

# Economic Development of Emerging Nations



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THE PLIGHT of the peoples of the underdeveloped countries of the world, long a chronic problem, is rapidly approaching a state of crisis. India is in the grip of another famine, said to be the worst in the last century. According to a recent estimate, 96 million Indians may starve this year, a number equal to almost half the total U.S. population.<sup>1</sup> Obviously, no one can really know how many people die in the villages of India, China, Africa, or some other backward area because of malnutrition and actual starvation. In any case, there are more than enough perishing thus.

Certainly, widespread hunger is potential dynamite in a world which is already politically unstable. Napoleon once called China a sleeping giant and suggested further that they be allowed to sleep on. Perhaps it would have been better for us if they had, but it is too late now to suggest such a solution to our problems. Furthermore, we must remember that times have changed; it is no longer possible for a handful of Europeans with superior weapons to defeat a multitude of "natives" fighting with sticks and stones. Today, the natives contrive to have very nearly as good weapons as anyone else; and if they have

<sup>1</sup> Nancy Hardesty, "India's Famine," *Eternity* (January, 1967), p. 16.

more enthusiasm for "dying for the cause" than the rest of us, their very numbers may make them a formidable threat. In any case, we are "involved in mankind" whether we want to be or not; our own safety may require attention to other people's problems, even if we cannot think of any more humanitarian reasons for our global concerns.

### ***The Need for Definite Answers***

Yes, Americans can hardly be accused of being indifferent to human need. Since World War II we have showered the world, backward or otherwise, with more than \$150 billion of foreign aid, and we are continually being reminded that this isn't enough. Actually, it has been too much of such as it is but not nearly enough to do the job.

Many loyal Americans are clamoring that we ought to close out the global give-away, lest it bankrupt us. With greater domestic debts than all our international beneficiaries combined, any rational person might well question the wisdom of giving away what we simply don't have. However, terminating foreign aid would make little difference with our own solvency and would be branded as an utterly heartless thing to do in a starving world. What those who object to our un-

sound practices ought to do is devise a better program, one which would accomplish vastly more, would avoid graft and corruption, would not pauperize the recipients, and would pay its way in the bargain.

Utopian, you say, but it has been done and it worked well for years. What I am describing is simply the international investment program of Britain in the latter part of the last century. To call it a "program" is somewhat misleading, however, because for the most part it was simply a case of English businessmen investing their own money in what they hoped would be profitable ventures around the world.

### ***Britain's Free Trade Era Proved Marx Wrong***

Britain's economic policy got the world out of a tight spot a hundred years ago. At the beginning of the nineteenth century Malthus saw nothing in the future but overpopulation and short rations, with famine, pestilence, and war keeping human numbers within tolerable limits. Britain's dramatic shift to a policy of free trade a little more than a century ago did much to encourage economic development throughout the world and made Malthus' gloomy predictions seem quite unrealistic by 1900. They had a population

explosion back then also, but with a multitude of people around the world producing all they could with improved tools in a world of relatively open markets, living standards rose faster than human numbers. It should be noted also that Europe enjoyed comparative peace, at least the absence of great wars, from 1815 to 1914, which may be more than coincidental.

Free enterprise with open markets has been overlooked as a means of promoting economic development in a context of peace and friendly cooperation even by those who presumably believe in personal freedom. Marx's claim that capitalism leads to war and almost universal destitution does not stand close inspection, although the doctrine is widely believed. Prosperity and general well-being are fringe benefits of freedom, although I, with Patrick Henry, would choose liberty if there were no material advantages in so doing. Furthermore, the blessings of political and economic freedom have also been available to the so-called backward nations on the same terms as to everyone else. While human numbers cannot continue to rise without limit, much that is blamed on overpopulation in today's world is the result of unwise and restrictive economic policies.

### ***Neglected Aspects of the Population Problem***

Americans panic at the thought of the population explosion, which many of my fellow countrymen regard a greater threat than the bomb. We are endlessly preoccupied with the problem and view the "teeming millions of Asia" with a mixture of pity and fear. We overlook the fact that Switzerland has almost the same population density per square mile as India, and Western Germany has about twice as many per unit of area. Yet no one moans over the "teeming millions" of Western Europe where countries like Belgium, Holland, and England also have two or three times India's population per square mile. While India has its limitations, surely Switzerland's handicaps are as great.

Certainly excessive population has been much overworked as an explanation for India's woes. Unfortunately, also, our attempts to rescue India seem only to have aggravated the situation. Our foreign aid, given to feed starving orphans and keep the country from going communist, is, according to Sudha R. Shenoy of India,

"... one major cause why orphans ... are starving and why India is now so firmly set down the road to serfdom. This is because in India foreign aid provides the major por-

tion of finance for the Plans . . . (but) the Indian people are hungrier after three Plans than they were before.”<sup>2</sup>

In a different sort of world India's “teeming millions” could be an asset. If the nations of the world played the game fairly, if governments were stable and refrained from imposing endless economic restrictions, if international trade were unhampered, if ordinary people were diligent and responsible, then men with investment capital would flock to India or any such backward country and development would be as spectacular as Germany's “economic miracle” after World War II under much less favorable circumstances. But, as Sir Winston Churchill commented in another context, “The terrible if's accumulate.” In reality India's economy is snarled in red tape, her people are hungry and getting hungrier. Tragically, the situation will no doubt get worse before it gets better.

### ***The Roots of Backwardness***

While the failure of the Monsoon rains of India would lead to grave problems, just as our “Dust Bowl” of the 1930's seriously disrupted life in the stricken area, still the so-called backward areas

of the world have built-in limitations that keep their populations perpetually on the brink of starvation where any crop failure must lead to disaster. Europe used to have them, too, the last serious one outside the Soviet Union being the catastrophic Irish Potato Famine of 1846. To a peasant people with no reserves, any natural calamity such as a drought, too much rain, or an early frost must lead to a winter of want, if not actual starvation.

With us it is now different. We have all heard farmers remark in the last generation or two that a killing frost, for instance, has its bright side since the price would be better for whatever crops did survive. Even the disastrous dust storms of the Depression years did not lead to widespread famine with hordes of people dying by the roadside in Kansas or Oklahoma as they do in India or China. I doubt if very many people starved in America back then, even with total crop failure in the midst of the world's greatest depression. I know some people were malnourished then, and I didn't have to read this out of a book.

But this was exceptional with us — life at its worst. Out in West Africa a “hungry season” is a normal and regular feature of the yearly cycle just as tulip time in the spring or falling leaves in

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<sup>2</sup> Sudha R. Shenoy, “The Coming Serfdom in India” *THE FREEMAN* (December, 1966), p. 39.

autumn are familiar signs of the times with us. The hungry season comes after the crops are planted when the remaining rice or corn gives out weeks before the new harvest. Then the chronic problem of hunger becomes acute and famine makes its annual visit to the village.

### **Wrong First Impressions**

Now it would be easy for us, particularly those of us with a farm background, to quickly diagnose their difficulties if we were there and could walk out from the villages to the little patches of cultivation which are their farms. We would no doubt see in the short-handled West African hoe the source of the problem of inadequate yields, and we would prescribe massive doses of mechanization to get the people producing enough so that there would be abundance for all throughout the year with a surplus for market and export. We would be sure that tractors and power tools would quickly solve the problem of native nutrition.

But if we stayed around long enough to get acquainted, we would find that the people could probably grow enough with the tools and crops they now have to tide them over the annual hungry season, if they would just try a little harder. Ask the average vil-

lager why he doesn't plant a little more rice and he will answer that it isn't any use. You will then learn that the native social system makes accumulation impossible; if his relatives learn that he has a little surplus when the hungry season comes, they will pay him a friendly visit and it will be gone within a week. They will then go hungry together.

Since there is no use to try, few do; but this results in hopeless stagnation. This is usually blamed on the warm climate; but the natives of Alaska react in the same fashion for the same reason, although the cooler climate and the certainty of winter storms should promote diligence and frugality. Yet the natives of the northland in this invigorating environment won't even cut a little piece of wood ahead, because they know they'll have to "lend" it to the neighbors before they get around to burning it themselves. Therefore, there's no surplus and no progress. This backwardness we have long blamed on the climate. It is climate—the social climate.

As a further deterrent, should some handy soul still try to get ahead, the native legal code forbids progress. In West Africa, at least, prosperity is associated in the native mind with magic. To them anyone who gives evidence of doing a little better financially

than his neighbor must have the charm that insures success, a powerful "medicine" which benefits him but harms his neighbors accordingly. As soon as some calamity befalls them, they make a scapegoat of their prosperous neighbor. They prosecute him in the chief's court and continue action against him until he is reduced to the same dead level of poverty with everyone else. They cannot imagine that anyone can get ahead except by harming his fellows, so they try to see that this never happens. Most of the time they succeed, which keeps the country hopelessly backward.

Thus, most of the world has stagnated throughout recorded history with here and there a remarkable period of progress, the exception to the rule. Here in the West we have been part of one of those dramatic eras, the much maligned Industrial Revolution. All of us are immeasurably better off because of the diligence, thrift, and ingenuity of our fathers. It remains to be seen if we can continue what they started.

### ***"Ideas Have Consequences"***

It is hard for us to imagine the depths of poverty which are commonplace in the villages of West Africa and throughout too much of the world. We visit a native hut and find it almost utterly bare

of furnishings. An iron pot set on three stones is the kitchen and the meal is eaten directly from it without dishes or silverware. The wardrobe may be a single garment which serves both day and night.

The poverty of West Africa as I knew it, is not the consequence of some horrible landlord system as it may be elsewhere. There is so little in Sierra Leone because they produce so little. The soil is wretchedly poor as it is throughout much of the tropical world, the hills are seriously eroded, most of the forest cover has been degraded into worthless second-growth brush, farming techniques are utterly primitive, yields are pitifully small, and hence famines come often.

The natives are full of parasites which sap most of their energy and the social system discourages effort. Native crafts are primitive and unproductive. My next door neighbor in one of the villages was a weaver who wove a band of cloth about six inches wide on his crude loom. His cloth was expensive even by our standards although he earned only a pittance, like everyone else in the village.

Nor is there a simple Marxian solution to their problem. Perhaps things were not properly divided in their society — the chief of the village had 80 wives — but redistributing the wealth, except the

wives, would be pointless. By our standards there is nothing to divide.

What they clearly need in West Africa and around the world is increased productivity, and this means better tools and techniques. But first there must be a change in people's thinking to make this possible. Marx claimed that tools came first and new thought patterns grew up to conform to the improved means of production. Actually, a wee bit of freedom made the new equipment possible in the first place.

Watt had his opportunity which developed into a practical steam engine only because the University of Glasgow took him in after the city fathers refused to let him set up shop within their jurisdiction. The sewing machine was invented in France but passed out of use when eighty machines were destroyed by an angry mob. It was invented again like many other devices, in this case over here with no other advantage than the freedom to do it and perfect it to the point that the machine became practical. In England Arkwright's textile mills were burned and a less persistent and courageous man would have given up the struggle. With all the engineering problems involved, the greatest hurdle was still finding the opportunity to make the in-

vention and bring it into production.

Marx was clearly wrong: in the beginning was the thought — the conviction that freedom was possible and desirable. New tools and industrial techniques were but the by-products of the new outlook. In all fairness it should be allowed that improved means of production had an impact upon man himself. Sir Winston Churchill is said to have remarked that we shape our buildings and then they shape us. Churchill's assertion is sounder social theory than the crude determinism of Marx and others who make man a victim of his environment, economic, social, or geographic. We are still the masters of our destiny, even in this age of automation and the bomb.

### **What We Can Do**

It might appear from my description of the West African social order that nothing can be done for the people. Actually, of course, there has been progress there in spite of handicaps and limitations, and change is the order of the day. As a first step we need to recognize what we can do to help them move forward and what they must do themselves — because we have no right to impose our ideas, however right, upon them. I would not go

to India with a deer rifle and start shooting sacred cows, although I happen to think that India will not get very far with a solution to her problems until they develop a rational policy on keeping livestock. I would be quite within my right in trying to enlighten the Hindus so they would eventually make such changes themselves. One of the most pressing needs of these poverty-stricken countries is something which would cost nothing but would pay real dividends.

My brother, who spent several years in India and West Africa as a missionary, believes that the most serious economic handicap of these backward areas is the utter lack of elementary honesty among the people. They are poor because they are thieves, not the reverse. This appalling plague of graft and corruption permeates every aspect of life from government and business down to petty personal relationships. Bars are standard equipment on the windows of homes out there and a night watchman is a necessity for even a private dwelling. The problem of trying to hang on to one's own possessions becomes insurmountable. Certainly they will never make real progress until they learn to respect other people's property rights. This is a necessary and possible change.

It is fashionable today for anthropologists and sociologists to speak disparagingly of the accomplishments of missionaries, but they have made a very real contribution. Charles Darwin who knew conditions in the South Sea Islands exceedingly well speaks highly of the change brought about by their effort:

They [critics] expect the missionaries to effect that which the Apostles themselves failed to do. Inasmuch as the condition of the people falls short of this high standard, blame is attached to the missionary. . . . They forget, or will not remember, that human sacrifices, . . . infanticide, . . . [and] bloody wars . . . have been abolished; and that dishonesty, intemperance, and licentiousness have been greatly reduced by the introduction of Christianity. In a voyager to forget these things is base ingratitude; for should he chance to be at the point of shipwreck on some unknown coast, he will most devoutly pray that the lesson of the missionary may have extended thus far.<sup>3</sup>

### ***The Importance of Character***

There is a closer connection between character and progress than we realize. It is commonly assumed that capitalists invented greed but Max Weber points out

<sup>3</sup> Charles Darwin, *Voyage of the Beagle* (Harvard Classics, Vol. 29), pp. 437-438.



that it is precisely in those countries which are most backward from a capitalist point of view that the "universal reign of absolute unscrupulousness in the pursuit of selfish interests" is most highly developed — where one finds it almost impossible to hang on to his property because thieves and rogues work overtime trying to wrest it from its rightful owner.<sup>4</sup> As Weber tells us, the willingness to respect the rights of others, to play the game fairly as one might say, is a necessary condition for economic development.

Weber also stresses the fact that Luther and Calvin preached the dignity of labor, the responsibility of the worker to do his best as unto God. In all the backward areas of the world today work is contemptible, something to be done by slaves who cannot get out of it. This attitude toward labor must change before any very real progress is possible. And it seems to me that work is going out of fashion here, too. Evidently we need a revival of the Puritan virtues of honesty, diligence, frugality, and responsibility as part of a renaissance in our own nation also. Then we could offer the sort of leadership other nations might like to follow.

<sup>4</sup> Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, pp. 58 and 108.

### **Today's "Complex Problems" and Reality**

Actually, those staggering problems we moan about continually are mostly symptoms of a larger disorder. Let us examine a few of the conspicuous ones. Our much-publicized Malthusian dilemma, the population explosion, is a case in point. According to L. Dudley Stamp, perhaps the world's foremost geographer, the world could easily support 10 billion people or three times the present total.<sup>5</sup> He is assuming full production and open markets, but no revolutionary techniques yet untried and unproven — just doing as well as we already know or can know.

Adequate nutrition means increased human energy, which could result in higher productivity to provide a decent standard of living for the human family. Improved nutrition also means better health. While the tropical lands have some special problems which are uniquely theirs, the health hazards of the tropics have been exaggerated, too. Adam Smith remarked in *The Wealth of Nations* that it was "not uncommon . . . in the Highlands of Scotland for a mother who has borne twenty children not to have two alive." Nor were mortality figures more moderate here in earlier times. We

<sup>5</sup> L. Dudley Stamp, *Land for Tomorrow*, p. 219.

have all heard of the appalling losses from fever that frustrated the attempts to build the Panama Canal. We do not know that the builders of the Erie-Wabash Canal through northern Indiana lost a laborer for every six feet of canal dug.<sup>6</sup> We have also forgotten that Michigan was notorious for malaria in the early days as this pioneer rhyme reminds us:

Don't go to Michigan, that land of  
ills;  
The word means ague, fever and  
chills.<sup>7</sup>

Michigan also shares the misfortune with most tropical lands of having much poor soil. Contrary to popular opinion in America, tropical soils are usually infertile. This makes problems. But other lands have triumphed over this limitation. The Scandinavian countries have done very well indeed in spite of their poor, sandy soils. Perhaps the leading authority on the tropics, Pierre Gourou, has urged that the Africans and others could solve their problems by growing tree crops on the eroded hillsides and rice in the largely unused paddy lands

along the streams.<sup>8</sup> With such a rational program of land use, Africa would be well able to support its population for some while.

It would be possible to go on with constructive suggestions, based not on utopian optimism but on what has been proven in practice. Today's global crisis is but the bankruptcy of unwise policies we have been pursuing too long. But it is not enough to loudly criticize unsound practices such as foreign aid and the farm program. Men of good will have the responsibility of knowing what else we might have done, of being aware of constructive alternatives.

### **Testimony to Freedom**

One of the greatest sources of inspiration as well as information for the serious student is the economic history of Great Britain in the latter half of the nineteenth century, the golden age of free enterprise and open markets. And, strangely, unusual people bear testimony to the accomplishments of this great era. Lord Keynes, the British godfather of the New Deal of the 1930's, described this period in even more glowing terms than I would.<sup>9</sup> He tells us that in this

<sup>6</sup> DeWitt Goodrich and Charles Tuttle, *An Illustrated History of the State of Indiana*, p. 209.

<sup>7</sup> Madge E. Pickard and R. Carlyle Buley, *The Midwest Pioneer: His Ills, Cures and Doctors*, p. 13.

<sup>8</sup> Pierre Gourou, *The Tropical World*, pp. 100-103 and 134-141.

<sup>9</sup> John Maynard Keynes, *The Economic Consequences of the Peace*, pp. 7-10.

"economic Eldorado, in this economic Utopia" men forgot about Malthus and population problems in a world of full production and open markets. Keynes makes interesting reading. Poles apart from him is Benjamin M. Anderson, an American economist who has covered the history of the first half of this century in great detail. He introduces his excellent *Economics and the Public Welfare* with high praise for the pre-World War I era so eloquently lauded by Lord Keynes. This is how a conservative characterizes the same period:

There was a sense of security then which has never since existed. Progress was generally taken for granted . . . decade after decade had seen increasing political freedom. . . . It was an era of good faith. Men believed in promises . . . the good faith of governments and central banks was taken for granted. Governments and central banks were not always able to keep their promises, but when this happened they were ashamed. . . . No country took pride in debasing its currency as a clever financial expedient.

The world was incredibly shocked in 1914 when Bethmann-Hollweg, Chancellor of Germany, characterized the treaty guaranteeing the neutrality of Belgium as a "scrap of paper." In retrospect, one may say that this was one of the most terrible things that has ever been said. The

world is full of scraps of paper. . . . The greatest and most important task of the next few decades must be to rebuild the shattered fabric of national and international good faith. Men and nations must learn to trust one another. . . . There is no certainty that we can recreate the fabric of good faith which we have destroyed, but there is no higher duty than to make the effort.<sup>10</sup>

### **Prospects for Improvement**

While there is no certainty of success, it seems to me that conditions are more favorable for a renaissance of right thinking and sound policy than they have been for many a year. Hegel insisted that a situation generates its opposite, the familiar "swing of the pendulum," and it seems to me that this is true in general, although Hegel and his disciples sometimes carried his theory to absurd lengths. Nevertheless, the world is due for a change. As Newton would say, "to every action there is an opposite and equal reaction." Even the best and most constructive movements lose their charm and go out of fashion. "There is a tide in the affairs of men" and "the old order changes, yielding place to new," as the poets say.

<sup>10</sup> Benjamin McAlester Anderson, *Economics and the Public Welfare* (Princeton, N. J.: D. Van Nostrand, 1949), pp. 3-5.

This gospel of Salvation according to Marx has promised much but has delivered little except starvation and oppression. A good many people who will never read Hayek's *Road to Serfdom* have known the terror firsthand or have seen people shot while trying to escape from the proletarian paradise. The world has been learning its economic and political theory the hard way. Not all is well in our welfare state either. In 1946 Keynes himself voiced disillusionment with the "new economics" he had helped to create in the depression years only a decade earlier: ". . . how much modernist stuff, gone wrong and turned sour and silly, is circulating in our system. . . ." <sup>11</sup>

It would be interesting to

<sup>11</sup> J. M. Keynes, "The Balance of Payments of the United States," *Economic Journal* (June 1946), p. 186.

know what Lord Keynes would say today, had he lived. But a good many people who have not yet heard of Keynes and have no idea how this attempt to maintain perpetual prosperity is supposed to operate are becoming increasingly aware that something is wrong somewhere. This failure of the managed economy on both sides of the Curtain gives us an opportunity we have not had for a long, long time. But this opportunity brings us the responsibility of being able to present a constructive alternative. May I recommend what Adam Smith called ". . . the obvious and simple system of natural liberty. . . ." <sup>12</sup> for in a context of freedom, progress would again be possible around the world. ♦

<sup>12</sup> Adam Smith, *The Wealth of Nations*, (Modern Library edition), p. 651.

IDEAS ON LIBERTY

### ***Dangerous Experimentation***

ONLY IF we understand why and how certain kinds of economic controls tend to paralyze the driving forces of a free society, and which kinds of measures are particularly dangerous in this respect, can we hope that social experimentation will not lead us into situations none of us want.

F. A. HAYEK

From the Foreword to the 1957 edition of *The Road to Serfdom*

# VOICES BEHIND YOU

RANDALL E. BURCHETT

TWO AND A HALF centuries ago a very wise old prophet spoke these words: "Your ears shall hear a word behind you saying: This is the way, walk in it." The adjuration is like a flawless diamond with rays of truth flashing out in many directions to invite serious thought.

As any and every individual attains a new milestone in life, he can be aware that he is seeing the dawning of a new day that is his very own, and he may realize, though dimly, that behind him there have been many voices which have spoken to him. The words he has heard most clearly were given that clarity, of course, by his own attitudes; and the results are his own inescapable responsibility. Some of those words or voices

would help him and some would hinder, but all have influenced him to some degree.

At each milestone of one's life, as at the time of a student's graduation, it behooves him to pause and listen. The graduate is perhaps most aware of the voices of his recent instructors. The work and effort and training of these teachers have crystallized into words which were intended to assist each student as he moved onward to walk in the path he chose for his future. In the days ahead he will remember the collective voice of those instructors as they said to him, in effect: "This is the way, walk in it."

He reaches a further stage in that great adventure known as Life, and he consults those who are experienced in science or agri-

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