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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 should 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 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 abroad. 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 pre-occupied 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 destitution 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 loyalties to kinship, ethnic or other traditional groups. "In-group" feelings are converted into national attitudes, and passions formerly 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 resources 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 existence 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, marriages 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 sparse population where conditions of climate, deficiencies of technology, or cultural and institutional factors hamper extension of agriculture to unused lands.

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tively sparse population where conditions of climate, deficiencies of technology, 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 take 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 commodities 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 emotional 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 from 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 from 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 one-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 desirable 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 exceptionally 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