

INSTITUTE OF STATISTICS

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# The Industrialisation of Backward Areas

BY

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## FOREWORD

WHEN this enquiry into the problems of industrialisation was begun, it was part of a wider research project on problems of international reconstruction, initiated by a Joint Committee of Nuffield College and the Institute of Statistics. The greater part of the Committee's work, touching upon many aspects of international reconstruction, was privately circulated to Allied economists and interested departments, and served as a documentary basis for a number of conferences on European post-war problems.

The following study deals with a special set of European problems: the industrialisation of the over-populated and backward areas of eastern and south-eastern Europe, which were left virtually untouched by the vigorous industrial development of western Europe in the nineteenth and twentieth centuries. As a result the level of welfare and wealth falls at a steep gradient as one moves east from the River Elbe and south towards the Balkan Peninsula. Whatever the historical reasons for the development of 'depressed areas' in this region may have been, their present dilemma is an increase in population which, for lack of industrial development, is being driven into rural and urban occupations of very low productivity. The vicious circle of population pressure, poverty, and lack of industries is by no means confined to this corner of Europe; it is present in other European countries and is most clearly seen in the Far East. That south-eastern Europe was selected as an example is partly accidental, and partly due to the fact that material about conditions in south-eastern Europe is slightly more plentiful than that dealing with other over-populated areas, although it is far from being adequate for a study of this kind.

The first part of this monograph provides a theoretical discussion of the conditions needed and the mechanism of the process of industrialisation of backward areas. The second part gives a quantitative example of such a process, taking south-eastern Europe as the background. The author assumes a rate of industrialisation which would absorb into industrial employment the natural increase in population and the existing surplus population, within, say, a generation; he assumes also the specific kind of development which the region might undertake, having regard to the natural resources of the area. On this basis he determines the capital requirements for an initial five-year period and derives the production and demand structure of the newly indus-

trialised sector. The realistic material is worked in to show the order of magnitude of the changes in living standards, occupational distribution, and external economic relations which would result from such a form of large-scale and planned industrialisation. How difficult the process must be for the backward country, even if it receives considerable aid from abroad, becomes abundantly plain.

The hypothetical character of the study will be clear from the fact that only pre-war material is used, and no account is taken of the economic and political changes in the region during the war, when statistical information became even more scrappy than usual and practically unobtainable for researchers outside Government departments. Similarly, improvements in agriculture, which necessarily must accompany any practical industrialisation scheme in the area, are deliberately omitted from the discussion, partly because the problems of agricultural re-organisation of the area are mere examples, partly because it was thought that the essential features of the industrialisation process could be shown best by treating it in isolation.

The resulting models of the industrialisation process are therefore not blue-prints of practical development schemes for the area. They are hypothetical models in the sense that they are based on a number of broad and sometimes very bold assumptions about the nature and direction of the industrialisation, about consumption habits, efficiency factors and elasticities in the supply of skill. But they do throw into relief the quantitative aspects of a scheme of rapid industrialisation, and they do indicate the lines on which the plans for such a scheme must be thought out.

The author had the help of various research assistants who at different stages of the study participated in the collection of statistical material. The computations and tables of Part 2 were prepared, in close consultation with the author, by Mr. J. R. L. Schneider, assisted by Mr. C. Pridgeon. The responsibility for the whole monograph rests, however, entirely with the author, and not with the research assistants nor with the Institute of Statistics, under whose auspices the study is published.

F. A. BURCHARDT

## AUTHOR'S NOTE

The origin and purpose of this study have been explained in the Preface above. I should like to add my personal thanks for the help I have received from various researchers.

For about a year I was assisted by Mr. J. R. L. Schneider, who was in charge of the computations contained in Part 2. These computations often implied intricate decisions on methods where Mr. Schneider's help was invaluable. He was called up for national service in March, 1944, and had to abandon the work in a semi-finished stage.

The opportunity of discussing economic problems in the Institute of Statistics was of great value to me, and I am grateful to the Acting Director, Professor A. L. Bowley, for his friendly interest and his suggestions. I wish to thank particularly Mr. F. A. Burchardt to whom I could turn whenever I needed advice and criticism.

K. M.

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