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THE INTERRELATION OF SOCIAL AND ECONOMIC DEVELOPMENT AND THE PROBLEM OF "BALANCE"

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INTRODUCTION

The social trends often merge with economic trends. In fact, the separation between the "social" and the "economic" is often an artifact of academic analysis and government departmentalization. It may be convenient to make such a separation for the purpose of analysis or administration, but the different aspects must be put together again, and the situation must be viewed as a whole before any comprehensive conception of development - or comprehensive policy of development - can be achieved.

The question of the interrelation of economic and social factors of development has been brought into focus by certain changes in the role of the modern State. Since the late nineteenth century, but particularly in the last few decades, Governments have assumed increasing responsibility for the promotion of social welfare and simultaneously for the development of the national economy. This is evident in the remarkable expansion after the Second World War both of social programmes - often embodied in principle in new national constitutions - and of economic development planning. This simultaneous preoccupation with social measures and with economic pro-

jects - and the inevitable competition for funds, and differing opinions regarding priorities - has raised difficult policy questions for government planners and budget makers.

The General Assembly of the United Nations, as well as the Economic and Social Council and its Social Commission, have adopted a number of resolutions in recent years emphasizing the importance of "balanced" and "integrated" social and economic development and urging that action in these two fields go "hand in hand". In academic and professional circles, also, the question of the relationship between economic and social factors in development has become a matter of growing interest - in fact, a matter of considerable controversy. No one will deny that, from a policy point of view, an appropriate relationship shoudl be established between the economic and the social; the difficulty lies in defining what is "appropriate".

At stake, in the last analysis, is the establishment of an over-all theory or model of growth, particularly for countries that are economically under-developed. It is, of course, inconceivable that the very same detailed recipe for growth would suit all countries, given their different levels of development, or even all countries at the same level of development with differing backgrounds. But recognition of this fact is the first step in the direction of an understanding of growth, not an invalidation of the inquiry.

From a governmental point of view, the question of balanced social and economic development is to an important extent a question of the pattern of public expenditure. There is no over-all conception or theory of balanced development applicable to the expenditure policy of the economically underdeveloped countries at the present time; there are only fragments of a theory and "common

sense". One difficulty with common sense is that it rarely transcends the bounds of professional interests. As a result, the recommendations for development of a visiting mission or a local planning board will be often seen to reflect the composition of the mission on board; each representative of a professional field tends to consider his own field most important for development, and consequently urges heavy investment in projects in that field.

Countries of Africa, Asia and Latin America, the majority of of which have development plans of one kind or another and are seeking to establish new patterns of welfare and growth, not only face harsh and difficult choices in the allocation of their limited domestic resources, but also must choose among alternative possibilities in the limited assistance available from aboard. To be effective, such assistance has to be based on an assessment of economic and social needs and capacities and on the application of some reasonable order of priorities. The international organisations rendering assistance to less developed countries in their turn face questions of balance and intergration in the forms of assistance that they provide.

SOCIAL CONSEQUENCES OF INDUSTRIALIZATION

In the late nineteenth century, economic theory was not preoccupied as it is today with the concept of economic development - although sociologists and anthropologists addressed themselves to questions of social evolution rather more than they do today. Leading social philosophies of the time tended to assume that the wealth of a region was a more or less static quantity; those who got more - by virtue of superior strength, cunning or fortune at birth - did so because others got less; the goal of social policy was to protect the weak and the poor against further exploitation, or to achieve a radical redistribution of wealth in the name of so-

cial justice. Industrialization was widely seen as a negative or retrogressive influence from a social welfare point of view. Deep concern arose over social ills that were observed in rapidly growing industrial and urban centres - unhealthy working conditions, starvation wages, child labour, disruption of family life, overcrowding, filth and sordidness in slums, delinquency and corruption of youth. Concern with these problems has continued into the twentieth century and is shared today by economically less developed countries that are seeking rapid industrialization.

It is no longer believed, however, that such social ills are a necessary consequence of industrialization. Many of them simply represent evils of urban poverty and over-crowding that appear quite independently of industrial growth; they often result from a transfer, through migrants, of rural destituation to an urban setting, where it becomes more conspicuous. What is needed in these cases is not less industrialization but more industrialization. Industrial growth - along with other forms of economic growth - is required to absorb the surplus labour, provide higher incomes, and create the financial resources for more effective social action. Redistribution of existing wealth, by itself cannot solve the social problems of the poorer countries; the total amount of wealth must be increased through economic development. This modern conception of the central role of economic development in social progress has deeply affected the theory of social policy and social action.

The difficulties of social transition are limited to the urban industrial environment. The introduction into the countryside of schools, paid labour and modern legal and administrative systems tends to break down the traditional authority and controls exercised by the extended family, kinship or tribal group and may have disruptive effects of considerable magnitude in the rural districts. Conflicts between generations occur here as in the cities when the status and influence of the older generation are diminished

in the face of the superior education and the independent monetary income of the younger generation.

When workers acquire stable jobs with adequate pay and settle down permanently in a new environment with their families, many of the problems of transition tend to disappear. Unfortunately, it is precisely the workers caught between two cultures who are least likely to obtain stable jobs with adequate pay. It is these same persons also who are least likely to benefit from modern labour and welfare institutions and mechanisms, such as vocational training, employment service, social security, low-cost housing, etc.

Social cohesion is often maintained in these cases through the continuance and transformation of traditional institutions - for example, the conversion of ethnic or tribal affiliations in cities into welfare or labour associations. Sometimes the traditional religion plays a major role in maintaining social cohesion during the process of adaptation of the individual to the modern industrial society; at other times it is repudiated, along with much else from the past. Nationalism has become almost universally a source of new identification and group cohesion for populations in transition, replacing or dominating older loyalities to kinship, ethnic or other traditional groups. "In-group" feelings are converted into national attitudes, and passions ofrialry found among the customary societies are often projected into the international scene.

SOCIAL "OBSTACLES" TO ECONOMIC DEVELOPMENT

Once the importance of economic development as a means to social ends was recognized, attention turned to a different set of problems - the social obstacles to economic development. In part, they are the same problems differently conceived: if, for example

a traditional mode of life that is incongruous with a modern industrial economy can be disrupted by economic development, it can also, as long as it survives unchanged, act as a block to such development. Much has been written on the subject of social obstacles to economic development in the last few decades. They can be roughly classified under three main headings: population, institutional and individual factors.

(i) Population factors. Since economic growth ordinarily defined as growth in per capita national income, which in turn is defined as the ratio of production to population, it is obvious that trends in population can, mathematically speaking, play as large a role in economic growth as trends in production. In fact, some observers maintain that, for a number of countries, from a purely economic point of view, the most efficient investment to promote economic growth would be investment, not in economic production, but in reduction of birth rates.

The situation is complicated by the fact that production and population - the numerator and the denominator in the ratio that defines the level of economic development - are not independent variables; growth of production and growth of population interact upon each other in ways that are obscure and controversial. In some circumstances, population growth entails commensurate or even greater production growth (e.g. when resoruces and technology are adequate and labour in short supply). In other circumstances it does not; per capita income may be held back or even decline with rapid population increase, in an existext of unemployment and underemployment, and at given inadequate levels of technology and resources. Increase in production, in turn, may stimulate population growth under certain circumstances; for example, in some of the most highly developed countries today, mariages and birth rates may rise for a time with expanding economic conditions (and drop with depressions).

while in the very poorest countries there may be both a rise of birth rates and a drop of death rates when increased production immediately brings better nutrition and health. On the other hand, expansion of production, especially through industrialization, in populations that have reached a certain level of development, may be associated with declining birth rates and a slow-down of population growth, as has been the case in various countries of southern and eastern Europe in recent decades. Countries showing this demographic pattern, in which the death rate is relatively stabilized and the birth rate is dropping rapidly or has dropped to a relatively low level, will the definition undergo much more rapid economic development in terms of per capita income growth than other countries in which economic production is actually increasing at exactly the same pace but in which the death rate is dropping rapidly while the birth rate remains constant (or rises). The latter demographic constellation is found in many of the countries of Africa, Asia and Latin America today.

Expansion of production may be hindered by the difficulty of increasing the amount of land and other physical resources in use, in proportion to the increase of the labour force. While this hindrance to economic development is especially important in densely populated agricultural countries where there is little unused land suitable for agriculture, it also appears in some countries of relatively sparxe population where conditions of climate, deficiencies of technology, or cultural and institutional factors hanper extension of agriculture to unused lands.

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tively sparse population where conditions of climate, deficiencies of technolology, or cultural and institutional factors hamper extension of agriculture to unused lands.

In addition to the rate of population growth and population density, the population structure has an obviously important bearing on economic development since the relative proportions of economically active adults versus children and inactive elderly persons will determine the amount of production beyond the worker's own needs that can be used for savings and investment, and the amount that must be consumed by non-productive dependants in food, education and health services, as well as housing and community facilities. This means that two countries with initially equal labour productivity (production per worker) will have different rates of economic growth if, other things being equal, their population structures differ. The economically under-developed countries generally have a population structure weighted heavily with children, owing to high birth rates, and although the proportion of elderly persons in their population is comparatively small, the net result is a considerably higher ratio of non-productive age groups in the under-developed countries than in economically more advanced countries.

Another population factor (also having political connotations) which can inhibit economic growth - sometimes only temporarily, if usable land area is extensive but which has received much less attention is that of the absolute size of a country's population. This has acquired new significance with the independence of a number of African countries. Under modern circumstances, an economically under-developed country of small population, other things apart, appears to be at a disadvantage as far as economic growth is concerned. A small country is less likely than a large country to approach economic self-sufficiency and must lean much more heavily on exports and imports. Since the economically developed small countries today rely as much as, or even more than, the economical-

ly under-developed small countries on foreign trade, it is not realistic to assume that as the latter develop, they will reduce their dependency. Diversification of industry and agriculture, including the establishment of diversified small industries for processing agricultural products, as well as the production of foods now imported, is an important economic objective, but it can be carried only so far when the population is limited to two or three million or less. Certain types of industry are altogether excluded. To takr an extreme example, only a few of the largest and wealthiest countries have the resources, the research and technical personnel and the market potentialities to establish an airplane industry. Economically developed small countries can, however, effectively engage in other industries, such as electronics or watchmaking which enjoy a good export market. But in the small economically under-developed countries today, many forms of industrial export are out of the question for years to come, because the economies of these countries are not technologically advanced enough to compete with such products in a world market.

The result of this situation is a continuing orientation towards the export of a limited number of primary commodities - together with the import of a variety of industrial items. The primary commidities in recent years have shown wide market fluctuations, indisposable surpluses and a generally unfavourable price trend vis-à-vis industrial products. If present trends continue, and if the economic growth of the small economically under-developed countries is to be ensured, the choice would seem to lie essentially between, on the one hand, regional or international market arrangements, or other economic-political confederations or amalgamations to permit greater diversification and specialization of production and more massive investment in key projects; or, on the other hand, some form of bilateral guarantee of trade income - protected markets, subsidies, etc.

(2) Institutional factors. If the industrially advanced, high income countries of the world are lined up and compared with the economically under-developed countries, a large number of differences in social institutions will be evident - in family systems, in the presence or absence of extended kinship and tribal systems, in the forms of community organization, in labour, welfare and recreational institutions and associations, in class or caste systems, modes of property ownership, political institutions, religious institutions, etc. For example, as a rule at the higher levels of economic development the family tends to be smaller, more mobile, shorn of its economic production functions and of various functions assumed by educational, legal, police and welfare institutions of the State; but remains an unit of consumption, and has even greater emphasis on psychological and emotionsl bonds and functions, as other bonds and functions diminish or disappear. Larger institutions based on blood relationship or presumed blood relationship, such as clans and tribal systems, with their multiple political, social and economic functions, disappear at higher levels of economic development, a complex network of independent or State-controlled institutions appears instead, based on occupation, recreational interests, residence, sex or age group, political affiliation, etc.

Some of the institutional forms in the less developed countries undoubtedly serve to hold back economic development. Proof, however, is difficult to come by, in view of the very multiplicity of the factors involved. It is practically impossible to exercise the kind of scientific controls (as in a laboratory experiment) that would be necessary in order to reach a firm conclusion as to which of these many institutional factors are really important for development - and how important they are! - and which are superficial. Since most economically developed countries are European or of European origin, any distinctive feature of European culture, ranging from habits of dress to broad political and religious institutions, will automatically have a surface correlation with econo-

mic development. The danger is that the more obvious but less relevant features will be taken as the fundamental ones for economic development. The Pacific islanders who destroyed their ceremonial masls and regalis, organized their houses in rows like military encampments and marched up and down with sticks, in the hope of achieving the kind of wealth that they had witnessed among foreign military stationed on the islands during the Second World War, "may have perceived correctly the general principle of the need for institutional change but erred in the application.

Among the institutional forms more generally cited as obstacles to economic development are caste and class systems that freeze individuals in ancestral occupations and reward them on the basis of birth rather than ability or achievement; autarchic family and kinship systems that discourage individual initiative and independent employment of family members, feudalistic and other antiquated forms of land tenure discouraging higher productivity by the agricultural worker; religious, semi-religious and communal practices that absorb large funds in ceremonials, and in investment in the goodwill of supernatural agencies or in status symbols; and social fragmentation, isolation and lack of communications, particularly in rural areas.

It should be noted that European nations moved into the phase of industrial growth in the nineteenth century with a quite different historical background of social and political institutions and cultural systems form those of Africa today or those - still widely different - of Asia today; the world as a whole of the nineteenth century was also a quite different world form that of today. It cannot be assumed, therefore, that the less developed countries will or should go through the same institutional changes that Europe went through in its early stage

of industrialization. Each country has the unique problem in development of building its future out of its own past.

While there are roughly discernible institutional differences between developed and under-developed countries, there is no simple ome-to-one relationship between institutional form and economic development. Thus, both high productivity in industry or agriculture and low productivity are found under a variety of institutional forms. Institutions exist for reasons other than economic, and institutional changes may or may not be desireable for reasons other than economic social - justice, the dignity, equality and freedom of the individual. It is perhaps natural to believe that the kind of institution most desirable for non-economic reasons will therefore be inherently most effective economically. Other things being equal, a socially desirable institution may well be economically more effective for the simple reason that it is more socially desirable: it enlists the participation and motivation of the people concerned. There is evidence, however, that economic production, at least in industry, can take place at high levels even under a forced labour system in which individual morale counts for relatively little, being replaced by terror and similar strategies of the State.

When countries that have achieved exeptionally rapid economic growth during this century - for example, Canada, Germany, Israel, Japan, Porto Rico, the Union of Soviet Socialist Republics and the United States - are examined individually, it will be seen that their economic development has in fact taken place under a rather wide range of institutions - political, religious and social. The fact that a country has progressed economically with one kind of institution does not prove, of course, that it would not have progressed faster with another. An institution can have a braking effect, which is concealed by the net forward movement when powerful developmental pressures are at work.

The centuries mentioned in the preceding paragraph as being among those having achieved rapid economic growth during this century do, however; have one institutional factor in common: namely, the important role of their educational institutions. Furthermore, much of the education is deliberately and strongly oriented towards technological change and economic progress unlike, say, the educational systems of medieval European scholasticism or traditional Chinese scholasticism.

More generally speaking, what appears to be of primary importance in a social institution - from an economic development point of view - is, in the first instance, its orientation towards change and development, its readiness to adopt or support new technologies, and its influence on the abilities, attitudes and energies of individuals acting through it or controlled by it. A radical change of institution may be necessary in order to provide the occasion (and the symbol) for the release or growth of these forces and the achievement of a new orientation especially when progress is prevented by vested interests. Alternatively, a social institution may in some cases adapt itself, without extensive changes in external form, to accomodate the goal of economic development, as, for example, in the adaptation of the Japanese family system at the beginning of Japanese industrialization, or the adaptation of the English system of landlordism to modern agricultural development.

There are few institutional changes more widely recommended today than agrarian reform in economically under-developed countries, particularly where absentee landlordism directs its energies towards the maintenance of the status quo rather than towards development. At the same time, the peasantry in such countries is often illiterate, traditionalist and deeply conservative in nearly all matters except the distribution of agrarian income. Agrarian reform involving the transfer of ownership to this sector of the population, however desirable from the point of view of social justice, does

not of itself automatically ensure economic development if the peasantry remains unchanged. In fact, experience shows that total production, or the amount of production available for urban consumption, often drops under these circumstances, at least temporarily, causing inflation and retarding industrialization. The Food and Agriculture Organization of the United Nations (FAO) has recently given greater emphasis to institutional change in agriculture; but by this is meant not only changes in land ownership or land tenure systems when such changes are necessary, but also the introduction of new or improved credit institutions, marketing institutions and agricultural educational institutions, so that the total institutional systems in agriculture will be strongly oriented towards development.

Traditional institutions are often considered to block economic development because they prevent mobility as when individuals are obliged by caste, class or family system to engage in the same occupations as their fathers and to remain in the same locality. In the larger urban areas, this is not as important a factor as it may have been at one time, however, becuase the cities of economically under developed countries are usually overflowing with excess labour - labour that may be only too mobile in the sense of constantly floating back and forth between city and countryside and within cities looking for any kind of work. The chief difficulty in the case of this labour is lack of skills appropriate to modern employment; the problem is to a large extent one of education and training.

In the rural areas, the family tends to be an economic producing unit, and the large extended family, in which authority and status centre around the male head of the household or a council of elders, is generally seen as a strong, traditionalist influence, dedicated to customary ways and values and impeding the development of new methods of work and production. When the

extended family is thus identified with the past, the smaller "nuclear" family would appear to be a more dynamic unit; at the same time it must be recalled that in many parts of rural Latin America the family is a small and often unstable unit, but not for that reason a force for development. In the Union of Soviet Socialist Republics, the collectivization of agriculture, together with decrees regarding the economic rights of women, played an important role in breaking down the extended family system, which was regarded as a conservative influence in various regions. The "communes" in the People's Republic of China are undoubtedly having a similar effect.

While a rigid class system that immobilizes individuals in out-moded occupations and maintains masses of the people in a depressed state, without hope for personal advancement, is without doubt a serious obstacle to economic development by its very nature, it is more difficult to determine whether the extended family, clan or similar kinship group tends to inhibit economic change primarily because its structure and intrinsic qualities are incongruous with the demands of a modern industrial state, or primarily because it has simply been associated with pre-industrial way of life and is the main repository of pre-industrial values. The obligations that the extended family places upon its members to share income are widely reported to be a drag on individual initiative and on the accumulation of individual savings for economic investment. At the same time, the large family, if development-oriented, can also be a source of combined capital devoted to investment when other sources of credit are lacking. The non-rational bonds that hold together the extended family unit, leading to evaluation and placement of individuals by criteria other than ability and achievement (or the needs of the enterprise), are considered to be obstacles to effecient industrial organization and production. On the other hand these may also be the only bonds that will hold together an industrial

enterprise at a particular stage of development in some societies. Certainly it is true that some of the most highly successful business enterprises in Europe were built originally on a family basis, involving the hiring of numerous relatives (even though the extended family in the form of a clan has not been a dominating social institution in Europe for a thousand years). There are many examples of inefficiency of family-based industries in less developed countries, but also numerous examples of situations where, as in India and Japan, extended family systems have been the social instruments of initial industrialization. In Japan, where industry grew at a rate by no means indicating inefficiency, evidently the Japanese family principle as it came down from the past has tended even to impart cohesion and strength to other forms of corporate life in modern times. Even today, to a degree quite surprising from the point of view of organization of western industry, Japanese industry, according to some studies, still maintains features of the extended family: group incentive rather than individual incentive and responsibility, individual loyalty to the company, lack of separation between economic activity and social life, and other continuations of pre-industrial forms. Competent lower-status young men have achieved higher positions by the process of being adopted, so that nearly 15 per cent of Japan's top business men today are adopted sons.

Another institutional factor frequently stated to be a major obstacle to economic development in the less developed countries is the absence of a middle class competent to initiate and carry out development; from this it is often concluded that the State must take over the function of initiating development. Here again the problem in good part not one of lack of candidates for membership in a middle class or its equivalent but of lack of education and training; the State will not entirely avoid this difficulty by superimposing an economic planning bureaucracy on an unqualified populace. There are; however, other questions involved in

this matter, including questions of lack of motivation towards investment and development even among the existing middle classes, as will be discussed shortly.

(3) Individual factors. It has been suggested above that social institutions affect economic growth to a large extent through their influence or control over the abilities, attitudes and energies of individuals as these bear on economic production.

As far as the question of abilities is concerned, this is essentially a matter of education and training, which has already been mentioned. The question of the attittudes or motivations of the individual, as these affect economic development, is more subtle and evasive.

Attention is often drawn to the lack of an entrepreneurial attitude on the part of those individuals in less developed countries who do command a certain amount of resources. They prefer to have their money in land, causing undue inflation of land values, or in foreign investments. Faced with a heavy flow of funds from the outside, Switzerland now puts a charge on foreign funds placed for investment in that country (also, a recent law restricts real estate purchases by foreigners). Much of this money undoubtedly comes from underdeveloped countries where it is badly needed.

The reasons for the lack of entrepreneurial initiative (or of a class of innovating "entrepreneurs") in industry in less developed countries are not entirely clear. A part from more stricly economic interpretations (e.g. lack of opportunities and of markets), one reason commonly given is insecurity - there is not enough confidence in political, economic and social stability to persuade the individual to invest in an uncertain long-term project, such as building a factory. The mercantile class,

which may be fairly sizable, does not readily move into industry, any more than the landowning class does. If it makes local investments, it prefers to speculate in commodities, real estate or money-lending (often highly profitable), rather than to invest in equipment for long-term manufacturing which would add new values to goods. Quite often the mercantile class is ethnically distinct from the politcally dominant majority of the population, with a tense and uncertain relation to it, and this may be a reason for hesitation on the part of the minority to make long-term investments.

The poorer classes in under-developed communities may hoard gold coins or store up food (or buy lottery tickets), but their attitude towards investment in new productive equipment, such as a new plough, also tends to be hesitant, often suspicious. In the least developed areas, the worker's attitude towards labour may entirely lack time perspective, let alone the concept of productive investment. For example, the day labour in a rural area on his way to work, who finds a fish in the net he placed in the river the night before, is observed to return home, his needs being net. The worker in an urban area who receives an increase of pay works less and goes back to this native village so much the sooner. Such reactions - perhaps more the exception than the rule - are reported to change once the worker reaches a certain level of income and thereafter takes a less relaxed attitude towards economic matters. Similarly, once his income reaches a certain level, saving becomes a more established practice. Thus, attitudes towards work and savings that seem to impede economic development exist, at least in part, for he simple reason that there is little or no economic development.

Some of the most extensive and detailed analysis of the role of psychological attitudes and values in economic development has been carried out in connexion with religious values. The views

of Karl Marx on religion in general as an opiate deadening the masses to demands for material betterment have received much attention. In recent decades, western social scientists have given much attention to the theories of Max Weber, who wrote in the early part of this century on the role of Protestant "inner-worldly asceticism" and the Protestant conception of work as duty as an explanation of the economic progress of Protestant peoples. Economic trends in the last few decades, including trends in China, France, Italy, Japan and the Union of Soviet Socialist Republics, show that rapid economic growth can take place in various constellations of religious values.

The complexity and subtlety of the whole question of psychological factors affecting economic development may be illustrated by reference to a current hypothesis that "achievement motivation" of the individual (and, derivatively, the rate of economic growth) is related, among other things to the status of women in society, especially in the family setting - this motivation being weaker when the child is brought up in an authoritarian family where status is pre-ordained by age and sex. In a different context, Soviet theorists have laid considerable emphasis on the equality of women as a factor in economic development. There is also some evidence from field studies that change in the status of women can be a force breaking the crust of tradition and can thus facilitate the subsequent entry of economic and technological changes.

A common psychological obstacle to economic achievement is the fact that much higher status tends to be associated with land ownership or government position or professional or intellectual activity than is enjoyed by the business man, engineer, mechanic, agronemist or other type of person concerned directly with material production. Closely related to this is the widespread aversion of persons who have acquired some education to working with their hands or dealing directly with material things (rather than with

people or with pieces or paper). This causes perhaps the greatest difficulties among populations with a caste or class system - or with psychological remnants of such a system founded in feudalism or in military conquest - in which those at the bottom have traditionally engaged in the (manual labour of production and those at the top, controlling the land and property, have engaged in military, religious or intellectual activities or in government administration. The aversion can be found among the least economically developed societies, as, for example, among certain desert nomad tribes that traditionally used only slaves, captured in fighting over water holes, for manual labour. The problem of the status hierarchy of occupations carries over into education, resulting in an excess of students in courses aimed at white-collar jobs, and even some of the most highly developed countries today are still deeply concerned about the fact that employment inclinations of their youth do not correspond to the employment needs of their agriculture and industy.

The question of the energy or physical capacity that the individual is able to bring to economic activity is to a large extent a matter of health. Endemic diseases bringing a host of parasites into the body, sap energies that might otherwise be available for productive work. Malnutrition has a similar enervating effect. These conditions also have strong psychological effects on drive and ambition. The true impact of ill health on production, taking into account not only days lost, but also days worked at feeble pace, is difficult to assess, but it is no doubt substantial. Until recent times, diseases like plague, cholera, malaria and even tuberculosis have played a substantial role in hampering development, and in some areas endemic diseases are still a serious obstacle to development. Improved health conditions, on the other hand, have not only reduced the economic (as well as the human or social) losses caused when children fail to reach the productive age group, but have also substantially increased the span of pro-

ductive life.

Another factor affecting individual physical capacity is climate, which is no longer discussed today as much as in the past. If the industrialized countries are marked on a map, they will be seen to be located as a rule in a colder climate than the under-developed countries. This correlation with climate is as good as most correlations between non-economic factors and development. There is an open question as to its significance - that is, whether climate itself or one or more factors associated with climate is the true causal agent. The energy level of human activity no doubt tends to be reduced in a hot, tropical climate (although air-conditioning can, of course, change this picture); also the colder climate possibly presents more of a challenge or demand for mechanical energy and material production. After receiving perhaps an exaggerated importance in early part of this century from a number of theorists and then being neglected, the role of climate and its significance for industrialization, particularly for the industrialization of underdeveloped tropical countries, needs some renewed attention.

HUMAN INVESTMENT AND CAPITAL INVESTMENT

The Concept of Human Investment

Negative social factors acting as obstacles to economic growth have a necessary logical counterpart in positive or permissive social factors. If one kind of social condition can hold back economic growth, another kind can facilitate it. Concern with the more positive influence of social upon economic factors represents the third - and the most recently popular - major line of interest in the interrelation of social and eco-

nomic development. This interest has centred on the subject of "human investment" (or, less frequently, "social investment"), in the context of economic development planning.

The concept of human investment serves to correction over-simplified picture of economic growth. According to this picture, economic expenditure on capital equipment, classified as "productive investment", is contrasted with social expenditure benefiting individuals, classified as "non-productive consumption". It is further assumed that the way to achieve economic growths is to maximize the economic capital expenditure and minimize the social expenditure and minimize the social expenditure. A given rate of capital investment - depending on the rate of population growth - is judged necessary to achieve a given rate of growth of per capita income, i.e., of economic development. The higher the rate of such investment, and consequently, the lower the rate of social expenditure, the faster the economic growth.

The above picture transfers too crudely to the complex realm of national economic development a set of assumptions drawn from the economies of enterprise. At the level of the enterprise substantial expenditure for education, health, housing and other benefits to individuals is ordinarily nor required, since it is taken care of by other institutions, public or private; such expenditure may therefore appear to be non-economic, or in competition with the essential economic expenditure. From a broad point of view, however, it is obvious that the men who invent, build, maintain and run equipment - and the social institutions that permit or encoruage such activities - are as important as the equipment itself for the eventual production. There is accrodingly much more to expansion of national income than conventional capital investment.

A number of outstanding scholars in the field of eco-

nomic development have recently given increased attention to the human or social factors in development. For example, research carried out in the United States of America by the National Bureau of Economic Research provides evidence that, in the economic growth of that country, "increase in volume of tangible capital goods" has undoubtedly played a significant role in raining labour productivity, but it has not been the dominant one. In manufacturing, output per unit of capital input has not remained constant but has riden significantly, particularly since about 1920. Agricultural production has also risen faster than can be explained by the rate of capital growth. In fact, "production in the UnitedStates has risen twice as fast as labour and tangible capital input combined, over the past two-thirds of a century". Part of the growth in per capita production that cannot be ascribed to conventional capital investment is no doubt to such factors as the fuller use of equipment and "externsl economies" in the broadest sense of the term, but in the opinion of economists who have analysed these results, a major explanation must lie in the "human factor", including the development of education, technological skills and health. A recent study in Norway has reached a similar conclusion, as have studies in other countries.

In large measure the question of human investment comes down, in government practice, to a question of the expenditures of existing ministries or departments in such fields as education health, housing, labour and social welfare. The difficulty here is that most of the expenditures of these branches of government - apart from expenditure on certain forms of scientific research and technical schools - are ordinarily not designed for whatever economic effects they may have. They have their own purposes, and can rarely if ever be considered in their entirety as economic investment expenditure - just as they cannot be considered in their entirety as merely competitive expenditure draining off resources from economic development. They are both complementary

and competitive in varying degrees, some being more relevant and urgent for economic development than others.

The effects of social programmes on economic growth

The very same kind of programme may promote economic development under one set of circumstances and retard it under another. As indicated above, a public health programme can improve the quality and productive capacity of labour, thereby helping to raise national income, particularly if there is a labour shortage; but if there is already heavy pressure of population on land, and no outlet for surplus labour through industry or migration, the chief economic result of lowered mortality rates - not counting the social benefits - can be an increase of under-employed or unemployed labour, lowering per capita income. The same social expenditure under the same circumstances is apt ot involve a mixture of economic benefits and non-benefits which are hard to separate. It would be extremely difficult to separate expenditure involved in, say, the building of a hospital, into expenditure promoting economic grwoth through its effects on human beings and expenditure not promoting such growth. It would be even more difficult to define the size of the eventual economic returns from such expemditures.

In education, the picture is no clearer than in health. Education focussed on technology and a minimum of literacy may be classified as "productive", while education addressed to the enrichment of lives through literature, history, art and the humanities is apt to be regarded as "consumption". Expenditures on these two different types of education are hard to disentangle, however, particularly with the modern tendency towards "comprehensive" schooling. Also, the study of literature and the humanities at the primary and secondary level may play a significant role in

transmitting those values of enterprise, self-improvement, personal achievement and like qualities that are presumed to have a positive influence on economic growth. It is well-known that in economically under-developed areas, as in rural Africa, the introduction of a general education can have a powerful impact in causing young men to leave their native villages, give up traditional culture and economy and seek a better life in cities (where, unfortunately, not finding jobs, they often roam the streets and engage in delinquent activities). A formal education that includes the values of ancestral ways and prescribed status will presumably not be helpful in promoting growth that demands constant innovation; but a general liberal education that stimulates the student to inquire and question, to seek new perspectives beyond his present environment, to improve his status and to broaden his understanding, may be a vital element in establishing a climate favourable to economic change. Technicians to an important extent can be imported, but a generally educated population cannot. From available evidence, therefore, it is difficult to draw any firm conclusions as to economic returns of a general education.

It is commonly agreed that the formation of a skilled labour force is an important area of human investment. The economic value of vocational training, vocational guidance and employment services would seem obvious. Other kinds of labour programmes are more controversial. Thus, it has been argued that the premature raising of labour costs through minimum wage legislation, pensions, compulsory annual vacations, maternity leave, etc., will slow down capital formation, reduce employment and drive away outside capital. Higher labour costs should follow, not precede, increases in productivity. On the other hand, it may be argued that such benefits are essential to labour morale and labour stability and thereby can have considerable influence on productivity.

It does not necessarily follow that higher labour costs will divert equivalent funds from capital formation. The cost increases may act as a spur to managemtn to expand sales or to increase efficiency and thereby lower costs of production by reducing waste, reorganizing work, etc. It is quite possible that the increase in production per unit of capital input in the United States, mentioned above, may have been spurred in part by the pressure from a constant rise of wages and labour benefits. Increase in labour income also increases demand and expands the market for manufactured goods, thereby stimulating and sustaining economic growth. The fact is that, in most coutnries that have enjoyed rapid economic growth during the last century, the income of labour has also risen rapidly. Whether the rise in labour income has always been a consequence rather than a stimulant of expanding production is a theoretical question difficult to answer.

In any case, the same considerations may not apply to economically underdeveloped countries where industry is in a precarious condition; what is a stimulant in a strong, expanding economic can have different effects elsehwere.

Housing is another field where expenditures are usually considered to have relatively little economic output value, although again there is no way (at least at present) of measuring what the effects may actually be, and they would appear to vary greatly accroding to the circumstances. In an industrializing area the economic value, to the industry, of constructing workers' housing may be relatively low if labour can be recruited locally, or can find its way into existing housing, or is able to construct its own housing; but under other of assistance in housing, can have very real economic advantages. It may be an important factor, for example, in persuading "floating" labourers to bring their families with them and settle down in the neighbourhood, so that the labour force will become stabilized and the very high

costs of labour turnover will be cut, to the considerable benefit of industry. Many industries in economically less developed areas have voluntarily adopted the policy of providing housing for their workers, and presumably this has not been entirely for humanitarian reasons. Such housing, in fact is apt ot be listed as part of the necessary capital investment costs of the enterprises. When, however, the State assumes direct responsibility for low-cost housing for workers, the expenditures become "social" expenditures and are regarded as competition with economic investment. It may be noted that low-cost housing has the advantage of a generally low import content, thus making only moderate claims on the country's foreign exchange resources, while at the same time a low-cost housing programme may create employment among construction workers and produce demand for domestic construction materials. Also housing, like education and health, is an object for which people may be willing to make certain funds available for other purposes; such funds are therefore not actually "diverted" from economic development.

Difficulties in determining the economic returns of human investment

The preceding dicussion has demonstrated some of the difficulties of trying to determine the economic output value of certain social programmes viewed as "human investment". These difficulties arise because the social programmes are not really designed as forms of economic investment; their economic effects are complex, indirect, dependent upon numerous contingencies, and often mediated vaguely through the social climate of through formative influences in childhood. The role of social factors in economic development cannot, in general, be conceived as a simple mechanistic, cause-and-effect or input-output relationship. To an important degree the social influences operate as a

context or field of forces, invitably but imperceptibly affecting each economic event. Moreover, the economic significance of investment in a particular social field in turn depends upon the total pattern of development. A higher rate of investment in, say, secondary education just as in transportation may be a requirement for economic development, or it may be a waste (in purely economic terms), if it leads only to an increase in the educated unemployed?

It may be questioned whether, as a means of coordinating economic and social development, the pursuit of the concept of human investment in the direction of trying of determine in the abstract the economic return for each and every category of social expenditure is really feasible. It is extremely important as a strategy of development to examine economic implication and select, as far as possible, from among specific alternative social programmes directed toward the same goal, those programmes that can be shown to be economically most advantageous. It is equally important to examine alternative economic strategies - e.g., regarding types or location of industry - and select those that are socially most advantageous. It is also of great value to estimate mutual requirements of economic and social development where the cross-relationship is relatively simple and direct, as in manpower requirements for a projected economic expansion, or housing requirements for workers in a given industrial project. But in broad areas of social activity that are ends in themselves, and not directly related to an economic undertaking, such as the extension of primary or secondary schooling or the promotion of public health or housing the search for measurable rates of investment returns to serve as a guide for public expenditure policy is apt to be in vain - although valiant efforts have been made - and another approach is called for to

with the policy question of determining allocations in relation to economic conditions. This subject is further discussed below.

In view of the complexities and uncertainties surrounding the role of social factors in economic development, including the difficulties of measurement, it is not surprising that many economic planners should be discouraged from trying to handle such factors in economic analyses and programming. Even an acknowledgement is made of the importance of the social aspects, these aspects tend, in oractice, to be kept out of the picture. Thus, a distinguished expert in economic development at one point notes that education is "a very important condition for development" but disavows the consideration of it as a part of economic policy; "and at another point, he writes that "to compare the advantages of an electricity plant with those of ..... a school will always be difficult, but alt least it can be made clear what increase in material production is sacrificed if a school ..... is built". It might be said alternatively that this is precisely what cannot be made clear; the possible contribution of the school to material production is beyond measurement at the present time but not beyond conception.

Given the methodological difficulties, the economist is empted to confine himself to a few selected economic variables that are familiar, manageable and measurable, and to concentrate on studying the relations of these variables to each other in formal "formals". A similar confinement of professional interest will be found in the case of social policy makers whose concern with economic problems is apt ot be limited to the question of how to obtain more funds from the budget.

Mutual Requirements

Analysis of mutual requirements is an approach to social economic inter-relationship that is more limited, and more manageable technically, than the concept of human investment. When in development planning or programming a production goal is set, specific requirements for meeting are determined, including specific social requirements. This is a somewhat different question from that of human investment (although related), since it involves a working backward from a given target or goal, along lines of specific and direct relationship. If the target is the production of a given amount of steel, then computations can be made of the requirements in terms of iron, coal, transportation, construction, etc. The production of iron, in turn will have a set of requirements, including steel, transportation etc. Consideration of these implicated requirements and "complementarities" lies at the very core of development planning (see chapter V). The procedure used in he Soviet Union in this regard is called the "balancing" method. Social factors can come into such a system in two ways:

(1) Certain social requirements, as in personnel, are established by the very nature of things. For a given economic undertaking, a body of labour of given size and qualifications must be available - so many engineers, so many skilled workers, etc. are required. This in turn can set up further requirements of training and have ramifications into questions of school construction, etc.

(2) Certain other social requirements are imposed by the standards that a coutnry has legally adopted regarding facilities and services for the workers' health, safety, recreation, social security, housing, family welfare, etc. It must be emphasized that these standards themselves are given to the

economic planners; they impose requirements but they are not determined by computations of economic requirements. Although economic capacities are taken into account and idea of economic benefits may be involved in their formulation, such social standards are equally or even more determined by consideration outside the economic field.

Analysis of requirements in development planning can be approached from a social perspective. Instead of setting economic targets and determining social requirements, it is possible to set social targets - e.g., specified levels of health, education, housing, employment, personal income and consumption, etc. - and to determine economic requirements. This in fact is done in sectoral planning in social fields. Overall national development planning is ordinarily directed more towards economic than social targets - generally towards the achievement of a specified increase in the per capita national income. There is no logical or philosophical reason why this has to be so, particularly in view of the fact that the achievement of social goals - the raising of the standards of living of the population - is commonly stated to be the final purpose of economic development. It is theoretically conceivable that a coutnry could set its major targets to be achieved in five or ten years in terms of specified advances in the level of living, and derive the economic targets therefrom. To a certain extent, this has been undertaken by countries like the Netherlands and Norway that have set as the explicit guiding goal of their development efforts the elimination of unemployment. Social goals in their own right, together with economic goals, are also incorporated in the development plans of a number of countries particularly where the plans embrace the totality of government expenditure. Often, however, the social goals are covered in the normal budget, while the development budget covers only those social programmes directly required for the economic objectives.

In general, of course, the main economic requirements imposed by social programmes are material resources. These can usually be anticipated. When several substantial social changes are taking place simultaneously, however, the combined effect on requirements may be quite unanticipated. For instance, health programmes and universal compulsory education programmes undertaken at the same time have unexpectedly strained the economic resources of certain countries because the health programme caused mortality rates to drop and greatly increased the number of children who had to be covered by the education programme.

Differential Rates of Growth

The different sectors (industry, agriculture, health, education, etc.) tend to grow at different rates, with the pattern changing at the different levels of development. These varying rates of growth may set up requirements across sectors that are difficult to meet, resulting in conditions that are called "unbalanced". One illustration is the inflation caused in food prices by faster grwoth in industry than in agriculture (demands arising from industrial expansion raise the prices of food in non-expanding agriculture). The differences in rates of growth are due in good part to the effects of modern technology. For example, there are highly effective modern technical and scientific means utilizable for rapid progress in health in economically under-developed countries (up to a certain limit) without too heavy investment, but such means are not available in education or housing construction.

Differential rates of growth in productivity affect income distribution, with resulting social problems. If for example, the productivity of the industrial worker goes up rapid-

ly, while the school teacher can handle no more students today than a hundred years ago, should the industrial worker share in the benefits of his increased productivity, but the school teacher obtain no increment in income? If so, there could be a drop in the quantity or quality of school teachers, with a consequent reduction in a country's knowledge and training which, in the long run, helps to make increased industrial productivity possible. (It may be considered that the the productivity of school teachers goes up even faster than that of industrial workers because of the advances in the knowledge they impart, but this is not economically measurable). The case of the school teachers is only part of a larger social problem of the way in which a society rewards those whose contribution to economic development is not measurable but yet, indirectly, is a required contribution. Scientists and research workers are another category. The accelerating growth of scientific and technological knowledge emerging from their work, while not having measurable market value, is probably the most important single factor sustaining and promoting economic development, viewed in the long perspective.

Advances in technology can, however, in some circumstances also throw the economy temporatily out of balance by causing a greater production of goods than is required, particularly goods for which there is a relatively inelastic demand. This is the situation, for example, in some of the most highly developed countries, where agricultural productivity has recetnly grown much faster than demand for agricultural products. Measures to support prices, and hence the income of those caught in this situation, are essentially social in nature but unfortunately may serve to aggrevate the economic difficulty by subsidizing continued over-production (or under-employment).

In some cases the initial establishment of a new eco-

nomic undertaking represents a great leap forward in productivity, but thereafter productivity increases very slowly, if at all. For example, the establishment of a railroad or subway system or other modern means of transport represents a great advance over previous forms of transport, but the productivity of the transport worker thereafter does not increase very significantly year by year, unlike that of the majority of industrial workers in a modern economy. If the benefits of continually increased productivity are restricted to those employed in sectors where such increases take place, then the transport workers are likely to engage in strikes – which they frequently do – to obtain comparable increases in their income, with resulting fare increases and inflationary consequences. The end result of this and similar development in other sectors may be a lowering of the standard of living of those who do not provide required services, such as pensioners on fixed income, or who for other reasons have no menas of increasing their income by withholding their services.

The very process of development thus throws up highly complex issues regarding the ways in which the increments in wealth from increased production should be distributed – not only questions of profits and investment versus wages and consumption but also questions incomes should be distributed among the different categories of the population.

The definition of Balanced Development

As indicated above, the concept of balanced development clearly means, for most people who use the expression, an appropriate relation between economic and social factors – giving each field or sector of development the attention that it deserves in the total complex. It thus implies in the first instance a value or goal, something to be sought (even if but dimly

perceived). The preceding pages have considered ways in which questions of balanced development arise out of the interactions and inter-dependencies of economic and social factors - out of the consequences of effects of economic and social factors upon each other; the mutual prerequisites or requirements which must be taken into account and the implications of differential rates of growth. Yet consideration of these inter-actions and inter-dependencies between economic and social factors even if based on the most precise knowledge will not fully indicate what the pattern of development ought to be, because questions of value also come in - the value to be placed upon, say, education for its own sake or upon promised future wealth versus present consumption.

There are at present no quantitative criteria derivable from theoretical, logical or mathematical analysis by which the amount of attention to be devoted to a particular field of social development can be indicated. Ideally, one should be able to take a given field, such as education, health, housing, labour or family welfare, and analyse the benefits for the total developmental effort of a given allocation of expenditure in this field at a given time - that is, not only the benefits accruing in the field in question, but also the benefits (and any disadvantages) accruing in other fields, thereby getting a picture of the ~~total~~ of the allocation. Balanced development could then mean the combination of economic and social factors yielding the greatest sustained increase in total development. This ideal is impossible to achieve, at least at present, not only because the influence of different factors upon each other are but poorly known, as emphasized above, but also because there is no common mathematical measure of economic and social development, no way of equating economic and social values in order to add them up on a common scale.

The closest approach to a comprehensive measure of economic and social development is the per capita national income. Economically, this is an aggregate index, a "macro-economic" indicator which converts economic values in different sectors (industry, agriculture, commerce, services, etc.) into a single index, namely, monetary value, and thereby permits and adding up of figures from these sectors into a total national figure. While per capita national income is an aggregate concept from an economic point of view and does cover much of the field of consumption, it is generally agreed that it is not an adequate aggregate from a social point of view, and cannot be regarded as a satisfactory comprehensive measure of human welfare. The reasons for this have been stated in detail elsewhere. Per capita income indicates the production and marketing costs of goods and services produced and used in a country, but not necessarily the social value of these goods and services not - particularly in view of maldistribution of income - the welfare status of the masses of individuals in the country. There is a high but by no means perfect correlation. One illustration that has been given of the shortcomings of the per capita national income as a social measure is the fact that when a child is born the per capita income goes down (except in the hypothetical case that the child is sold as a salve, in which case the society would be judged richer by the per capita national income index).

The standard of living of a population - or, better, the "level of living" - must be regarded as a set of components (health, nutrition, education, housing, employment conditions, etc.) which cannot be reduced to a single index. In so far as the level of living is measurable, it must be expressed, not as a single quantity, but as a pattern of non-convertible quantities. The fact that the level of living is not to be defined as per capita national income does not deny, however, the underlying

importance of growth of national income for the improvement of welfare.

In spite of these theoretical difficulties, decisions on balanced development have to be made and are made as a practical necessity all the time. Each allocation of resources in the normal budget or in a developmental budget is justified on the assumption that it contributes to the economic and social pattern that is optimal for the country - although, in practice, for the very reason of lack of a systematic framework, interests other than the welfare of the nation come into play. If countries have a long historical experience in development and a familiarity with the inter-actions of economic and social factors, plus an educated population aware of its needs and articulate about its values, and a leadership skilled in the analysis of alternative proposals, then the process of legislative debate and political decision may well be adequate to deal with question of balanced development. But many less developed countries have no such historical experience to guide them, and large parts of their populations are inarticulate and unaware of the advantages of education, the possibilities of improved health, the need for better sanitation and housing (or, alternatively, they may be in a phase of demanding much more than can possible be provided). In these circumstances Governments have been interested in finding guidance in the experiences of other countries.

While it is theoretically not possible to state what levels of development in the various social components should go with given levels of economic development, it is quite possible to state what social levels do go with given economic levels - that is, to examine the patterns of development from a purely emperical point of view. It is conceivable that, in the light of some ideal model, the majority of the countries of the world

would turn out to be unbalanced in the emphases they give to the different social and economic fields. Certainly there are regional difference and differences along political lines. What is appropriate for one country will not necessarily be appropriate for another. But after these cautions have been expressed and emphasized, the judgment can still be maintained that knowledge of the experiences and practices of other countries in regard to the inter-relationship of economic and social development can be a useful type of information, particularly for those who must make practical decisions in countries that lack experience in development. Furthermore, the wider the range of experiences that can be examined, the better. The empirical study of actual patterns of development can assist the practical process of decision-making in two ways:

(1) by providing evidence of social levels that can demonstrably be achieved at given levels of economic development by countries that are moving forward in their total growth;

(2) by providing evidence of imbalances, based on the empirical criterion that countries have themselves concluded that their socio-economic pattern has been wrong (owing to over- or under-investment in certain social components) and has required revision. From an emperical point of view, it is not possible to define balnce, but it may be possible to define gross imbalance (just as it is not possible to define and measure health empirically other than as the absence of illness, similarly, the concept of "balanced diet" has been developed on the basis of the known negative consequences of an unbalanced diet).

The question of balnce can be examined at two levels of

analysis, which it is important to distinguish. There is, in the first place, balance at the level of governmental action and public expenditure; it includes the question of allocations to the different types of projects, allocations in both development and regular budgets and both capital and current expenditures. There is, in the second place, the question of balance among the actual factors of economic and social development, that is, in the pattern of existing interrelationships among health conditions, education (of various types), industrialization, agricultural production, etc. Imbalance at the first level might be represented by insufficient allocation to technical education in a development plan; at the second level by an insufficient number of technicians to meet existing demand. There is a close relation between the pattern of programming or of budgetary allocation and the pattern of actual development, but not necessarily correspondence. Thus, a country may make a consistenly large allocation in a particular sector, and this may account for its relatively high level of achievement in this sector; or it may make a large budgetary allocation precisely because it recognizes that it is lagging in this particular sector. Investment in the private sector can play a critical role. The budgetary problem of balance cannot therefore be considered meaningfully in abstraction from the actual situation obtaining within a country.
