

This PDF is a selection from an out-of-print volume from the National Bureau of Economic Research

Volume Title: The Comparative Study Of Economic Growth And Structure

Volume Author/Editor: Raymond W. Goldsmith

Volume Publisher: NBER

Volume URL: <http://www.nber.org/books/unkn59-1>

Publication Date: 1959

Chapter Title: Supplementary Memoranda - Economic Structure and Economic Growth: Some Suggestions for Research Arising from Various National Planning Association Studies

Chapter Author: Gerhard Colm, Theodore Geiger

Chapter URL: <http://www.nber.org/chapters/c4416>

Chapter pages in book: (p. 110 - 113)

**ECONOMIC STRUCTURE AND ECONOMIC GROWTH:  
SOME SUGGESTIONS FOR RESEARCH ARISING  
FROM VARIOUS NATIONAL PLANNING  
ASSOCIATION STUDIES**

**GERHARD COLM AND THEODORE GEIGER**  
*National Planning Association*

Time did not permit exploring the possibilities of comparative studies of national economic growth and structure in a comprehensive and systematic manner. It may even be doubted that a comprehensive and systematic analysis of economic structure is the best approach in the present phase of research. The relationship between economic structure and economic growth has so many facets that it may be preferable to postpone an organized effort at systematic synthesis until greater progress in understanding the various individual aspects has been made. As examples, we mention only a few such aspects that have impressed us in the research under way at the National Planning Association.

**Economic Growth and the Evolution of  
Enterprise in Underdeveloped Countries**

On the basis of the NPA's studies of U. S. private investment abroad and its influence in stimulating the growth of enterprise in underdeveloped countries, we believe that the factors affecting the development of indigenous enterprise in different types of countries, particularly the newer nations, merit more systematic and intensive investigation. It is desirable to know more about this complex social, economic, and psychological process not only for the advancement of knowledge, but also because of its significance over the long term for U. S. foreign policy. Its importance may be seen most clearly in the extreme case—the nations of tropical Africa. In Liberia, Ghana, Nigeria (soon to be independent), and other African countries moving toward independence or self-government, there will be very little security for foreign-owned investment over the long term (10-15 years) unless African enterprise—regardless of whether government or privately owned—eventually overtakes and greatly surpasses it in extent and importance. Otherwise, the Africans will soon feel—with good

reason—that their economic independence is yet to be won. To a lesser extent, this problem exists in other underdeveloped areas.

More systematic and detailed research is needed to understand the kinds of values, attitudes, motivations, economic and social pressures and opportunities, etc., that help to produce what might be called “the spirit of enterprise.” Conscientiousness and dynamism are two characteristics of this “spirit” that are essential to successful modern-type economic activities, whether government or private. Comparative studies of the development of the “spirit of enterprise” in different types of societies, both contemporary and historical, would be extremely useful.

Such comparative studies of individuals and groups need to be undertaken within aggregative studies of the different ways in which the subsistence sector of developing agrarian economies is being replaced by the market sector, and of the relative importance in these transformations of governmental fiscal and monetary policies, foreign trade and investment, population growth, changes in consumption expectations, etc.

Comparative studies along these lines would also illuminate the different roles that governments play in the development process. The nineteenth century dichotomy between socialism and capitalism has steadily declining relevance to reality in the second half of the twentieth century, and use of the term “mixed economy” only evades the problem. New and more relevant typological concepts are needed to understand the nature of the new economies emerging throughout the world and to project their probable courses of evolution and interaction during the coming decades.

### **The Role of Economic Growth in the Economics of Competitive Coexistence**

Rate of growth has often been regarded as a yardstick of performance in competing economic systems. Also, rate of growth is often taken as a measurement of the increase in economic, and presumably political, power. It might be desirable to study the different significance of rate of growth in various countries.

In an underdeveloped country with a rapidly rising population, the rate of economic growth may measure success in combating starvation; it may be a token of hope for some future rise in the standard of living and the promise of some degree of political stability. In all these respects, conditions are rarely the same in any two underdeveloped countries—compare countries like Brazil, Turkey, Ghana, India, or China. There are not only differences in the physical conditions, such as density and growth of population and availability of resources, but also in economic organization, political and social institutions, and psychological attitudes. There are different degrees of awareness of the need to increase production. An understanding of these differences may give us some scale of the objective and subjective urgency of economic growth. (This proposal is similar to Henry Aubrey’s proposed “indicators of deliberateness.”) An under-

standing of attitudes toward economic growth may help in understanding why competing offers of aid by Western countries and the Soviet bloc impress some countries more than others (entirely aside from political considerations).

While this approach would be particularly useful for identifying differences among underdeveloped countries, it can also be applied to the more industrialized countries. There is an obvious difference between a country in process of rebuilding war-devastated cities and industries and a country that was not directly, or to a lesser degree, affected by the war. There are differences between countries that have lost foreign assets and must develop industries for export or for replacing imports, in order to mitigate "structural" balance of payment difficulties, and countries that have no such difficulties.

These examples make it clear that measuring economic success or failure requires not only the use of growth rates, but also a breakdown of component parts indicating the extent to which growth is achieved in deficient sectors of the economy. Studies of this sort may place the comparison of Soviet and U. S. rates of growth in the proper perspective. There is probably some justification for Ken Galbraith's skepticism about the "GNP race," but more work needs to be done before we can properly judge the validity of his position.

### **Economic Growth and Long-Range Economic Projections**

In making economic projections, certain crucial issues are identified that over the long run will have a decisive impact on the rate of growth. It would be of considerable interest if these issues could be analyzed in the light of international comparisons. One such crucial issue is the change in the labor force participation rates. International comparisons, related to various social, economic, and cultural conditions, may help determine factors that may be effective in the future.

Another crucial issue is the increase in productivity which is assumed. Work has been done on some aspects of this problem for certain countries, but broader international comparisons would be of help. It would be useful, for example, to study the effect of changes in the national product mix on the rise in productivity. (A decrease in the share of agriculture in total employment obviously results in a rise in average productivity regardless of other factors, but what about a rise in services, government employment, etc.?)

Interesting comparisons have been made between growth in productivity attributable to an increase in capital equipment per worker and that attributable to advances in technology, management, and intensity of labor. A difficult, but possibly very fruitful, field of study would be the international dissemination of innovations in production techniques.

Furthermore, general productivity is usually measured as a *net* gain.

There are, however, positive and negative factors, and more work needs to be done on the negative factors. Are there certain cost factors which have led to a rise in real terms? There are cost rises in certain raw materials and in energy (thus far more than offset by advances in the technique of utilization of materials and energy); there are cost rises for water and for decontamination of air. With the rising density of population, the so-called social overhead costs are rising. In this respect, comparisons of the social costs of urbanization in various political and cultural systems would be of interest.

Another crucial topic would be the relationship between hours of work and output per manhour, general work conditions (age of factories, paid vacations, labor-management relations, etc.) and output per manhour. Comparisons on the basis of historical facts would be of value for extrapolating possible future developments.