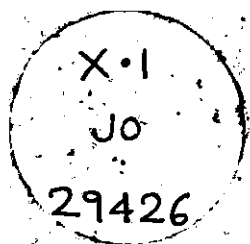


Pre-conditions of Economic Development
by *D.R. Gadgil.*



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THE PROBLEM OF MARGINAL-COST PRICING RECONSIDERED . 13

mould—and problems of development. It is clear that the leading problems of development—questions of new wants, and of the order and rate of introduction of new products, of the rate of investment, of the location of industries, of new techniques—are not such as can be handled by the automatic operation of pricing mechanisms, for which economists have shown so much affection. Common-sense would suggest that human welfare stands to be much more benefitted by concentrating efforts and planning upon attaining a rapid all-round growth of productivity than upon operating subtle mechanisms for maintaining some 'ideal' allocation-pattern at each moment of time.

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PRE-CONDITIONS OF ECONOMIC DEVELOPMENT

BY D. R. GADGIL

It is often pointed out that before it is able to undergo a process of economic development a society must be properly conditioned for it. It is necessary to understand in some detail what this implies. Modern economic development denotes many essential requirements such as the maintenance and operation of mechanical equipment in all kinds of activities, such as production, transportation, the functioning of economic institutions, such as joint stock companies, banks, stock and commodity exchanges, trade unions, etc., and the exhibition of many attitudes and aptitudes of which the central one is the appreciation of, and sensitivity to, the economic calculus. The process of economic development is likely to be easy and rapid if a society is able to respond appropriately in the various directions required of it. It is obvious that the responses need not necessarily be uniform and that the institutional structures, the characteristics of the *elite* and the attitude of the masses may all be different without necessarily holding up economic development. It is enough, in this connection, to point out that rapid economic development has taken place in societies so differently circumstanced as Victorian England, Imperial Germany, Meiji Japan and modern U.S.A. and U.S.S.R.

On the other hand, it is equally true that many practices, attitudes or institutions in under-developed countries may militate against an accelerated pace of economic development. There is, in the first instance, a whole series of taboos and prohibitions. The use of certain products or adoption of certain processes may be made difficult by these. Certain occupations may rank low, making progress in their techniques very slow. Certain classes may be prevented from entering many fields of useful economic activity, rendering high the percentage of the non-working population. Social attitudes towards aspects of natural phenomena or the animal world, e.g. cattle, may be such as to make economic utilisation of certain forms of wealth difficult. The influence of some of these taboos and prohibitions may be limited; others may affect large fields and influence significantly total productivity. For example, the differing attitude towards the use of night soil as a fertiliser is said to make a marked difference between the productivity of Chinese

and Indian agriculture ; and the institution of the veil might reduce materially the proportion of the working population in a community.

Other obstacles in the way of adopting modern techniques may arise not out of any religious or social prohibitions or beliefs but merely out of traditional modes of life fixed through generations of comparatively static economic conditions. The predominantly rural life and agricultural pursuits of the bulk of the population in most under-developed countries breed in them many habits and attitudes which have to be shed before they can become efficient units in urbanised, industrial occupations. The business of a family farm or of domestic industry does not require that punctuality in hours of work or regularity of attention and attendance which is required of a machine operator or attendant. It is well known that even in countries which pioneered the industrial revolution the evolution of factory discipline was a difficult and long-drawn out process. Habits of living and sanitation suitable to a rural environment have to be considerably modified in urban centres ; without such modification incidence of diseases and morbidity may become or remain very high in them. Changes may have to be brought about even in such matters as clothing. Attitudes of mind are more deep-rooted than sanitary habits or modes of clothing, and perhaps are much more difficult to change. They have, however, an important bearing on the working of modern economic society. Members of a farming community based largely on a subsistence economy would have little knowledge of the operations of a monetary economy and, as it would usually happen that they are also unlettered, their understanding of the processes of the modern market and their responses to its fluctuations might be very slow. It has been universal experience that when communities which have been largely self-sufficient hitherto are suddenly brought into contact with complex economic structures their members become easy victims of unscrupulous money-lenders and traders.

Related to habits of mind arising out of such factors as subsistence economy are attitudes bred out of social formations : and groupings, especially such primary groupings as the family, the clan or the village community. Men brought up in such comparatively closed groups form group patterns of behaviour, i. e. their responses are conditioned by what the group habitually expects of them or does for them. As long as the groups function the behaviour of their individual members is, therefore, likely to differ

from what might be expected of them acting as independent individuals entirely with their own resources or for their own individual advancement. It is true that in times of transition the survival of these groups often acts as a sort of safeguard and a protective cover to members of what might otherwise become a mere disintegrated mass. However, it is equally true that the continued existence of these groups and the habits of mind formed by them make individuals in a society less mobile and less responsive to economic forces than they might otherwise have been.

From social groupings to social strata is an easy transition. Social stratifications can mould economic behaviour in a variety of ways. There is, in the first instance, the association that may be established between social strata and economic callings or occupations. Such association may be more or less rigid. At one extreme would be direct prohibition, at the other it being thought merely unusual for an individual from a particular stratum to follow particular occupations. Social stratifications, however, usually signify association with economic grades also and the normal result is to reduce mobility between occupations. Moreover, it is the usual characteristic of social stratification that the scale of values embodied in it gives prominence to priestly, clerical, military and landowning activities, especially as contrasted with the mechanical arts and manual work. As a result, particular skills essential to modern economic development are not sufficiently highly cultivated. It is the usual complaint of the Westerners against highly trained personnel from many Asiatic countries that they appear reluctant to do the work themselves and thus do not learn enough of its practical side and are not able to train properly or give a lead to workers under them. When social stratification goes to such extremes as constituting a caste society its influence on the trend of modern economic development may be even more marked. For, it may then happen that the course of this development may be determined largely by single groups with marked biases, such as the intellectuals or the financiers.

Finally, attention may be drawn to influences deriving from the recent history, political and economic, of the under-developed societies. An important feature common to a large number of these societies has been the phase described as colonialism. This has meant that the progress of modern economic development in them has not been as all-sided as it normally should have been

and that development has been arrested in particular directions. Another historical feature which is important, though not equally common, has been the creation in many of these economies of what have been called plural societies. This means a society in which important sources of economic power or branches of economic activity are under control of classes or groups who do not identify their interest with those of the bulk of the people forming those societies. This constitutes an important political and social problem and an obstacle to rapid and well-balanced economic development.

The foregoing enumeration of the social and institutional obstacles in the way of rapid economic development appears, at a first glance, to make the problem of bringing about such development largely hopeless. Experience, however, indicates that one is likely to overestimate these difficulties. Certain habits or handicaps can, for example, be easily removed even though they appear to be deeply rooted. For example, it has not been found very difficult to accustom immigrants to cities from rural areas of under-developed countries to habits of living appropriate to an urban environment. This has been specially easy when suitable housing and other amenities have been made available. In the same way, the intensive training of almost illiterate workers in all the simpler industrial operations has given quick results and it has not taken long to inure new rural immigrants to regular habits and to factory discipline. It may thus not be difficult to deal with lack of familiarity with urban surroundings or machine technology, if no forces hinder the acceptance of the new surroundings or techniques by the people. The more important aspects in a consideration of this matter are those arising out of traditional taboos and prohibitions and out of results of ages-long social stratification. Obstacles arising in these fields would be overcome only if a positive effort backed with sufficient influence is made in this behalf.

Fortunately, it is possible in most under-developed societies to count on some factors which indicate that such effort might be made and that it might be successful. The most important of these factors is the wave of national feeling that is sweeping the backward areas of the world. Nationalism is everywhere associated with a twofold objective. Firstly, to be able to order one's own affairs, and secondly, to attain a position of dignity and importance in the

community of nations. Associated with the second objective is the desire to increase to the greatest possible extent the wealth and income of the nation and exploit to the utmost, to this end, its internal resources. The exploitation of resources has been usually identified with industrialisation and with the adoption of modern scientific methods and western technology. Indeed, a remarkable feature of the existing situation is the universally high regard in which modern machine technology is held. The high regard for western technology and the nationalistic urge to adopt it fully have already been responsible for negating the influence of a great many traditional prohibitions and prejudices in most under-developed countries. The movement may be said in most cases to have gone far among the educated classes in the under-developed countries. Where appropriately initiated and handled it has also been proved possible to educate the masses, to eradicate their prejudices and to arouse in them an interest in modern scientific methods and modern technology. Whether this effort is undertaken or not depends on the more intractable circumstances arising out of social and economic stratification.

In the recent demand for rapid economic development by under-developed countries two ideas are implicit: there is firstly the urge for an increase in economic wealth and in the admitted low standards of living and, second, the belief that a planned effort with or without foreign aid can achieve this. While there is universal agreement regarding the second, the pace and the manner in which the first is to be attained are under dispute. The present division of wealth and of economic power in most under-developed countries is extremely uneven. In some, wealth and economic power are at present concentrated in the hands of an older, predominantly land-owning class; in others it has already passed into the hands of a comparatively new financial, commercial and industrial capitalist class; in still others, the transition has begun but is not yet completed. The process of an intensification of economic development with its insistence on capital formation might be accompanied either by a much larger step towards economic equality than has so far been undertaken or contemplated in these countries or through maintaining the existing inequalities in distribution or perhaps even intensifying them. And if the progress towards greater equality is to be made peacefully, it can only be on the initiative of those who hold the reins of political and economic power in these countries. If they take

a long-range view, even ordinary intelligent self-interest should urge them to move towards greater equality. The forces in the world today making towards an ultimate acceptance of comparative economic equality appear overwhelming. Its formal acceptance has been embodied in the United Nations' Charter and it is put forward as an objective by capitalist, socialist and communist governments. The press, the radio and the cinema are powerful instruments all over the world presenting to peoples of the under-developed countries incredible pictures of what might be attained through adoption of western technology and emphasizing the importance of the masses in the process. The role of the cinema is specially important as it presents an effective visual picture and reaches everywhere even the illiterate and the ignorant.

A movement towards economic equality in a poor country would require specially large sacrifices from the rulers and the intelligentsia; on the other hand, a mass movement towards education and increased productivity would not be successful unless it was informed by a genuinely and transparently equalitarian intent.

We began with a reference to attitudes and habits of mind; we might also end on that note. All attitudes, habits of mind, patterns of behaviour, etc. are born out of chiefly historical institutional modes of living. These modes of living in most under-developed countries have had in the past little direct connection with economic development. If now rapid economic development is to become the main objective of these societies, their attitudes and habits of mind must change correspondingly. Emphasis on economic development means placing a higher value than has been usual hitherto on the economic criterion. The economic criterion is not to be confused with the money income of an individual; it may equally appropriately apply to economic well-being of the social group as a whole. It will depend on the structure of, and motivation in, the particular society, whether emphasis is placed on individual money income or social welfare. Whatever that may be, concern with economic development certainly presupposes placing high value on economic factors with the ultimate attainment measured in terms of the material standard of living. It may be taken for granted that a high valuation of the material standard of living is already fairly common in most under-developed economies and where it is not so the process is well under way. Concern with economic development, secondly, implies readiness to accept the process of rapid development as a desirable

process. Rapid development connotes change in a variety of ways for large numbers of people. It means change in the traditional organization of production ; it means rapid acceptance of change in techniques as a normal and continuing process, acceptance of a change of occupation; and, a change-over to urban surroundings for a large number of people and other concomitant changes. Readiness to accept change, to be mobile in occupation, habits and habitat is a necessary condition precedent of rapid economic development. This might not be fully thought out or understood in these terms in the under-developed countries; but there is little doubt that in most of them the appropriate frame of mind already exists. Recent upheavals, especially the events of the second world war, have largely brought this about. There is restlessness, tension, expectancy among the masses everywhere. It remains to be seen whether these are immediately utilised for the cause of peaceful progress or not. The prospect depends largely on the attitude of the governing classes in the under-developed countries but also, to a significant extent, on social thinking among leaders of the capitalist world.

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