

# THE makings OF a JUST SOCIETY

*Chester Bowles*

U. S. AMBASSADOR TO INDIA



301.2  
B 681 M

With a Foreword by C. D. DESHMUKH  
Vice-Chancellor, The University of Delhi



**INDIAN INSTITUTE OF  
ADVANCED STUDY  
LIBRARY \* SIMLA**

“As U. S. Ambassador to India both at the beginning and the end of a critical decade of economic growth Chester Bowles has served not only his own country but India as an adviser and friend.

In the series of lectures delivered in December, 1963 at the University of Delhi, on which this book is based, Mr. Bowles raised questions of immediate as well as long-run importance.

It is my hope that the issues raised by Mr. Bowles in this book will stimulate as much discussion among his readers as they did among those who were privileged to hear him.”

—C. D. Deshmukh

Vice-Chancellor  
The University of Delhi

**DATA ENTERED**



**A LANCER BOOK • 1964**

**THE MAKINGS OF A JUST SOCIETY**

Copyright © 1964 by Chester Bowles

All rights reserved

Printed in the U.S.A.

This book is based on a series of lectures delivered at the University of Delhi in December 1963 by Ambassador Chester Bowles. This Lancer Book contains the complete text of the original edition published by the University of Delhi in India.

LANCER BOOKS, INC. • 185 MADISON AVENUE • NEW YORK 16, N.Y.

# THE MAKINGS OF A JUST SOCIETY

*What the Postwar Years  
have taught us  
about National Development*

CHESTER BOWLES

LANCER BOOKS • NEW YORK

301 2  
B 681 M

## Contents

I. Five Essentials of Nation Building	9
II. The Dynamics of Rural Development	29
III. Industrial Growth with Social Justice	55
IV. China and India: Problems and Prospects	77



**Library** IAS, Shimla



00051475

# *Chester Bowles:*

“No period in history provides such awesome dangers as does our fast changing world of today; nor does any period offer such exhilarating opportunities for the individual to grow, for his dignity to become a reality, and for human energies to be released for the common good.”

—Foreign Policy Association  
St. Paul, Minnesota, 1962

# **BOOKS BY THE AUTHOR**

**TOMORROW WITHOUT FEAR**

**AMBASSADOR'S REPORT**

**THE NEW DIMENSIONS OF PEACE**

**AFRICA'S CHALLENGE TO AMERICA**

**AMERICAN POLITICS IN A REVOLUTIONARY  
WORLD**

**IDEAS, PEOPLE AND PEACE**

**THE COMING POLITICAL BREAKTHROUGH**

**THE CONSCIENCE OF A LIBERAL**



## FOREWORD

That *Homo sapiens*, identifiable as a separate species for over a million years, should have seen the dawn of wisdom hardly 18 years ago is a surprising but nevertheless true fact of history. Enlightened as the last few centuries have been, it has taken 300 years of scientific and industrial revolution and two devastating world wars for the leaders in most countries of the world to believe it practical to make benefits of civilization available to the whole of the human race.

This belief has become the prime mover of the great contemporary global preoccupation with the building up of nationhood and accelerating economic development, following the emancipation of nearly 800 million people, and the heady freedom to destroy the old and build anew plucked by the leaders of another 700 million.

It is against this vast canvas that the writer of "The Makings of a Just Society" has set out his perspicacious enunciation of the principles of nation building, the dynamics of rural development, the twin goals of industrial growth and social justice, and the problems and prospects of China and India.

Ambassador Chester Bowles has had a unique opportunity not only to observe but to take a responsible part in meeting the social, political, and economic problems about which he writes in this book.

During his successful career as a businessman in his early years, he demonstrated that the public interest may be served by private enterprise.

As U.S. Administrator of price, rent and ration controls under President Franklin Roosevelt during World War II, he directed the largest single effort ever undertaken by a democratic country to stabilize its economy under the enor-

mous stresses of total war. As Director of Economic Stabilization under President Truman he helped to achieve an orderly economic transition from war to peace. He saw at first hand the problems of poverty, hunger and disease among the less fortunate people of the world while directing UNESCO's Children's Fund.

As Governor of the State of Connecticut he experienced the political and administrative difficulties of coping with the intractable machinery of progress. To his assignment as Under Secretary of State he brought not only a knowledge of people gained through his ceaseless and world-wide travels but also a detailed familiarity with the apparatus of diplomacy.

While serving as President Kennedy's Special Representative for Asia, Africa and Latin America, Mr. Bowles worked intimately with the developing nations throughout the world.

Finally, as U.S. Ambassador to India both at the beginning and the end of a critical decade of economic growth he has served not only his own country but India as an adviser and friend.

In the series of lectures delivered on 10-13 December, 1963 at the University of Delhi, on which this book is based, Mr. Bowles raised questions of immediate as well as long-run importance. It is my hope that the issues raised by Mr. Bowles in this book will stimulate as much discussion among his readers as they did among those who were privileged to hear him.

C. D. DESHMUKH  
Vice-Chancellor

The University of Delhi  
December 14, 1963

## FIVE ESSENTIALS OF NATION BUILDING

IN THE eighteen years since the end of World War II more than one billion and a half people in Asia, Africa and Latin America have embarked on an unprecedented adventure in nation building.

The objectives of this effort are broader than the building of roads, the development of industries and the production of more food. By and large they have been characterized by a sense of social purpose which is remarkable in itself.

With few exceptions the emerging nations which have won their independence and carried out their domestic revolutions have done so in the name of the universal values of personal liberty, racial equality, and the broad sharing of the benefits of development.

Although these values are often neglected in practice, they constitute a basic commitment which, I be-

lieve, reflects the deepest aspirations of a vast majority of mankind.

This commitment is so genuine that even totalitarian governments with scant regard for individual rights feel obliged to pay homage to it as a matter of political necessity. One example is Mao Tse-tung's cynical acceptance in 1954 of the free principles of coexistence in the Sino-Indian Treaty of April, 1954 as the future basis for Indo-Chinese relationships; another is Chou En-lai's endorsement of the libertarian principles of Bandung in 1955.

In addition to their common vision of the future the newly independent peoples face many common problems. For instance, almost all are poor. They have had little or no access to the benefits of scientific technology. Almost all are undernourished. Many are ill. Few are able adequately to educate their children.

Yet overriding these awesome difficulties is their fierce determination to *improve* their condition. The historian Arnold Toynbee underscored this point in a recent article. "Our age will be remembered," he wrote, "not for its horrifying crimes or its astonishing inventions but because it is the first age since the dawn of history in which mankind dared to believe it practical to make the benefits of civilization available to the whole human race."

As a result, the economics and politics of development, once of interest only to scholars, have moved to the top of the world's agenda. The leisurely pace at which the United States and Europe developed during the 19th century is no longer adequate to keep ahead of the rising global demands for a better existence.

This means that governments will be pressed to strain every muscle and to employ every resource to insure the economic growth and the political and social justice which their people now expect and demand.

Nor is the modern challenge of development confined to the so-called "backward" continents of Asia, Africa and Latin America. Within many of the most productive nations of Europe and America there are still shocking contrasts of wealth and poverty which are crying for attention. This is true in rural Greece, in southern Italy, in parts of southern France, in certain sections of the United States and in much of the USSR. Indeed, no major nation can claim fully to have eliminated poverty or to have provided each of its citizens with the basic essential of every free society—equality of opportunity regardless of race or religion.

Among the less developed nations we find a wide variety of problems and opportunities. In much of Latin America, for instance, a major obstacle to the political and economic growth that is basic to all free societies lies in the stubborn reluctance of the more privileged groups to move with the times. Less than one and one-half percent of the people possess more than half of all the land of Latin America; many own more than 15,000 acres.

In only a handful of Latin American countries is there an effective income tax; in fewer still are there adequate limitations on the use of scarce foreign exchange to pay for non-essential luxury imports or even on the export of domestic capital for "safe

keeping" abroad. Consequently, national per capita incomes which may appear satisfactory in themselves often hide shocking differences in income that breed bitterness and frustration among the underprivileged majority.

In Africa the major obstacles to rapid national development are different. Most rural land, for instance, is owned by the tribes and allocated to individual families on the basis of need and competence—a system which in many areas is now evolving naturally into modern democratic co-operatives. Since there is little entrenched wealth, opposition to taxes based on the ability to pay is not a serious problem. For years to come the major barrier to rapid growth in Africa will be lack of education, basic skills, administrative and management experience, and personal incentives.

In Asia we find still another set of difficulties, which vary widely from nation to nation. Among these, in several countries, are soaring population growth in relation to resources, rural apathy rooted in generations of exploitation or neglect, and among business groups an emphasis on trading and speculation rather than creative enterprise.

From this brief review it appears that every nation, rich or poor, has its own special agenda of unfinished business to which its government must soberly address itself. Our present task, however, is to isolate those special factors that affect the process of nation building in the less developed continents.

The experience of recent years has demonstrated

that there are five requisites for rapid and balanced growth in a developing country. The first of these is material, while the other four relate to public attitudes and human capabilities. These five essentials are:

1. Adequate capital from both domestic and foreign sources.
2. Enough goods and services to persuade people to contribute the personal effort that development requires.
3. Adequate skills for management, administration, production and citizenship.
4. A willingness and ability in overcrowded nations such as India and Pakistan to curb a rapid population increase.
5. A unifying sense of national purpose with effective communication between the people and their leaders.

It was these five elements which permitted the amazing resurgence of Europe and Japan from the rubble and despair created by World War II. It is their creation in the developing nations of Asia, Africa and Latin America that must now be the first order of business for those who would raise living standards within an orderly political framework.

## I

Let us examine these five essentials in order, starting with the question of investment capital for development.

Inevitably most of the capital requirements of any nation must be met from indigenous resources, through increased private savings or through various forms of taxation and other governmental limitations on consumption.

While private saving in most developing nations will ultimately provide the major source of capital, deep-seated community attitudes usually have to be changed before this source can effectively be tapped. Only in a reasonably secure social and economic environment can people be persuaded to part with their gold ornaments, excess acreage and other traditional forms of financial security.

In most less developed nations, therefore, the capital requirements for the initial stages of the growth process must be met largely by the government drawing on a wide variety of tax sources. For instance, land taxes can be progressively increased on large holdings. This not only raises revenue; at the same time it encourages the development of more efficient family-sized farms. Sales and excise taxes can provide additional revenue and serve as a means for directing investment into selected capital projects.

Incomes can also be taxed on a progressive basis. The argument that a reasonably progressive income tax reduces the incentive for private investment does not stand up in practice. More than half a century ago when the United States first introduced such a tax, the cries of anguish were loud and clear. There is no evidence, however, that the income tax has damaged the productive capacity of the United States. Instead it



has brought about a democratic redistribution of incomes which has created the mass purchasing power that has prodded our economy to ever higher levels of production.

There are clear limits, however, on the amount of domestic capital that can be accumulated through taxation and restricted consumption. Those taxes which are easy to collect, like excise taxes and sales taxes, fall most heavily on the people least able to pay, and therefore reduce the purchasing power necessary to maintain minimum standards of living. The taxes which would benefit the economy most, like the income tax, are notoriously hard to collect. Moreover, because so few people in the developing nations have large incomes, this tax source is limited.

Although the export of raw materials may offer another major means of capital accumulation, such exports in themselves do not assure the broad-based economic development which we are seeking. The exports of coffee, tin, oil and other basic materials, for instance, have earned generous incomes for many Latin American producers. But because only a meager fraction of the total income from these exports has sifted down to the people who work the fields and mines, the gap between rich and poor has been steadily growing. In spite of the vast oil wealth of West Asia, the majority of the people still live in dire poverty.

In view of these limitations it is not surprising to find that almost every nation that has succeeded in modernizing its economy has had the advantage of loans and grants from more advanced countries. The

pace of United States development in the 19th century, for instance, was speeded by massive amounts of private capital from Europe. By 1912, foreign investment totalled more than \$6 billion—a huge sum for those days.

With the possible exception of Japan, the only nation that has modernized its economy virtually without foreign capital assistance is the USSR. In this case a ruthless squeeze on the Russian people plus an unequalled supply of natural resources combined to provide the necessary investment funds. Yet even in this special case the margin of success was narrow. In the 1930s, with all Russia's natural advantages, the Soviet economy very nearly collapsed under the strain of forced development.

As we shall see in a later chapter, China, which lacks many of the resources which the USSR has in abundance, probably cannot succeed in building a viable economy without massive foreign assistance which under present circumstances is unlikely to be forthcoming.

We must, however, keep this matter of foreign capital assistance in clear perspective. While it is a vitally important element in developing an adequate rate of economic progress in a democratic environment, ultimate success depends on the energy and effectiveness of the government and people of the recipient country.

For instance, the United States has provided loans and grants for many countries which because they failed to carry their share of the burden have remained

in the economic doldrums. On more than one occasion we have seen our assistance used by reactionary governments to sustain the status quo against the forces of economic and social change which we had set out to encourage.

The nations in which United States assistance has been least effective have many common characteristics. In most cases the local tax structure has been inefficient and inequitable. Capital funds badly needed at home have been allowed to go abroad. Luxury imports have eaten up foreign exchange.

There has often been corruption in the government and lack of interest in the kind of development that benefits the masses of the people. Semi-feudal systems of land tenure have often suppressed the initiative of the cultivators and thereby impeded agricultural production, at the same time creating a bitter sense of injustice throughout the countryside.

On this essential point our experience is clear: Foreign capital makes a meaningful contribution to national development only in those countries which are willing and able to mobilize their own resources. In such cases foreign aid may provide the decisive margin for success. When the necessary effort is lacking the effects of foreign aid may be virtually nil.

Much of the recent opposition to foreign economic assistance in the United States is misinformed and misguided. Its origin lies, however, in the valid conviction that my country has no obligation to provide funds for governments that fail to put their own economic and social houses in order.

I have profound sympathy for this view. Indeed, as a member of the United States Congress I proposed the establishment of operating standards that would relate our economic assistance to the capacity and willingness of the recipient country to use it and its own resources effectively.

Except in the most unusual political circumstances, I am convinced that economic assistance given on any other basis cannot possibly accomplish its only valid objective which, to repeat, is the creation of dynamic independent nations which offer their people increasing prosperity and opportunity within the framework of their own traditions and culture.

The challenge to develop better plans and techniques is a major one. The combined gross national income of the developed nations now totals \$900 billion annually. If one percent of this amount were loaned or given each year to the less developed nations the gap between the rich nations and the poor nations would be eased in a way that would profit both giver and receiver, add to the self-respect of each, and make our world an infinitely safer and better place for us all.

## II

This brings me to the second of our five essentials of national growth: the need for adequate and equitably distributed rewards for hard work and initiative.

As we have seen, there is a political limit to the amount of taxation, austerity, or maldistributed wealth which people are willing to accept without

either adopting evasive devices which corrupt the system and diminish confidence in the integrity of the government, or throwing the government out of office.

Totalitarian systems, to be sure, can enforce a higher rate of capital accumulation through a merciless squeeze on producers who are denied consumer goods while simultaneously being urged by blaring loudspeakers to make greater and still greater efforts in behalf of the state.

But even in the most rigid police state, slogans and loudspeakers have their limitations, as the Soviet Union has been learning by hard experience. After working for forty years to organize its national agriculture on a mass basis, the small kitchen gardens which Soviet farmers can really call their own still produce much more efficiently than the rigidly organized state farms where adequate personal incentives are lacking. Industrial workers in the presumably egalitarian Soviet Union are now offered wage and bonus benefits whose differential exceeds that of the American wage scale. Soviet factory production has responded to these incentives.

Thus, we see that regardless of political ideology, capital for development can be accumulated effectively over the long run only when all of the people stand to gain some immediate and tangible benefits. No developing nation with these factors in mind can afford to dismiss consumer goods and social services as frivolous embellishments which may be withheld in the interests of capital accumulation; on the con-

trary, such incentives, however modest in amount, act as an essential generator in increasing national wealth.

Moreover, the production of consumer goods such as bicycles, shoes, clothing, pots, pans, simple household equipment, flashlights, and self-help housing schemes provide an essential source of jobs which in most developing countries cannot be provided in adequate amounts by heavy industry.

If the nation-building process is to succeed, the individual must be given an opportunity to improve his standard of living, as well as a sense of belonging, of personal dignity and faith in the integrity and ability of his government.

### III

We now turn to the third essential for national development—skills for management, for production, and for citizenship.

Administrative skills are, of course, in short supply in all developing nations, particularly so in those which are newly independent. Even where there is a competent civil service, there are too few people with experience in bold and creative policy making.

Equally serious is the lack of technical skills in most developing nations, particularly in Africa. For years to come there will not be enough competent doctors, teachers, engineers, architects, labor leaders, and other specialists to meet the increasing demand.

Like capital, these administrative and technical skills

must be developed in large measure by the country itself with some assistance from its more advanced friends. Foreigners in public administration are usually out of the question for political reasons and there are simply not enough competent technicians available for service abroad. Foreign experts therefore should be used as a scarce resource and largely for the purpose of training local specialists.

Fortunately, a small amount of foreign technical assistance, like limited doses of foreign capital, can have a major impact on the developmental process. This is true, however, only if the host country makes substantial efforts on its own behalf to provide competent people for training, and to place those people who have been trained in positions of responsibility where their skills can have a continuing effect on the economy.

If newly trained technicians are assigned routine jobs where their initiative is crushed and if they are not encouraged to train their subordinates, no amount of foreign technical assistance will have a significant impact.

In democratic countries whose governments are based on the consent of the governed, the social change which accompanies development also requires the creation of new political and social skills among the citizenry as a whole. Skill in citizenship is more than just the ability to mark a ballot. It is the skill to dissent without revolution, to accept the compromise that may be necessary for a consensus while maintaining a sense of personal independence, and to cooperate

57475-  
12112121

with others for the improvement of one's village or nation.

Where these basic political abilities exist, there is potential for vital, democratic growth; where they are lacking we can ultimately expect either turmoil or totalitarianism.

The colonial era has retarded the growth of these essential social and political skills in most of the less developed nations while simultaneously creating demands for changes in structure, direction and priorities which would tax the administrative capacities of the most advanced nations.

All of this underscores the importance of education as a first step in creating a sense of participation and individual responsibility among the masses of the people. A literate person can discover through the printed word the possibilities that life offers him. The vision of what he can accomplish for his family and himself serves as a most powerful incentive. The literate person can read instructions and develop simple technical skills through understanding rather than through rote learning.

Most important of all, the literate can be made aware of their rights and duties as citizens so that they need no longer be at the mercy of the deeply-rooted, tradition-conscious elements of their society which stand in the way of the political, economic and social changes which they seek.

Japan's phenomenal postwar growth would have been impossible, in my opinion, if it were not for the fact that over 98 percent of her people can read and



write. In most developing countries the figure is still under 30 percent.

#### IV

The fourth of our five essentials of development—population control—is of immediate, special importance in those emerging nations where a massive and growing population is pressing against limited natural resources. In many countries the problem does not yet exist. In most African countries, for instance, the population is relatively sparse and the resources are substantial. Here there may often be a need for more hands to till the fields and to run the machines.

Even in the more crowded nations which fail to control their population growth there is little immediate danger of the mass starvation predicted by Malthus. With adequate fertilizer and more advanced techniques India, for instance, could triple its production of food from the present cultivated areas; and its opportunity for greatly expanded fisheries has scarcely been touched.

The real economic cost of continued rapid population growth in such already crowded nations as India, Pakistan, Ceylon, Indonesia, and China stems from the drag it places on the increase in per capita incomes. In such countries a rate of economic growth which might otherwise give the average citizen a satisfying sense of progress only enables him to stand still.

A comparison between the Congo and the Sudan on the one hand, and India on the other, underscores

this point. The Congo and Sudan are each about two-thirds the size of India, each has a population of about 16 million in comparison to India's 450 million and each has roughly the same proportion of natural resources. Once technical training and capital become generally available, therefore, the per capita incomes of the two African nations may be expected to increase at a far faster rate than that of India. With labor saving devices at a premium, wages will soar.

Although India's national income over the last decade has grown at a rate of nearly *four percent* annually, the population increase of two and one-half percent has reduced the per capita income increase to less than one and one-half percent.

A major effort is now under way to bring India's population into better balance. In 1930 the birth rate was 48 per thousand; it is now 41.5 per thousand. In areas such as urban Bombay where a determined effort at population control has been made over a period of years the birth rate is about 30.

Experts believe that if programs and techniques now available are carried out effectively the birth rate by 1974 can be reduced to 25 per thousand against an anticipated death rate of 14. If this is accomplished, India's present per capita increase in income will be doubled. If the birth rate and death rate can ultimately be brought into balance and the population stabilized, the present 4 percent average annual increase in national output, compounded from year to year, would have a dramatic impact on living standards.

## V

The fifth and final essential involves the environment in which development takes place. The four prerequisites which we have just considered—capital, incentives, skills and population control—cannot operate in a cultural or political vacuum. Each new nation must consider them within the framework of its own past experience, its present needs, and its own vision of the future.

Only when it does so can it develop the sense of national purpose which draws a diverse people together and provides a bridge of mutual understanding and respect between them and their leadership.

The United States is still in the process of realizing the political vision which the founders of our nation so eloquently proclaimed nearly two centuries ago. Our Declaration of Independence asserted that "all men are created equal." Its author, Thomas Jefferson, believed that "all eyes are opening to the thoughts of man. . . . the mass of mankind was not born with saddles on their backs, nor a favored few, booted and spurred, ready to ride them by the grace of God."

This deep belief in the importance of individual dignity initiated the world's first major anti-colonial revolution and experiment in political democracy. Although our traditional objectives are not yet wholly secured, each succeeding generation of Americans has worked to broaden its base of individual freedom and opportunity.

India has her own vision of what she is determined

to become. Gandhi saw that "what is good for one nation situated in one condition is not necessarily good enough for another, differently situated. India has got to develop her own economics, her own policy."

The keystone of such a vision is a belief in the supreme value of the individual human being. "In modern terms," Gandhi stressed, "it is beneath human dignity to lose one's individuality and become a mere cog in the machine. I want every individual," he said, "to become a full-blooded, fully developed member of society."

The deep suspicion of "bigness" and strong sense of social conscience which is reflected in the strict democratic teachings of Gandhi will continue directly and indirectly to shape Indian development for generations to come.

In the hands of leaders who are devoted to the cause of the whole nation, such vision is an effective instrument for progress. If the leadership can communicate a sense of purpose to the people so that it becomes a treasured national possession of them all, the battle for development can be won.

## VI

These then are the five basic essentials for rapid and balanced growth in a developing country, for growth which engages the energy and enriches the lives of every citizen.

Although I have been tempted to add a sixth essential—a pragmatic non-doctrinaire approach to

economic growth—this prerequisite, it seems to me, is implicit in our entire discussion thus far.

Developing nations which seek answers to their complex problems in some neatly packaged ideology are almost certainly doomed to failure. Capitalism as defined by Adam Smith and Communism as defined by Marx, Engels, Lenin and Stalin have become largely irrelevant in our complex modern world. The tasks of national development are difficult enough in themselves without confusing them further with emotionally charged slogans and political hand-me-downs from another era.

In meeting the challenge of national development a nation may on occasion borrow certain concepts and techniques from abroad—from Western Europe, from Sweden, from Yugoslavia, from Japan, and from America. Yet I believe that a nation should draw primarily on her own inner strength, experience, and traditions, relating these elements in her own way to the five essentials which I have described.



## II

### THE DYNAMICS OF RURAL DEVELOPMENT

AGAINST this background of the five essentials of nation building let us now consider the primary importance of rural development. Here as elsewhere it is important to define our terms.

By "rural areas" I mean not only the villages and their surrounding farm areas throughout Asia, Africa and Latin America but also the rural towns, ranging from two or three thousand in population to many thousands, which serve as marketing centers for the peasants and landless labor of the countryside.

By "rural development" I mean not only agricultural expansion but the growth of small industry, schools, training centers, improved communications, rural electrification, public health, population control centers and even the stimulation of a rural cultural awakening.

Although an ancient writer pointed out nearly 2000 years ago that, "The agriculturalist is the lynchpin of the whole social chariot," this truism was largely ignored in practice. In Asia and Africa for centuries a procession of invaders, emperors, and later colonial powers came and went with little effect on the rural people, most of whom were conscious of their government only when it raised taxes or inducted more young men for military service. In Latin America the rural areas, too, were largely by-passed by history.

Following the struggle of the developing countries for independence after World War II and the withdrawal of the colonial powers, the primary concern of most of the new leaders was industrial growth, which they viewed as the glamorous symbol of western economic advancement. In this regard developing nations had their full share of urban-oriented skeptics who saw the peasants, in Karl Marx's terms, lost in the "idiocy of rural life," and industrial expansion as the only true measure of progress.

More recently the key role of the 80 percent of the people who live in the rural areas of the developing nations has become strikingly apparent. Politicians are beginning to understand that peasants who see no tangible signs of economic progress cannot be expected to identify themselves with their government, and that an orderly political system, therefore, largely depends on what happens in the countryside.

Economists recognize the need to increase the supply and variety of food available for domestic consumption, and, if possible, for export. In many developing countries agriculture is virtually the only



existing industry; it must be expanded to the fullest if there is to be any hope for a reasonable rate of capital accumulation. And since half of the gross national product in such nations consists of agricultural products, their output decisively affects the indices of national production on which broader economic judgments are based.

Furthermore, capital investment in the rural areas will affect more people and generate more growth than anywhere else. A market road, an extension of the electric power lines, or a deeper well provide immediate economic benefits without requiring foreign exchange.

The more far-sighted also see rural development as an essential prerequisite for industrial growth. If the 80 percent of the people in a developing nation who live in the rural areas lack the purchasing power to buy manufactured goods in increasing amounts—and right now the rural areas in many such countries are not even part of the money economy—the growth of urban industry is bound to be retarded by lack of customers. Moreover, since food constitutes half the budget of an urban worker, the supply of food and the efficiency of its distribution have a direct and major impact on the well-being and political mood of the urban centers.

Finally, sociologists see rural development in its broadest sense as the only democratic means of slowing the movement of ambitious and promising younger people from rural areas to the cities, a movement which in Gandhi's terms drains "the life blood of the villages." This population flow becomes more and

more intense as developing nations gather economic momentum and young men, bogged down by the limitations of village life, imagine the cities as a promised land abounding with employment opportunities and the excitement of modern living.

The actual transition to urban life, however, is often an unhappy one. Once the newly arrived peasants have exchanged the comparative security of their villages with their familiar family relationships, rivers and fields, for the harsh life of a crowded city slum, they are likely to experience a sense of personal frustration and insecurity which inevitably expresses itself in political unrest.

The only effective way to slow down this movement to the urban centers is to provide increasing economic opportunities in the rural areas in an environment which gives the individual some meaningful personal role to play; above all he must feel that somehow he matters.

## I

If more rapid rural development is essential to the orderly political and economic growth of an emerging nation, it is also the most difficult aspect of development. Rural societies are usually dominated by traditional ways of thinking and doing which are not easily changed; because of this, rural improvement is not susceptible to crash programs which yield immediate, tangible results.

The very vastness of an Asian, African or Latin

American countryside with its thousands of villages provides in itself a formidable obstacle to dramatic progress. Although a hydroelectric plant can cause an industrial complex to flower virtually overnight, it may be years before the first electric pump appears in a nearby village and an even longer interval before the irrigation water is used with full effectiveness.

This brings us again to a point of great importance which I shall take every occasion to stress. The most difficult aspect of rural development, and at the same time the most significant aspect, is that it deals primarily with *people*, endless numbers of independent hands and minds which cannot be centrally controlled but which are the only significant source of creativity in a developing rural economy.

Without the awakening enthusiasm and cooperation of the masses, often buried under centuries of hopeless repression, development is impossible. This underscores one of the five essentials which was discussed in the first chapter: the need for a reasonably equitable and speedy distribution of tangible benefits and the cultivation of a widespread sense of personal participation.

Although many economists whose eyes are glued to the movement of the gross national product overlook this factor, it is of critical importance. Unless the millions of rural people can be engaged in building for the future, no amount of glamorous industry will produce the fundamental economic and social changes which are the proper goal of national development. The primary focus of any rural development program,

therefore, must be to release the energies of the rural majority in their villages and towns.

Now let us frankly admit that this challenge is an awesome one for which we have no fully adequate answers. The complexities of tribal loyalties in Africa, caste distinctions in Asia, and ancient values everywhere have little relationship to the priorities of modern planners. They create obstacles to change which should never be underestimated.

Nevertheless, certain positive steps are obvious. For instance, with sensitive leadership the peasant's efficiency as a producer can be raised through education, extension work and demonstration projects. His requirements as a consumer can be increased through exposure to new products. Finally, his position as a citizen can gradually be enhanced by involving him in the process of development, for it is an article of faith in a democracy that the participation of all the citizens is a prerequisite for effective and responsible government and that such participation directs the energies of the state into the most desirable channels.

The objective of all these approaches is to enable the cultivator slowly but steadily to develop his own capacity for growth and increasingly to use his abilities effectively for his own benefit and the benefit of his family and community.

The emphasis, however, must be on the delicate process of opening people's minds to new possibilities; efforts at arbitrary control will almost certainly fail—as the Chinese have discovered.

## II

In this context it may be worthwhile briefly to consider why communist efforts in rural development have failed in China and lagged in Russia.

Marx's primary concern was for the urban "proletariat"; he devoted relatively few paragraphs to rural problems. *The Communist Manifesto* of 1848 limited its policy for the tens of millions of impoverished and exploited peasants of Europe to the following rather casual recommendation: "The establishment of industrial armies, especially for agriculture, combination of agriculture with manufacturing industries, a gradual abolition of the distinction between town and country by a more equable distribution of the population over the country."

In short, Marx saw the peasant simply as another industrial worker in a particularly low state of development. As an economic historian with a tidy concept of both past and future, Marx considered the peasant an intruder and something of an annoyance.

It was part of Lenin's genius that he understood this weakness of Marxist theory and, therefore, sensed the decisive importance of the Russian peasant to the success of the Bolshevik Revolution. Only when he proclaimed on November 7, 1917, that all Russian land belonged to those who tilled it did Lenin feel confident that the revolution had in fact become "irrevocable". The peasants, he knew, would defend their newly acquired land to the bitter end against any effort to restore the status quo.

From 1918 until 1928 the Russian peasant was relatively free and in most cases possessed his own land. By 1930, however, Stalin had abruptly reverted to the old industry-oriented revolutionary dogma. Sensing that thirty million Russian peasant families, most of them with their individual plot of land, offered a formidable political barrier to the creation of a communist state, he embarked on a savage effort to force them into huge collective farms. According to Stalin's own admission to Winston Churchill, some ten million peasants died in the process.

In this massive reorganization of Russia's rural life, Stalin was favored in several respects by the make-up of Russian agriculture. Food production per capita was high and population per square mile relatively low. Before World War I, Czarist Russia had exported as much as ten million tons of grain annually. Although this built-in food surplus provided a sizable cushion against lagging production, the Stalinist collectivization program brought the Soviet Union to the brink of political and economic disaster.

In China the situation developed along somewhat similar lines but under even less advantageous conditions. As we shall see when we contrast the Chinese and Indian experiences in the final chapter, China now faces a grave national crisis.

Although Soviet and Chinese Communist agriculture has failed in different degrees and in different ways, the basic reasons are similar. Both countries ignored the need for a reasonable balance between economic and social growth; instead of providing meaningful incentives they depended on a maze of

controls which drained the vitality of the cultivators and offered them no real hope of improving their condition, no matter how hard they might work.

The significance of incentives for peasant families was impressed upon me some months ago by Prince Sihanouk of Cambodia. When I asked him why most Cambodian farmers with their rich soil and bountiful rainfall produced only one crop of rice annually, he answered, "Because we do not produce enough bicycles."

In the absence of an appealing assortment of consumer goods to improve his living standards, why indeed should a Cambodian peasant with ample food for his family work the extra three or four months in the fields necessary to produce a second crop?

In the United States, the nine percent of our population engaged in farming produces more than twice as much grain as we can consume. Each year we ship about 700 million tons of wheat abroad.

There are several reasons for this extraordinary agricultural productivity. For one thing, Americans have always been willing to get their hands dirty experimenting with new techniques for improving their output. Furthermore, the government has always played a vital role in assisting the farmer.

Low-interest loans, with which to buy improved implements and fertilizer, are readily available. Price supports and crop insurance assure him a fair price. Consumer goods on display in the stores and mail-order catalogues provide tangible incentives for improving his operations and thereby raising his family's living standards. Above all, the great majority of

American farmers have the incentive and sense of confidence which comes from owning their own land.

Our first steps to provide this favorable framework for increased agricultural production were taken more than a century ago. In 1862 our Homestead Act offered what was then considered a "family-sized farm" of 160 acres free to any American or foreigner who would till it.

The Morrill Act of the same year gave each of our state governments vast tracts of public land, the income of which was used to establish our so-called "land grant colleges" for research and training in agricultural sciences. In 1887 the Hatch Act provided additional federal funds to the states for research and experimentation in agriculture.

The fruits of this extensive government-supported research were carried to our millions of farmers through a comprehensive farm-to-farm rural extension service which operated through the land-grant universities and which continues to function today.

As a result the hardy, independent farmer of American folklore not only exists in modern times, he flourishes. This is largely because his government has helped him to develop improved techniques within a framework of personal economic security and at the same time has respected his independence and initiative.

An indication of the nostalgic feeling we Americans have for our rural tradition is the lengths to which candidates for public office will go to identify themselves with the agricultural community. A political leader fortunate enough actually to have been born



on a farm never ceases to remind the voters of this fact.

### III

The American rural experience is challenging and instructive but, in my opinion, the developing nations of Asia, Africa and Latin America have most to learn from a study of Japan, which was the first Asian country to transform a tradition-bound agricultural economy based on subsistence farming and hierarchical social relationships into a dynamic, contributing element of a modern economic system.

This effort goes back many years. When the Meiji emperors regained power in 1868, a major effort was made by the Imperial Government to stimulate agricultural production as part of a national effort to arouse the slumbering Japanese society.

In order to unify the economic life of the country internal tariffs were eliminated. A tax was imposed on the feudal landholders, part of the proceeds of which were used for the establishment of educational, extension and seed improvement services which directly benefited the rural economy. Local banks began to offer credit to landowners at what were then considered low rates of interest. Warehouses were built to store products for which there was no immediate market. Agricultural prices were more or less stabilized.

Although those steps helped to increase Japanese agricultural output to an average of 2.3 percent a year,

the tenant farmers still remained grossly underprivileged with most of the benefits accruing to the large landowners. Independent farmers were increasingly burdened by debt and exploitation and more and more of them drifted into the status of tenants. By the 1930s half of the land of Japan was tenant-cultivated, with land rentals averaging more than half of the crop.

In a bad crop year this meant that the tenant farmer was bound to fall into debt, on which he paid usurious interest rates either directly to the landlord or to the local bank which the landlord often controlled. This tied him tighter and tighter to the land which he tilled but did not possess.

The landlord paid only the modest land tax. The tenant paid for the fertilizer, buildings, implements, seed and various dues. Even in a good year this left him a net share of not more than 25 to 30 percent of the crop. Thus, the politically explosive gap in the Japanese countryside between the few thousand "haves" and the millions of "have nots" grew dangerously.

While the real gains of the early Meiji period were not wholly lost, by the late 1930s they were largely emasculated by the injustices of the near-feudalistic land tenure system. As incentives declined, production slowed down. In poor years the cities suffered food shortages. Even in more favorable years, agriculture had become a depressed area of the economy which no longer contributed to Japan's industrial growth.

Shortly before the war the Japanese Imperial Government attempted to stop this drift. Legislation was passed which forced landlords to renew leases

with their tenants except in cases of proven "bad conduct." An effort was also made to fix the value of land at sixteen times the annual rent and to provide easier credit so that the farmers could purchase their land in twenty-five annual installments.

But an effective revolution in Japanese agriculture did not come until after the war. In 1946 the Japanese Government, on recommendation from General MacArthur's Allied Military Government, embarked on the world's most sweeping land reform. Its purpose, in the language of the legislation, was to "insure that those who till the land of Japan shall henceforth have an equal opportunity to enjoy the fruits of their labor."

Seven and one half acres became the upper limit on all land holdings, except in a relatively small number of cases—largely orchards—where the owner could himself care for a larger area. All land in excess of this amount was bought by the government with bonds and within two years distributed to the farmers. As a result 94 percent of all Japanese farmers now own and cultivate their own land; the average holding is three acres.

The social, economic and political effects of this rural revolution were dramatic. Suddenly the emancipated Japanese farmer realized that for the first time in his life, or his father's or grandfather's lives, he, a peasant, really counted. At last he had some rights of his own; most important of all, he had land of his own. As a result, for the first time, he had self-respect, hope and, consequently, the will to better himself, his family and his community.

With assistance from the government, he promptly set up credit cooperatives to provide readily available credit at low rates. He also established marketing cooperatives which now assure him an average return of nearly sixty percent of the retail price of his produce in the city markets. The existing extension service was improved and expanded to familiarize him with the newest techniques.

As a result of this many-sided development effort, the per acre yields in both rice and wheat on the average Japanese farm are now among the highest in the world, a full fifty percent above the prewar level. Because he has no rent to pay and because he gets a far higher percentage of the consumer price, the cultivator's return from his labor has increased to a substantially greater degree.

The impact of this comprehensive development effort on rural life in Japan has been dramatic. Villages which until twenty years ago had been virtually unchanged for a thousand years are now electrically lighted. Many Japanese farmers' wives now do their laundry in electric machines. Nearly one half of all rural homes sprout television aerials, while thousands of farmers take their wives shopping on motorcycles.

#### IV

Significantly, one of the causes of the rural prosperity in Japan, and a major by-product of it as well, is the large number of prosperous small factories now sprinkled through the countryside. Although sufficiently modern and mechanized to compete effec-

tively in an industrial economy, they are specially suited to the available part-time labor and to the special commercial needs of rural areas.

Three out of four Japanese farmers now add to their agricultural earnings through part-time and seasonal jobs in small fish-processing plants, canning factories, agricultural implement manufacturing concerns and scores of other industries and service organizations.

In the immediate postwar period, the extraordinarily efficient cultivation of Japan's small farms which had been sparked by the land reform was carried on largely by each family's own hand labor. Because of the care with which each plant is tended, it is better described as "gardening" than as farming. Output per acre is higher than in America.

Now as more part-time jobs become available many Japanese farmers are purchasing small-scale power-driven farm implements to free more of their time for work in the small factories and service organizations which are springing up everywhere. The decline in agricultural production which might otherwise occur as a result of mechanization has been made up by increased use of fertilizer and innovations in cultivation. Because the new industries are rooted in the countryside, the traumatic social cost of uprooting millions of peasants for work in the cities has largely been avoided.

Although the Japanese rural revolution is dramatic and instructive, it is a mistake to assume that it will easily be duplicated elsewhere. Japanese farmers already had advanced techniques at their command.

Thousands were familiar with the use of fertilizers and irrigation and needed only the all-important incentive provided by the ownership of their own land to increase their investment and production.

Furthermore, they were literate, and this was probably the greatest single legacy of the Meiji emperors. Nine out of ten recipients of land in the great reform of 1946 could read the legislation which granted it. Since everyone was aware of his new legal rights, the reform could be carried out quickly and fully.

Many leaders of Asia, Africa and Latin America who despair over the political obstacles to an effective land reform also stress that the Japanese land reform was vigorously backed by the United States Military Government which at that time held the ultimate political power. They remind us that in our modern era only two democratic countries, Czechoslovakia in 1926 and Mexico in the mid-1930s, were able to distribute farm land widely to all cultivators through the vote of democratic parliaments.

Although this is sobering testimony to the political power of the traditional rural social structure and the landlord opposition in predominantly agricultural countries, it does not follow that competent democratic governments genuinely dedicated to the welfare of their people cannot win the political support necessary for these essential reforms.

## V

I began this chapter with a principle in which I deeply believe: Successful rural development can be achieved

only by liberating the energies of the people. In the light of the Japanese experience, let us now consider how this principle may be applicable elsewhere.

In dealing specifically with an individual nation's development I am treading difficult ground. The subject itself is complex and open to many differing interpretations, and as a foreigner I necessarily speak with some hesitation. However, the fact that I have had an opportunity to observe rural development in Asia, Africa and Latin America over a period of many years, and in particular to study the Indian economy, encourages me to offer my views.

Although the problems of India's rural areas are still appalling, a substantial beginning has been made in meeting them. The community development program was conceived in 1952 as a modest effort to show villagers how to help themselves in a way that would liberate their energies, make them active participants in their own development, and show them that their government was concerned about their future.

This concept of local cooperation and self-help has been given an important boost by the recent establishment of the Village Councils, the purpose of which is to give to "millions of people the chance to share responsibility, do good work, and grow in the process."

As we have seen, nothing can be more important in a developing country than the creation of this sense of responsibility. If the local Council is well organized and vigorously supported, I believe that it has a significant contribution to make to rural development.

Another important objective of the original com-

munity development program was to promote integrated growth by improving educational, health and sanitation facilities, and roads and communications, while placing special emphasis on agricultural production.

It was felt that an interdependent program of this kind would give the villager a feeling of his own worth and that the values fostered would encourage him to work for the improvement of every aspect of his daily life. These new values, with the help of land reform, better seeds and improved techniques, were expected to improve his agricultural output.

Because of budget limitations, because of the newness of the approach, because of the obstacles which the tradition-ridden guardians of the status quo always strive to place in the path of change, and because of the massive administrative task of organizing such a complex effort in 500,000 villages, progress thus far has failed to meet the excessively optimistic standards of the program's proponents.

Under the circumstances it is not surprising that a debate should develop between those who might be described as "community firsters" who believe in the balanced development of the whole rural community and the "agriculture firsters" who think primarily in terms of increased agricultural output.

In my opinion those who favor integrated development have the best of this argument. Experience in every developing country has demonstrated that the sustained increase of agricultural output simply cannot occur in a social and political vacuum. It must be



at one and the same time a product and a cause of a general betterment in the life of the farmer.

In this context let us consider what is clearly the most formidable question of all—land reform. India's Congress Party has been traditionally aware of the importance of individual land ownership as a basis for community development. In 1935 a party resolution correctly stated that "there is only one fundamental method of improving village life, namely the introduction of a system of peasant proprietorship under which the tiller of the soil is himself the owner of it and pays revenue directly to the government without the intervention of any great landholders."

In the first years after independence there was considerable progress towards this objective. The great landholders, some of whom controlled thousands of acres, were eliminated. In several states ceilings were placed on land holdings with additional ceilings on land rentals, and tenure of rented land was made somewhat more secure.

However, the most difficult part of the task lies ahead. The great landholders were a small minority and the fact that their privileged status was created under colonial rule made them an easy political target. Even with their removal from the scene and some additional curbs on large holdings, ten percent of India's cultivators still own more than fifty percent of the land, while one percent of them own nearly one-fifth.

Here the debate in regard to rural development takes on a new dimension. Some agricultural authori-

ties accept the existing pattern of land ownership as reasonably satisfactory and argue that the process of land redistribution has gone far enough. By and large, they assert, it is the larger landowner—the man who still controls 50 to 250 acres—who has the education, the skills, and the personal incentives which enable him to understand and accept new techniques and rapidly to expand his production.

According to advocates of this theory, the primary task is to identify a single cultivator in each village with the necessary qualities and then train him in modern farming techniques. He may then be expected rapidly to pass on his superior knowledge to his neighbors and thereby unlock the door to vastly greater agricultural output for the entire nation.

Although this trickle-down concept of rural improvement may seem appealing at first glance, I submit that it ignores the fundamental principles of rural development. The reasons for my doubts may best be explained by a conversation which I had recently with just such a “door opener” in a village in South India.

This cultivator was greatly pleased with the increased yields per acre which he had achieved with the help of new techniques sponsored by the Village Level Worker. As the conversation continued, however, it became evident that his personal success was unlikely to have much effect on his fellow villagers.

When I asked him how many acres he owned and how he farmed them, he told me that he controlled 150 acres and that his land was farmed not by tenants but by “servants.” Since only thirty-seven families

lived in his village I found myself wondering how many of them worked as his "servants," and how many had any land of their own.

I also wondered how much good his increased yields were doing the other villagers, how much more they were able to buy and contribute to the economy, how much incentive they had to work the extra hours which are essential to increases in their own production.

Most important of all, I wondered how much personal dignity among the villagers generally would be developed under his guidance. As I looked at the subservient, insecure attitudes of those standing nearby, I knew there could not be very much.

Although the larger and often more productive farmers in Asia, Africa and Latin America undoubtedly have a role to play as leaders and initiators, there is, I believe, a strict limit to what can be accomplished under their sponsorship. Rural people the world over want land of their own and the fertilizer, better seeds, and credit required to till it more effectively. There are no shortcuts to the rural democracy which offers the only assurance of orderly political growth in the developing continents.

## VI

Yet, as important as I believe it to be, individual land tenure is only one aspect of the problem. Although it provided the essential stimulus for the rural boom in Japan, it was particularly potent there, as we have seen, because the education, modern techniques, ferti-

lizer and credit and marketing facilities were available to allow and encourage the farmer's new initiative literally to bear fruit. In Mexico, where these additional features were absent, a sweeping land reform in the 1930s, following years of bloody fighting, resulted in lower outputs and increased peasant frustration.

In the last few years there has been impressive progress in experimentation with fertilizers, seed improvement, livestock improvement and pest control and in agricultural research in general.

The fruits of this research may be made available to the farmer through the Village Level Workers on a mass scale, through printed material for the farmers who can read, and through film strips, radio, and perhaps even village puppet shows for the many who can't.

Such information can also be distributed through sales programs and demonstrations by public and private fertilizer and seed firms. In the United States these have been among the most effective vehicles for communicating improved techniques to the farmers.

The cultivator must also have the credit facilities necessary to avail himself of advanced techniques. More efficient marketing mechanisms are needed to ensure him a worthwhile return on his salable produce. This suggests marketing cooperatives as in Japan with more easily accessible marketing centers in the rural areas themselves. Finally, I believe that consideration should be given to realistic price support on essential crops with a two or three year guarantee

to enable the cultivators to plan their production with assurance of a fair income.

Although expenditures for food in some places comprise half of the budget of urban workers, an inadequate proportion of the prices charged in the markets for food grains goes to the cultivator. Much of the market price, as in most developing nations, is absorbed by a maze of middlemen and speculators. With well organized and financed marketing co-operatives this can gradually be altered; indeed, experience has demonstrated that retail prices to the consumers can be lowered while the income of the cultivators is being increased.

A developing country can also benefit from Japan's success in creating local industries as a source of supplementary rural income, as employment for surplus agricultural labor, and as a market for farm products.

Recently I read with interest of the small-scale Village Council industries, using modern skills and equipment, which are now being enthusiastically received in Orissa. Although these industries are government-financed, they are run by the local Councils. The six official objectives of these particular enterprises are worth quoting, because they also constitute a concise summary of the role of Japanese rural industries, which have already proved so productive:

“(1) to improve local skills and to introduce new skills;

“(2) to diversify the occupational pattern and help in reducing unemployment and underemployment;

“(3) to meet the requirements of the consumers in

regard to building materials to provide better housing facilities;

“(4) to provide servicing and repair facilities for agricultural machinery and implements used in the Council blocks;

“(5) to process agricultural produce to ensure better cash returns to the producers; and

“(6) to provide a growing source of income to the local Councils without straining the taxable capacity of the people.”

The small industries in the Orissa experiment include tile factories, saw mills, a cold storage plant, and others, each directly relevant to the needs of the rural population and appropriate to the existing level of skills.

The enthusiasm of the local Councils in Orissa for these industries as well as the Japanese experience suggests that such Council industries can and will make a major contribution to rural development.

The success of American mass market experiments in Latin America also illustrates the possibilities of marketing the products of local and urban manufacture in the rural area. In several countries Sears Roebuck of Chicago, after studies of local needs, available skills and potential production facilities, opened large local stores and proceeded to stock them with locally produced products. Craftsmen with the necessary facility and energy were given intensive technical training in mass production plus loans to purchase necessary equipment.

The result was the creation of hundreds of local

producers and a rapidly increasing output of appealing, moderately priced consumer goods which in some instances are now peddled through the villages in marketing trucks. I see no reason why a similar producer-to-market-to-consumer system cannot be set up under both cooperative and private management in other rural areas.

At the risk of entering a particularly controversial area, I suggest that until local industries are created in adequate number to provide more employment for rural labor, agricultural mechanization, the primary purpose of which is to *save* labor, will prove uneconomical in most areas. A good team of bullocks requires no spare parts or gasoline, rarely gets out of order and, as one cultivator reminded me, produces manure bountifully.

Although this particular subject is open for debate, on the central theme of this chapter there should be little disagreement: What happens in the muddy little villages and rural towns, so often bypassed by economists and technicians of development, will largely shape the economic and political history of Asia, Africa and Latin America in the coming years.





### III

## INDUSTRIAL GROWTH WITH SOCIAL JUSTICE

IN PLANNING and promoting industrial growth, developing countries are confronted by a dual problem, both aspects of which are perplexing.

The first half of the problem is how to encourage the most efficient use of the capital, raw materials, and skills which are immediately available. What are the needs? What are the priorities? Is steel more important than cement? Are rails more important than roads, freight cars more important than trucks? And what about the *pace* of industrial development? How should it be balanced with that of other sectors of the economy?

The second perplexing aspect of industrial development involves its impact on people and institutions. While industry must be stimulated to grow as fast as possible, we must be sure that it does not generate

more evils than it eliminates. In Gandhi's words, "scientific truths and discoveries should cease to be mere instruments of greed. The supreme consideration is man."

In mid-19th century Europe, Karl Marx, impressed by the harsh process of early industrialization, produced a theory of economic development and revolutionary change which profoundly influenced the views of millions of people.

Marx's thinking was powerful largely because it was based on shrewd observation of life around him; it was limited because he saw only those facts which time, place and inclination permitted him to see.

What Marx saw were the grim realities of everyday life in the crudest years of the industrial revolution. He saw the London slum dwellers crowded into hovels, working themselves to exhaustion under the insensitive demands of an ever-expanding economy. He saw their helplessness as individuals before the power of the men who owned the factories in which they worked and controlled the governments under which they lived.

Marx did not overstate the social evils and the injustice of man to man during the earlier decades of the industrial revolution. What he did do was gravely to underestimate the resiliency and capacity of democratic societies to change these conditions and to establish a socially responsible framework in which rapid development could take place.

In my own country we have been striving to create and maintain this balance between economic and social justice on the one hand, and rapid economic

growth on the other, since the earliest beginnings of our Republic. Inevitably this has resulted in continuing conflict between those who saw the accumulation of wealth as an end in itself, and those who looked on the economic process as the means by which the individual can be set free in an atmosphere of opportunity, dignity and justice.

The American Presidents who have been most respected are the ones who effectively upheld the interests of the people against those whom Theodore Roosevelt once described as "malefactors of great wealth." The list includes Jefferson, Jackson, Lincoln, Cleveland, Theodore Roosevelt, Wilson, Franklin Roosevelt, Truman and John F. Kennedy.

Not only in America, but in Japan, Britain, Sweden, Germany and other economically advanced democratic countries, Marx's assumption that a ruthless class struggle was inevitable between "the exploiters and the masses" has proven to be mistaken. Experience has demonstrated that men can in fact become the masters of the machines which they have created, that they can prosper in material things and at the same time live in freedom.

In the developing nations of Asia, Africa and Latin America, the necessity for this balance is now widely accepted. The difficulties occur when the concepts of social justice and industrial growth are related to means and techniques.

Often the result is a sterile confrontation of economic and political clichés which diverts the public dialogue into channels which are wholly irrelevant to the questions at hand. It is for this reason that I have

been at considerable pains to define my own terms of reference.

## I

Having accepted the premise that rapid industrialization, however essential, cannot be allowed to proceed at the expense of the public interest, let us turn our attention to a strictly pragmatic consideration of the means by which industrial production can be expanded most rapidly and effectively within this moral framework.

Development, in the end, means improving people, not feeding statistics. We want the things industry can give us. It is our task to figure out how to get them in a free and just society and in a manner that will further the process of nation building in its broadest sense.

We may start with an obvious fact: In any developing nation, the government must play a central and critically important role. Only through government planning, government capital and government supervision can many of the basic tools which are required to start things moving—and moving in the right direction—be provided. For instance, the so-called infrastructure—the roads, rail transport, schools, power, the communications networks—are in large measure a government responsibility.

Even in the United States where private enterprise has played such a central role, government has often been forced to carry a heavy share of the responsibility.

Shortly after the formation of the American Republic in the late 18th century, federal subsidies were provided to build our privately-owned and operated Merchant Marine. In the 1830s, the Erie Canal, the first effective transportation link between the American East Coast and the fast-developing new West, was built with public funds—most of them borrowed in England.

Thirty years later the privately-owned and managed railroads were given massive federal grants of public lands to finance the unprecedented program of railroad construction which rapidly spanned the American continent.

Following the outbreak of World War II, the United States Government, acting on an emergency basis, took over the planning and much of the control of the economy. Even in peacetime the U.S. Government continues to subsidize railroads, shipping, airlines, public housing, all levels of education, much scientific development, a large percentage of our agricultural output, many electric power plants, and other enterprises.

The new nations of Asia, Africa and Latin America at the dawn of a new age face a continuing emergency. Their people, pressed by poverty and aroused by the promise of the new technology, are in a hurry, anxious to catch up. In such circumstances, government planning, investment and management will inevitably have a bigger role to play than in the United States where the foundations for growth were largely created in the more leisurely atmosphere of the past.

Yet the experience of the last fifteen years has dem-

onstrated that in a developing nation there are practical limits to the share of the industrial load that the government can effectively carry.

For instance, in the emerging nations of Asia, Africa and Latin America, administrative experience is rarely adequate even for such basic needs as education, electric power, and transportation. The amount of capital that can be raised by taxation or government borrowing from the underprivileged majority is limited, and the well-to-do minority is very small. In many cases the leftover traditions of the colonial civil services place more emphasis on regulating the people than on creating opportunities for them to prosper and grow.

In regard to the direct management of government enterprises, democratically-oriented governments face an additional hurdle: In every industrial operation growth is dependent on thousands of day-to-day decisions, large and small, many of which require a trial and error approach. Any industrial manager who is unwilling to risk mistakes will almost certainly fail to create an efficient and expanding operation.

Here we run into a paradox. In a thorough-going police state this essential risk-taking process can proceed unhampered by opposition attacks. The managers of private enterprises in a democratic nation are also politically free to seek answers through experimentation without regard for the second guessers. When the inevitable mistakes occur, they are marked off against more profitable operations elsewhere.

But when mistakes are made in the public sector

plants of a *democratic* society, the political opposition may be expected to belabor the party in power with charges of incompetence, corruption and worse. These attacks in turn undermine the administrative process on which further development depends. Civil servants anxious to avoid political chastisement for actual or alleged errors freeze into rigid attitudes. The already slow process of bureaucratic decision-making is further slowed and a damper placed on the vigorous experimentation which is essential to industrial expansion.

In the United States a few years ago, the Ford Motor Company invested some \$300 million in building a car called the Edsel, which, as it turned out, very few people wanted to buy. The company balanced its losses on the Edsel against more favorable investments elsewhere and that was the end of the story.

I shudder to think of the political uproar that would have occurred if the ill-starred Edsel had been built by a government agency under a Democratic or Republican administration. The party in power might have lost the next election.

Since conditions vary widely among the developing nations of Asia, Africa and Latin America there can be no precise formula to govern the size and domain of the public sectors. But because of the awesome problems facing their governments, an increasing number now undertake in the public sector only those essential enterprises which cannot be financed through other means.

## II

Once a developing nation has defined in general terms the scope and responsibilities of its public sector, it faces a second decision: how best to manage those enterprises financed with public funds.

The first step is usually the obvious one: to assign the management responsibilities for publicly-owned industries directly to the relevant ministries; thus steel mills are placed under a Heavy Industries Ministry, power plants become the responsibility of a Ministry of Power and so on. By and large this means that the already overburdened, understaffed ministries are asked to assume highly specialized, complex operating responsibilities in new fields where every move may be subject to attacks which are often irresponsible and misinformed.

The second stage develops when the political and economic limitations on the direct ministerial-civil service responsibility for the management of the public sector plants has become apparent. A search then begins for a system which will speed decision-making, encourage experimentation and otherwise assure greater efficiency.

Although political opposition and press criticism is only a marginal factor in the communist nations, it is instructive to note that even they are now delegating greater responsibility and encouraging more managerial initiative.

In an effort to speed up industrial production, the USSR, for instance, has created a system of integrated economic districts which have been given con-



siderable authority by the central government in Moscow. Each factory in a given district can now order directly from or sell to any other enterprise in the same district. Each plant manager is given a considerable degree of autonomy in the operation of his plant, including substantial control over personnel.

Soviet managers and their subordinates are judged increasingly by the over-all results with less regard for the mistakes that may occur in the process. Of particular importance is the fact that they are also *paid* accordingly. Indeed, some economists believe that the spread between the highest and lowest incomes after taxes is now greater in the USSR than in the United States.

Yugoslavia has gone even further in delegating operating responsibility for public sector industrial plants to professional managers. The central ministries in Belgrade now function largely as planning and regulatory agencies for the whole economy. The day-to-day and even year-to-year operation of the factories has been placed in the hands of the factory managers and workers' councils.

Yet paradoxically, the most effective techniques for the management of public sector enterprises have been developed in the basically capitalistic economies in Western Europe.

In France after World War II, government-owned enterprises were defined as "public establishments of an industrial and commercial character provided with a civil personality and with financial autonomy." That is, public enterprises became legal corporations in which the government was the sole stockholder.

Operating decisions are in the hands of professional managers who are wholly responsible for the operations of each plant and who now receive salaries and bonuses comparable to those of their counterparts in private business. The central government ministries are largely restricted to broad policy determinations.

In Germany many major enterprises are also government owned and operated with the same delegation of responsibility. Indeed, the pragmatic Germans have gone one step further: Whenever private interests appear able and willing to manage a government-owned enterprise in the public interest they may buy it at a fair price from the government. Thus the highly successful government-owned and managed Volkswagen Company was sold to private interests in 1961 at a handsome profit to the taxpayers.

In the United States the Tennessee Valley Authority is a public corporation which operates in much the same way the French public sector industries do, though on a larger scale. Its Presidentially-appointed three-man governing board is responsible for a wide range of activities including flood control and the production of electricity and fertilizer. Recently TVA was authorized to issue bonds to finance the expansion of its generating and transmission facilities.

In India, Mr. Subramaniam, Minister for Steel and Heavy Industry, recently announced the initiation of a notable experiment in managerial autonomy at the government-owned Durgapur Steel and Sindri Fertilizer plants.

As in Germany, France, Italy, Sweden and other European countries, these two public-sector plants are

to take on some of the aspects of a private corporation, and shed some of the characteristics of government agencies. Henceforth, the managements of these plants are to have the power to hire and fire, and to make the day-to-day operating decisions. Their financial affairs will be audited by regular public auditors.

In announcing this bold new approach, Mr. Subramaniam said, "The idea that public sector management can be so hedged about with checks and balances that mistakes cannot occur is mistaken. Effective management will always make interim mistakes. Mistakes are the price of progress. It is the end result that counts." This sophisticated step reflects the best worldwide experience.

### III

Government in a developing nation, as we have seen, has the primary task of setting national economic and social objectives, creating realistic plans and priorities for securing these objectives, providing the capital and direction for the basic infrastructure, and developing other essential production facilities for which private capital may be lacking.

In most of Asia, Africa, and Latin America this leaves a vast area of the economy open for a vigorous private sector operating within a clearly defined framework of national objectives and social and economic justice. With the right balance of profit incentives and respect for the public interest, experience demonstrates that privately-owned and managed industries, both large and small, can make a decisive con-

tribution to national growth and well-being that cannot be duplicated by government.

Private enterprise, for instance, can enter every nook and cranny of economic life. It can draw out and thrive upon small pockets of indigenous capital and management skills which would otherwise remain untapped. By encouraging competition it can help generate initiative, research and the development of new products and methods which invigorate the whole economy. It can provide opportunities for individual advancement to young men whose intelligence and energy equip them for management responsibilities.

Experience in many countries of Asia, Africa and Latin America has also demonstrated that it can sharply increase opportunities for employment not only in the great urban centers but in the rural towns. Imaginative business leadership plus technical training and low-interest capital loans can produce goods and services that the rural population will eagerly absorb.

The recent surge of economic activity in the Indian Punjab is illustrative of the possibilities. Hundreds of small shops, factories, and services are being organized to meet growing consumer demands. Several thousand technicians are being trained annually to run them with opportunities for many more thousands in non-skilled jobs.

The prospect of reasonable profit incentives and political security can also attract substantial amounts of private *foreign* capital which is sorely needed in most developing nations to supplement foreign exchange earnings and loans from foreign governments.

To this may be added foreign management in complex industries that helps lower prices and improve quality, plus modern marketing techniques that may sharply reduce the cost of distribution and help to open up export markets.

The self-regulating characteristics of the private sector are an additional factor which many developing countries are only beginning to appreciate. Privately owned and managed plants operating within the framework of the national plan more or less automatically shape production along the lines most acceptable to the consuming public.

If enough people want bicycles, their willingness to pay for them provides a powerful inducement to their manufacture. Conversely, the public's dislike of a specific model is an automatic curb on additional production, at least of that particular bicycle at that particular price.

The fact of the matter is that no government is flexible enough to adjust itself effectively to consumer preferences which may vary from place to place and from year to year. The self-regulating market system, on the other hand, guides the allocation of capital and skills to those products and services which the public wants in the style and quality that it prefers. What appears on the surface to be a wasteful process of trial and error, as small entrepreneurs feel out the needs of the public, is in fact a vital process of experimentation and growth.

Although this system of "control by the market" is usually associated with the democratic nations of the West, it is interesting to note that here, as in other

economic situations, the communist nations are being forced to adopt similar tools.

As the USSR moves increasingly toward a consumer-oriented economy, its government faces a dilemma. How can a totalitarian economic system with arbitrary control from the top provide the wide and inviting consumer choices of color, style, model, pattern and price which are necessary incentives to stimulate the public to greater efforts? In other words, what can the Soviet Government substitute for the relatively free market system of the West?

I believe that experience will demonstrate that there *is no* effective substitute. If this is so, the communist nations, as in the case of worker and management incentives, will again be forced to abandon dogma and to adopt the marketing mechanism of free consumer choices as the ultimate guide at least to the production of consumer goods. Although this may cause Stalin to turn over in his grave, it will not be for the first time.

#### IV

In describing the potential role of private enterprise in a developing nation, I stressed that it must operate within a framework of established national objectives and economic and social justice. But how can such a framework be provided without creating a maze of controls that foster the very stagnation we are striving to avoid?

The market mechanism is by no means a guarantee that private enterprise will always function in its own

best interest, much less in the public interest. Price fixing monopolies can exploit the public; dishonest practices can lead to black markets and tax evasion; labour may be exploited.

The task of a developing nation, therefore, is not to forgo the creative aspects of private enterprise for fear of its excesses but rather to find the means to discourage those excesses without discouraging responsible initiative.

This means that side by side with adequate profit incentives there must be realistic rules laid down by government to ensure that private energies will be devoted primarily to creative enterprise rather than to speculation, that scarce resources are not used for frivolous or wasteful ends, and that the broad public interest will be given the highest priority.

Through the process of democratic debate, legislation and adjustment we in the United States have gradually established a system of regulatory laws and agencies which police the activities of almost every segment of our private sector. In large measure we have succeeded in this delicate task of regulation without stifling the initiative of our entrepreneurs.

As a result most American businessmen have come to see that what is good for the public is, in the long run, also good for them. This has been accomplished by the establishment of economic and social ground rules, administered by the Federal Government and the states, which have served to domesticate American capitalism and to help turn it into a socially responsible force for national growth and for increasing opportunity for the individual.

For instance, the Sherman Antitrust Act passed in 1890 and the Clayton Antitrust Act of 1914 were designed to assure competition in regard to quality and price so that the market can act effectively as the public's instrument for regulating the flow of goods. These are only two of several laws prohibiting price fixing monopolies and combinations in restraint of trade.

Other government regulatory agencies govern the actual performance of many of our major basic industries—such as transportation, communications and power. The Pure Food Act of 1906 and the Food, Drug and Cosmetics Act of 1938 prohibit mislabeling of products as well as deceptive packaging, adulteration and sale of unwholesome products. All the ingredients that go into every package of food, every box of pills, and every tin of cooking oil must be clearly stated on the label. These laws are rigorously enforced.

In addition to such controls on business operations and behavior, there are minimum wage laws, legislation guaranteeing the rights of labor unions and individual workers within those unions, social security tax laws, workmen's compensation for workers who suffer an injury on the job, and many more which serve to make private enterprise in the United States responsible to the public interest. In all but a few cases businessmen have willingly adapted their operations to these rules and even extended them voluntarily.

Our tax system, also, has been a major factor not only in providing the revenue needed for government-



tal services, but in creating a mass market to help assure business expansion. Each United States corporation pays nearly half its gross profits to the federal government which spends the money for schools, roads, hospitals, defense and public services which in turn create millions of additional jobs at good wages.

In my opinion, however, our tax system has failed adequately to distinguish between profits made through speculation or trading, where no additional value is created, and profits made from the creation of manufactured and agricultural products or services.

Indeed, I know of no nation, either developed or underdeveloped, which has dealt effectively with this challenging opportunity to lure private capital into the most socially productive uses. What is required is a tax system which offers extra profit incentives to encourage the production of goods and services and which provides what we might call *disincentive* tax provisions sharply to reduce profits made by pure speculation in land and commodities. This is an area in which the developing nations of Asia, Africa and Latin America have a particular opportunity for initiative and imagination.

Another crucial factor in this process of industrial expansion within a framework of social justice is organized labor. Responsible unions, whose leaders respect the right of management to a fair profit and to manage, while insisting on favorable working conditions and a fair share for the worker, are an indispensable element in a free and expanding society.

May I add a cautionary note from my own expe-

rience as Administrator for Price, Rationing and Rent Control in the United States during World War II.

In most developing countries there is a temptation to control prices and the flow of production by direct government action. Although such controls are necessary in some situations, their administration is a delicate and complex operation which requires very great caution.

For instance, unrealistically low ceiling prices on essential products which are in short supply invariably lead to even greater scarcity as capital and skills are diverted to the production of more profitable and often less essential products on which no price controls have been set.

The only effective answer to scarcity is more production, and the pricing system must provide incentives for such production. Price controls which fail to allow for this factor slow down production, often in key areas of the economy, create costly black markets, and erode the sense of economic dynamism and purpose which is a driving force for national growth.

## V

From this discussion certain principles emerge. Private enterprise in a moral sense is neither more nor less to be preferred than public enterprise. With encouragement on the one hand and responsible regulation on the other, the private sector operating under a sound National Plan can provide a major share of the drive which is essential to national growth within a framework of social justice.

This means that the overburdened governments of the developing nations can be freed for the primary task that they alone can accomplish—the spelling out of national priorities and the plans best calculated to serve them, plus the creation of the all important economic infrastructure of education, mass transportation and those basic industries for which private financing and management are unavailable and government subsidies impractical.

Such a balance also allows these new governments to limit their political responsibilities for the day-to-day operation of much of the country's economy. This relieves them in a major degree from the harassment of an opposition in search of political issues.

Questions in regard to degree and emphasis will arise in different ways in different countries. They can only be settled by trial and error and by enlightened public discussion.

In most developing nations there are deep-seated differences about the proportions of public and private enterprise which are appropriate to a modern social welfare economy.

It was logical that the Gandhian Revolution should closely associate industrialization with colonialism and that, in leading the fight against colonialism, Gandhi should oppose industrialization. While accepting some large-scale industries as "necessary evils" he felt that they should all be owned and run by the state so they would disturb the moral fabric of society as little as possible.

However, events in the last ten years have made the old colonial-capitalist association largely irrele-

vant. In Africa as well as Asia colonialism has been smothered under the rush for freedom while new administrative and legal techniques are being introduced which in large measure correct the abuses to which Gandhi referred.

For good economic development, I believe it is desirable to strike a realistic balance between government planning and government investment in the essential infrastructure on the one hand, and a fast growing, socially responsible private sector on the other.

Important in achieving this balance are dedicated leaders, a competent civil service, and increasing experience and skills. Also helpful, though not yet available in most developing nations, are domestic savings. I once heard an old Pujabi grandmother express her concern over the tendency of the younger generation to put their savings into "iron" (meaning machinery) rather than into the traditional land and gold. Let us hope that in this case the initiative of the grandchildren will increasingly assert itself.

The money that now flows into real estate speculation also represents a major pool of savings that may be tapped for economic development by the combination of profit incentives and selective taxation that distinguishes between the creative enterprise and sterile and uncreative trading to which I referred.

At present a vast reserve of human skills and energies, as well as savings, is going to waste for want of the profit incentives needed to create new enterprises and to provide consumer goods. I have in mind particularly the opportunities for building small factories

and service establishments with from half a dozen employees to a few hundred that can play a major role in providing the products and jobs that many nations need so urgently. With a little more encouragement these energies could provide a dynamic force for national development.

Other nations with a strong tradition of democratic socialism such as Britain and Sweden have long since struck a realistic balance between the public and private sectors. Having lost their doctrinal concern over private enterprise, they have learned to encourage it, to give it scope, while moulding it to the national objectives.

In so doing I believe they have pointed the way for the developing nations of Asia, Africa and Latin America which are in a hurry for material progress but which insist that individual dignity and opportunity are the proper goal of a just society.



## IV

### CHINA AND INDIA: PROBLEMS AND PROSPECTS

IN ANY discussion of national development a comparison of India and Communist China is inevitable because of their political importance, because of the striking parallels in their needs, and because of the vast contrast in their approaches to development.

Together these two countries contain two-fifths of the world's people and cover one-fifth of the inhabited area of the globe. Both have been dominated by foreign powers, although, as an Indian history professor pointed out, India had only one colonial overlord while China was exploited by almost everybody. Both have recently passed through revolutionary periods, although India's was far less violent and disruptive than China's.

India and China launched their development programs from comparable economic bases. Both coun-

tries were underdeveloped relative to their needs and their potentials, with 80 percent of their populations largely dependent on agriculture. In 1947 the per capita income in China was about \$45 per year; in India it was \$52.

India gained her independence in 1947 and started her first Five Year Plan in 1951. The Communist Chinese Government established control over the mainland in 1949, and launched her first Five Year Plan in 1953. Both countries have completed two Five Year Plans and are now involved in their third plans.

Although these similarities are striking, their respective approaches to their common problems differ greatly. China based its programs on a doctrinaire interpretation of Marx while India leaned pragmatically toward a democratic welfare state. India emphasized agriculture in her first plan, while China placed top priority on heavy industry. China stressed capital goods, while India tried to achieve a balance between capital goods and consumer goods and services which would provide incentives to greater production.

It is in the area of politics and human relationships, however, that the differences are most significant. Whereas India sought to foster and encourage democratic discussion and participation, the Chinese Communists, as the first step toward a minutely regulated dictatorship, weeded out the embryonic democratic institutions that were beginning to take root in China.

Whereas India tried to dignify the individual as part of the process of development, China regarded him as an instrument of the State. While India sought



benefits for the present generation, China chose to squeeze the present generation to the limit of human endurance for the presumed benefit of their grandchildren.

In cultural affairs the differences are equally striking. Whereas India sought to preserve and enrich her ancient culture and to modernize her society within the context of her traditions, Communist China attempted to replace the traditional Chinese culture and institutions with a completely new and alien social system. While India tried to minimize the amount of social dislocation caused by the development process, China sought to maximize it.

Finally, China from the beginning was determined to assert her influence as a radical and militant element in international politics, while India chose the more constructive path of mediation, non-alignment and peaceful accommodation.

Any comparison between these two great nations that fails to take these differences of priorities and approach into account will prove misleading. All aspects of the development process must be considered in perspective. Each nation must be judged by its own standards as well as ours, and by the relationship of its achievements to the world society in which it is striving to find its place.

## I

The fundamental characteristic of the Chinese Communist program, as we have seen, has been a deter-

mination to transform, as quickly as possible, a weak, underdeveloped and predominantly agrarian society into a strong, industrialized totalitarian state.

Through the decades of intense revolutionary activity, through the suffering of the Long March, through the final bloody struggle for national control, Mao and his followers developed a deep-seated commitment to this task. The theories of Marxism-Leninism, which are essentially political and not economic, were their guiding principles.

From this perspective the Chinese leaders saw their task as a vast project of human engineering as well as economic engineering. They wanted not only economic growth; they wanted a new and radically different society.

Following the collapse of Chiang Kai-shek's armies, the Chinese Communist leaders moved ruthlessly to consolidate their control and eliminate present or potential opposition. They hoped to do this by destroying old centers of loyalty, creating new ones which would serve the state with a single-minded commitment.

To break the authority of the rural landlords, tens of thousands were executed. A massive program was launched to undermine family loyalties, to destroy ancient religious beliefs, and to discredit the Chinese cultural tradition.

At the same time, Mao and his associates moved to consolidate power at the center by substituting new institutions, each tailored to special political or economic objectives, for the old loyalties. The Commu-

nist Party, its youth organizations, para-military establishments, innumerable mass organizations and total command over all means of communication provided Peiping with an extensive and pervasive system of control over the Chinese people.

The Government then moved to the second stage: the task of focusing its newly organized mass of human energies on the overriding problems of economic development.

According to official Chinese claims the share of the national income allocated to capital investment during the first Five Year Plan was three times as great as the share invested by India at this same stage of development. As a result, by the mid-1950s the Chinese were able plausibly to claim a rate of growth three times that of India.

Although Chinese Communist statistics have proved to be notoriously inaccurate, a high level of investment was undoubtedly achieved. For a brief period, at least, the totalitarian control apparatus was able to compel individuals to work their hardest without concrete rewards such as consumer goods.

Part of the Chinese investment went into a crash program for the education of technicians and scientists to support the industrial growth which was presumed to be forthcoming. School building and teacher training were vastly expanded. Highly specialized courses were provided to enable individuals to operate efficiently in a limited capacity. The brave beginnings of Chinese liberal education, which had been designed to encourage independent thinking,

were abandoned as wasteful and dangerous. As long as the Communist Party leaders knew the truth, why should others be taught to think?

With Soviet and Eastern European assistance, the Chinese proceeded first to restore and then rapidly to expand their prewar industrial capacity. Manchurian installations, dismantled by the Soviets in 1945, were replaced or rebuilt; new factory complexes were added.

According to highly questionable official figures, electrical power capacity rated at 7.3 billion KWH in 1951 on the eve of the first Five Year Plan rose to 55 billion KWH by 1960. Equally extravagant claims were made for steel, coal and other basic industries. Nevertheless, bridges were in fact built over the Yangtze, which had never been bridged before. Chinese shipyards did begin to produce ocean-going commercial and naval craft. Railway mileage was substantially increased.

Whatever the exaggerations, there is no doubt that by 1955 the combination of ruthless human and economic engineering had begun to pay off in terms of industrial progress. The first and hardest stage of industrialization, the creation of basic industries and power, seemed to be well under way.

Meanwhile, the population of the Chinese mainland had been growing at between 2 percent and 3 percent a year. Although a large population is looked upon by most Marxists as a source of economic strength regardless of circumstance, the dangers of unchecked population growth had become so obvious by the summer of 1955 that the voices behind the loud-

speakers began to announce a hastily devised birth control program.

In the spring of 1958 this brief effort at population control was just as suddenly terminated; henceforth, it was said, all efforts were to be focused on the "Great Leap Forward" program. The massive projects which the Leap would bring into being would soon make population control unnecessary and even create a labor shortage. Sixty million people were to be put to work producing steel in backyard furnaces. One hundred million more were to be employed in irrigation projects.

Throughout Asia the political impact of this vast outpouring of plans, projects and propaganda was substantial. The Chinese, now supremely confident, called upon representatives from all developing countries to come to China to note their progress and adopt their methods.

On a visit to India in 1955 I found many people deeply impressed with the dramatic developments in Communist China. Even those who believed most fervently in a free society were beginning to question the capacity of developing nations to meet their essential economic goals through democratic methods.

By the late 1950s, however, the Chinese plans rapidly outran the available resources and the Great Leap Forward began to peter out. In 1960 came the slowdown of Soviet aid and the downward economic spiral was intensified. As part of what the *Peiping Peoples Daily* described as a "perfidious action," the USSR "tore up 343 contracts and supplementary

provisions" and then "heavily slashed the supply of whole sets of equipment."

Although Peiping has published no further economic statistics, the industrial gains made between 1957 and 1960 appear largely to have been lost. Electric power output, which had reached about 55 billion KWH in 1960, is believed to have dropped to 30-35 billion KWH; steel has fallen from 18 million tons per year in 1960 to 8 million tons in 1962. Similar decreases have occurred in coal, cement and other industrial products.

Work on many railroads and dams has been interrupted for want of equipment and technical skills. Scores of factories are shut down or running part time because of raw material shortages and unavailability of spare parts. China has become the only country in the world in which total production has actually decreased.

## II

The failure of the industrial phase of the Great Leap Forward was duplicated in agriculture, which has always been the Achilles' heel of Communist nations. Between 1952 and 1960 the output of food grains remained virtually stagnant as China's population continued to mount at the rate of 12 to 15 million people annually. By 1962, the food deficit in terms of the per capita consumption of 1958 had grown to 15 million tons. With the population expanding at its present rate, the deficit will continue to increase by about 5 million tons of grain each year.

These grim statistics suggest that in a favorable year China's food supply will be barely adequate to feed her people. In a normal year there will be serious shortages. In a bad year there will be widespread malnutrition.

There is little promise, moreover, in remedies which are available to the present government. Although only about 14 percent of China's total land area is now cultivated, the possibilities for expansion are strictly limited. For generations, China's farmers have been striving to bring more acreage under cultivation with only marginal success. Under the most favorable circumstances it is unlikely that the present arable areas can be increased by more than 20 percent; since most of the additional acreage will be substandard the resulting increase in output would be substantially less than that.

Nor can China expect major gains in agricultural production from more intensive cultivation of existing acreage. Chinese farmers are among the best in the world; in Asia their rice yields are surpassed only in Japan and Taiwan, where, in addition to greater personal incentives, there is a far greater use of chemical fertilizers. Because of its key importance this latter factor deserves more detailed analysis.

China now produces nearly three million tons of chemical fertilizer annually. It is estimated that under extremely favorable circumstances a crash program of fertilizer production might add another five million tons in the next six to ten years, at a cost of roughly \$600 million. Even if the skilled personnel, electric power and physical resources were available to

launch and manage such an effort, and industry of this magnitude could be built only by foregoing other essential projects. Moreover, even if the goal were fully achieved it could not begin to meet China's future agricultural requirements.

One pound of chemical fertilizer produces about three extra pounds of food. The added five million tons of fertilizer would therefore produce about fifteen million additional tons of food—enough to feed forty-five million more people at the present inadequate levels. But by 1970, which is the earliest that the new fertilizer plants could be completed, there will be 100 million more people to feed, assuming the present rate of population increase.

On the other side of China's agricultural ledger, however, are several factors, in addition to the cultivation of some marginal land, which are potentially favorable. Increased irrigation can provide an extra crop in many areas and increase production in others. Seeds may be improved. Through a determined effort population pressure may gradually be reduced.

Yet even under the most favorable circumstances it seems unlikely that the Chinese government can produce an adequate supply of food for its people from the land now within its boundaries. If this judgment is correct it may prove to be one of the most decisive political facts of our time.

### III

Part of Peiping's failure in agriculture, like its failure in many areas of industry, must be attributed to de-



fects in its ambitious efforts at human engineering which became evident in the late 1950s. In an effort to secure total political control of the Chinese people, the Chinese Communist leaders embarked on restrictive measures which undercut the popular support they had successfully cultivated during the long civil war.

At the moment of their revolutionary triumph there is no doubt that the Chinese people, who were tired of war and saw mainland China unified for the first time in many decades, were willing and eager to give the new regime a chance.

In the early stages this popular support was strengthened by the massive redistribution of land which the new regime initiated. When the dust settled, however, each Chinese farmer owned an average of less than an acre, which he soon found was inadequate to support his family.

Some observers believe that the revolutionary promise of "land to the tiller" was in itself a calculated fraud; in other words the Communist leaders never had any intention of respecting the independent position of 100 million farm families each with the pride, dignity and security that goes with land ownership. But whether the government failed to take the political realities into account or whether they planned it that way at the outset, Mao and his associates, in the Stalinist tradition, soon proceeded to break the political promise which had persuaded millions of young Chinese peasants to volunteer for service in the Red Armies. As the new program of total

regimentation was instituted the disenchantment of rural China mounted rapidly.

The first stage was the establishment of hundreds of thousands of mutual aid teams which shared their privately-owned animals and equipment for harvesting and planting. Second came Agricultural Producer Cooperatives in which land was also pooled on a permanent basis. Each member received shares which, he was assured, entitled him to an annual dividend according to the size of the land he originally contributed.

The third stage was the establishment in 1955 of collective farms in which all vestiges of private land ownership, which had been the traditional dream of the Chinese cultivator, were eliminated and land dividends abolished. Payments were now made out of the profits of the enterprise in proportion to the working hours contributed. The Marxist-Leninist slogan, "To each according to his work," was revived as the ideological explanation of this step.

In 1958 the first commune, the ultimate device of collectivization, was launched in Hunan Province. These enforced cooperatives with an average of some 50,000 people each were to become the agricultural instruments of the Great Leap Forward. Their purpose was the total mobilization of some 550 million Chinese villagers into a massive human work force under the ruthless control of the central government.

To meet the new situation another slogan was quickly substituted: "From each according to his ability; to each according to his need." A Peiping interview, lauding the new communes, carried the head-

line, "Oh, Commune! Everything I have is yours, except my toothbrush!"

The communes were the final disastrous step in Mao's experiment in human engineering. They were an effort to assure the central regime a vast reservoir of mindless and soulless human energy which could be used for construction projects as well as for food production.

Overnight, students became agricultural supervisors, farmers, became dam builders, housewives became smelter operators. The net result was the greatest dislocation of manpower in human history, followed by pervasive public frustration and the nearly complete collapse of the Chinese economy.

#### IV

Although Communist China's economic mistakes have been devastating, their political repercussions may be even more far-reaching. Because the government totally disregarded the wishes of the people, because it set out to destroy the old basis of Chinese culture, it became separated from the people.

Today, Communist Party literature refers to non-party people as "the masses", and "the masses" call party members "they". In a pamphlet entitled "How To Be A Good Communist", party members are warned that even the laboring class—the proletariat, the backbone of traditional Marxism—shall be treated with suspicion.

The lesson is an old one which, it appears, must constantly be relearned by modern totalitarians who

seek to manipulate people for narrow and self-seeking purposes. When the people fail to identify their interests with the rulers, and vice versa, and when each group comes to fear the other, the political stability upon which economic progress depends is undermined and ultimately will be destroyed.

China's agricultural crisis also served further to undermine her sagging industrial development. The low level of agricultural production forced a diversion of scarce investment funds and foreign exchange totaling \$450 to \$500 million annually for the import of grain from Australia and Canada. In addition, land was diverted from industrial supply crops to food grain production with the result that many factories which relied on agricultural raw materials such as cotton closed down, expensive equipment and skilled workers were idled, and exports were curtailed.

A Chinese leader recently observed that in a country as large as China, if the leaders make even a small mistake and this mistake is compounded by 700 million people, it becomes a national disaster. Although Communist China's mistakes cannot properly be discounted as "small", this comment may serve as a fitting epitaph for the "Great Leap Forward".

## V

Against this background of China's dilemma let us consider the problems and prospects of India. It is difficult to imagine a more radically different economic, social and political environment.

In any democratic country people must be per-

suaded to see for themselves the advantages of working together. This takes time and is seldom fully realized.

Since false slogans are quickly debunked by a free press, they have only a passing effect. Consequently, the peasants, workers and managers must be offered tangible rewards for greater efforts. This means that capital investment must be limited to allow for additional food, clothing and consumer goods.

Nor can anyone deny that democratic development in any nation has a disorderly appearance. The government can seldom get everyone to pull together. Most individuals work primarily for their personal benefit and only indirectly for the good of a society. Newspapers and opposition parties constantly criticize the government and its planning—and not always responsibly.

Yet, out of this apparent disorder came many advantages: the release of human energies, the encouragement of new ideas and new techniques, and the knowledge that no one mistake or even a series of mistakes is likely to be disastrous.

Consequently, the cycle of quick forward spurts followed by catastrophic relapses which characterizes the development of Communist China is rarely found in a democratic environment. Although development may appear more haphazard, it proceeds at a more certain pace.

When India's recent experience is contrasted with that of China the strengths and weaknesses of democratic development come sharply into focus. There have been mistakes in Indian planning. Performance

has lagged in agriculture and industry. Population growth has exceeded the early estimates and, as a result, per capita progress has been slower than anticipated.

But India began with a concept of balanced growth whereby agricultural goods and manufactured consumer goods were included as an integral part of the growth pattern; therefore, shortfalls in some sectors have not had a magnified impact on the rest of the economy. Her more flexible planning has been the product of countless discussions and compromises. While India's statistical progress has not been spectacular, it has been relatively steady, with successes in some areas more than offsetting the setbacks in others.

The differences are particularly noteworthy in regard to social change. While India has made a determined effort to reshape her traditional social system, the approach has been respectful of old values. Pressures to modify the caste system and to outlaw child marriage were designed not to control the individual but to release him from the constraints of customs where such customs have prevented him from reaching his full potential. There has been no effort to destroy the past or to impose new cultural values; the objective has been to revitalize old concepts and to fit them to new conditions.

Although the Chinese heroes of the Long March were able to communicate some of their ideological fervor to their people, their dogmatism has prevented them from pragmatically altering their program when changes have been urgently needed. While the Chi-

nese were sure they could interpret the future, the Indian Government has remained sensibly agnostic. Where the Chinese system has cracked under adversity, the Indian has simply bent.

## VI

The future in both countries is unpredictable. Yet certain trends are evident.

In seventeen years India has created a stable base for future growth. She is moving ahead, even though slowly, and she has been doing so since the first year of her first Five Year Plan.

The rewards for the Indian people are increasing, not decreasing. A recent public opinion survey indicated that three out of every four Indians feel that they are somewhat better off than five years ago.

Ways of limiting population growth are being developed and introduced.

The people are gradually absorbing the techniques of democracy and as they do so their sense of dignity is expanded and assured.

The political and social systems of India have both reached a point where they seem not to be subject to radical change or collapse.

Furthermore, because India's political and economic growth within the framework of a free society has earned her the confidence of much of the world, her government and people are receiving substantial assistance from many of the more developed nations. This continuing flow of assistance from foreign governments and of private foreign capital which at pres-

ent is denied to China will continue to have a vitally important bearing on the pace of Indian development.

China, on the other hand, is currently at a low point in her development. The price of her extremism, of her abortive effort to play a dominant role in world affairs, and of her embroilment in ideological squabbles has been her isolation from the rest of the world.

Today it is difficult to anticipate a satisfactory course for China. Her present government cannot go back and start again because too much dislocation has occurred. Yet it is highly unlikely that her present erratic course can produce a substantial overall advance.

Still, China remains a country to be reckoned with. A nation of 700 million, however weakened by inept leaders and a sterile ideology, cannot be expected to disappear. Ultimately some solution will be found. Sooner or later, the attractive, capable Chinese people will work out their destiny and their nation will again become a useful member of the world community.

## VII

One final word. Perhaps the most important conclusion that can be drawn from our comparison of China and India is that totalitarian "efficiency" is a myth. A few years ago it was widely believed, even by those who hated its methods, that a dictatorship provided the most efficient administrative tools for economic development. In the mid-fifties responsible people



were beginning to assert that sooner or later the less developed world would have to make a choice between iron-fisted regimentation on the one hand and a grim future of poverty for their people on the other. Now it appears that those nations which have had the courage to undertake development democratically may have the better prospect of success.

Brazil, Japan, Mexico, Taiwan, and many other developing countries have developed far faster than China. Moreover, the rate of economic growth in all Communist countries averaged only 3.6 percent in 1962, a figure which was bettered by every democratic nation in Western Europe and North America.

This does not mean that authoritarian systems cannot bring about development; the Soviet Union, through an agony of effort, has become the world's second industrial power. But it does suggest that nations which have chosen a democratic path to development may move ahead with confidence.

They can proceed now with the knowledge that the dignity of the individual can be secured side by side with economic progress. Indeed, the contrast between India and China suggests that the strength of a free people and the diversity and vitality of a pluralistic society are the greatest assets any nation can have.

Not so long ago the leaders of Communist China proclaimed that all developing nations must ultimately choose between bread and freedom. After ten years of frantic effort they themselves have secured neither. There is solid reason for hope that democratic India may achieve both.

Yet there is no room for complacency. India's prob-

lems are awesome in their magnitude and complexity. With all of her brave efforts India is only now barely starting down the long road of orderly political, social, and economic growth.

In the years to come the eyes of the world will continue to focus on these two ancient lands—India and China—each in her own way seeking a new life for her people. Although no one can foresee the outcome, every person who believes not only in material progress but in the dignity of the individuals who create that progress has a personal stake in India's success.

51475-

12112173-





# THE MAKINGS OF A JUST SOCIETY

*is a significant, perceptive examination of what the postwar years have taught us about national development. In it, Ambassador Bowles discusses:*

THE FIVE ESSENTIALS  
OF NATION BUILDING  
THE DYNAMICS OF  
RURAL DEVELOPMENT  
INDUSTRIAL GROWTH  
WITH SOCIAL  
CHINA AND  
PROBLEMS AND



Library

IIAS, Shimla



00051475

Chester Bowles, former Governor of the State of Connecticut, was President Kennedy's Special Representative for Asia, Africa and Latin America and is currently serving as United States Ambassador to India. *The Makings of a Just Society* is based on a series of lectures given by Mr. Bowles at the Delhi University and the book was originally published by the Delhi University.