1

The development issue

1 Rich and poor countries

For some time past, the gap between the welfare of the rich nations and that of the poorer nations has caused international concern among politicians. While the technically developed countries have become more prosperous, in recent years at an even faster rate, most of the African, Asian and South American countries have raised their standard of living only with very great difficulty. Professor L. J. Zimmerman has attempted to give a broad outline of the situation by comparing thirteen different world areas at three different dates in this century – in 1913, 1929 and 1957. [29]* As every statistician will know, this can provide us with no more than a very rough picture, but even this can repay study. A summary of his findings, showing only what is most important for our purposes, is given in table 1. His figures show clearly that incomes per head of population, at 1953 prices, have increased considerably during this period in the West and in communist controlled countries, where the increase has been particularly marked. In south-east Asia, however, there has been general stagnation. This is no longer so in China, and in India too some progress has been made since 1950, although stagnation has again occurred there to some extent in the last few years.

These figures are bound to be very rough, partly because no adjustment has been made for the difference in prices between various countries – this is one of the reasons for the high figure for the Soviet Union. All the same, they do show clearly, first that there is a great difference in income per head of population between the developed countries and the underdeveloped countries, and secondly, that this difference is still increasing. For example, incomes per head among the member nations of the European Economic Community have risen by approximately 3 per cent per year over the last ten years, whereas those in India have risen by at the most $1\frac{1}{2}$ per cent per year (see also figure 1 and appendix A).

* References are to the numbered bibliography on page 252.

Table 1. Incomes per head in dollars per year (1953 purchasing power), in certain parts of the world, 1913–57.

	1913	1929	1957
North America	917	1 243	1 868
North-west Europe	454	528	790
Soviet Union	162	178	750
South-east Europe	200	181	360
Latin America	170	196	300
Japan	85	152	240
South-east Asia	65	68	67
China	50	50	61

Source: L. J. Zimmerman, *Arme en rijke landen*, The Hague, 1959, pp. 29 and 31. Not all the areas dealt with by Professor Zimmerman are given here.

2 Common characteristics of the underdeveloped countries

The countries with a low income per head differ widely from each other in geography, culture and history. There are, for example, areas with a low rainfall and others with a very high annual rainfall, and there are both elevated and low-lying areas. Both sparsely and densely populated territories are to be found among the underdeveloped countries. Although the upper stratum of the population of the Latin American countries is European in origin, the mass of the population in many of these countries is Indian. The people of North Africa and West Asia, Pakistan and Indonesia are Moslem,

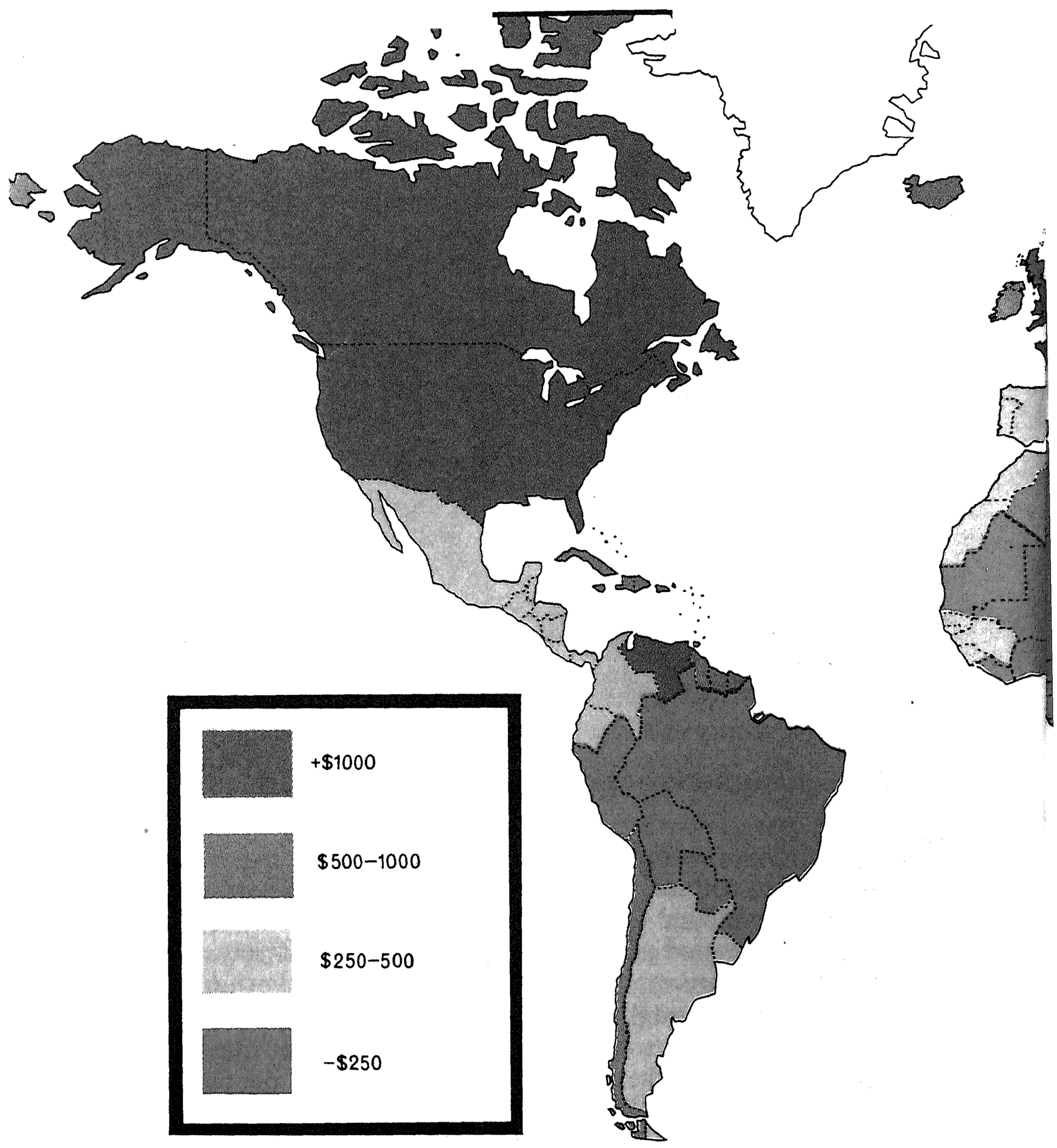
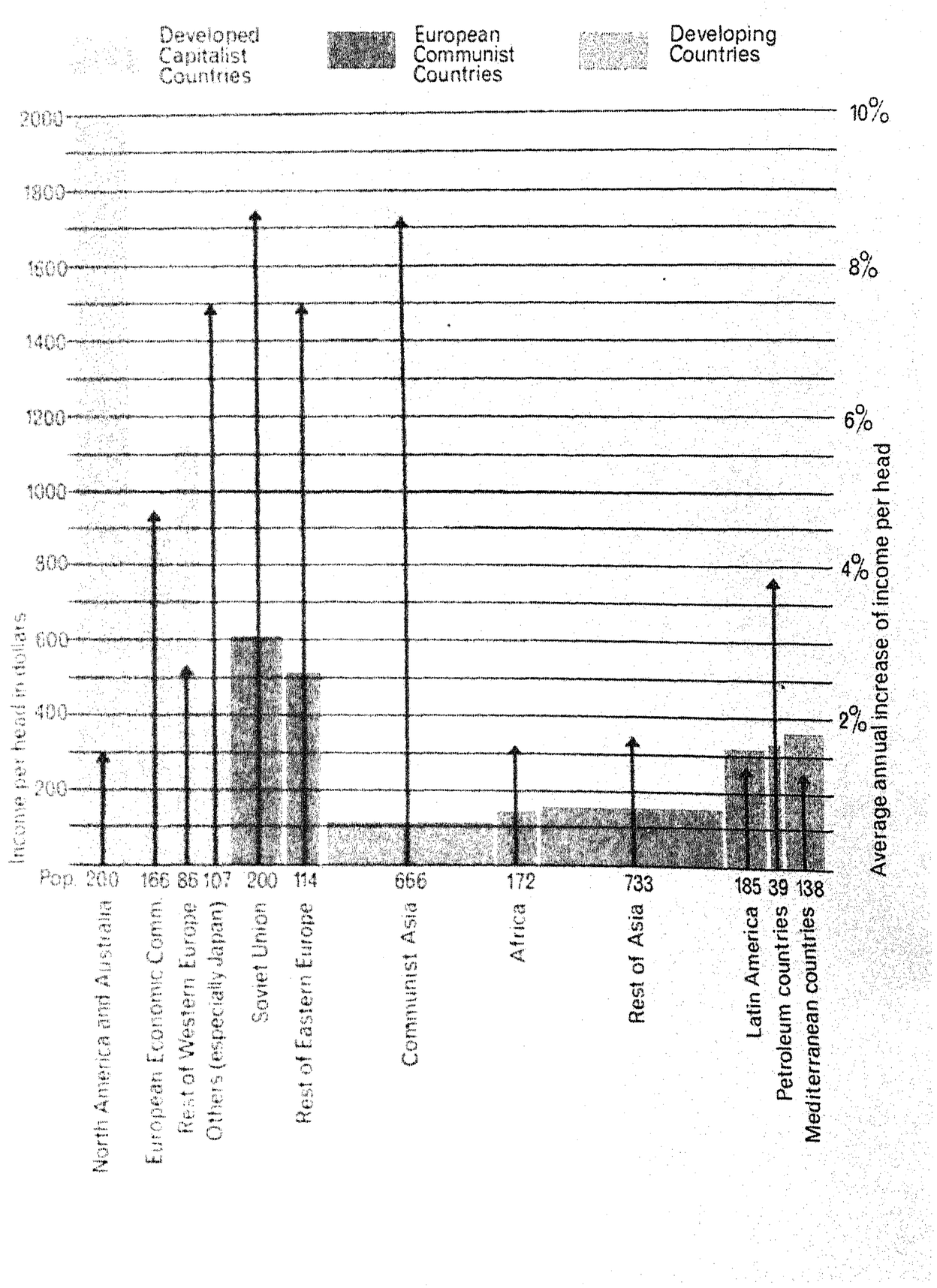

+$1000
$500–1000
$250–500
–$250

Figure 1. *Incomes per head in various countries of the world.* The first group includes North America and north-west Europe, the second south-east Europe and the Soviet Union, the third Latin America and Japan, and the fourth China and south-east Asia. Roughly speaking, poverty is concentrated in the world's 'south-east', wealth in the 'north-west'. Deviations from this pattern are usually due to obvious geographical or historical factors.

Figure 2. *Population (1957), income per head (1957), and growth of income per he in various regions of the world.* The width of the block indicates the population millions), the height, reading from the left vertical, the prosperity of the group. T the surface of each block gives the total income of the region indicated. There is correspondence between the level of income and the rate of growth, indicated h by the arrows. The top rates here are those of the communist ruled countr



followed by the EEC and the petroleum countries. The lowest rates of growth belong to the developing countries and the United States (with a few other wealthy countries). The extremes show similarity in this respect. However, the absolute increase in income per capita in these wealthy countries is very much larger than the absolute increase in the poor countries.

while Hinduism predominates in India. Africa and Asia are populated by many different races. Finally, although only very few South American countries were still colonies in 1850, by far the greater part of Africa and a large part of Asia were still colonised in 1930. Asia was decolonised in the years immediately following the Second World War and in Africa decolonisation was not underway until after 1950.

None the less, there are a number of features, mainly social and economic, which are common to all the 'poor' countries. Their climate is generally tropical and, quite apart from the fact that their average income per head of population is low – though here too there are considerable variations – very many of the people living in these countries are employed in agriculture and mining, which may be regarded as the two primary industries. As a result, most of their products come from natural resources. The standard of technical and economic education in these countries is low compared with that in the more developed lands. The general level of health is also extremely low – diseases of all kinds are rife and there is a very high death-rate, the average expectation of life being about 45 years, compared with 70 in the more developed nations. Business is geared to the making of short-term gains, often only by speculation, and there is a great deal of individualism in the bad sense of the word. Incomes are far less equally distributed than in the more developed countries, despite the generally low average level of income. Several of these characteristics are shown in table 2 (page 18), which is based on figures obtained from United Nations sources.[28]

It is quite clear from this table that the figures under each heading are dependent on the level of incomes per head.

Most of the characteristics that I have mentioned are closely related to each other in their causes. Where the income per head is low, a high proportion of this income has to be spent on agricultural products, since these are the first necessities of life, especially in hot countries. Also, where the standard of education is low, the productive energy of the population is supplied mainly

Figure 3. *Growth of the populations of the non-communist regions of the world, 1950–55 and 1955–60.* The population explosion in the developing world is actually still gaining momentum in Africa and the Far East, where the rates of increase are themselves increasing. In the socially most advanced countries we see a very low rate of growth. Japan's rate of increase declined significantly over the period as its standard of living rose.

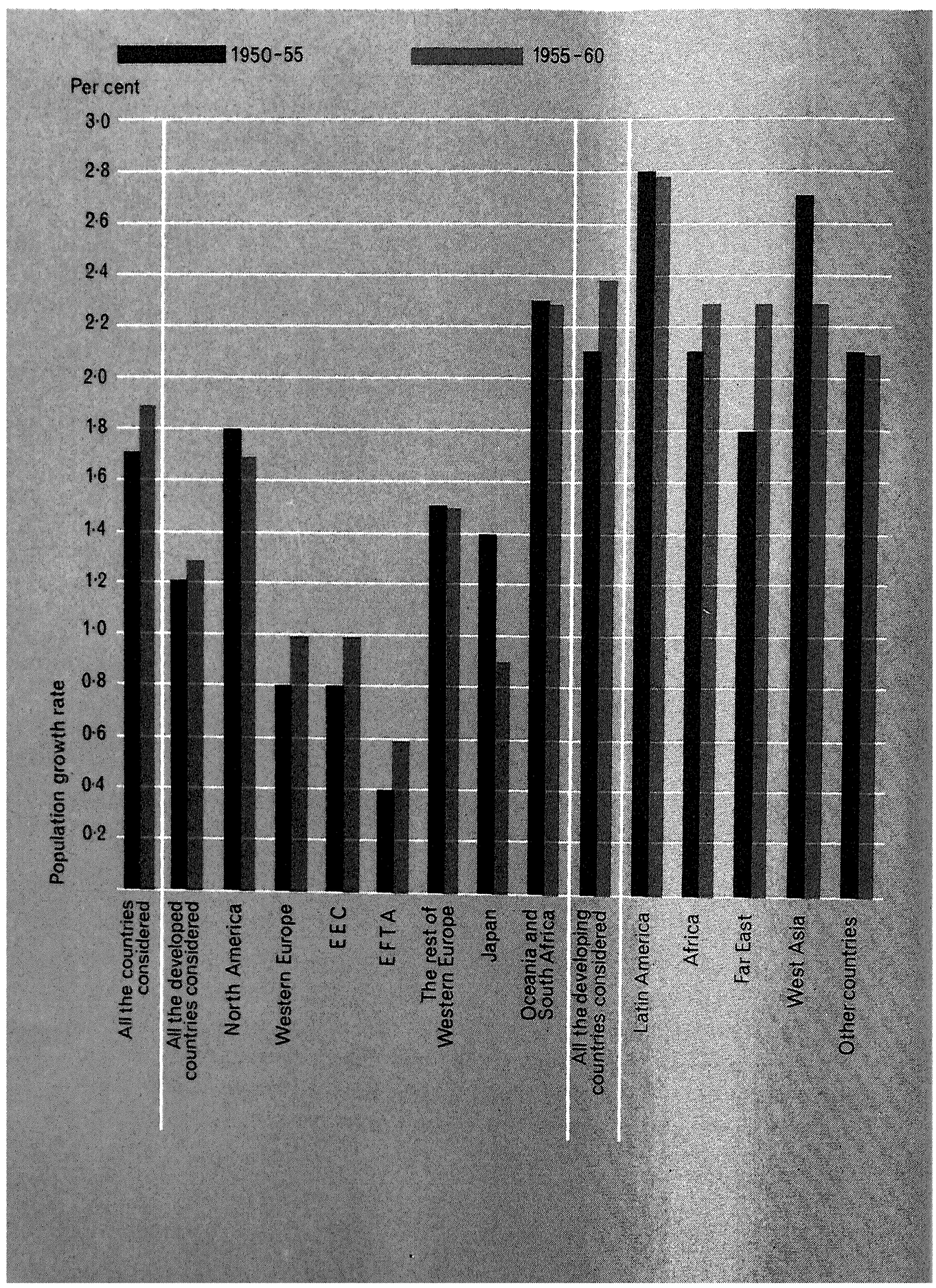


Table 2. Some economic and social data about groups of countries with different annual incomes per head (1955–60).

Group	Annual income in $ per head	Expectation of life	Inhabitants per doctor	Percentage of illiterates	Percentage of the national income from agriculture
I	> – 1 000	71	885	2	11
II	576 – 1 000	68	944	6	11
III	351 – 575	65	1 724	19	15
IV	201 – 350	57	3 132	30	30
V	100 – 200	50	5 185	49	33
VI	< 100	45	13 450	71	41

by nature. A country with a low average income per head can spend very little on education and health care and its people cannot look far ahead, with the result that they tend to go in for quick profits. Sufficient for each individual member of a poor country is the evil of the day. The great wealth of some individuals is a direct outcome of their scarcity value, since they are rare in possessing either practical knowledge or capital or both.

Although all these features are intimately connected, it is still not apparent which of them ought to be regarded as the underlying causes of poverty in any given country.

Figure 4. *Value of exports from the communist countries, the non-communist developing countries, and the developed countries, expressed as a percentage of world exports.* We observe here that the portion of the world's exports from the developing countries is decreasing, 'squeezed out' by both the communist and the non-communist developed countries, whose portions are increasing.

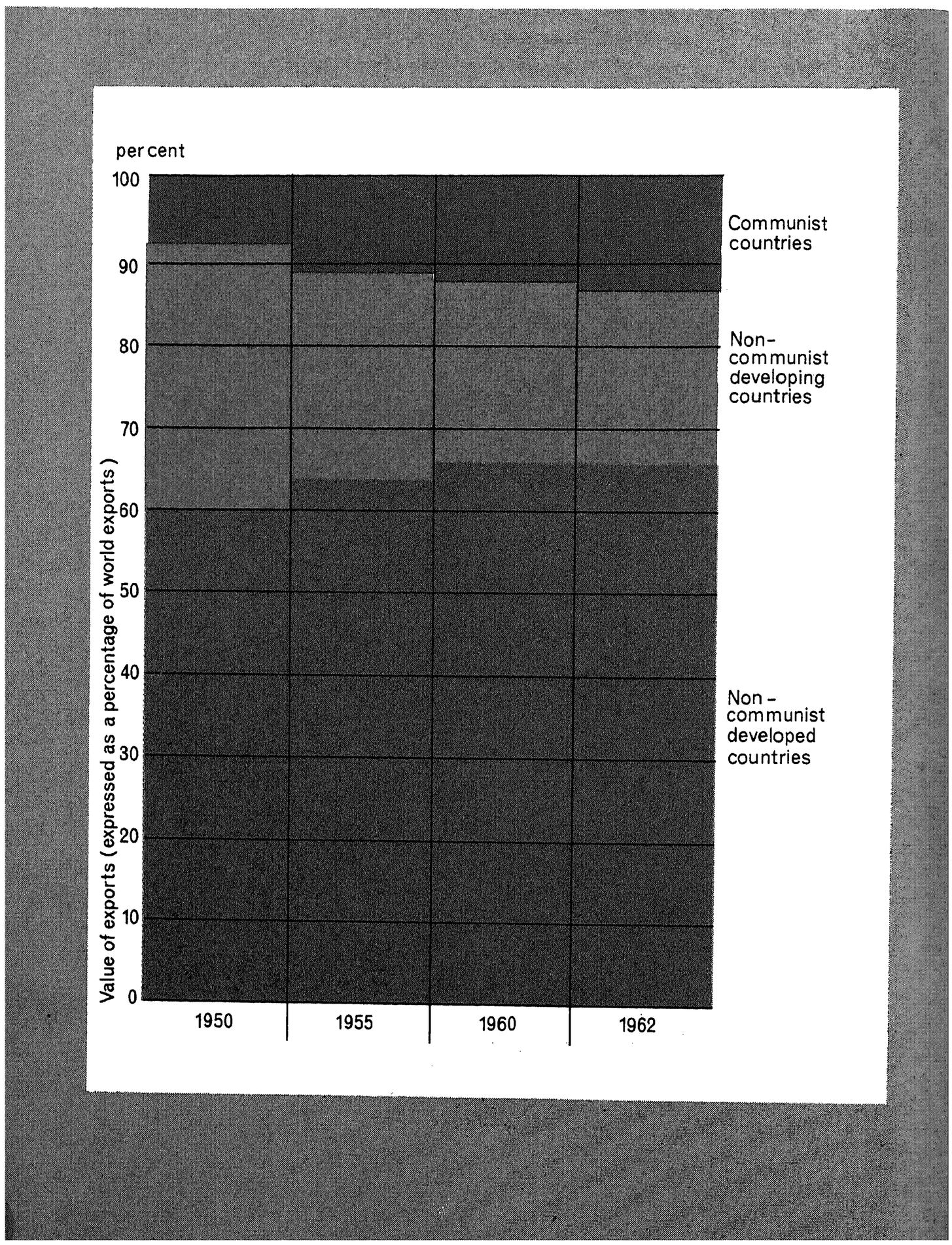


Figure 5. *Development of exports from the communist countries, the non-communist developing countries, and the developed countries, between 1950 (=100) and 1962 (as a percentage of 1950).* The communist countries' trade has grown from an unnaturally low level in 1950, when there was a degree of autarky above a rational level.

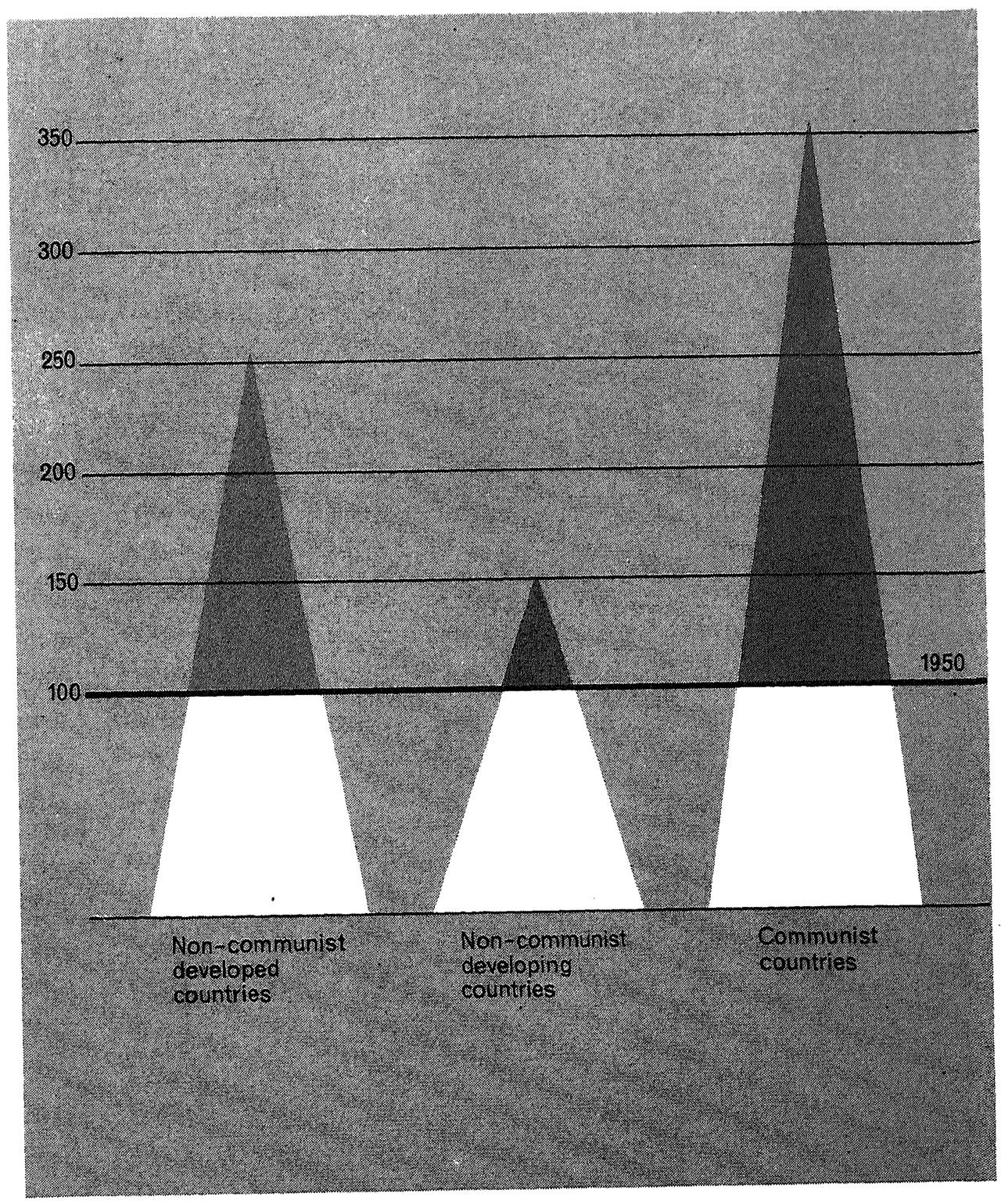


Figure 6. *Course of prices in the import and export products of developed and developing countries between 1950 and 1962 (1950=100).* Export prices of the developed countries have risen, those of the developing countries have fallen. Import prices rose for both, but less than the export prices of the rich countries. Consequently the terms of trade (export prices divided by import prices) have risen for the rich and fallen for the poor countries.

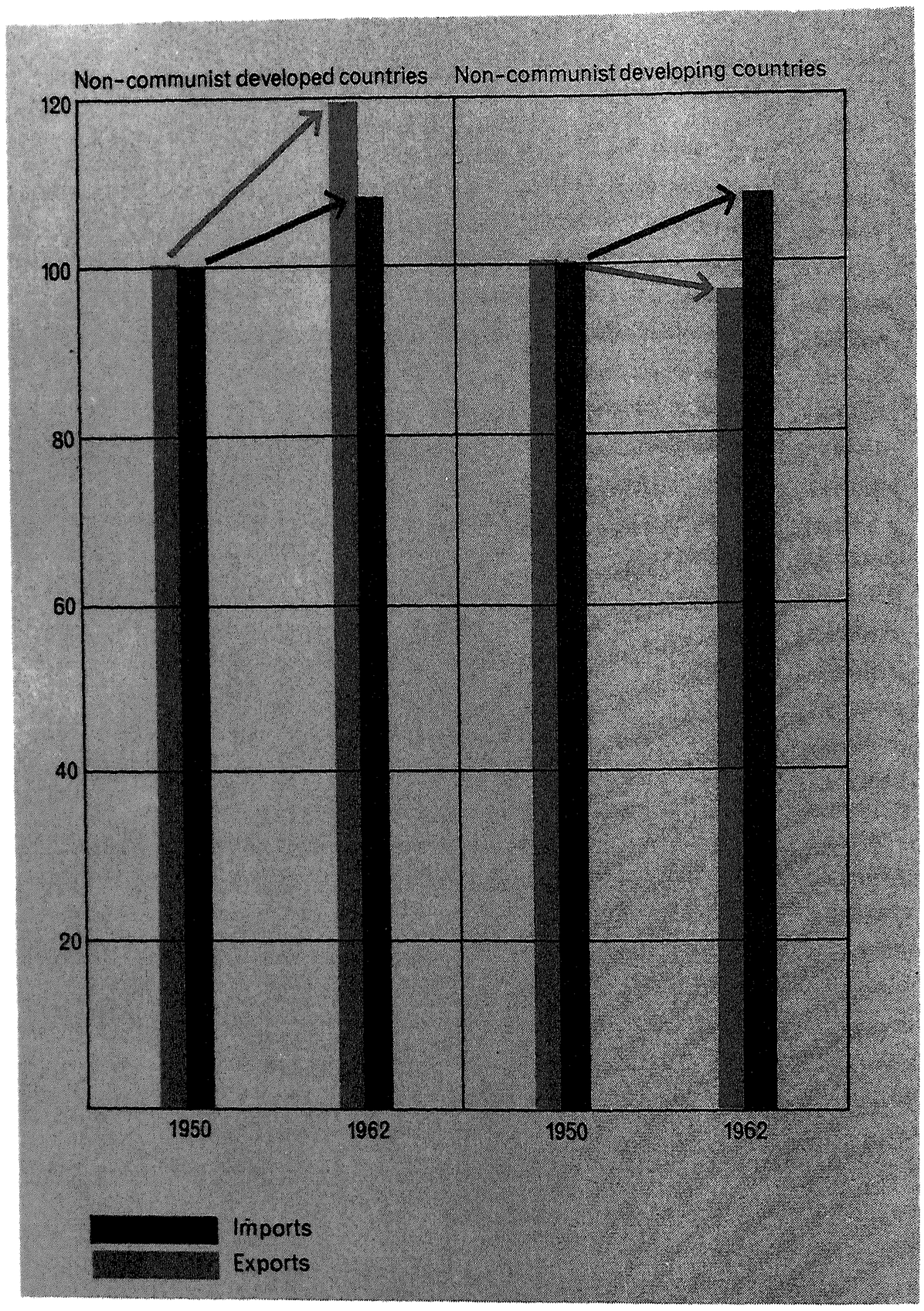


Figure 7. *Annual growth rates of value of imports in the centrally planned economies, the developed market economies, and the developing market economies.* These rates of growth fell for both the developed and the developing non-communist countries. As can be seen, the centrally planned economies showed quite a steep rise between 1953 and 1958 but subsequently dropped, giving an overall fall for the whole period.

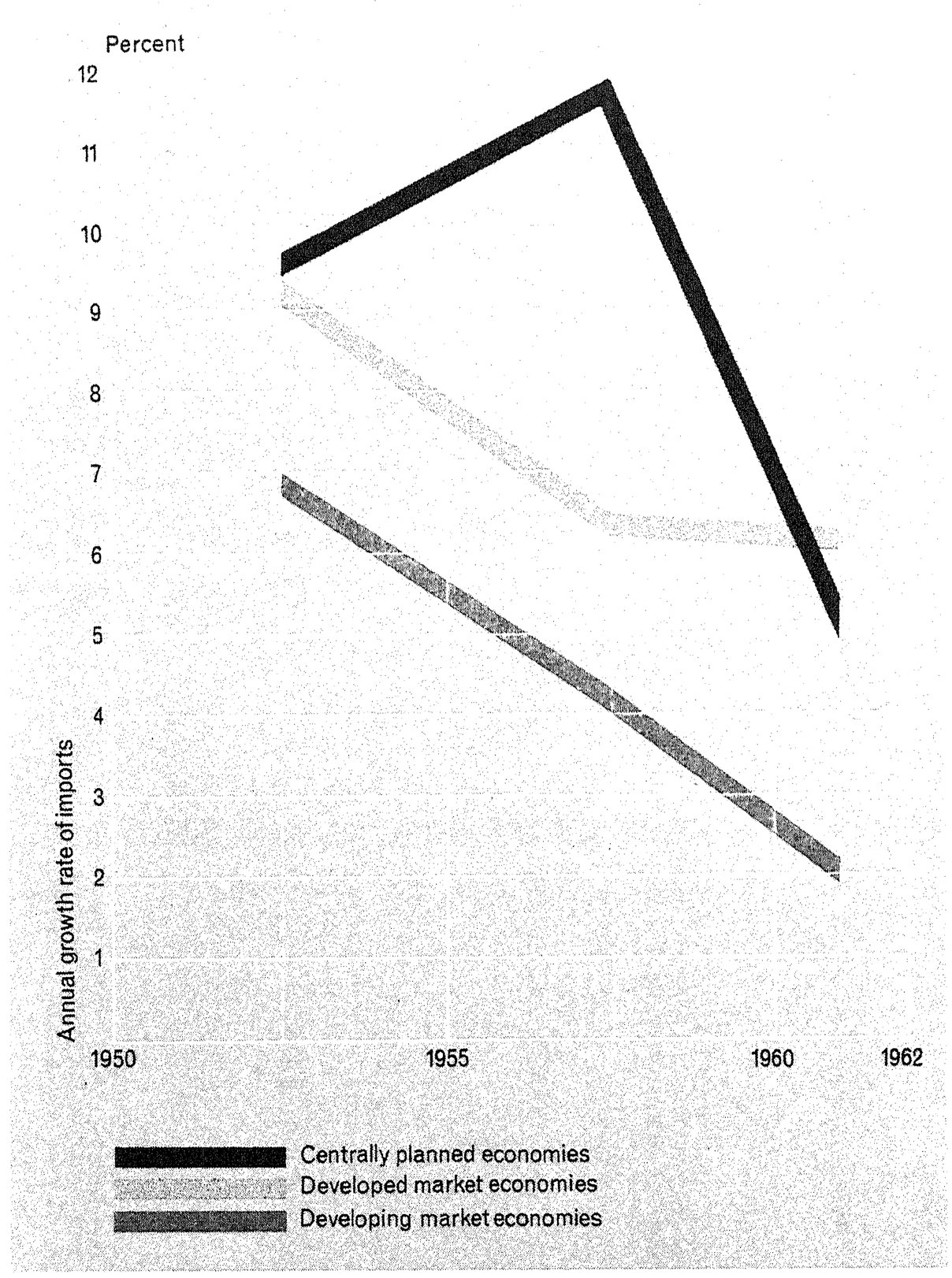


Figure 8. *Balance of trade as a percentage of exports in the underdeveloped continents.* The diagram shows a dramatic worsening of the Far East's balance of trade; from being positive it became, over the period considered, badly negative. West Asia improved its already positive balance, mainly through its oil exports. Latin America gradually lost ground, while Africa barely managed to prevent its negative balance worsening.

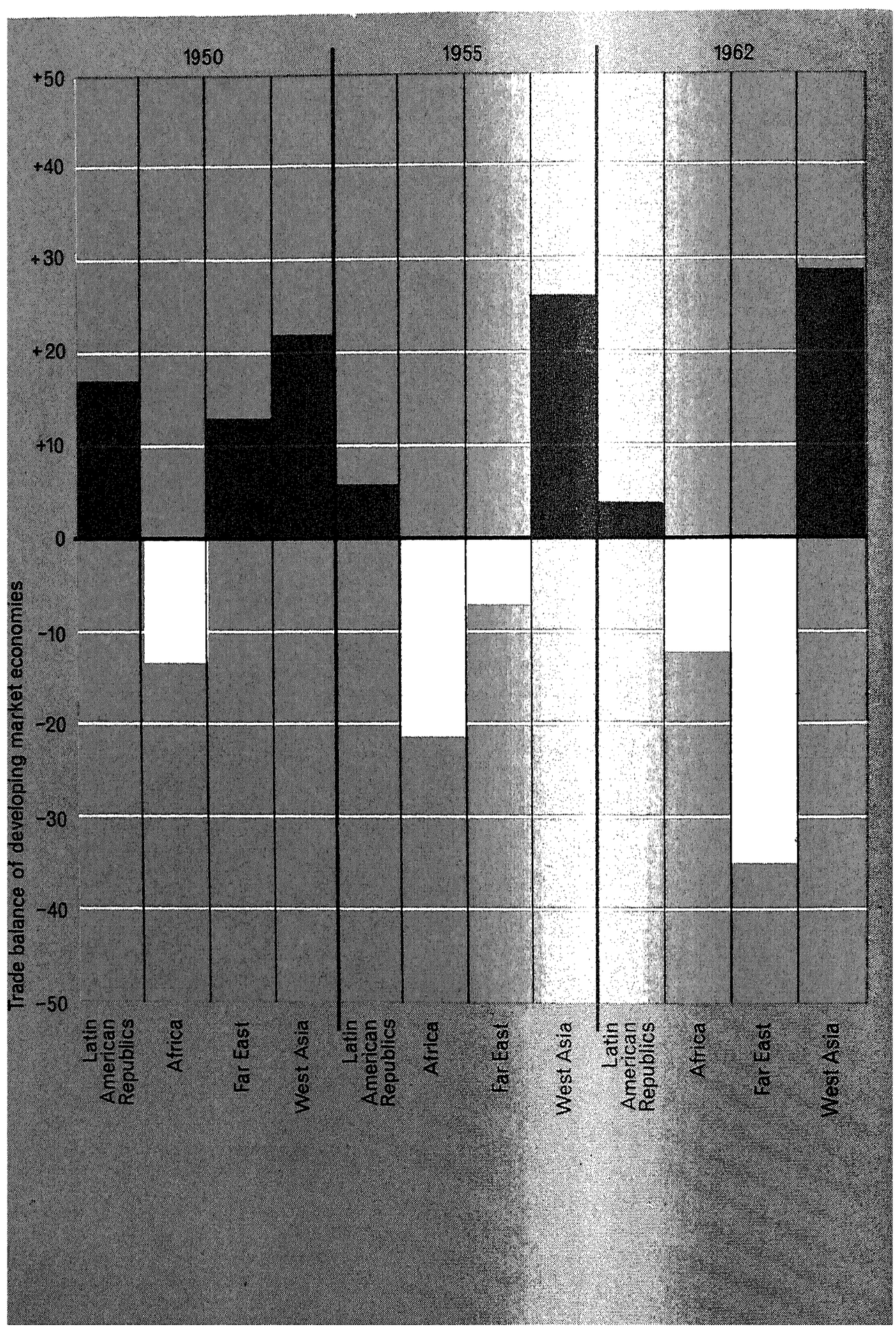
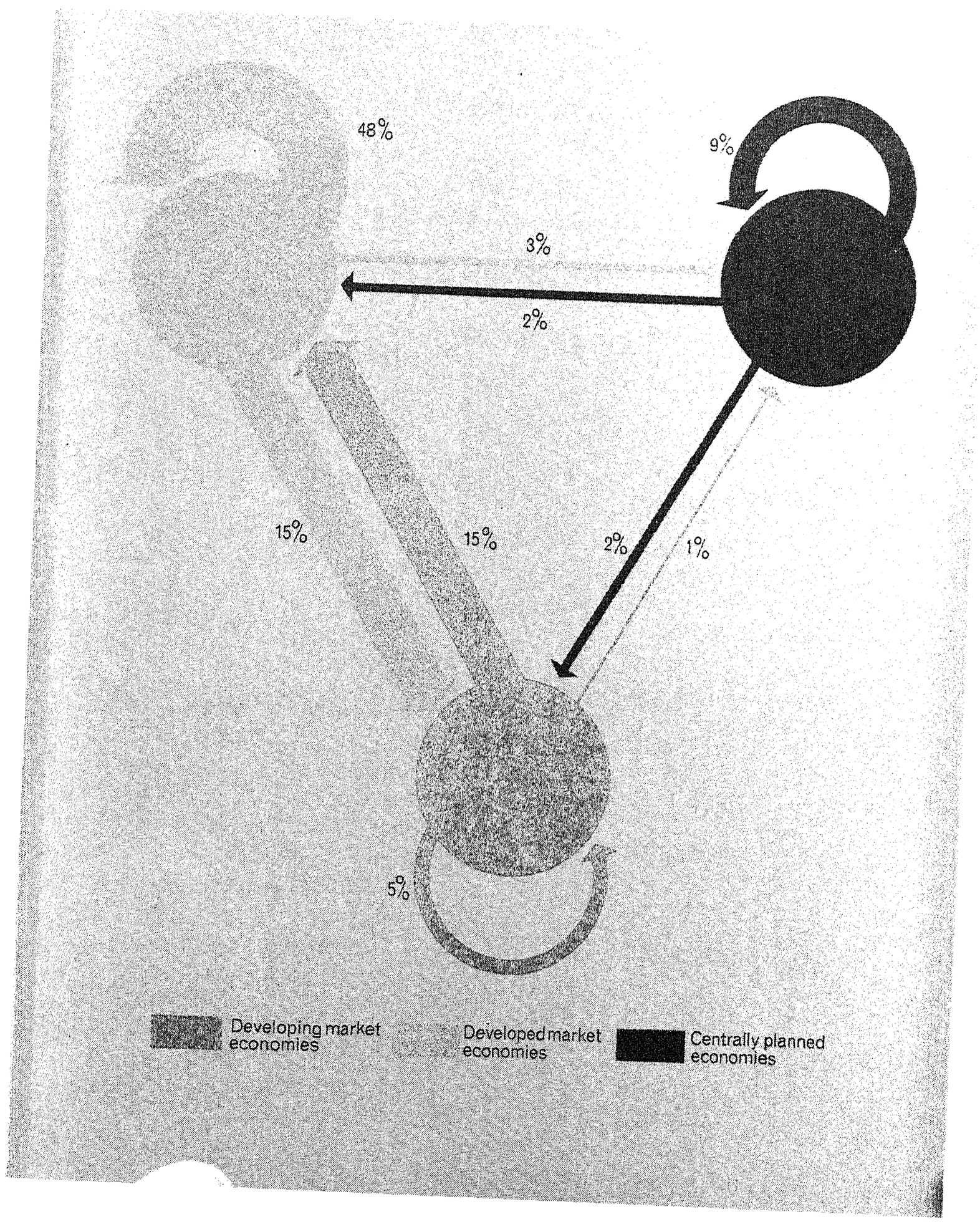


Figure 9. *Distribution of exports, according to source and destination, in 1962 (total=100).* Here we see heavy trade flows between the developed and the developing countries, and particularly among the developed countries themselves. Trade among the developing countries is very low. Again, there is little trade between the communist countries and the rest of the world but rather more within the communist world.

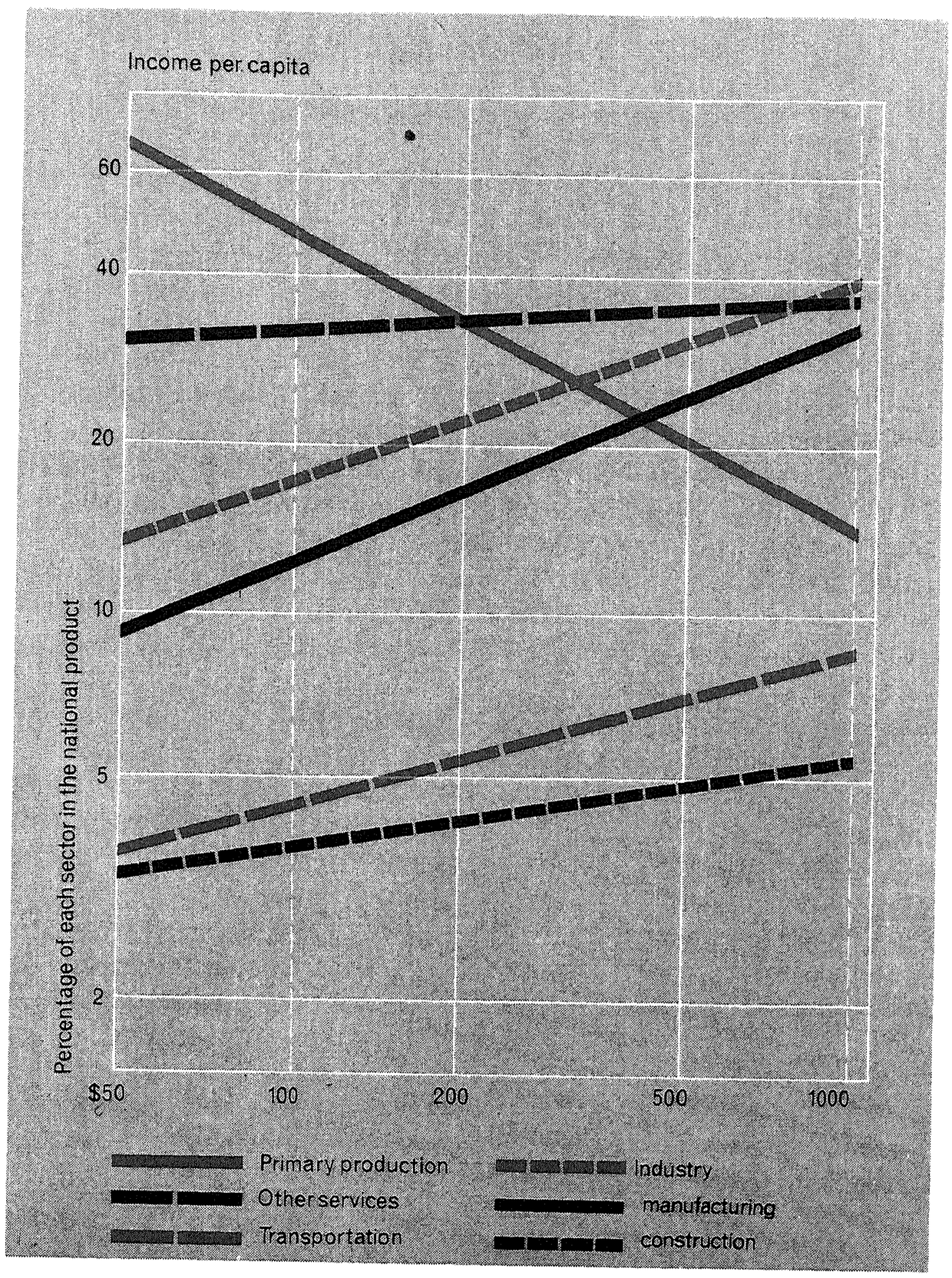


3 Factors conducive to economic development

Meanwhile, if the differences between developed and underdeveloped countries are to be properly understood, it is well worth bearing in mind that the phenomenon of development requires more explanation than that of underdevelopment. Both in nature and in human history, an existence on the borderline between life and death is more normal than a prosperous existence of the type commonly met with today in the developed countries of the world. Although the great prosperity of these countries is directly due to their possessing both knowledge and a great quantity of capital goods, these are in turn the result of other factors which broadly speaking can be divided into those which determine the environment in which man is actively employed, and purely human factors. It is, of course, obvious that certain human qualities are needed if a modern developed society is to function properly. Now societies of this kind are distinguished by processes of production using durable capital goods and employing large numbers of people together. For this reason, among the qualities that are required of quite a high proportion of the population of a developed society are an interest in material well-being, an interest in techniques and in innovation, an ability to look ahead and a willingness to take risks, perseverance, and an ability to collaborate with other people and to observe certain rules.

It is easy to see that these five qualities are necessary for various reasons – the first because this provides a motive, the second because so many different technical aids are used in modern industry and these are constantly being improved, the third because the installation of capital goods produces results only after a considerable time, the fourth because these results may well prove disappointing, and the fifth because the whole process requires continuous and harmonious co-operation if it is to work. At the same time, it will also be obvious that development will only be achieved within a society when those human qualities which are diametrically opposed to those mentioned above are overcome. These may be listed as follows: an indifference towards the

Figure 10. *The share in the national product of the most important sectors at different stages of development.* The most spectacular is the fall of agriculture and mining (the primary industries) in the share of the national product. Manufacturing shows the biggest increase, followed by industry and the transportation services.



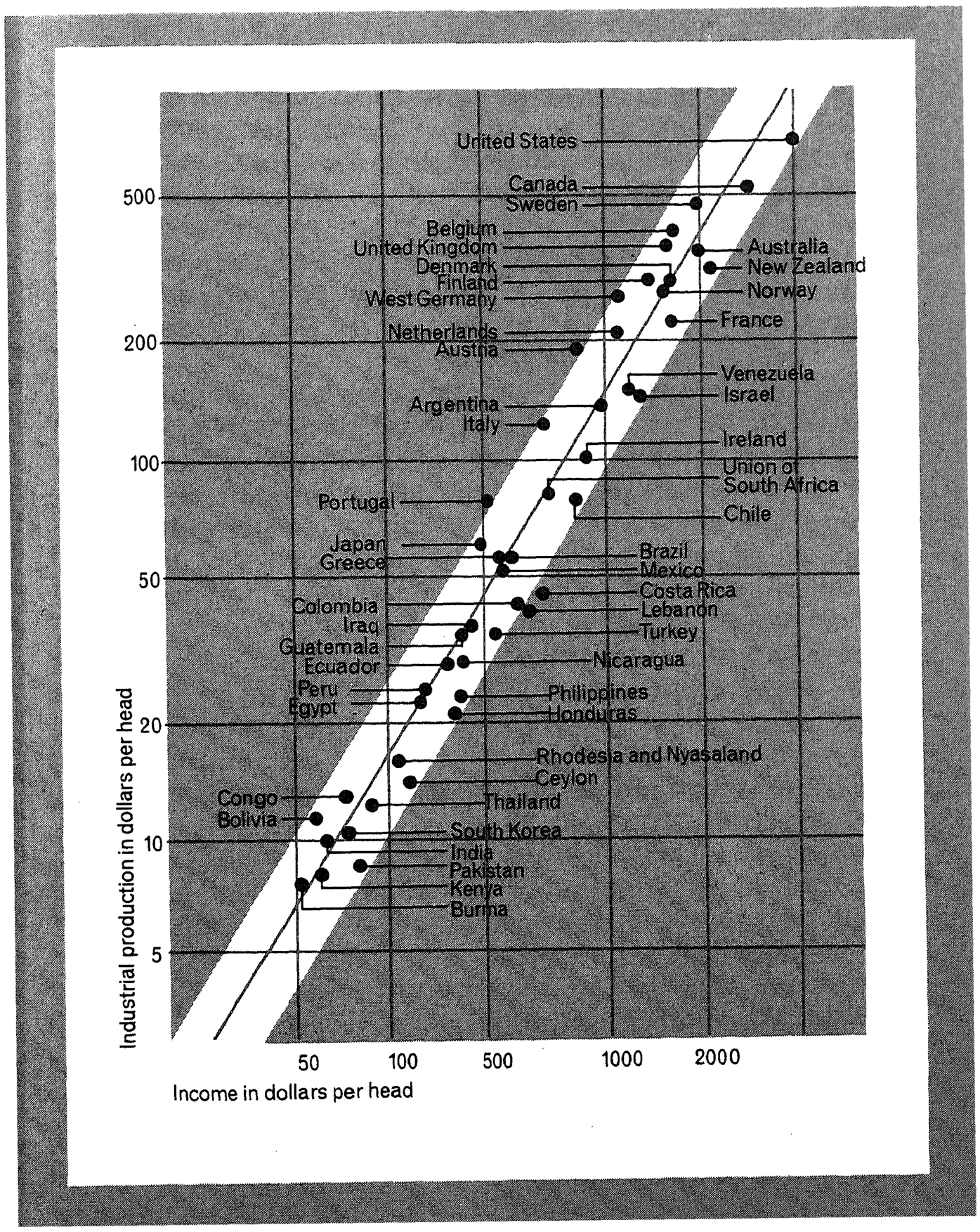
betterment of one's material condition, an aversion to complicated techniques and an inclination to routine habits, shortsightedness and a fear of uncertainty, lack of energy, and individualism.

The important questions are, of course, can the human qualities necessary for the development of a society be acquired and can this learning process be fostered by the environment? The prevailing impression is that man is indeed able to learn a great deal, if not in one generation, then certainly over several successive generations, and that the process of learning is deeply influenced by his environment. A moderate or cold climate, for example, will probably make him more energetic, and alternating periods of relative prosperity and hardship, caused, for example, by seasonal changes or by good and bad harvests, will act as a stimulus to his ability to plan ahead. Foreign domination may also have an influence on his capacity to learn, by depriving him of the chance or the incentive to develop. Many of these influences are still virtually unknown to us, and several can be both positive and negative in their effects. This is clearly so in the case of Toynbee's 'challenge', which may be positive in its effect if it is neither too great nor too insignificant – if the challenge is too great, it will have a discouraging effect. The difficulty here is, however, that we cannot know with certainty what 'too great' or 'too insignificant' a challenge really is in this context. The fact is that we simply do not know many of the causes leading to the development of a country, with the result that a conscious development policy cannot be chosen with certainty. For the time being, it can only be based on foreign examples. In doing so, every possible attempt must be made to take into account any differences in the point of departure and in environment.

4 The desire for development

In the last ten or twenty years, the poor countries have shown a marked desire to develop economically. Although this desire has in

Figure 11. *The connection between industrial production and income.* In spite of large differences in natural resources the amount of economic activity which a country devotes to the manufacturing industries follows a fairly regular pattern and is largely determined by its level of development, represented here by its average income per head (in dollars). Thus in the lower part of the diagram we find the least and in the upper part the most developed countries.



the first place been expressed by the governments of these countries, it is none the less something that is strongly felt by many different groups of people at all levels of the population. It is, of course, perfectly natural and understandable that these people should wish to develop. So many of them live in such poverty that their physical suffering as a direct result of these conditions is often acute. Even those who are not actually hungry or sick are obliged to lead an extremely frugal existence, and most of them are denied any kind of luxury or variety in their diet or their way of life. They are bound to long for an improvement in their conditions, no matter what their outlook on life may be.

More and more of these people have come to realise that their poverty is neither necessary nor inevitable, and this realisation has without doubt acted as a stimulus to the desire for improvement. Easier and more frequent contacts at a deeper level with the developed countries, both in the West and in the communist bloc, due to the increase in recent years in international trade and communications, have done much to strengthen this realisation. The inhabitants of underdeveloped countries are consequently far more aware now of what is in fact possible in a developed society, and a few of them, drawn almost exclusively from the upper classes, have gone so far as to adopt some of the customs and habits of the richer nations, even when they cannot really afford them. This is especially true of underdeveloped areas visited by foreign tourists.

Another reason why these people are pressing more and more insistently for development is that many of them have only recently emerged as independent nations after years of colonisation. The nationalist movements that have won the fight for independence have always been too preoccupied with the cause of national freedom to give much thought to development, and their members also believed that the colonial system itself was at least partly responsible for the poverty of their peoples. Now this system has been abolished with the achievement of independence, the people expect their conditions to be improved and the new govern-

ments urgently need a program which must be a program of economic development.

Finally, the two forms of social and economic administration in the developed countries, the Western and the communist systems, are to some extent in competition with each other. Each system is recommended by its protagonists as the better, and this rivalry adds impetus to the struggle for economic development in the poorer nations, which are generally speaking less inclined to follow the example of one or other system and quite prepared to learn from both.

5 The need for development

It is, however, a matter of importance for the world as a whole that the poorer countries should become more prosperous. A world divided into halves, one poor and the other becoming continuously richer, cannot be a stable world – such a situation is sooner or later bound to result in conflict. What is more, conditions in the poor countries will inevitably become more difficult if these countries are not permitted to have their share of the general prosperity, since their populations are made contented or dissatisfied by the relative differences between the prosperous and the poorer sections of society, Finally, as the gulf between prosperity and poverty widens, so there will be less and less mutual understanding between the two halves of the world and tension in the poorer countries will find an outlet in making more and more demands on the richer countries. History gives ample evidence of the fact that governments which are unable to resolve their own domestic difficulties often turn their attention to external conflicts with other nations.

We may profitably draw a parallel between this problem and the social problem which first began to assume serious proportions in the developed countries in the nineteenth and in the beginning of the present century. It is true to say that this problem is now apparent in the world as a whole. The great contrasts in material

welfare within the developed countries have in the meantime become less striking, and this has made for political stability. If the world as a whole is to enjoy political peace in the future, this too will be brought about, at least in part, when there is less contrast in the world between prosperity and poverty. It is moreover possible to extend this parallel with the social problem even further, since a partial solution to this problem was found only when the victims of the unequal distribution of the prosperous nations' wealth organised themselves into the working class movement in order to protect their own interests. The problem of the underdeveloped countries will similarly not be solved until the people themselves unite in this way to fight for their own interests. A start was made at Geneva in 1964, in the course of the United Nations Conference on Trade and Development – the World Trade Conference – with the formation of such a union. Many delegates were astonished by the skilful handling of the new association's affairs by the group of the '77'. The time has now come for a strong development policy.