la loi budgétaire, quelles sont-elles ? Elles sont essentiellement au nombre de deux : il s'agit, d'une part, du Plan de développement économique et social, et d'autre part, de textes qui sont les compléments naturels de ce Plan, et qu'on appelle les lois de programme.

Le plan fait, à l'heure actuelle, peser incontestablement une hypothèque sur les décisions budgétaires, et il pèse sur ces dernières selon trois modalités principales, que je décrirai par ordre de contrainte croissante :

- Tout d'abord, le Plan décrit les équilibres financiers qui doivent accompagner sa réalisation. Il est évident que dans le cadre d'une planification qui n'est plus seulement en volume, mais est aussi en valeur, l'évolution du niveau des prix, le développement des circuits financiers, les perspectives d'épargne, tous ces facteurs sont directement influencés par l'état des finances publiques. Le Vème Plan, c'est à dire celui qui couvre la période 1966 — 1970 a établi notamment un compte général des administrations, qui permet de situer la croissance des dépenses et des ressources publiques, au sens le plus large du terme. Ce compte permet de déterminer les risques de déséquilibre financier provenant des actions de l'Etat au cours de la période planifiée. Il suggère par là même la politique budgétaire à suivre au cours de cette période. Par conséquent, on peut considérer que le tableau économique d'ensemble contient un certain nombre de profils budgétaires, qui font partie des hypothèses retenues par le Plan, et qui inspireront la préparation annuelle des lois de finances.

— En second lieu, le Plan assigne au budget une mission d'orientation générale. Cette proposition appelle quelques explications. Un certain nombre d'objectifs qui sont en France visés par le Plan ne dépendent pas de l'action de l'Etat, ou tout au moins n'en dépendent pas exclusivement. Les types de production, les investissements du secteur privé, la consommation des ménages, relèvent en fait d'une multitude de décisions individuelles et subjectives. Mais l'absence de contrainte directe ne signifie nullement que l'Etat ne puisse recourir à des moyens d'action indirecte. En fait, l'ensemble de la politique budgétaire, qu'il s'agisse de la fiscalité ou des dépenses publiques, est mobilisée pour infléchir les comportements privés, et pour redresser ces derniers, si leur carence risque de compromettre la réalisation des objectifs prévus. C'est ainsi, par exemple, que le Vème Plan a mis en place des indicateurs d'alerte destinés à révéler les fléchissements de la conjoncture, et à provoquer une stimulation correctrice de la part de l'Etat.

— Enfin, et surtout, le Plan détermine pour la période considérée des objectifs d'investissement public. Il fixe, par grandes catégories, le montant des opérations à engager, indi-

que quelles seront les enveloppes financières qui devront être prévues pour leur réalisation. En d'autres termes, il crée à la charge de l'Etat une obligation au moins morale de réaliser certains équipements. Et de ce fait, le secteur budgétaire des dépenses en capital se trouvera directement hypothéqué par le Plan.

On le voit donc, dans les trois hypothèses que je viens de définir, la planification française aboutit à un véritable encadrement du budget de l'Etat. Il faut ajouter, en outre, que le Plan français se trouve démultiplié par des textes secondaires, qu'on appelle les lois de programme, et qui, elles aussi, pèsent sur le contenu des budgets annuels. La définition et le contenu des lois de programme a subi de multiples variations dans notre droit budgétaire, mais en l'état actuel des choses, on peut les présenter comme des textes législatifs qui s'appliquent, dans des secteurs déterminés, à des opérations de longue haleine susceptibles de s'étendre sur plusieurs années. Nous avons eu ainsi un certain nombre de lois-programmes sur l'énergie atomique, la marine marchande, l'équipement scolaire, etc... En théorie, ces lois de programme devraient constituer de simples démembrements du Plan, et préciser, dans un secteur donné, le détail des investissements publics à entreprendre. En pratique, il faut bien constater qu'il n'y a pas d'emboîtement systématique des lois de programme dans le Plan, et ceci pour trois raisons principales : d'abord, parce qu'elles ne concernent que certains secteurs, et par conséquent, ne recouvrent pas la totalité de la politique d'investissement prévue par le Plan ; ensuite parce que les crédits qu'elles prévoient sont des crédits minimum, qui ne sauraient suffire à faire face à la totalité des dépenses envisagées ; enfin, parce qu'elles ne coïncident pas toujours avec la période couverte par le Plan, ce qui introduit entre les deux séries de documents une regrettable absence de synchronisme.

Cependant, et malgré les réserves que je viens de faire, on doit constater qu'en France, à l'heure actuelle, par l'intermédiaire du Plan et des lois de programme, le budget, et notamment le budget des investissements, est désormais encadré dans une perspective économique de longue durée. Ces liens *fonctionnels* qui s'établissent ainsi entre prévisions à moyen terme

et lois de finances sont d'ailleurs complétés par des relations organiques qui se sont progressivement et assez empiriquement créées entre les autorités chargées de la planification et les autorités budgétaires. Ces relations existent tout d'abord au niveau de la préparation du budget : le Commissariat au plan, à cette occasion, soumet au Ministre des Finances un ensemble de propositions portant sur certains investissements, notamment ceux des entreprises publiques, et l'on doit constater qu'il existe des rapports de plus en plus étroits entre la direction du budget au Ministère des Finances, et le Commissariat. D'autre part, au moment du vote du budget, le gouvernement depuis une loi de 1962, est tenu de faire connaître au parlement quel est l'état d'exécution du Plan, et quel effort a été prévu dans le budget pour continuer sa mise en oeuvre.

Mais pour que le Plan « descende » en quelque sorte totalement dans le budget, il ne suffit pas que celui-ci puise son inspiration dans celui-là. Il faut aussi, et il faut surtout, que les pouvoirs publics ne puissent pas remettre en cause dans les budgets annuels les investissements qui ont été prévus par le Plan. Autrement dit, il faut supprimer la tentation des infidélités budgétaires, qui est le péché guettant tout Ministre des Finances, éternellement tenté de retrouver sa liberté dans la règle de l'annualité. Si l'on veut lier impérativement le budget au Plan, il faut prévoir des procédures, qui au moins dans le secteur des opérations en capital, ne feront du budget qu'un simple instrument de transcription financière, par rapport à des décisions arrêtées antérieurement. Or il faut bien le constater, cette situation n'est pas celle du droit budgétaire français à l'heure actuelle, pas plus que celle d'ailleurs d'aucun autre pays au monde. Si en effet, le Plan, en France, oriente les perspectives budgétaires, ses conditions d'exécution financière restent fixées sur une base annuelle.

II — LE PLAN ET LES GARANTIES D'EXECUTION FINANCIERE

Le budget de l'Etat, c'est incontestable, a subi une dévalorisation certaine. Il n'est plus désormais que le maillon d'une longue chaîne qui vise à enserrer l'économie dans une cascade de prévisions. Mais il n'en reste pas moins le centre de décisions qui permet à l'Etat de réaliser financièrement ses projets.

Il faut souligner, en effet, que sur le plan juridique, ni le plan, ni les lois de programme ne donnent de pouvoirs financiers au gouvernement. Celui-ci ne peut s'en prévaloir pour procéder à des engagements de dépenses. Comme l'a dit un jour le Premier ministre français, ce sont des textes qui rassemblent un peu à la morale kantienne : ils ne comportent en eux-mêmes ni obligation, ni sanction. Seule, en principe, la loi de finance annuelle peut donner au gouvernement le pouvoir d'utiliser des crédits. Cependant, cette position de principe comporte deux correctifs :

— Il faut tout d'abord distinguer la situation juridique et la réalité pratique, le droit et le fait. Si en effet, en droit pur, le vote du Plan ou des lois de programme n'allène pas la liberté annuelle de décision du gouvernement et du parlement en matière financière, en fait, la réalité est quelque peu différente : lorsque le parlement a entériné ces prévisions à long terme, il lui est ensuite difficile, sans se déjuger, de revenir sur ce qu'il avait précédemment approuvé. Autrement dit, en donnant son accord aux investissements prévus par le Plan et les lois de programme, le parlement s'engage par là même implicitement à les assortir, au moment du vote du budget, des moyens financiers nécessaires à leur réalisation. La comparaison des objectifs et des réalisations des quatre premiers plans français montre d'ailleurs que dans l'ensemble, les écarts constatés ont été faibles, et le rythme d'exécution sensiblement conforme à celui qui avait été prévu. La tendance actuelle consiste d'ailleurs à renforcer en pratique les liens existant entre le budget et le Plan.

— Il faut ensuite souligner que le droit budgétaire français comporte certains mécanismes qui permettent à l'Administration d'échapper au cadre annuel, et de disposer de crédits à long terme pour mener à bien certaines opérations d'investissements. La procédure la plus importante, à cet égard, est celle des autorisations de programme. De quoi s'agit-il ? Il est évident qu'à l'époque contemporaine, l'Administration, investie d'une mission économique, est appelée à entreprendre des travaux dont l'exécution portera sur plusieurs années. Elle est donc contrainte de passer des marchés d'un montant supérieur aux sommes qu'elles dépensera dans l'année.

Il en est ainsi, par exemple, pour le lancement d'un programme d'autoroutes, la construction d'un sous-marin à propulsion nucléaire, etc... Or, s'il est nécessaire de lui permettre de prendre à long terme des décisions fermes, il n'est pas utile de lui accorder globalement, et d'un seul coup, les crédits correspondant au montant total des marchés conclus. C'est pour cette raison qu'ont été introduites, dans notre droit budgétaire, des procédures financières d'un type nouveau. L'autorisation budgétaire classique portait sur l'ensemble de la dépense : elle permettait, au cours de l'année, de conduire celle-ci jusqu'à son terme, c'est-à-dire d'en décider la réalisation, et d'en assurer le paiement. L'autorisation de programme permet de dissocier les diverses étapes de l'autorisation de dépense : elle donne à l'Administration, pour une série d'opérations déterminées, la possibilité d'engager des dépenses dont l'exécution s'échelonne sur plusieurs années. Par exemple, si pour la construction d'autoroutes, un milliard d'autorisations de programme est prévu dans le budget de 1968, cela signifie que le Ministre des Travaux Publics pourra conclure avec les entreprises des contrats à concurrence de cette somme, contrats dont l'exécution portera, par exemple, sur la période 1968 - 1970. L'Etat sera donc ainsi engagé pour plusieurs années à l'égard des tiers. Mais quand il s'agira de régler les dépenses, il faudra que chaque année, dans le budget de 1969 - 1970..., le Gouvernement demande au Parlement de voter les crédits correspondant aux autorisations de programme précédemment accordées. Cette procédure permet, en théorie, de concilier deux impératifs contradictoires : l'Administration peut planifier ses opérations en capital, mais le principe de l'autorisation annuelle est cependant sauvegardé.

Telle est donc la situation ambiguë du droit budgétaire français, au regard des rapports du budget et du plan. D'un côté, le budget s'insère dans une pyramide de décisions économiques, mais, d'autre part, les décisions proprement financières continuent, malgré certains correctifs, d'être prises au rythme de l'année.

Cette situation, il faut l'avouer, est loin d'être entièrement satisfaisante. Du point de vue économique, elle ne satisfait pas aux exigences de la raison, car l'idée même de plan suppose une certaine continuité d'exécution, que risquent de compro-

mettre les fluctuations de l'annualité. Du point de vue politique, elle n'est pas non plus dépourvue d'inconvénients. Par un renversement assez étonnant de situation, on constate en effet que la règle de l'annualité qui, à l'origine, constituait une garantie aux mains du législatif joue à l'heure actuelle dans un sens contraire à ses intérêts. Le vote de la loi de finances annuelles ne donne au Parlement qu'une vue très fragmentaire de la politique suivie par l'Exécutif en matière de dépenses publiques. Faute d'être ouvertement replacé dans une perspective élargie, le budget, tel qu'il est actuellement conçu, ne permet plus aux Assemblées d'apprécier la cohérence de l'action gouvernementale.

Il faut donc, semble-t-il, renoncer au principe de l'annualité, et adapter les méthodes budgétaires aux exigences de la planification économique. Pour atteindre ce résultat, il est nécessaire d'envisager une liaison très étroite entre le budget et le Plan, et d'aboutir à une sorte de regroupement des décisions financières, tout au moins en ce qui concerne les dépenses d'investissement. Le Plan, adopté par le Parlement au début de chaque législature, devrait s'accompagner d'une partie financière qui prévoirait les moyens indispensables à son exécution. Ainsi, un certain nombre de crédits budgétaires seraient fixés plusieurs années à l'avance, et constitueraient l'amorce d'un budget pluri-annuel. L'existence de ces prévisions financières à long terme ne ferait d'ailleurs pas obstacle à un vote annuel des autorisations de dépenses. Mais les crédits prévus par le Plan seraient *automatiquement inscrits dans les budgets successifs*, à moins que le Parlement et le Gouvernement ne se mettent d'accord sur la nécessité d'un ajustement du programme prévu.

Une telle procédure permettrait d'assurer à l'action de l'Etat en matière économique la continuité indispensable. Toutefois, il ne faut ni sous-estimer les difficultés d'application auxquelles elle se heurte, ni la considérer comme une solution absolue aux problèmes posés par la rationalisation des dépenses publiques. Les efforts faits pour dépasser le cadre de l'annualité doivent se conjuguer avec la recherche systématique de l'optimisation des dépenses qui, seule, peut permettre à la puissance publique d'accomplir ses tâches au moindre coût, et avec le maximum d'efficacité.

IMPEDIMENTS TO CAPITAL FLOW

External Imbalance

by

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The state of the balance of payments is determined by the interplay of a large number of factors, one — not the least important — of which is the volume and direction of capital flows. The inter-relation between the balance of payments and capital flows is becoming, however, more complex in nature and yet the simple view is still being widely held among economists and politicians that it is a one-side relationship — that an increase in capital flows — especially in aid form — strains the balance of payments, and that a cut in it relieves the balance of payments. According to this line of thought, recent balance of payments difficulties in many developed market economies (the aid donors) must have led to cuts in «aid programmes» or at best to a slackening in their growth — a trend which was detected over the last four or five years. The purpose of this paper is to examine this hypothesis. The first part will be devoted to a consideration — in abstract terms — of the general issues involved.

A. THE GENERAL ARGUMENT

I. *General capital flows*

1) Insofar as «equilibrium» growth rates in the economy brings about a state of «initial» balance in international payments at a given volume of net capital outflows, an increasing absolute amount (but a steady rate of growth) of net capital outflows will be compatible with overall external balance. The underlying assumptions are that «equilibrium» growth rates are maintained, export and import average propensities remain constant, and that more or less similarly healthy economic expansion prevails abroad.

2). A deficit in the balance of payments would, in such a situation, result only if larger than «equilibrium» capital outflows (increasing, i.e., at a rate

The definition adopted here for the two groups of countries is exactly the one adopted in recent United Nations publications on the general subject.

faster than general growth rate) occurred. On the other hand, a slower rate of expansion of capital outflows (producing an almost stagnant or even declining trend in absolute terms) would naturally lead to an ever-growing surplus on the balance of payments.

3). If, however, some or all of the underlying assumptions are relaxed — i.e. if general growth rates tend to deviate from the 'equilibrium' level, and/or average export and/or import propensities are not actually constant, and/or economic conditions abroad are different — the above clear-cut picture becomes more complicated.

4) For example, a not too much slower rate of growth, would result in a deficit in the overall balance of payments, if the volume of capital outflows were to be kept rising at the same previous rate. A much milder rise in the volume of capital outflow would therefore occur if equilibrium in the balance of payments was to be preserved — assuming again constant average propensities to export and import.

5) On the other hand, a higher — but not inflationary — rate of growth — with constant average export and import propensities — would result in a surplus on the balance of payments, or a larger-than-proportionate volume of capital outflow, or a combination of both.

6) In other words, a less than proportionate (a) volume of capital outflow would result from one or any combination of the following situations:

(a) a smaller rate of growth in the economy that would relatively affect exports and imports equally; if external balance is to be maintained.

(b) a desirability to reduce previous deficits on the balance of payments;

(c) a decision to produce a surplus on the balance of payments;

(d) an excessively high rate of growth in the economy (i.e., inflationary) that would disrupt

1). This is too ambiguous a term to be defined here, but it is interpreted as pertaining to the average growth rate that actually prevailed at the beginning of the hypothetical period.

2). i.e. very slowly rising, or constant, or even declining

the previously existent « normal » relationships between exports and imports.

7) Statements in 6.b. and 6.c. above will be qualified later on to the extent that :

(a) a cut in capital outflows does not necessarily represent a net saving to the balance of payments, since it means a simultaneous cut in import (donor's export) finance elsewhere, and eventually the credit side of the balance of payments of the « aid » cutting country will be adversely affected; and

(b) an overall surplus on the balance of payments resulting from a policy of keeping capital outflows constant in the face of general expansion in the economy, might prove to be a self-defeating policy — at least after a short period of adjustment — as the would-be growing surplus on current account will lack the necessary finance elsewhere to keep it up.

II. *Grants and grant-like contribution* ⁽¹⁾

8.) The above cause-and-effect relationship between capital outflows in general and the state of the balance of payments, can be very clearly demonstrated in the case of grants. Indeed, it can be safely assumed first that there is a functional relationship between aid ⁽²⁾ in the general form and the credit side of the balance of payments' current account in particular. A certain volume of aid extended somewhere represents credit availability, and the actual balance of payments cost or saving that results from an increase or cut in (free) aid is almost much less than what is apparent from pure statistics. The difference is accounted for by the favourable or adverse effect on exports.

9.) Where grants are directly linked to the donor country's exports, they would be expected,

1). These will be referred to as « grants » in the future.

2). «Aid» will be used in the sense that it covers all official capital outflows to developing countries.

purely on balance of payments grounds, to be rather insulated⁽¹⁾ from balance of payments fluctuations; i.e., a deliberate change in them would neither improve nor worsen the external balance. This is not intended, however, to mean that grants bear no relationship whatsoever to the balance of payments, which would be absurd to think of. Indeed, the contrary is quite true. Grants affect the general balance of payments insofar as they affect — and probably are affected by — exports. But the net result on the balance of payments of completely tied grants will normally be neutral.

III. Tied Aid

10.) To the extent that «grants»⁽²⁾ play a neutral role in the external balance, it could be argued that any deterioration in the balance of payments would therefore represent a case in favour of a shift to «grants» from other forms of «aid» — i.e., if the level of total «aid» is not to be affected. In other words, a shift towards more grants could be interpreted as probably resulting — other things being equal — from a deteriorating balance of payments position.

11.) The above assumption is only true, however, to the extent that other forms of aid are actually «free» — i.e. insofar as recipient countries can and actually do direct part or all of the «inflow» of capital to finance imports from third countries. But insofar as the practice of tying is observed to some extent, the case for grants (balance-of-payments-wise) is weakened. At 100% tying, all aid would have the same neutral effect as grants, raising donor's exports simultaneously by an equal value⁽³⁾.

12.) One can therefore assume that to the extent that resource transfers are in tied form — technical assistance, project financing, transfer of resource in

1). The insulation is not necessarily complete, however, see below.

2). Grants are assumed to be spent wholly in financing imports from the donor country. This may not always be the case, but deviations from this practice are very small.

3). It will be shown later on that both «switching» and «feedback» reduce the effect of aid tying on the one hand, and aid financing, on the other.

kind — the effect of the state of external balance on capital outflows is — other things being equal — mitigated. The increase in the latter would add directly to the donor country's export — assuming that output can be expanded in the short run — and the absolute effect on the balance of payments is therefore mitigated by the rise in exports. The effect would be neutral if tying is complete and perfect. Capital outflows, thus tied, could change in either direction — depending on other factors — with the credit and debit sides of the balance of payments going up or down by the same value. To the extent that tying is short of being complete and perfect, balance of payments difficulties would still lead — it is assumed — to less absolute transfers of capital resources, the most hit would be the less tied forms; a redistribution of capital outflows in favour of the more tied forms would apparently also be justified.

IV. *The magnified effect of tying on «aid» manipulation*

13.) Completely free capital outflows usually have a «feed-back» effect — i.e., part of the liquid resources transferred flows back to the donor country to finance imports. This free «functional» relationship means that perfectly liquid forms of capital outflows do not normally represent a one hundred per cent foreign exchange cost to the balance of payments of the donor country. It follows therefore that the shift from liquid to tied forms of capital transfers would not lead to an absolutely proportionate saving on the balance of payments. Besides, as the cost to the balance of payments of a «free» aid programme is less than proportionate, the cut in it that is necessary and adequate to alleviate a given burden on the balance of payments would have to be more than proportionate. The presence of functionality between aid and the credit side of the current account would therefore tend to magnify the movements in the total volume of aid (when used as a corrective measure) as a result of balance of payments recurrent disequilibria. With surpluses or deficits on the balance of payments, more than proportionate increases or decreases would have to occur to total aid in order to keep overall equilibrium in the balance of payments.

If the functional relationship is perfect — i.e., if the feed-back is complete in the sense that an extra dollar of aid leads to an extra dollar of imports from

the donor country — a cut of an infinite amount of aid would theoretically be required to lead to an improvement in the balance of payment. On the other hand, if the relationship is weak, a very small cut in aid would lead to a — *pari passu* — improvement in the balance of payments, because the resultant decline in exports would be very negligible. At a 50% feedback relationship, a given improvement in the balance of payments would require a cut in aid equal to as much as the required improvement.

14.) The introduction of tying magnifies much more the effects of the balance of payments disequilibria on aid manipulation. The effect of tying is simply to strengthen the functional relationship between aid and the credit-side of the current account. In the previous example of an initially free functional of 50% if half the amount of aid is tied (and abstracting for the time being from <switching> possibilities) the effect of tying would be to raise the relationship between aid and subsequent exports of the donor country of 75% in which case a deficit in the balance of payments of one dollar would require a homogeneous cut in total aid of four dollars instead of two dollars only in the pre-tying situation.

15.) The above argument would have, however, to be qualified to the extent that even the most complete tied aid programme would necessarily imply the loss of some foreign exchange to the donor country. In many cases, it is possible for recipient countries to practice <switching> (using aid funds to obtain goods which were originally being imported from the same market and paid for out of the recipient's own foreign exchange earnings), therefore reducing the potential export effect — on the donor country — of the aid programme. A recent study of that problem shows that U.S. tied aid programme would represent a net cost to the U.S. balance of payments of about 24%. In other words, the functional relationship between U. S. tied aid programme and exports would be 76%. The same study shows also that the relationship for completely free US aid programmes would be 38%. In other words, the perfect tying of all U.S. resource transfers to developing countries would represent a saving of only 40% to the balance of payments. It therefore follows that a deficit on the U.S. balance of payments of \$1 would require a cut of \$1.5 of completely free aid against a cut of \$4 in a

completely tied one.

16.) This is the dilemma that increasing aid-tying represents to the donor countries. The more aid is tied to exports the less, it is true, the immediate cost to the balance of payments, but the less also aid becomes a suitable and useful means of manipulation in the face of balance of payments deficits.

17.) The above argument points out to the following conclusion which is further supported below :

« Balance of payments disequilibria cannot theoretically be satisfactorily corrected through quantitative manipulation of aid, because aid is, among other things, not — in the final analysis — a one-sided entry in the balance of payments. Disequilibrium in the balance of payments may lead to changes in the composition of aid in favour of more grants and tied loans at the expense of free aid, and a gain, balance of payment-wise, can be achieved through such qualitative treatment, but it is necessarily a once and for all gain. The more aid becomes tied as a result of balance of payments disequilibria, the less it becomes possible to use the same method again for correction of further disequilibria in the balance of payments. In other words, in the not too long run, both quantitative and qualitative manipulation of aid become either ineffective or completely exhausted to offer a satisfactory means of balance of payments adjustment ».

B. AN ILLUSTRATION : THE U.S.A.

18.) The purpose of this empirical exercise is to show how far from accurate the argument is that a sound external payments position can normally be restored through appropriate cuts in aid. The 1963, U.S. aid programme is used for illustration and the following assumptions are made :

- i. grants are perfectly tied to exports;
- ii. other official bilateral aid is tied to the extent of 90%⁽¹⁾.
- iii. official multilateral aid is free, and a feedback ratio of 36%⁽²⁾ is therefore applicable;

1). See UN: World Economic Survey, 1966, Part I, p. 78, Table III-3.

2). A time-lag is necessarily involved here.

- fv. private direct investment to the developing countries can be regarded as being in practice tied to « home » export to the extent of 75%⁽¹⁾ (private direct investment takes normally the form — in real terms — of « home » shipments of machinery and equipment and expertise).
- vi. other private investment is free and is treated as in iii.
- vii. switching (net) is 24%⁽²⁾, and the net « export » coefficient of tied aid is 76%.

Table I shows the net effect of total U.S. aid programme in 1963 on a.) merchandise exports, and b.) foreign exchange cost to the balance of payments. An aid programme of \$4.2 billion in that year must have been responsible, as is clear from the table — for a balance of payments surplus on current account of some \$2.9 billion, representing the net increase in exports brought about by aid. In other words, the aid programme did in fact finance itself — through a feed back process — to the extent of 75%. As a result, it accounted — by itself — for almost 50% of that year's current surplus of \$5.9 billion. The other half might — likewise — be successfully explained by the rest of the U.S. capital outflows in that year — i.e., outflows to the developed countries — which amounted to another \$3.7 billion⁽³⁾.

1). A time-lag is necessarily involved here.

2). See UN World Economic Survey, 1965, p. 78, table III. 4.

3). It is also interesting to notice that in 1963 several measures were taken in the United States to correct the balance of payment problem which measures led to a pre-determined decline of private capital outflows of \$3.8 billion. But the improvement in the balance of payments was in \$1.5 billion in liquidity bonds. Apparently, the other \$2.1 billion were taken care of by a drop in the potential level of exports, thus nullifying the effect of the cut in capital outflow. Potential exports that were to be made possible through the \$3.8 billion cut in private investment did not materialize. Indeed, merchandise exports which were rising ever since 1960 at an ever increasing rate, completely stagnated in 1963. It may be that other factors — such as inflation at home — might have helped to halt the expansion in exports that year, but the conundrum is too strong to be disregarded. As a result, the surplus on merchandise trade dropped in 1963 by \$2.1 billion. The net saving to the balance of payments of the cut in capital outflows was therefore only 40%.

19.) The above example illustrates the futility of manipulation with aid as a means of curing balance of payments disequilibria. The net cost to the U.S. balance of payments of the 1963 aid programme was — on the above assumptions — only \$1.3 billion or about 30% to total aid. To correct the overall deficit, in that year, of \$2.7 (on liquidity basis) would have required the complete abolition of total aid in all forms — official and private — and something more. This would be totally absurd and utterly unacceptable. Of course, it is quite legitimate to argue that with no aid at all, U.S. exports would not drop by the whole of the \$2.9 billion that is helped to create in the first place, because the practice of « switching » would then « backfire » in the developing countries, and part of the exports — the more essential — would be sustained through switching back. But this is actually only a qualification that does not alter the fundamental argument, presented above.

20.) The above argument — in its entirety — should not, however, be taken to mean that balance of payments problems do not or should not have any impact upon aid programme, because:

- i. balance of payments difficulties may always lead to — and be mitigated by — (more) tying, a tendency sustained by the above argument;
- ii. balance of payments difficulties can also be successfully treated through reducing the degree of « shifting » which a particularly tied aid programme is open to. This could be achieved if tied aid is made available only for imports of goods which the recipient country does not traditionally purchase from the donor, and when made available for spending only in the donor country (scholarships, training facilities, services performed in the donor country);
- iii. the popular wide-spread belief that cutting aid would dramatically improve the balance of payments might lead to the adoption of such policy, regardless of what the theoretical case may be.

CONCLUSION :

1.) The impact of the balance of payments difficulties on aid might not — on purely theoretical grounds — be successfully sought in quantitative terms. Major cuts in aid might not therefore be visible. On practical grounds, however, this possibility could not be overruled, but dramatic results should not be expected.

2.) More probable is the impact on the composition of aid programme, *vis-à-vis* more tying of aid.

3.) Another area of possible change is the imposition of more strict formulae of aid-financed imports from the donor country, to reduce the effect of switching.

Table I.—THE NET EFFECT OF U.S. AID IN 1963
ON
(a) MERCHANDISE EXPORTS (b) FLOW OF FOREIGN EXCHANGE

Type of Flow	Amount of Flow	Degree of Typing	Third Aid (feed-back coefficient 70%)			United Aid (feed-back coefficient 80%)			Net plus in exports	Net Outflow of Financial Resources
			Amount	Feed Back	Outflow of Financial Resources	Amount	Feed Back	Outflow of Financial Resources		
\$ Million	(1)	(2)	(3) = (1) x (2)	(4) = (3) x %	(5) = 3-4	(6) = 1-3	(7) = (6) x %	(8) = 6-7	(9) = 4+7	(10) = 5-8
1. Grants and grant like contribution	2.4	100%	2.4	1.8	0.6	0.0	—	—	1.8	0.6
2. Long-term official capital	0.8	90%	0.7	0.5	0.2	0.1	0.0	0.1	0.5	0.3
3. Official Aid to Multilateral Agencies	0.2	0%	0.0	—	—	0.2	0.1	0.1	0.1	0.1
4. Private Direct Investment	0.7	75%	0.5	0.4	0.1	0.2	0.1	0.1	0.5	0.2
5. Other Private Investment	0.1	0%	0.0	—	—	0.1	0.0	0.1	0.0	0.1
TOTAL	4.2		3.6	2.7	0.9	0.8	0.2	0.4	2.9	1.3

(ثانياً) بـلـقـسـبـة الـى مـشـرـوع قـانـون الـإجـراءـات الـجـنـائـية :

مـتـلـاحـظ مـعـه ما بـلى :

١ - لـم يـنـظـم مـرحـلـة البـحـث الـسـلـق عـلـى الـحـكـم ، عـلـى الـرـفـع مـن اـهـمـيـتـها لـعـسـرى نـ بـرـجـيـه الـجـزـاء الـجـنـائـى نـحـو اصـلـاح المـجـرم .

٢ - فـرر الـمـشـرـوع الـغـاء مـرحـلـه الـاحـالـة فـى الـجـنـائـيـت ، عـلـى الـرـفـع مـن اـهـمـيـتـها الـعـسـرى كـمـيـلـن لـلـمـتـهـم فـى اـن تـنـحـث دـعـواـه الـجـنـائـية فـى اـكـثـر مـن مـرحـلـة وـخـاسـة فـى اـخـطـر اـنـواع الـجـرائـم وـهـى الـجـنـائـيـت . بـل اـن الـحـاجـة تـبـدو اـكـثـر الـحـلـاق فـى الـجـنـائـيـت بـلـغـذات نـظـراً لـعـدم اـنـفـتـاح بـلـب الـاسـتـثـنـاء فـى اـحـكـامـها . فـيـكـون مـن بـرـيـب اـن نـظـر الـجـنـح - وـهـى اـثـل اـهـمـية - عـلـى مـرحـلـتـين . تـم لا تـنـظـر الـجـنـائـات الـا فـى مـرحـلـة وـاحـدـة . وـكـلـن مـن الـاجـتـر بـوـفـر مـرحـلـة الـاحـالـة تـعـويـنـا بـلـجـنـائـيـت عـن عـدم قـابـليـتـها لـلـاسـتـثـنـاء . وـمـهـما كـتـت الـاعـتـبـرات الـتى تـسـلـق فـى سـبـيل الـغـاء هـذـه المـرحـلـة وـكـلـها تـنـور حـول سـرـعـة الـاجـراءـات ، فـلـن حـسـبـن مـتـوق الـدـفاع مـر لا يـجـب الـتـفـرـيـط بـيـه .

٣ - حـول الـمـشـرـوع مـحـكـمـة الـجـنـائـيـت وـالـدائـرة الـجـنـائـية بـمـحـكـمـة الـتـنـقـض سـلـطـة الـحـكـم فـى الـدـعـوى فـى حـالـات الـتـصـدى . وـمـهـما كـلـن الـتـبـرـير الـذى يـقـال فـى هـذا الـصـدـد وـهـو لا يـتـعـدى الـقـول بـسـرـعـة الـفـصـل فـى الـدـعـوى ، فـلـن نـلـك يـجـب الـا يـتم عـلـى حـسـب الـحـريـك الـفـردية وـضـمـائـت الـدـفاع . وـكـيـف نـظـمـن لـعـدـالـة الـمـحـكـمـة وـهـى تـجـمـع فـى يـدهـا مـرة وـاحـدـة بـين سـلـطـة الـاتـهـام وـسـلـطـة الـحـكـم عـلـى الـرـفـع مـن الـتـنـاقـض الـتـام بـين الـسـلـطـتـين .

هـذـه خـطـوط عـامة لـسـيـاسـة جـنـائـية نـرى اـن فـى الـالـتـزام بـها ما يـحـقق حـمايـة لـفـرد وـحـمـلـيـه الـمجـتـمـع مـن خـطـر الـجـريـمـة . وـقـد راعـيـنا فـى وـضـعـها اـن تـرـتـد جـمـيـعـها الـى اـصـول عـلمـية تـتـمـثـل اـما فـى مـقـتـضـيـات الـتـجـرـيم اـو فـى تـسـيـر ظـاهـرة الـجـريـمـة اـو فـى مـضـمـون الـايـديـولـوجـية الـسـيـاسـية .

والله نـسـئـل اـن يـلـهـمـنا الـتـوفـيـق .