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THE ROLE OF GOVERNMENT IN AFRICAN DEVELOPMENT

by

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I. General Background Factors

Common to any consideration of the actual and potential role of government in African development is a series of background factors which on the whole by their very nature insure that in most, if not all, African countries, government will have a major, and at times decisive, role in development.

In general this is a consequence of the historic convergence of two powerful sets of forces in world affairs - the drives unleashed by the African independence revolution to build nation-states and modern economies in the newly independent countries, and the drives unleashed in the aftermath of World War II to achieve a more equitable distribution of the world's wealth and improved standards of living for the world's population, the largest part of which is located in underdeveloped countries. The newly independent states of Africa have been caught up and buffeted by these forces almost before they have been able to translate their new status of independence into meaningful operational concepts and institutions.

Thus, on the one hand, the nascent African states are concerned as the aftermath and hallmark of independence to build state structures, to forge nations, binding together diverse ethnic, tribal, and cultural groups into cohesive national units, to constitute political systems responsive to the needs of the state structures adopted and the pluralism of their populations, to revamp their social structures to meet the new imperatives of the evolving
state structures, nation-building efforts, and political systems, to undergo a technological transformation which will act to modernize not only the means of production but the total socio-political milieu of the countries, and to build economies which will both sustain the revolutionary changes involved in transforming subsistence societies into modern ones and serve as the crucial process or instrumentality for inducing or bringing about the many changes.

On the other hand, as part of the welfare state concepts so prevalent in the thinking of the post-World War II generations in Europe and elsewhere, there is within the new African states a push for immediate welfare benefits in the form of improved standards of living, universal education, improved public health standards, social amenities and material comforts, and in the foreign policies of the same African states an insistent drive for a more equitable sharing of the world's wealth. The current United Nations Trade and Development Conference in Geneva is a dramatic manifestation of the latter drive. Here the underdeveloped world has for all practical purposes put the developed nations in the dock, and is confronting them with its bill of particulars: the deterioration of the terms of trade against primary material producers, the falling share of world trade accruing to the underdeveloped countries, the widening gap in the living standards between the developed and underdeveloped countries, the increasing debt burden of the latter, their continuing capital shortage, the pressure of growing populations, and so on. Their remedy, whether cast in terms of commodity stabilization agreements, compensatory payment schemes, tariff preference for industrial products from underdeveloped countries, expanded economic aid
or some combination of these, essentially calls for a transfer of wealth or resources from the developed to the underdeveloped world.

In Africa too, because independence has come so late and development has lagged so much in comparison with other areas of the world, the drives to achieve development and better standards of living have been accentuated and frequently formulated in terms of "catching up". In addition, in Africa the two sets of drives have been commingled with the understandable psychological drive to live down or overcome the continuing presence of reminders of their very recent colonial past as quickly as possible. This drive has often found expression in the development field in terms of achieving "economic independence". Taken together then, all of these factors combine to produce a general atmosphere of tension and a general pattern of behavior looking toward dramatic and in some instances even drastic change in a very compressed time span.

The almost instinctive translation into action of this near compulsive national drive for change and development has been to look toward government as the central focus and force for achieving the desired ends in a hurry. There are also authority patterns in many traditional African societies which are compatible, or at any rate not in conflict, with the assumption by government of a major role in many fields of activity - including developmental activity. Thus, the almost universal African readiness and propensity for according government a large and, at times, an almost across-the-board role with a matching mandate in all fields and aspects of national development.
II. Specific Background Factors. 1/

More specifically African countries have also by and large come to independence with a series of structural and philosophical factors which reinforce this general tendency for according government a large role in development. For the most part the very nature of the colonial relationship involved government structures and systems which controlled and performed many of the functions which in other contexts are frequently left to private institutions, groups and individuals. Thus, in the colonial legacy one finds a large government police function controlling and regulating many of the aspects of a country's political and economic functions which might well not otherwise obtain.

Colonial Heritage: Functions and Structure

The colonial regime's local, district and provincial officers, who exercised public powers and manipulated the local populations, have by and large been replaced by indigenous national counterparts in African governments or in the one party in one-party African states, where frequently the party rather than the government is charged with control. Local control of the economy, including community development or "investissement humain"

1/ Many of the specific factors, as well as the earlier general background factors dealt with of necessity briefly in this paper, have been treated in detail elsewhere by the author, particularly in his recent book, The African Presence in World Affairs: National Development and Its Role in Foreign Policy (New York: Free Press of Glencoe-Macmillan, 1963). See chapter 1-10 of The African Presence in World Affairs for an analysis and assessment of the factors and their interaction in a "development nexus. These chapters also treat with the correlation of political structures and systems with economic structures and systems, especially chapter 3, a point dealt with briefly later in this discussion.
projects, decisions concerning the planting, raising and marketing of crops, the movement of population, the distribution and sale of goods, the establishment of processing plants, the extension of credits, etc., which in the colonial contexts were handled frequently by the local colonial officials are now just as frequently handled by a government or party official in the newly independent Africa states. The one major difference, aside from the changing of the guard, is that whereas during the colonial period the goals may have been somewhat more limited and the time pressures somewhat more leisurely, they tend now to be infinitely more ambitious, intense and immediate as the governments of the nascent states attempt to persuade, induce, and coerce a higher and more sustained level of performance in order to achieve their goals in the quickest possible time.

In addition to the wide scope of functions inherited from the colonial period the new governments have also generally inherited comparable structures. And the very existence of these structures has tended to reinforce the tendency already present for the government to play a major role, i.e., the existence of institutions and structures such as marketing boards, currency boards, public corporations, particularly in the utilities and transportation fields, "offices of commercialization" for agriculture and other primary products, parastatal and mixed societés, and a range of regulatory or control agencies in other fields of economic and social activities has led either to a continuation or expansion of these institutions at the advent of independence. The result has been the continuing major role of government in these institutions, and hence in a major part of the economic activity of the African countries.
Colonial Heritage: Institutional Gaps

Oddly enough in the same way that the large scope and the accompanying structure of the colonial government in political, social and economic affairs has led to a comparable role of government in the new African states in the post-independence period, so too has the limitation of scope and the absence of institutions inherited from the colonial period led to the large role of government in the same African states in the post-independence period. Thus the limited interest of and opportunity for the colonial powers for encouraging the development of a body of entrepreneurs and domestic capital formation in the private sector has resulted in a shortage of both for current economic development. The temptation, and some would say the result, has been for the government to attempt to fill the role of entrepreneur as well as the supplier of capital. The absence of banking systems, savings banks, building loan associations, internal money markets, systems of share ownership in enterprises, credit systems, agricultural, industrial and commercial advisory services, institutions for training technical and skilled personnel, statistical services and data collecting services generally, etc. - the absence of all of these has, on the one hand, made it difficult, if not impossible, for the development of vigorous local private sectors, and, on the other hand, created the context and the conditions under which a government in a hurry would feel justified, even if it did not have the doctrinaire motivation, which is also frequently to be found in the new states of Africa, in playing a large and expanding role in national economic as well as political affairs.
Doctrinaire Factors

There are also doctrinaire and philosophical strands running through a large part of the current governmental thinking in the new states of Africa, which emphasize and require a large state participation in economic development. "African socialism" generally and "Arab Socialism" in North Africa both embody a large government role in economic affairs as a cardinal principle in their systems of thought and doctrine.

Perhaps the clearest indicator of the importance of politico-economic doctrine on the role of the state in economic activities is to be found in the attitude toward private investment, particularly foreign private investment. In the scheme of things the more or less open economies, which encourage private investment and are seeking substantial foreign private investment in their economies as part of their development financing, have tended to limit the scope and degree of their intervention and participation in economic affairs. This does not mean that they have not reserved a significant area for their participation, but rather that they accept the principle of private participation and decision-making and look upon their role as part participant, part promoter, and part residual. The Federal Republic of Nigeria is probably the leading example of this type of approach to the role of government in development. Thus roughly half of their current six-year plan is to be financed by private investment; foreign investment is being accorded a variety of inducements to come in; the governments, federal and regional, although they seek to participate in certain investments as partners, do not have a uniform rule on the subject or uniformly seek a majority participation; and many of the development priorities take account
of private participation and are designed to encourage it, e.g., the priority accorded the establishment of industrial estates with attendant facilities and services in all of the regional plans; etc. In the words of a recent report of the address of the Federal Nigerian Minister of Economic Development, the Honorable Waziri Ibrahim, to Parliament, the situation prevailing and objectives sought-after are:

If we are to get real economic freedom, the Federal Nigerian Minister of Economic Development told cheering members of parliament this week, we must see that the resources from which wealth can be accumulated by private businessmen are placed at the disposal of our people. Nigeria has chosen, as its way of tackling many of the problems of an ex-colonial economy, what may be called modified capitalism. By a judicious blend of state control or participation in key sectors of the economy, with encouragement to foreign and indigenous private enterprise alike, its leaders aim to achieve the necessary mobilisation of resources which will make self-sustaining growth possible. This is a delicate and difficult task, for which institutions and men alike must be carefully chosen. The path to be steered between the encouragement of foreign investment, with its essential capital and skills, and the desire to give Nigerian enterprise a full and active role, is a hazardous one for a young country. None of Nigeria's planners would claim that they have found all the solutions. There are, however, several indications that the government is in earnest in its attempt to encourage not only the co-existence but the co-operation of foreign and Nigerian resources: the new Nigerian Industrial Development Bank may be one of the most significant.


Other states have intervened to a greater extent than Nigeria and have undertaken considerably larger roles. Ghana and Guinea, for example, have participated to a considerably larger degree in economic activities often thought of as private sector undertakings. Thus, both states have attempted to control and directly operate state-importing syndicates or agencies, wholesale and retail distribution and sales, and state production of a variety of consumer goods. Both too have resorted to a certain amount of
nationalization of private sector enterprises, particularly foreign-owned enterprises. Yet, both states have kept some area of activity open for private enterprise, domestic and foreign, and for quasi-private enterprises, e.g., cooperative societies of various sorts.

It is pertinent to note at this point, and there is only time to note it rather than explore it, that both in doctrine and practice there has been, not unexpectedly, a certain correlation between the policies and actions of African states relating to their choice of state structures and political systems and those relating to their choice of economic structures and systems. Hence, highly centralized, unitary, one-party states have tended to concentrate almost all economic decision-making power and functions in the hands of the central government. In these states the role of government in development is larger, more dominant. In addition to Ghana and Guinea, this tendency is probably most clearly exemplified by the United Arab Republic, Algeria and Mali.

On the other hand, less centralized states, possibly federal in structure, with devolution of power and delegation of functions to regional and local authorities, and having multi-party systems, have tended to share economic-decision making power and functions among levels of government and with the private sector-companies, entrepreneurs, trade unions, cooperative societies, farmers groups, etc. In addition to Nigeria, Sierra Leone tends to exemplify this tendency.

Most of the other African states would fall into place in the spectrum between these two poles, the mixture of public and private controls and roles in the economy reflecting more often than not the national blend of
political centralization to be found in the respective state structures and political systems, as well as in the concepts of the nation being built by the respective national leadership. With respect to the latter point, where the national concept of nation-building considers unity tantamount to uniformity the motivation for centralization of power at the center has been tremendously reinforced. Where the national concept of nation-building views unity as toleration of difference and harmonization or reconciliation of the differences under the overall umbrella of nationality, i.e., the acceptance of ethnic, tribal, cultural, religious and regional differences, the recognition and accommodation of these differences and the loyalties they evoke within a larger framework and overriding loyalty to the Nigerian or Sierra Leonean nationality, which is made synonymous with the new states, the motivation for decentralization or delegation has been tremendously enhanced. The singling out of the Federal Republic of Nigeria, as more or less a unique, and in any event as a special, strand or example in African development with respect to its structures and systems and their interaction, grows out of the facts of the African scene, and reflects what the Africans themselves have pinpointed for special note. For example, the following report from Lagos on the Nigerian radio on the recent visit of President Leopold Sedar Senghor of Senegal announced:

Senegalese President Senghor has strongly appealed to Nigerians to maintain the unity of their country, not only in their own interest or that of Africa but also for world peace. The Senegalese President added that African unity is the cornerstone of African development, and Nigeria, he declared, has a great role to play, mainly as an ideal constructor of African unity. That is why Nigerians must not allow the federation to disintegrate.
Dr. Senghor then recalled his visit to Nigeria in 1961 and said that between then and now he has been deeply impressed with the country's development within the framework of African unity. This, he said, is the ideal he had dreamed of for French-speaking West Africa, but he observed that where he had failed Nigeria had succeeded.

... African unity, President Senghor said, is the challenge of the industrial world. It is therefore necessary, he went on, that the Nigerian Federation should endure as an amazing and exciting example of what Africans with many cultures could be.

Lagos Nigeria Domestic Service in English
1400 GMT, April 13, 1964.

An examination, state by state in Africa, is likely to reveal a close correlation, in fact a causal relationship, between the political structures and systems and their economic counterparts and the respective national concepts of nation-building. We cannot do more than throw out the hypothesis here for your consideration, and develop it later on in the discussion period if it proves to be of interest to you. In fact we have used this approach throughout the first two parts of the paper in an effort to cover not only the wide geographic area of Africa, but also the broad substantive area embraced by the title to which we have been asked to address ourselves. The presentation has thus necessarily been schematic up to this point. In the final section of this paper we hope to pick and choose from the African scene a sufficient diversity of examples to illustrate many of the points and hypotheses dealt with all too briefly in the first two parts of the paper. If successful, this should give us a feel for as well as an understanding of the important, and often crucial, role of government in Africa, and highlight the problems and pitfalls of the emerging and evolving versions of this role in different African contexts. It is both important and appropriate to note at this juncture that the examples used in the final section

2/ Rivkin, op. cit., especially chapters 8, 9 and 10 for a full discussion of the multiple African routes to political stability, including nation-building.
of this paper, and for that matter earlier on, are just that, examples, and are in no sense intended as an exhaustive exploration of the variety or diversity to be found in Africa, or are they intended as judgments of the particular experiences recorded.

III. The African Scene: Illustrations of the Role of Government in Development
A Basic Case: The Republic of Congo (Leopoldville)

In its clearest form and in its most extreme manifestation the absence of an adequate governmental structure and public administration to operate it, and the consequences of this absence for development are most vividly illustrated by the continuing events in the Congo (Leopoldville).

Although there are many converging reasons for the absence of a meaningful governmental structure and an adequate civil service to man it, these are beyond the scope of this paper. It is sufficient for our purpose to note that the Congo came to independence on June 30, 1960, with an interim constitution, the Loi Fondamentale, promulgated by the Belgian government after the hastily convened Belgo-Congolese Round-Table of January-February 1960.

In the circumstances prevailing and the cross-currents running at the Round-Table, the conferees, in order to avoid a clear-cut decision on the crucial issue of the basic structure of the Congolese government and the distribution of powers between the center and the regions, devised a formula which permitted every Congolese leader, no matter what his point of view to

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3/ Much of the material in this subsection has been drawn from the successive monthly issues of the fine Congo-Belgian publication, Études Congolaises, published by the Institut National d'Études Politiques in Leopoldville in conjunction with the Centre de Recherche et d'Information Socio-Politique in Brussels, and from the annual volumes of documentation published by C.R.I.S.P. on the Congo, as well as from the recent C.R.I.S.P. study by J. Gerard-Libois, Secession au Katanga (Brussels, 1963).
return to the Congo and claim a victory for his side, his party, or his region. The writer vividly recalls the heady atmosphere and the triumphant welcomes accorded one Congolese leader after another as he stepped from an airliner at Ndjili airport outside Leopoldville. The Congo was to be a unitary, federal and confederal state all at one and the same time. In short, to avoid making a decision between the unitary, federal, confederal, and separatist tendencies evident in the thinking of the new Congolese leadership even before independence, the Loi Fondamentale created an uneasy structure, delicately balancing or, at any rate, compromising these various tendencies in the distribution of power and functions between Leopoldville and the then existing six provincial capitals. The result, already apparent before formal accession to independence, has been endless dispute and intermittent conflict, interspersed with a seemingly never-ending series of constitutional and political conferences seeking to resolve the problem of governmental structure. Any number of draft constitutions have emerged from these conferences but none have been adopted. In the meantime the original six provinces have fragmented into 22 more or less autonomous provinces with attenuated links to the central government in Leopoldville. The inevitable accompaniment of this outpouring of energy, resources, and wealth in the dispute, conflict and negotiations has been a near breakdown in inter-governmental relationships between the center and the provinces, and at the center itself, a kind of administrative immobilisme.

The other major deficiency already noted, contributing to the administrative crisis, has been the near total absence of trained Congolese to staff the elaborate public administration established by the Belgians during the colonial era, and inherited by the Congolese without any changes to reflect the provisions of the Loi Fondamentale, to say nothing of the new sovereignty to be exercised for the first time. With the mutinies in the
Force Publique in early July 1960, roughly 10,000 of the 12,000 Belgian civil servants in the Congo left abruptly, and in doing so created a near vacuum in public administration. Although a small number of Belgians have returned and other personnel has been made available by the United Nations and under bilateral aid programs, in fact the foreign contingent in the Congolese public service at this point probably does not exceed 3,500. As a direct consequence, in the absence of trained and experienced Congolese staff, in many critical sectors of the public administration the level and quality of performance has depreciated seriously and has had a ramifying effect throughout the public administration.

The total impact of this dual institutional gap - the absence of a defined governmental structure and an appropriate public administration with trained manpower - has had such an explicit, decisive and overriding impact on all Congolese development that it sadly provides an all too perfect illustration of the negative effects that flow when the government of a new state is prevented from fulfilling the minimal role of government - the operation of basic services and the maintenance of the basic framework within which all else takes place in organized society. The impact on development has been devastating.

Somewhat more specifically, the limited ability of the government to ensure internal security and minimal political stability for almost four years has not only inhibited national development, it has led to retrogression, i.e., disinvestment, flight of capital, decline in production, inflation, deterioration of infrastructure as well as of productive facilities, disruption of established marketing systems, and a general series of
economic and financial dislocations, many of which are unfortunately becoming embedded in the economic structure. The inability of the government to maintain effective relationships, let alone control, of the provincial and lesser governmental units has led to a serious lack of control over public expenditure, on the one hand, and collection of public revenues, on the other. Similarly, the inability of the central government to control adequately its own public expenditures and collect its own public revenues, has also caused serious inflationary pressures in the country and has led to the depreciation of the value of the country’s currency.

One could go on enumerating any number of additional consequences, the mere enumeration of which (e.g., banditry, mutinies, abortive coups-d'état, smuggling, illegal bartering, and tax diversion) would suggest the scope and diversity of the direct and indirect restraints placed on development by a governmental structure and public administration unable, although trying and improving in the process, to perform those governmental functions and services which we take for granted as implicit in the very concept of government. Here then, we have the example of the role of government in development when it is not performed, and by inference an affirmative testimonial of the importance of the ordinary classic role of government in development when it is in fact performed.

The Congo thus serves to illustrate the basic case of the role of government in African development and what happens when the general and specific background factors alluded to in the first two parts of this paper combine in an unhappy way to interpose almost insuperable obstacles to the successful assumption and performance of the generally accepted role of government.
in development by a nascent African State. The illustrations which follow will deal with more limited and specific aspects of the role of government, and consequently will treat with them more briefly.

The Common Case: A Leading Role for Government

As part of the more or less prevailing trend in Africa toward one party, centralized, authoritarian or quasi-authoritarian political structures and systems, the role assigned to government in the development field has tended to be a major, and probably dominant one, disposing of considerable authority, power, and a major share of the national resources.

The case of Guinea is perhaps most illustrative with respect to the tendency of African governments to try to take on too much too soon in the field of development. §/ Guinea, perhaps more than most African states, has been wedded to the concept of achieving "economic independence" as the counterpart of its already acquired political independence. The importance of this concept in Guinea's thinking derives in part from doctrinaire considerations and in part from the sharp French reaction to Guinea's decision in favor of independence and against association in the Franco-African Union in the important plebiscite of September 1958. Thus, from the outset of its independence in October 1958, Guinea has sought increasingly to run almost all aspects of its economy, and to shape and develop its economy in conformity with the underlying concept of achieving "economic independence", and related thereto inducing pan-African political union and stimulating a broad continental-wide social reorganization or restructuring.

The result has been that the government of Guinea has thrust itself deeply into the Guinean economy, only to find that it had spread itself too thin and had exceeded its real capabilities. Consequently, in the last year Guinea has retreated somewhat from its role of monopolizing the import trade and the internal wholesale and retail distribution of consumer goods and has reopened the door to private enterprise in these fields of activity, withdrawing from the retail field wherever possible and diluting its participation in the wholesale field. Guinea has also found itself in difficulty with the various industries it has nationalized and appears to be seeking a way out of this dilemma. Thus, in a decree published in November 1963, the government of Guinea "laid down the rules under which the diamond mines, officially denationalized on November 15, 1963, are to be returned to private hands." 5/ Guinea plans, however, to operate some mines itself and to engage in some state marketing of diamonds. In the last year Guinea has also been increasingly cordial to the possibility of foreign private investment.

Ghana too has cut out a major role for the government in the development fields and is, if anything now even more widely and deeply involved than Guinea in attempting to plan and control the economy and participate in it in a major way. Somewhat in contrast to Guinea, Ghana came to independence without the sharp break with the former European metropole and the accompanying economic implications, and has set upon its course largely for internal reasons. The range of the government's role in Ghana, reaches from the more conventional types of government activity with respect to education and manpower training and the provision of basic economic services, to attempting to plan and control all aspects of investment, trade union operations,

agricultural production activities, etc., to at the outer extreme, operating wholesale and retail distribution enterprises, hotels and other service enterprises as well as certain production units. 6/

In the two cases cited, Guinea and Ghana, as well as in a good many other African states, for the most part though in lesser degree, we have the phenomenon of government assuming the major role in the direction and control of development, influencing the entire pattern of development through development plans and the priorities and resource allocation preferences established therein, the administration of development plans, the promulgation and implementation of economic doctrines which frequently come together, as already noted, under the heading of African socialism, and by direct participation in management, administration and operation of economic enterprises.

The Less Common but Changing Case: Liberia and Ethiopia

In both countries, long independent and long isolated from the main streams of world affairs, the tendency has been for the two governments to play limited roles in development. Both countries tended to pay limited attention to the problem of development generally, and to the government's role in inducing, directing and stimulating development. Consequently, now that both countries have become aware of the development surge and are seeking to fit into the trend, they find themselves without many of the important institutions and trained staff necessary to operate them, which are so important to facilitating development. In recent years both countries have been engaged in attempting to develop the missing institutions and producing the trained personnel for them. Ethiopia, for example, has been con-

6/ See the new Ghanaian 7-year Development Plan for the most recent official description of the government's wide role in the country's development program and economic activities generally.
cerned in both its first and second development plans with developing a national planning agency and fitting it into the overall government structure at an appropriate level, a modern banking system, a development bank and an investment bank, economic, commercial, and agricultural services, an internal capital market, and training Ethiopian personnel for all of these institutions and more widely for the public administration generally. Recently Liberia too has launched out on the same track.

Both countries in a sense illustrate the opposite set of propositions from those demonstrated by Guinea and Ghana. If anything, the role of government in development in these countries until recently could be characterized as too little too late. The tides have changed, and the temptation now is to overcompensate and attempt to make up for lost time, as it were, by trying to do much too quickly.

The Special Case: The Federal Republic of Nigeria

The observations of President Senghor quoted in Section II of this paper are the point of departure for this brief note on the Nigerian development experience. The role of government in the Federal Republic's development effort is part of the national governmental posture, i.e., an attempt to build a nation-state, political structure and system, and economy based on democratic precepts, tolerating minorities, providing legal safeguards for the individual and his rights, with decentralization and sharing of power among various levels of government and throughout the society, and a serious commitment to the "rule of law" for regulating inter-personal and private-state relations. The Nigerian 6-year Development Plan and the
decisions on priorities, mobilization of internal resources, level of internal consumption, etc., all reflect the open nature of Nigerian society and its economy, and illustrate the government's willingness and desire to share the development functions with the private sector and to draw into the effort a large part of the national population, more or less on a voluntaristic basis. The government role, although not minor, in the development plan and the economy generally, is tempered, shared, and balanced by the large and vigorous private sector, large numbers of agricultural small-holders, independent trade unions, management and business groups, a critical free press etc.

The foregoing is not intended to suggest that a definite modus operandi has been reached and that all is serene in the relations of government and private groups. Both are still feeling and finding their way in the new state. But both seem agreed on the basic framework which reserves a large and important area for private initiative side by side with a large planning, activating, and participating role for government in national development. 7/

Other Cases, Other Problems

The problems of physical security, political stability, the role and nature of planning, the scope of government participation in economic activities and development more generally, the scope for private individual activity, private investment, domestic and foreign, trade unions, farmers

groups, etc., touched on in the foregoing examples, are universal problems for all the new African states and a few old ones which are taking a new lease on life.

The mutinies in Tanganyika, Uganda and Kenya and earlier the combined mutinies and "revolutions" in Togo, Congo (Brazzaville) and Dahomey, all point up the problem of establishing security and stability; more specifically, they vividly illustrate the problem of defining and establishing the role of the military in the new states where there are very few organized countervailing pressures and interest groups with which to balance off an organized military force, no matter how small. They also point up the problems and risks of attempting to establish a monopoly of political power and authority in a single party or predominant party, in the emerging one-party African states and those with tendencies toward establishing such one-party states.

Interwoven in this network of basic relationship problems in the role of government vis-a-vis trade Increasingly the trend has been for many of the new governments to resent and react to any independent concentrations of power not under the control of the government or the one party. One consequence of the recent army mutiny in Tanganyika has been to tighten up on the already considerable controls over the trade union movement in Tanganyika. 8/ This tendency has apparently been discerned by the trade union movement in the Congo (Brazzaville), which was instrumental in the ousting of President Youlou. As a result, one of the principal issues in the ongoing competition for power in the Congo (Brazzaville) is the inde-

pendence and power of the trade unions vis-à-vis the dominant political party and the military.

We could go on with problems and cases which would illustrate one or another point or elaborate some of the points already made. However, from what has already been said, and we have used cases throughout to illustrate principles and trends, and not as we have already noted to make value judgments, the two principal points that are being sought to be made in this paper should already have emerged. In summary, these points are: a) in all the new African states the role of government both in its positive manifestations and in its deficiencies and omissions is critical to the pattern of development, the direction it takes, and, in a very basic sense, to its prospects for success or failure; and b) at this point in time, where the role of government is still emerging, and, as in Guinea still fluctuating, and, as in the Congo (Leopoldville) still not defined even in a provisional way, and elsewhere in Africa still so recent as to not to be frozen in its ways, the important thing is not so much to analyze the specific role in country "A" or "B" or the specific manifestations of this or that role as presently perceived, as much as it is to understand the central significance now and for a long time to come of the government role in development throughout Africa and to appreciate the still inconclusive shape and definition of the roles beyond, of course, the universal tendency for the roles to be large, varied, and significant.
It seems most appropriate that this seminar on International Financing and Development Planning should take place here in Lagos. First, Lagos, as the capital of one of the most populous and dynamic countries on the continent, which in large part has just completed its independence revolution, and is now increasingly launching out on its development revolution. Thus, it is an area in which international financing for development is a vital priority concern. Second, the Federal Republic of Nigeria is itself in the midst of its first post-independence development plan, involving a significant amount of international financing. I think my Nigerian colleagues and friends would agree that Lagos is a particularly meaningful place to hold a gathering on the subject we are to consider. Third, and most opposite, as the continent which the late Secretary-General of the U.N. was so concerned to help establish the basic preconditions for development - including the achievement of internal security and stability - and, in fact, the continent on which he lost his life in pursuit of these objectives, it is most fitting that a foundation bearing his name and dedicated to his memory and works should hold this seminar on financing development in a leading African city.

The World Bank and the International Development Association are particularly pleased to participate in this Seminar as institutions increasingly concerned with economic development in Africa. It is only a
little more than two years ago that the World Bank established its new Department of Operations for Africa. In this short time Bank economic study missions have visited almost without exception every independent African state, and certainly all of the independent states represented here. We have made a series of loans to several of the countries represented here and have under study and review possible loans to several other of the countries represented here. We have also had various types of study and technical assistance missions in various African countries, including those represented here, and have had resident economic advisers or Bank representatives in several of the countries represented here as well. Thus, the Bank comes to this conference with an increasing focus and growing participation in African development financing.

The Bank and IDA have also been expanding their interest in two sectors of major importance in Africa - in agricultural development and in educational development. In his last address to the Board of Governors of the World Bank and IDA, the President of both institutions, Mr. George D. Woods, announced the broadening interest of the Bank in facilitating agricultural development:

If we are going to intervene earlier in the development process, for example, we are going to have to do much more to help agriculture. In a great many of our less developed member countries, agriculture employs four-fifths of the population. It also provides materials and generates the market demand which together are the basis for healthy industrial growth.

The scale of our lending for agriculture has not, in my view, been commensurate with the importance of this sector. Thus far most of it has been for large-scale irrigation, flood control or land clearance projects. I believe that we must now intensify our support of agricultural development on a broader front - through such means as helping to finance storage facilities and farm-to-market roads, and through strengthening agricultural or-
organizations that extend credit and technical help to the farmer. Such programs are unlikely to yield quick and dramatic returns, and they will be expensive to support in terms of both manpower and administrative costs. But the need is clear and urgent.

One way, I think, in which the Bank could be especially useful is by helping to build up local agricultural credit and investment institutions, which might progressively become important channels for our financing to the agricultural sector and catalysts for a wide range of measures to raise its productivity. Such institutions, by associating technical advice and supervision with the provision of investment funds, can greatly enhance the effectiveness of both. There is an obvious analogy with the role of the industrial finance companies in many countries, with which we have developed such satisfactory relationships. The problems of agricultural financing are different, and inherently more difficult, in many ways. But if, in addition to their direct impact upon agricultural production, our loans serve also to build up vigorous, efficient national agricultural development agencies, we shall have made a valuable contribution to long-range economic progress in the borrowing countries.

In the second sector, which is a new one for the World Bank and IDA, Mr. Woods, also in his last address to the Board of Governors, anticipated the expanding interest that the Bank has been developing in education. In Mr. Woods' words:

Agriculture and industry are not the only fields in which I think we should expand our efforts. In particular, I believe that we will have to do more to help create the facilities necessary to the spread of education. Education is of course a valued end in itself, but it is also of central importance in the whole development process. It imparts the skills that are needed at every level of activity, from the effective use of planning techniques in government and business right down to proper employment of simple hand tools in workshops and on farms. Secondary and vocational schools, in particular, can have a fairly rapid impact on development by providing the middle-level manpower as well as the specialists in administration, agriculture and other subjects that are so important in economic growth. IDA, as you know, already has made one credit for school construction in Tunisia, and is considering similar credits elsewhere. I believe it would now be appropriate for the Bank, too, to lend for school facilities of high economic priority.
One further indication of the Bank's growing interest in both agriculture and education is its recently concluded agreements with FAO and UNESCO pursuant to which FAO and UNESCO would participate with or on behalf of the Bank in studying and evaluating projects in their respective fields and where appropriate in conducting surveys and reviewing country programs.

In the same address Mr. Woods also announced that the Bank will be concerned with improving the terms of its lending in an endeavor to make its aid more useful to the underdeveloped countries calling upon it. The Bank has had this matter under active consideration; two recent indications of the Bank's interest in designing its loans to meet the development problems and realities of underdeveloped countries have been a loan to Liberia for road-building in which a longer grace period than usual is included in order to accommodate the Liberian debt structure, and a loan to Colombia for hydro-electric power development providing for a 35-year maturity rather than a 20-25 year maturity in order to take account of the prospective life of the project and the debt structure of the country.

In addition, our sister institution, the International Finance Corporation, has been increasingly active in providing technical assistance and in taking share participation in development banks in underdeveloped countries. In conjunction with some of IFC's investments the World Bank has itself extended loans. Thus, in addition to aiding in the establishment of agricultural credit institutions, noted above in Mr. Woods' address, the Bank has been concerned, through its sister institution, IFC, and directly, in helping to establish soundly-based and efficiently-operated development banks to help finance industrial development in developing countries.

Finally, it is in order to note that the Bank and its sister institutions, which we have touched on in passing in various places in these remarks, has been expanding its technical assistance and advisory services considerably.
In addition to providing specific technical assistance and advisory services and assigning economic advisors and resident representatives, the Bank has a well-established Economic Development Institute, with courses in economic development and project evaluation, and also offers a variety of other training programs. In all of these fields African countries have been participating increasingly, and we would certainly hope that this trend continues.

Thus, to sum up, the Bank has been expanding, in response to the growing needs of its members and their articulation, its interest in financing projects in more and more sectors, in perfecting and improving the Bank's loan terms, and in expanding its technical and advisory services. We are pleased to participate in this seminar, and hope to be able to contribute to the discussion during the next ten days. Thank you very much for asking me to make this brief introductory statement.
The Role and Scope of Industrialization in Development

by

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The Role and Scope of Industrialization in Development 1/

This paper is a continuation or outgrowth of the discussion at the Cambridge Conference last September on "Some Aspects of Development". 2/ The substance and juxtaposition of two paragraphs in a note I wrote shortly after the Conference for The Journal of Modern African Studies 3/, quoted below, reflect the evolution and trend of the discussion at the Conference and conveniently provide the point of departure for the two principal themes I should like to develop in the present paper: resources are limited and all development involves a series of choices of priorities in utilizing the available resources, and within the productive sector of an economy further choices of priorities are involved and these choices will necessarily vary at different places and points in time. It is only in this context that the changing role and scope of industrialization in the growth process can be appropriately considered, let alone determined.

The first substantive paragraph in my note on the Cambridge Conference reads:

1/ Although the scope of the present Conference and in principle this paper extends to the underdeveloped world at large, I have drawn most of my illustrative material and data from the African area for two reasons. First, as the area of my specialization since 1950, it is the area I know best, and second, as the area to embark last on the conscious road to development, it offers, perhaps more readily than any other geographic area an abundance of current material and data on many of the issues we shall be concerned with at this Conference.


There appeared to be a general acceptance among the Africans present of the major role of agriculture in development. There was, however, a certain uneasiness and uncertainty about the apparently limited role of industrialisation in current African development. Many agreed that industrial development would probably first occur in industries related to the processing of primary products, i.e., food and industrial raw materials, and then in light consumer goods which would not only use these processed materials but also meet the demand likely to arise from agricultural development, but some were intrigued by the possibility of moving directly into heavy industry. They were, however, unable to relate this urge to existing or potential markets, or to the available manpower. The anxiety expressed by various African delegations about these problems led to a provisional decision that the 1964 conference will be on the role of industrialization in the development of underdeveloped countries.

The next substantive paragraph in the note fortuitously, but perhaps not entirely surprisingly, because of the inevitable interconnection of sectors and the finite nature of resources, reads:

There was considerable discussion about the level of expenditure in the new African States on education, and within the educational sector on primary education. Delegates realised that the growing sums devoted to primary education were creating serious problems in more and more African countries. Most marked of these problems is the growing number of primary-school leavers who are settling in urban areas without even any prospects of employment, and yet are unwilling or unable to return to agriculture. Many argued that free universal primary education was politically imperative and socially desirable; others felt that it might well be more effective for development to allocate more resources to secondary, technical, and vocational education, which in most African countries present serious bottle-necks. In any event, it was clear that the production of increasing numbers of primary-school leavers, without a considerable improvement in rural standards of living, could only aggravate present trends.

These then are the two principal themes which run through the discussion in the ensuing pages. The first theme, of course, dealt with in the first quoted paragraph is the core of the discussion, but is, in a sense, dependent on the second theme, dealt with in the second quoted paragraph - the problem of overall priorities and allocation of resources. The themes are treated in this order in the paper. Before, however, pro-
ceeding to these themes, it is important to note that the background for economic choices are political decisions. Thus, the political dimension, which is briefly treated in the next section, is by no means disposed of by this section. It remains constantly implicit in all of the discussion that follows in the paper.

The Political Dimension: The "Why and How" of Development

Granted that in underdeveloped countries in a hurry to develop, to make up for lost time, to compress the gap between the developed and underdeveloped, everything is by definition important, urgent, and needed. There are nevertheless degrees of importance, urgency and need; not all things are equal, some are more or less important, urgent, and needed. In short, primus inter pares might be a useful way to approach the question of priorities in economic development. What then is the first thing to do among what might be considered equally important things?

Clearly there must be choices. Not everything can be done at once, or with the same vigor and energy, or with the same limited resources. Limitations are inevitably imposed by the size of the pool of trained manpower, by underdeveloped facilities, by nascent institutions, or institutional gaps, and, of course, by scarce capital. In the first instance, the determination of developmental priorities involves political decisions. What image of the new state or the renewed state do the African or Asian state leaders respectively have in mind? What priority do they attach to economic development in comparison to achieving political unity, national prestige, military power, a technological revolution, social restructuring, etc.? How do they view economic development? As a process, or instrumentality, or goal, by itself, or encompassing all or many of their other
national objectives? Do they see development as a means of improving living standards or building national strength and prestige, or as an asset in world politics? Or as some combination of these and perhaps other goals? Do they see national development as an attainable objective or do they perceive national development only as part of a larger goal - of regional or continental development?

Secondly, the technique, road, model, or philosophy of development to be embraced by a state seeking development is basically a political decision, and a critical one. It is inextricably intertwined with the development image of the national leadership. Is this generation to benefit or to defer its possible share of the accruing benefits? Is performance to be induced or coerced? How important is the time factor? What is to be the role of the state? Of private enterprise, domestic and foreign? Of trade unions? Of the individual?

Answers to the foregoing interdependent series of questions on why development, for what purposes, and how to accomplish it, primarily crucial political questions confronting the leadership of all new states and many of the older states which are attempting to renew themselves, are all important to the determination of developmental priorities.

The answers will establish the socio-political priorities of a society, and thus determine and perhaps even dictate the planning priorities for economic development. In this paper we cannot anticipate and, even to the extent we may be able to, cannot accommodate all of the possible variations and patterns of "why and how" development decisions already discernible and likely to become so over the short-range future. Instead, we have selected two of the principal points which we believe must be taken into account in
deciding the appropriate rule to be assigned industrialization in economic development, and we consider the principal implications of various approaches taken to these points.

The Sectoral Priorities and Allocation of Resources Among Sectors: Political Decisions and Economic Choices

In the short run any government assistance given to one sector of the economy is at the expense of other sectors; in the short run each sector competes for limited resources against all others. In the long run the matter is not so clear-cut. The different sectors of an economy are inter-related, and growth in one sector may not only raise the level of resources available generally but may also more directly promote growth in other sectors. 4/

Alternatively, because the different sectors are interrelated, lack of growth in one sector or disproportionate growth in one sector may not only waste resources but may also more directly inhibit growth in other sectors.

Thus, "the unemployment of educated people in backward areas often represents the over-supply of particular types of trained labour, that is, it is the result of misdirected investment of capital embodied in human beings". 5/ Also, "to over-emphasize industry, as some countries have found out to their cost, leads paradoxically in the end to a slower rate of industrialization". 6/ And "if capital is being put into developing manufacturing industry while a country's agriculture remains

5/ Ibid, p. 76 (footnote 1)
stagnant, the result is bound to be distress in the manufacturing sector, as factory and cottage workers compete for a limited demand". 7/

Hence, what is invested or expended in one sector is not available for another, and more, what is overinvested or over-expended on one sector, may and probably will create conditions which will impose other limitations on the growth or development of other sectors beyond those arising from the direct denial of the overinvested or overexpended resources.

The following discussion of overinvestment and excess expenditure of public resources - to say nothing of private resources - in the education sector of more and more African countries is intended to illustrate the diverse aspects, already touched on, of the first theme: the importance and impact of the political decisions on economic choices, the implications of overinvestment and over-expenditure for other sectors - particularly the productive sector - the resultant burden imposed by the pattern of investment and expenditure on the overall economy, and again, particularly on the productive sector, and the heritage of social problems accruing from the wrong priorities and the misallocation of resources.

Keeping in mind that the political choices already made will in many ways and for many purposes provide the framework and limit the area of choice, the first series of questions which confront the economic planner is concerned with the assignment of investment priorities. (Throughout the discussion, in addition to the limitations imposed on economic planners by political realities and practicalities, the dictum of Robert Burns on the best laid plans of men and mice going askew needs to be kept in mind.)

Shall investment in the productive sector take preference, or in the infra­
structure or in social overhead?

At this point investment priorities might better be termed development­
priorities as they relate not so much to the allocation of capital as to
the importance and preference a particular sector should be accorded in
the total scheme of economic activity, e.g., the assignment of preference
with respect to utilizing the limited pool of skilled manpower, to
establishing training institutions for producing more manpower and in con­
nection therewith the preference in using available teachers, the pref­
ERENCE in the use of existing but limited facilities such as buildings,
equipment maintenance facilities, transportation facilities, etc., can be
and frequently are in the first instance as important or more important
than the allocation of capital to a sector or a project within a sector.

It may well be that agriculture would and should be the primary sector
in a good many underdeveloped countries, but the absorptive capacity of
traditional subsistence agriculture is so limited that it cannot immediately
absorb large applications of capital. Nevertheless, if agriculture should
be accorded the first priority, it would follow that breaking the bottle­
necks or surmounting the obstacles to greater absorptive capacity should
be given preference over all other endeavors. This could mean developing
trained agriculturalists, involving an extension service and developing
the acceptance for such a service in the traditional farming areas, should
be undertaken first and have a superior call on the enthusiasm, energy,
élan and other non-capital resources of the country. This is not to say
that adequate and growing capital allocation to priority sectors is not
desirable or necessary. On the contrary, the point is to make the sector
of priority importance with limited capacity for absorbing capital investment better able to do so. Thus, it is conceivable in a development budget that agriculture with an allocation say of 12-15% of the capital resources may be a first priority whereas transportation with an allocation of perhaps twice as much may be a second or third or lesser priority. The important elements to watch would be the improvement in the performance of a sector or significant part thereof, which may or may not be quantifiable, but hopefully would be, e.g., increasing productivity and production, and second, the trend in capital allocation over a reasonable period of time. If a priority is maintained in practice in an area like agriculture, the likelihood is that in the first instance, largely within the present framework, changes in technique, practices, systems, seeds, etc., will produce increasing output, and that thereafter or perhaps even pari passu allocations to agriculture would also steadily increase as the framework alters and absorptive capacity expands.

How should priorities be determined and allocation of resources assigned? There are no hard and fixed rules. The situation will obviously vary from country to country in keeping with the country’s political institutions and goals, the structure and state of its economy at any given moment, its natural resources, its manpower availabilities, its history of development to date, etc. Nevertheless, it is possible to formulate some general concepts to guide policy makers in deciding their priorities and allocations.

Frequently, the situation in many African countries is one of heavy investment in social overhead, public administration, and basic economic infrastructure with very limited investment in the productive sectors.
Some African countries have already gotten themselves into this situation and others are rapidly approaching it.

In Nigeria, in the Eastern and Western Regions, between 40 and 45% of the ordinary budgets has been expended in recent years on education. Of this amount between two thirds and three quarters probably goes for primary education. A relatively large portion of the balance goes to higher education, and what remains has to cover secondary education, vocational and technical training, and all other miscellaneous educational requirements. With the continuing emphasis on education in the new Nigerian Six-Year Development Plan, intended in part to meet the obvious gap revealed by the above composition of recurrent expenditure for education, and in part to provide universities in the three original regions of the country, and also to expand primary education, it means that the outlook is for a continuing high level of educational expenditure making major demands on the recurrent budgets of the Nigerian regions and the federal government. If one adds to educational expenditure the recurrent expenditure for public administration, internal law and order, defense, public health, debt service and a few other fixed charges, there is very little indeed left for economic objectives, such as training and staffing an agricultural extension service, an agricultural credit supervisory service, an advisory service for cooperatives, an investment advisory service, etc., and even less to be made available for transfer to an economic development budget for investment in the productive sectors.

In the Congo there is an even more extreme example – approximately 35% of all government expenditure goes to education and of this approximately 70% goes to primary education. In addition, almost all of the expenditure
of education is to meet current costs of salaries and a limited amount of maintenance, and little or nothing is going into facilities or buildings. When the other "normal" expenditures of government are added in the Congo, there is nothing left for ordinary economic services and certainly nothing for investment in the productive sectors or infrastructure or for that matter, anything else.

What these two examples point up is the extremely difficult political problem of choice. How much can a new African government, or for that matter the government of any underdeveloped state, provide for education and other social purposes and still have enough left for economic services and for investment purposes in the productive sectors? How many African states are going to find themselves in the situation of Nigeria and the Congo where they are producing hundreds of thousands of young primary school leavers or drop-outs with fragmentary education and little or no capacity to make an economic contribution, uprooted from their rural communities and flooding into urban areas where they lead a relatively aimless existence? In Nigeria in the two southern provinces alone there will be about 150,000 school leavers a year from 1963 onwards. Henceforth, it is quite clear that the Nigerian economy, even if it meets its development plan target of a growth rate of 4-4.5% per annum in the GNP, cannot absorb in the industrial sector and in urban areas this staggering number of ill-trained, inexperienced young people. The result has been something of a panic reaction with the political leadership in both regions seeking all sorts of ways out of this dilemma. Ironically one area, the Western Region of Nigeria, which expended a vast sum on creating the problem, is now engaged in spending another significant sum in attempting to meet the problem by
setting up extremely costly farm settlement schemes which at best can only absorb a very small fraction of the people involved and, in any event, involves a per capita cost which it cannot long sustain.

In Tanganyika and Kenya the magnitude of this problem, while less acute in numbers than in southern Nigeria, is in another way more acute, viz., in the more limited range of economic activities into which these young primary school leavers can be absorbed. The solution in Kenya has been an informal agreement with European employers to maintain a larger staff than needed on the understanding that the Government will do the same, and that, in fact, both of them will in a sense be buying a type of insurance to forestall the worsening of the unemployment situation in the urban areas and the inevitable political instability that it brings in its train, e.g., the recent "revolutions" in Congo (Brazzaville) and Dahomey involved, in fact, were characterized by riots of unemployed people in Brazzaville and Cotonou respectively.

These then are terribly expensive short-term improvisations to meet a continuing and growing problem, which is simultaneously being accentuated by the policies of the governments concerned in allocating increasing resources to primary education. 8/
The Priorities and Allocation of Resources Within the Productive Sector: The Interrelationship of Agriculture and Industry

"The secret of most development problems is to maintain a proper balance between sectors". 2/ "One might consider the industrialization of these countries as one chapter of agrarian reconstruction, or one might treat the improvement of agrarian production as one chapter of industrialization. What matters is to remember that the two tasks are interconnected parts of one problem". 10/ "Paradoxically, the best way for government to foster industrialization may be for it to use more rather than less of its resources to encourage the enlargement of agricultural output and the improvement of agricultural techniques". 11/

Too often, development has been equated with industrialization. Too often, the time factor and the related development sequence has been lost sight of in making comparisons between the developed economies of today and the underdeveloped economies of today. The discussion in this section is intended to deal with the second principal theme in this paper: within the productive sector of an economy further choices of priorities are involved and these choices necessarily vary at different places and points in time.

2/ Lewis, op.cit.


11/ Bauer and Yamey, op.cit., p. 236
It seems quite clear that agriculture has been and is likely to be the leading sector of most African economies to date, and in those few cases where mining predominates, agriculture still remains of major, and perhaps decisive importance. In fact, extractive industry, mining, partakes in many ways of the characteristics of the agricultural sector, i.e., production of primary products sold in international trade much as primary agricultural products, and to the extent processed by metallurgical industry in the producing country is much like agricultural commodities processed by agricultural processing industry in the producing country. Nevertheless, mining also, partakes in many ways of the characteristics of the modern industrial sector. It also differs from the agricultural sector in that ordinarily there are limited possibilities for the processed metallurgical products on the domestic market, whereas processed agricultural products offer one of the promising areas of expansion on the domestic market, both as foodstuffs and as light consumer goods, e.g., textiles and tobacco products. It is a sector somewhere between agriculture and manufacturing industry with respect to its role in development and its impact on a country's growth.

At this juncture I should like to develop in some detail the central importance agriculture holds, and, in my view, is likely to hold in African economic development over the middle-range future. I should also like thereafter to relate more specifically than I have yet done the growth and the modernization of the agricultural sector to industrialization.

the development of manufacturing industry, including metallurgical and agricultural processing industry - and to the development of other sectors.

There seems to be a near consensus of opinion on the historical role of agriculture as the springboard for most, perhaps all, economic development in the countries commonly thought of as developed. The economic historian, Professor W.W. Rostow, has identified the principal contributions of agriculture in what he has termed the transitional stage of economic development and related the development of various countries to these categories of contributions. Thus:

Although a good deal of the early growth process hinges on the food supply, the first of these two sectoral problems - development of agriculture and extractive industries and social overhead capital - is properly to be defined as that of agriculture and the extractive industries. Generally, this means higher productivity in food-production. But it may also mean wool, cotton, or silk - as in nineteenth-century New Zealand, the American South, and Japan. And in Sweden it meant timber; in Malaya rubber; in the Middle East oil; and in certain American regions, Australia, and Alaska gold helped to do the trick."

More specifically:

There are ...... three distinct major roles agriculture must play in the transitional process between a traditional society and a successful take-off ...... First, agriculture must supply more food ...... And, in most cases, increased agriculture supplies are needed as well to help meet the foreign exchange bill for capital development: either positively by earning foreign exchange, as in the United States, Russia [pre-revolutionary], Canada, and several other nations which generated and maintained agricultural surpluses while their populations were growing ......; or negatively, to minimize the foreign exchange bill for food ...... Put another way, the rate of increase in output in agriculture may set the limit within which modernization proceeds.

Second:

Agriculture may enter the picture in a related but quite distinctive way, from the side of demand as well as supply ...... let us assume that some of the potential leading sectors are in consumer goods - as, indeed, has often been the case: not only cotton textiles -
as in England and New England - but a wide range of import substitutes, as in a number of Latin American cases. In addition, the modern sector can - and often should be built in part on items of capital for agriculture from machinery, chemical fertilizers, diesel pumps, etc. In short, an environment of rising real incomes in agriculture, rooted in increased productivity, may be an important stimulus to new modern industrial sectors essential to the take-off.

Third:

There is a third distinctive role for agriculture in the transitional period which goes beyond its function in supplying resources, effective demand or tax revenues: agriculture must yield up a substantial part of its surplus income to the modern sector .... Adam Smith's perception that surplus income derived from ownership of land must, somehow, be transferred out of the hands of those who would sterilize it in prodigal living into the hands of the productive men who will invest it in the modern sector .... In their nineteenth-century land-reform schemes this is precisely what Japan, Russia and many other nations have done .... to increase the supply of capital available for social overhead and other essential modernizing processes.

Finally:

It is thus the multiple, distinctive, but converging consequences of the revolution in agriculture which give it a peculiar importance in the period of preconditions. Agriculture must supply expanded food, expanded markets, and an expanded supply of loanable funds to the modern sector. 13/

One can find support and concurrence for one or another, and, in most cases, for all of the points adduced by Rostow, Bauer and Yamey, starting from a completely different point of departure - debunking "the mystique which makes manufacturing industry .... a panacea for economic stagnation and poverty" - make many of the same points. 14/ However, the


latter do emphasize a point only alluded to by Rostow in passing:

The United States, Canada, New Zealand and Sweden all have an appreciably larger proportion of their population in agriculture than the United Kingdom and yet their real income per head is larger. In the United States it was not until towards the end of the nineteenth century that manufacturing industry became generally prominent in the economy; and not until 1910 did the size of the labour force employed in agriculture cease to increase. And it is especially noteworthy that it was not until 1941 that manufacturing employment exceeded agricultural employment in the United States, by which time it had for many decades been the richest or one of the richest countries in the world.  

The foregoing quotation makes the point that declining employment in agriculture should not be equated with development, and that in any event, the decline takes place over a long period of time, and in a sense, is a consequence of development rather than a point of departure. Perhaps even more in point is the Japanese experience where, under conditions generally more difficult than are to be found in large parts of Africa, the Japanese not only succeeded in increasing agricultural output and capital formation to finance industrial growth, they also succeeded in improving the standard of living of a very large rural population. 

This terribly difficult problem confronting the political stability and the economic growth prospects of African states - growing unemployment in urban areas - has been one of the goads to indiscriminate emphasis on industrialization, without appreciation of the need to build the foundations for successful industrialization, the supply of raw materials, domestically produced or imported (with foreign exchange earned through primary product

15/ Ibid., p. 239. See also Simon Kuznets, "Underdeveloped Countries and Pre-Industrial Phase in the Advanced Countries", reprinted in Agarwala and Singh, op.cit., p. 135
exports), and demand (largely in the sector where most of the population is, agriculture), and without appreciation of the limited employment capability of industry, for a long time, and until many of the intermediary and consequential off-shoots develop in the service and administrative areas, especially when compared to the volume of unemployed young people being talked of in Africa, in light of their low level of experience, skill, and educational attainment. Thus, the need for agricultural modernization, and rural development generally, in toto an agrarian revolution leading to increasing acreage under cultivation, increasing diversity of cash crops for exports and for internal consumption, increasing processing of agricultural products and increasing manufacturing industry utilizing locally produced commodities and designed in the first instance to meet internal demand and also be import saving in effect, and increasing light industry to serve agricultural development needs - small tools, simple fertilizers, fencing, light equipment, containers, etc. All in all, this will not be simple but in many instances will be the only way to absorb productively in the agricultural and related processing and manufacturing sector, and not merely maintain as concealed unemployment, the large number of African young people coming on the employment market annually. Unemployment or non-employment poses a critical, and, perhaps, pivotal challenge to the newly developing African states. To the extent educational expenditure on the one hand, deprives the productive sector of resources - capital, skilled manpower, institutional access and just plain energy - and on the other, imposes politically inescapable expenditures of the type illustrated by the Nigerian farm-settlement, Ghanaian Builders' Brigade and "state farms", Kenya and Tanganyikan bloated payrolls, Ivory
Coast "labor service units", etc., designed to cope with the volatile unemployed output of their primary schools, the more the magnitude and the intensity of the situation are aggravated.

Thus, in Africa at any event, agricultural and rural development is intimately related to political stability. A growing dispossessed group of young people in the urban areas of Africa have increasingly to be recognized and dealt with effectively and productively if any economic development plan is to have a chance to unfold - and succeed in improving their condition.

It must also be recognized that "despite the uncertain price outlook over the medium term, it is likely that the African continent will continue to expand its export-type output. The relative lack of alternative investment opportunities in a number of countries, an ample labor supply and the availability of natural resources for exports (e.g., aluminum), make such an outcome probable." 16/ In many countries this is true of agricultural output for the export market. It is one of the realities of Africa which must be taken account of at the present stage of development of many, probably most, countries on the continent. The possibilities of developing greater intra-African trade are also relevant here. To the extent regional agreement is reached on the location of industry, the possibilities arise of expanding output and increasing specialization in output of industrial raw materials, such as cotton, sisal, and other fibers, hides and skins, vegetable dyes, forest products and timber, for the use of regional

industry. 17/ Both the doctrine of comparative advantage and the concept of elasticity of demand would be operative here.

Role and Scope of Industrialization

With time, the relative role and contribution of agriculture to the GDP should decline, as processing industry, manufacturing industry related to the needs of the agricultural sector, and also to the demands of the agricultural sector, and secondary industry more generally grow at a faster rate than agriculture grows. With time too, more people will also be employed in manufacturing industry. With the growth of an internal market for the output of manufacturing industry, the base may be established for a more extensive manufacturing industry, looking toward the export of manufactures and the expansion of the industrial sector into more technologically complicated and more basic heavy industry.

Obviously the pattern of industrial development will vary with the state of a country's resources, development to date, technology 18/, socio-political stability, political decisions and economic choices, etc. Not

17/ See the author's monograph, Africa and the European Common Market, World Affairs Monograph Series, University of Denver (Denver, Colo.), 1964, for a discussion of the relationship of an African Common Market or Markets to the development of intra-African trade. See also, the Report on an African Common Market, U.N. Economic Commission for Africa, Addis Ababa, November 1963, which takes "agricultural produce as a point of departure" on which to build "the African free trade area [which] could then be gradually widened to include some manufactures, for example those not yet made in the area" (Quotations from Africa Diary (New Delhi), Vol. III, No. 52, December 21-27, 1963, p. 1512.)

every state need go through the several stages suggested or in the sequence suggested in what is necessarily a schematic presentation. There may be leading sectors or industries in one or another country which allow or even require a somewhat different emphasis or sequence. What does seem inevitable though, even for the minerally-wealthy countries, and for those with a manufacturing industry base, is the need to select priorities and make allocations prudently, and not starve the productive sector, and in the latter, not neglect agricultural and rural development in the name of industrialization, which could serve to negate the very industrialization which is so sought-after. The wrong priorities impose burdens and even losses which may never be recouped; shifting gears or changing horses in mid-stream can be a very costly exercise. Similarly, confusing the conclusion with the starting point can be an equally costly - and even more futile - exercise. For most countries now developed the situation of intensive industrialization with large working-populations in industry and accompanying small working-populations in agriculture is the result of the developmental process, not the starting point. It is appropriate to keep this in mind when viewing the developed countries. It is important to remember that in the case of Japan "the traditional sectors - agriculture and other indigenous trades - actually furnished most of the gains in wealth and output for 40 years. Their accelerated growth made possible the whole industrialization process in the early decades, and only in a lesser degree after 1920. 19/  

The recent decision of Cuba to reverse or at least significantly alter development priorities is illustrative of this point. In the words of Major Ernesto Guevara, Cuban Minister of Industry and "champion of Cuban industrialization" announcing a cutback in Cuba's industrial investment plan because of a variety of supply and maintenance problems, shortages and dislocations in the economy, and postponement of the "big push in Cuban industrialization" until 1970:

When we invest in a factory we are constructing the future, but in doing so we are postponing the construction of the present, or that which can be consumed. A balance must be struck. For the time being we must limit ourselves to minimum industrial objectives.20/

The balance was to be struck not only between heavy and consumer industry, but also between industry and agriculture, viz., "Major Guevara also harmonized his industrialization program with Premier Fidel Castro's decision to make a major increase in sugar production the main goal of the Cuban economy". 21/

And so the industrialization effort in Cuba has come full circle, and the main thrust of industrialization is to be deferred while the dislocated agriculture sector, particularly the principal cash crop, sugar, is to be restored. The moral is clear for those who would perceive it. The wrong priorities and allocations must eventually yield to the limitations imposed by socio-economic and political realities, and the starting point must be at the beginning, not at the end of the development process.

21/ Ibid.
Balance must also be struck in evolving trade patterns. Whether one looks to export-led development models or to internal industrialization growth models in the abstract, it seems clear that in practice, particularly in the historical and given circumstances of Africa, export-led development has been and must continue for some time to be the rule. This is not incompatible with internal industrial growth and altering the proportions over time in the respective importance of the two sectors. In fact, within the agricultural sector, in most of Africa there is already a pressing need to balance off export production with production for the internal market, both foodstuffs and industrial raw materials. So too, there are already present tendencies, even in some instances imperatives, leading to domestic industrialization in processing, import-substitution consumer goods, and agricultural related industry (e.g., tools), and the affirmative effects of balanced growth and external economies.

It is interesting to take account, in connection with the role of primary product exports and the relationship between external trade and growth, of the "cautionary note" that Professor E. Marcus felt compelled to include in a recent paper in which he argues vigorously for "a type of balanced growth" based on the priority of domestic industrialization and against agricultural development "if the result is to increase the importance of export crops". He writes:


24/ Avramovic, op.cit., p. 19.
At this point it is necessary to reject a cautionary note. Even if a West African country were to increase both its economic and financial self-sufficiency, it still would not be able to eliminate completely the effects of the overseas business cycles. It will be many decades before the importance of the external sector can be reduced so much that the African economy would be able to ride out such shifts in world demand. Even countries as wealthy as Canada and the Netherlands are still greatly influenced by the foreign sector. All that the suggested efforts hope to accomplish is a reduction in the degree of vulnerability; elimination in the near future is a utopian wish. 25/

In an article in the Industrial Development Review Dr. McLoughlin commenting on another but similar paper by Marcus states:

I must disagree with Marcus .... The "normal"tendency is rather the reverse. The countries with the most highly developed industry are those which also have efficient agriculture. If policy makers in African nations insist on emphasizing productivity increases in either agriculture or industry at the expense of the other, they will find themselves imbalanced, with the less productive sector dragging at and slowing down progress in the other. The Soviet Union's agricultural problems continue to hamper its industrial growth. 26/

The role and the scope then of industrialization are of crucial importance in economic growth. Too little, too late is obviously unwise and likely to slow the growth momentum. Too much, too soon - or at least the effort to achieve too much, too soon - is also unwise and, in the circumstances of underdeveloped countries, particularly those at the general level of development of most African countries, likely not only to slow down the growth momentum and rate, but also to defer the volume, variety and vigor of industrialization so ardently desired. These guide-


lines, rough and ready though they are, can be effectively acted on in
the economic planning process, negatively by avoiding doctrinal commit­
ment to one or another domestic industrialization at-all-cost schools,
and affirmatively by accepting and acting effectively on the prosaic but
nonetheless valid thought that economic growth like personal growth is
a process of determining and balancing choices, priorities, resources
and performance.