STABILIZATION OF EXPORT PROCEEDS
IN TROPICAL AFRICA

BY

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A THESIS SUBMITTED IN PARTIAL FULFILMENT OF
THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF ARTS
in the Department
of
Economics

We accept this thesis as conforming
to the required standard

THE UNIVERSITY OF BRITISH COLUMBIA
April, 1964.
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ABSTRACT

This study contains an attempt to define and analyse the elusive concept of "stabilization" in its application to the export production of countries in Africa south of the Sahara.

The writer has found it hard to place his analysis in a specifically African context. This difficulty arose partly from the lack of data and the paucity of general reference works based upon African economic conditions. But it was also due to his desire to treat the subject of stabilization against a broad background of the social and economic factors which typically bear upon policy-making in Africa.

The Introduction contains a methodological discussion of the means by which an economic analysis might take explicit notice of African social, political and administrative conditions. The conclusion is reached that it is impossible to blend all these factors into one analysis. The primarily non-economic background material is therefore consigned to Chapters I and II, with the discussion of the main theme following in Chapters III and IV.

Chapter I contains five numbered sections. (1) The reader is introduced to the newly-independent 'Country X', an expository device for lending coherence to material drawn from
several different African countries. (2) Under the heading 'Political Factors' there is a discussion of Pan-Africanism and of the "Mobilization" form of political organization. (3) Under 'Social Factors', there are brief outlines of several representative social problems, followed by an interpretation of the economic rationales underlying the 'hoarding' of cattle and the 'extended family system'. (4) Under 'Public Administration' are discussed standards of morality in public affairs and the need for eliminating bureaucratic rigidities. (5) The summary points to the "confused and confusing" general situation in "X", and enjoins caution and a "piecemeal" approach to the application of economic theory. Emphasis is placed upon the social disruption which inevitably attends economic development of primitive societies.

In Chapter II, to illustrate the importance of social and political factors in economic policymaking, there are brief reviews of three questions. (1) The use of psychological indoctrination to speed economic development. (2) The prospects for comprehensive planning in the light of the physical and conceptual difficulties experienced in compiling statistics. (3) The "export-bias" doctrine, Hla Myint's refutation, and his alternative formulation. The conclusions are broadly similar to those of Chapter I.
Chapter III analyses the case for a general international commodity price stabilization scheme. Following a review of the supply and demand factors responsible for the present pattern of international trade, it is concluded (a) that such a stabilization scheme would be administratively, politically and economically unworkable. (b) that the proposal is essentially one for achieving disguised income transfers from rich to poor countries, and (c) that stabilization of producer prices can equally well be achieved by domestic action.

The discussion of domestic stabilization policy in Chapter IV centers upon the marketing of Ghana cocoa. The ambiguities of stabilization, which may refer to different periods of time, and to either prices, money incomes or real incomes are fully discussed.

The effect of low prices upon production incentives is treated at length, as is the use of the stabilization authority to extract "forced savings" from peasant producers. The conclusion is generally in favour of national stabilization schemes, provided their objectives are strictly defined.

Chapter V summarizes the conclusions already set out for the preceding chapters.
ACKNOWLEDGEMENTS

I am greatly indebted to my supervisor, Professor I. I. Poroy for his valuable criticisms, suggestions and encouragement. I should like also to acknowledge my obligation to the Canadian Commonwealth Scholarships Committee for making my M.A. programme possible.
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INTRODUCTION

This paper deals with "applied economics", i.e. the question of stabilization policy, with particular reference to the export production of countries in Africa south of the Sahara. The main theme is not, however, developed at the outset. The first two chapters will be found to consist mainly of background material, for reasons which will be discussed below.

The investigator who wishes to examine economic policy matters in a meaningful way should first ask himself what people are going to do, and why. He should, in fact, try to define his frame of reference. At first sight it may well appear that economic theory by itself cannot tell him much about the working of an underdeveloped economy. Irrational behaviour in economic terms is not necessarily seen as such by the people concerned, or by political scientists, anthropologists and administrators, amongst others. These individuals may well claim (ex post) that, if consulted, they would have forecast that "it wouldn't work". The ideal conceptual framework would apparently be a synthesis of detailed empirical studies made by social scientists of all persuasions in a single underdeveloped
country and directed solely toward the solution of a single economic problem. But for obvious reasons, this ideal is unlikely to be realized.

In these circumstances, two main methods of 'clearing the ground' for economic analysis can be discerned. The first is that of the generalizing sociologist who explains and predicts on the basis of 'broad movements' or 'salient features' which have been revealed to him in the course of his encyclopaedic studies. This approach is, so far as economics is concerned 'a mile wide and an inch deep'. The writer does not propose to be drawn into the error of trying to depict and explain an underdeveloped society as a 'whole'.

The second and more respectable approach proceeds by defining the nebulous 'characteristics of underdevelopment' in purely economic terms. This method is both logical and convenient, but its usefulness is limited by the fact that analysis based upon general tendencies has to be undertaken at a rather rarified level of abstraction. This is inevitably so, because the definitional framework is at once too broad for treatment of specifics and too narrow to allow important social and political factors to be taken into account; the analysis, at least from the viewpoint of the other social sciences, as well as the layman, appears to take place in a vacuum. And it should be stated at this point that we are searching for a
conceptual framework which will be acceptable to economists and non-economists alike.

It may reasonably be asked why a "generally acceptable" framework should be sought. Obviously, it may be said, a theoretical exercise in economics should satisfy economists, not laymen or anthropologists. A possible answer to this statement is that one can no more satisfy all economists than all men. Furthermore, the writer is in a fundamental sense more in sympathy with anthropologists and laymen than with a certain class of development economists. He has, therefore, been led to seek a frame of reference with general validity.

To explain: some critics of the method of economics appear to be obsessed with "facts"; this obsession is generally said to be due to a failure to distinguish between the inductive method of economics and the deductive nature of the other social sciences; the economist starts with a priori, intuitively known, principles, whereas the others attempt to deduce their principles from facts. Hence criticism of economics by social scientists who mistake the nature of the inductive method. There is much truth in this explanation, but it begs the more basic question of the responsibility for advocating policies which may conflict with widely-recognized humanitarian or ethical principles. The very preoccupation of the non-economist with facts, rather than the abstract principles of economic science, may enable him to visualize with greater clarity the effects in
terms of human suffering, or perhaps enslavement, of the adoption of certain economic policies. So far as this is true, the resentment which undoubtedly exists amongst anthropologists and others against abstract economic theorizing about underdeveloped countries, is wholly understandable and cannot be discounted by reference to a methodological split. The economist who wishes to avoid being labelled inhuman, ignorant, or totalitarian-minded, would be wise to give explicit recognition to the social and political factors which bear upon the application of economic analysis to the problems of the poorer countries.

To deal directly with the topic of this thesis, stabilization is a policy matter. As such it falls within the province of politicians, who practice 'the art of the possible'. It therefore seems that a pragmatic and comprehensive discussion of stabilization policy in Africa should include details of some of the specific factors which define the limits of 'the possible' for the policymakers concerned.

The trap here is that introducing social and political factors into the economic analysis would take us back to the obsolete method of the generalizing sociologist. The search for a generally acceptable framework for analysis of economic policy measures must therefore lead us to a compromise. The framework adopted should preferably avoid introducing extraneous
matters into the economic analysis, at the same time acknowledging their existence and importance. The expedient adopted falls far short of the ideal. Nevertheless it appears to have some advantages for treatment.

Chapters I and II contain as background to the more formal and purely economic analysis of Chapters III and IV, a partial "composite picture" of a newly independent African country. This 'model' which is likely to draw cries of "dilletantism!" from all quarters, is not aimed at comprehensiveness. It is rather an attempt to sketch a few of the factors which typically affect the application of economic theory in similar countries. Perhaps if it is clearly understood that no grandiose description of Africa in general, or of any African country in particular, is intended, the 'model' will provide a suitable background against which to assess the applicability or otherwise of the analysis of the later chapters. If it does this even moderately well the writer will be satisfied.

All names for the 'model' would seem to someone to be either too frivolous or too pompous, so it is named simply "Country X". Most of its characteristics are shared by a dozen or more real countries in Africa and none is to be found in fewer than five. It must be pointed out, however, that the composite picture is greatly oversimplified, in the sense that
the writer is aware of no real country in Africa south of the Sahara which has fewer major problems than this one; e.g. the governments of many real African countries would consider their worries over if they only had two tribes and two languages to reconcile; the postulated scales of cash crops, water resources and infrastructure development are also on the generous side.

Little remains to be said by way of introduction. It is hoped in the course of the description of Country "X" to throw light upon some of the circumstances in which it is probable that economic policies such as those analysed in Chapters III and IV will have to be made to work. If, after all that has been said, the material contained in Chapters I and II still strikes the reader as having little relevance to the main theme, the writer can only beg indulgence for his own peculiar viewpoint, which abhors the possibility of judging African problems in the light of any but African conditions.
CHAPTER I:

COUNTRY "X": SOCIAL, POLITICAL AND PUBLIC ADMINISTRATION

I

The chief characteristic of "X" from the Western point of view is poverty: per capita annual income of the population does not exceed fifty dollars. (1) From the local inhabitants' standpoint, the most important thing about their country at the present time is not poverty, but the attainment of political autonomy, which is expected to conquer many evils, of which poverty is only one.

"X" has recently emerged from about sixty years of colonial rule, which was devoted mainly to the establishment of an efficient and fairly humane system of internal security. During the ten years before "X" gained independence, the system of internal security took the strain while the colonial régime initiated a certain amount of infrastructure development, involving additions to medical, educational, and agricultural extension services, and elaboration of the fairly extensive communications network which already existed to serve the needs of the forces of law and order.

At the time of which we write, "X" is under the leadership of a group of sincere and dedicated men, whose struggle against the traditionalist leadership of the chiefs occupied most of the dying years of the colonial regime, and ended with absorption of both antiprogressive and 'modernizing autocratic' elements of the chieftainship by their mass political party. They now command an overwhelming measure of support throughout the country. With popular acclaim still ringing in their ears, they have announced a rather hastily drawn-up "Plan for Economic Development of X". It is hoped "to double real national income within ten years, quadruple it within twenty".

Although we are interested primarily in the possibilities of economic development for "X", we must know something of the aspirations, fears, standards and abilities of both the leaders and the rest of the population before we can say anything about their potential for development. Before moving on to purely economic questions we shall therefore take a glance at the political and social framework of "X".

Treatises have been written about such matters, and it would obviously be unwise to attempt any sort of summary. Since our interest is primarily economic, we can perhaps profit most by trying to gain insights from some of the conclusions of experts in the respective fields of political science, anthro-
polity and public administration. The remainder of this chapter, under the headings "Political", "Social" and "Public Administration", will be devoted to a selection of such recent findings as may bear directly upon the analysis of economic development in Africa south of the Sahara.

II

POLITICAL FACTORS

The political leaders of "X" are heavily imbued with pan-Africanist sentiments. Backed by a mass party drawn from all sections of the populace, they have created a political system of the "mobilization" type. A word about both these concepts is in order.

Pan-Africanism is, as yet, "neither a religion nor a fully developed ideology." (2) It does not represent a transcendental system of belief compelling man's allegiance to a system of moral imperatives, nor does it advance a particular code of ethics. In its political aspect, it argues for political independence and it points to the similarities of the tasks of political leaders in developing their countries; it relies, too, on similar sympathies born of a common colonial heritage. All these, united by a bond of colour, are expected to produce

new unities in a free Africa. But "pan Africanism is not a new civilization"; it is therefore at the mercy of traditional factors in African society and is vulnerable to the politics of parochial nationalism. Its chief aim is that people of colour be free to make their own choices, psychologically through the achievement of independence, and socially by using political means to material development.

Pan-Africanism is essentially a political movement. It is bred out of the needs of nationalism, and its field of action is circumscribed by those needs. Faced with traditional religion, belief, and practice, it feels itself in danger, for it cannot substitute one belief for another; rather "it offers emancipation from belief itself." Hence there is an increasing reliance on the state as more than just a political form. "The state acquires a special meaning and a mystical relevance when pan-Africanism is the ideology of nationalism".

Pan-Africanist leaders typically create political systems of the "mobilization" type. Dr. Apter considers the chief characteristic of such systems to be "ideological specialization," which he describes as follows:

(3) Loc. cit.
(4) Loc. cit.
(5) Loc. cit.
Although it tends to have very pronounced ideological views on the main issues of development, a mobilization system is in a peculiar sense less ideological than utopian. Fundamentally, the party or the state will most often act on grounds of expediency and necessity, using ideology to give perspective and justification for what already appears necessary. Thus the immediate tasks of the day, whether to build a dam, change the tax structure, or modify the political arrangements in government, are put in the context of ideological slogans as a form of communication. A moral component is brought in by our assuming some future new society which the acts of government and party are supposed to induce. Nevertheless, except where political leaders feel called upon to justify their decisions and actions, opportunism remains more compelling than ideology. The political "culture" of the members is based on their common organizational affiliation. Men of diverse views will have as their overwhelming "ideological" commitment devotion to the organization itself. The party (or the state) is everything.\(^6\)

Without disturbing the validity of Apter's analysis, the views of Thomas Hodgkin, are worth quoting at length for his more sympathetic interpretation of the rationale underlying the mobilization systems. Hodgkin says:

...democracy, in the context of an independent African state, also implies centralization. The mass party, having concentrated its efforts during the colonial period on challenging, attacking, and detaching popular support from the old regime, is faced with the problem of strengthening the power of the new regime. Moreover, it has to undertake this task without being able to make use of many of the techniques which were available to the old regime. It cannot enjoy the prestige of a conquering minority, and inculcate habits of subordination in the governed, since it preaches equality, and the doctrine of 'the common man' .... It cannot insist that a respectful social distance should be preserved between governors and governed, since it is by its nature a fraternal party. It normally lacks a corps of highly trained civil servants. It cannot rely on a system of alliances with well-disposed pashas, amirs, chiefs, notables, and marabouts.

\(^6\) Apter, op. cit., p.23.
If its authority is threatened, there are no large reserves of metropolitan armed forces on which it can draw. Hence, in its efforts to strengthen the central power, the party is bound to depend, to a very large extent, on the effectiveness of its own organization, the main new source of power at its command.(7)

Hodgkin's further comments are of direct relevance for economic policy:

There are other reasons why mass parties are inclined to insist that 'democracy implies centralization'. Colonial regimes attempt, unsuccessfully, to maintain some kind of social equilibrium. Mass party governments, on the other hand, are committed to speeding up the process of economic and social change. Again, this is partly what 'democracy' means in the contemporary African context: opening up new possibilities of satisfaction for 'the people' .... 'democracy' has to be understood as involving a variety of economic and social objectives: the expansion of national output and national income; a more effective mobilizing of labour; a more rapid development of power, industry, and communications; the elimination of illiteracy and 'backwardness' through mass education; the provision of universal, free, primary education; and, especially in Muslim areas, the emancipation of women. The need to carry out a wide range of new and difficult tasks tends further to stimulate the reinforcement of the central power.(8)

Much more could be said of the role of the political system in Country "X", but we shall now pass on to review some of the social factors which are important from the economic point of view.


(8) Hodgkin, op. cit., p. 160
"X" is big, and, like most African countries, empty. Population densities, so far as they are known — there has never been a full-scale census — vary from 5 to 300 per square mile. There are two coastal towns, the "powerhouses" of the political system, former centres of the colonial administration, now respectively the seat of Government and the main port of "X". Here live many urbanized Africans, perhaps too many. Squalor and unemployment are rife. A high proportion of the educated population of "X" is among the urban unemployed. Manpower is apparently being wasted. From the economic point of view, that is all we need say of the urban population, although much more could be said about the political and social aspects.

In the hinterland, the population is divided almost equally as to numbers between the two main tribes of "X". One of these, generally acknowledged to be the more "progressive", i.e. westernized, inhabits only one-eighth of "X", but this area is composed of the two main river valleys of the country, where the land is fertile, fish are a staple item of diet, and cash crops — more about these later — are grown. Of the social

(9) Myrdal's assertion in *International Economy*, p. 193, that 'all underdeveloped countries are overpopulated,' is simply untrue of most parts of Africa.
conditions of this tribe, we shall have occasion to write in a later section.

A quarter of the area of "X" is tsetse fly habitat. Governmental measures in this direction have concentrated upon containment of the fly within the area it presently occupies. Eradication of the fly and reclamation of this land will have to await a scientific breakthrough. In the meantime, neither humans nor domesticated animals can live in this area, because of trypanosomiasis, or 'sleeping sickness'.

The other main tribe, which has existed upon amicable terms with the river dwellers for centuries, is composed of settled pastoralists, who live in villages but maintain their herds at "cattle posts" which may be as much as 100 miles from the villages. Theirs is the drier part of the country, with good grazing but little surface water during the greater part of the year. Land is plentiful, water is not. Land is also "public property" in the sense that it belongs to the entire people. The chiefs perform the function of allocating land among the people. In recent years the colonial regime has

(10) 10% of the area of Southern Rhodesia and Kenya is occupied by tsetse fly and therefore virtually uninhabitable by people or domesticated animals; figures for Uganda, Tanganyika and Northern Rhodesia are 32%, 60% and 60% respectively. (W. A. Hance, African Economic Development, N.Y., Harper, 1958, pp. 160 and 189.) It is frequently estimated that discovery of a low-cost insecticide for tsetse fly would release an area of Africa of the same size as the United States for grazing and human occupation.

provided them with boreholes for their cattle, which have multiplied as a result. Newly-trained agricultural demonstrators have arrived to help them increase their subsistence production of sorghum and maize, which, together with game meat form the staple items of diet. It is estimated that at present only 5% of the potentially arable land in this part of the country is under cultivation. But the people are preoccupied with cattle: (12) agriculture is women's work, herding and hunting are for the men, who help their womenfolk only with the ploughing. They have adopted new iron ploughs which are clearly superior to the old implements, but only a few of the more modern-minded have yet accepted the hybrid maize seeds which they have been pressed to try by the agricultural demonstrators. It has been well said that "the pastoralist's scorn for agriculture and its practitioners is of the same order as an eighteenth-century gentleman's scorn for commerce". (13) Government veterinarians have had little success in persuading the people to improve the quality of their livestock, and less in inducing them to put the cattle to market. How much of this failure is due to the Government's own cumbersome machinery of stock routes and quarantines is hard to say. Certainly it seems unwise to

(12) 'Among the Baganda alone, in almost all Africa, has a balanced and effective fusion between agriculture and pastoral activities been achieved.' (C. D. Forde, Habitat, Economy and Society 15th Ed.) London, Methuen, 1957, p. 398.

blame the conservatism of the people until this machinery has been thoroughly overhauled. True, many more cattle are sold now than in the past, but their absolute numbers have continued to grow in far greater proportion than the sales. Some estimates put the numbers of cattle at twenty for every man, woman and child in the tribe; still there is no willingness to sell. Overgrazing around the boreholes, deterioration of pastures, increasingly evidence of malnutrition in the cattle, these were the problems which eventually led the colonial regime to attempt to impose compulsory limitation of livestock in denuded areas, and to try by means of punitive taxation to induce the people to market at least ten per cent of their cattle each year, instead of their present five per cent. (14)

The attempt to override on economic grounds the social factors which made retention of cattle de rigueur for the tribesmen had the unexpected result for the colonial regime of hastening its own demise. The natural exasperation of the pastoralists at the attempt to deprive them of their "unearned increment" was enough to make them politically conscious at last. This result, which the nationalist political leaders had been unable to accomplish unaided, was to lay the basis for the countrywide mass party which dominates "X", at the present

(14) This compares with 10%-15% from European-owned farms in Africa. (Basutoland, Bechuanaland Protectorate and Swaziland: Report of An Economic Survey Mission, London, HMSO, 1960, p.56.)
time. Thus: the chiefs supported the colonial regime in the matter of reduction of cattle densities; the nationalists supported the people against the chiefs and the colonial regime. Today the leaders of "X", are faced with the problem of persuading the people that livestock limitation, which was unpatriotic yesterday, is today a necessary economic measure.

But what of the social attitudes which underly this 'irrational' conduct of the pastoralists? Perhaps they all come under the broad heading of "social security"? The institution of lobola, bogadi, or "bride wealth," whereby cattle are handed over by the bridegroom's family to the bride's family as a bond for good performance, can certainly be interpreted in these terms. But the cattle are also the basis of a legal marriage. Thus, unless the animals have been transferred, the man may have no legal claim to the children of the marriage. The cattle are contributed by various members of the bridegroom's family; upon receipt, they are allocated to the proper relatives of the bride, to be held in trust to meet such contingencies as desertion by the husband, funeral expenses, and so on. (15) Customs of this sort naturally affect willingness to sell cattle which are held in trust. Nevertheless, they

have economic aspects in that they both affect the distribution of wealth and involve the exchange of two goods of great importance to the primitive economy — cattle and women, who are the chief source of labour in agriculture. Thus we may hazard that a returnable marriage payment is a form of investment in return for which the groom obtains a claim on the services of his wife and of her children by him.

Whichever interpretation may be adopted in particular circumstances, however, we may postulate that the central assumption of economic theory — that of the economic disposal of resources — is in no way vitiated by the unfamiliar nature of cultural patterns in an African community. Whilst the uses to which cattle are put may seem strange to a Western observer, a herd of cattle is certainly not squandered by an African owner. On the contrary, all evidence points to the fact that he most carefully weighs the uses to which his animals might be put; some will be used for a sacrifice, some for a wedding portion, some to relieve a necessitous relative, some as gifts (i.e. taxes) to the chief. It is no mere form of words to say that cattle are highly valued among the Bantu; this statement points to one of the central facts of their lives, and its meaning lies in their behaviour, which carries out an extremely careful disposal of these objects of wealth.
Thus in the primitive society the economic management of cattle is guided by their power to satisfy a series of wants, both present and future. Their simplest use is that in which they give milk as food. The chief utility of milk is in the nourishment of young children; but even here the milk serves as more than as a mere consumption good. In keeping children alive, or making them strong it is serving in a sense as a producer good or capital, because the main hope of economic security for the tribe lies in the maintenance or increase of its working capacity. The milk given to the children is thus invested in future production. (16)

Cattle are able to satisfy other complex wants. Their slaughter for food has from time immemorial been associated with the ploughing and harvesting seasons. Here the decision is to provide fuel so that more human energy will be available to produce more grain. Even when cattle are given to a rain-making wizard in payment for expected services, this is investment, whether wise or not.

In all the manifold uses of cattle in a traditional society, we can detect the element of provision for the future. It is apparent that the high valuation on cattle has resulted

largely from their ability to contribute to the production of future supplies. This is clearly the function of capital, and from the economic viewpoint we may regard the cattle as producer goods. It appears likely that when closer acquaintance with the market economy has convinced the cattle owners that provision for the future can safely be made by other means, they will become more willing to send their cattle to market in exchange for goods of more immediate utility.

A favourite object of villification by economists is the "extended family system". It may be admitted that where neighbours or relations, however distant, can always be depended upon to lend a helping hand, incentives are likely to be diminished. Conceptually too, the interdependence of village life presents great difficulties:

Anyone who has ever tried to collect family income and expenditure budgets in a central African village will have been struck by the complications of the gift pattern and the difficulty of analysing it in Western economic concepts. Time and again in answer to the question 'And what did you give in return for such-and-such a good or service?' comes the reply 'Nothing. He did it to help me.' Rarely, it seems does the average villager build his house alone. It is generally built with the assistance of neighbours and not necessarily always with a beer party to cheer his helpers. Even where a beer party is held it is by no means certain that it is a "quid pro quo" rather than a celebration for which the joint labour provided the occasion. In effect, to decide whether an activity is a gift or represents a contribution to economic
output, it is necessary to decide whether or not it is made in reasonable expectation of a corresponding return or whether it establishes a claim (however qualified) to such a return. (17)

The social obligation to extend indiscriminant hospitality to relatives, friends and co-villagers will probably not survive the transition to a full money economy. It is apparently a legacy of a subsistence economy in which surpluses could not be marketed regularly, and the obligation therefore emerged to distribute them to relatives, guests, retainers and so forth.

Observations in areas at intermediate stages of social change show a tendency for the African who wishes to acquire possessions to escape his kinship obligations by migrating temporarily to another area, where he will work for wages until he has accumulated enough money to achieve his limited objective. This practice weakens the traditional forms of authority and security in the village and contributes to such social problems as temporary family break-ups in the villages and the growth of prostitution in the towns. (18) Economically, however, the increase in migratory wage-labour will benefit the economy, since the opportunities for employment must exist before such a practice can arise.


The general subject of labour motivation in economically-backward areas would appear to be one on which the advice of anthropologists might usefully be sought. Turning to Herskovits, we find that "motivations to labour lie in the realm of values". The study of value systems is "one of the most delicate and difficult operations in anthropological field research". Despite the admitted fact that this is "an area of anthropological research where relatively little work has been carried on", however, Herskovits feels able to state that "the data from the nonliterate societies makes it clear that considerations other than those of economic best advantage dictate labour and thus production". (19) This unqualified conclusion, dated 1952, is supported by numerous examples taken from anthropological works published between 1904 and 1938. (20)

The tendency of anthropologists to emphasize cultural differences in their attempts to discredit the validity of economic theory is an observable phenomenon. Yet, "all over the world, people are not free to dispose of their resources, as it were, de novo. Everywhere the main lines of expenditure are laid down; the aim of the individual's choice is to realize the maximum satisfaction along these lines". (21)


(20) For a critique of Herskovits' approach to 'Economic Anthropology' see F. H. Knight, "Anthropology and Economics", in JPE, April, 1941 (Vol. XLIX, No. 2).

We may close this section with the observation that what appears to be strictly required of the development economist is sufficient adaptability at least to recognize social change, together with enough understanding to discriminate between its fertilizing and its transitory or stultifying tendencies.

IV

PUBLIC ADMINISTRATION

The new rulers of "X" have inherited a small and fairly efficient civil service, which is still largely manned by foreigners. We may note at this stage, however, that the Western system of public administration is not the only, or even necessarily the best, one for "X". One student of public administration has pointed out that whilst there is a tendency to generalize from the Western experience and to raise its relatively new loyalties to the level of universal moral imperatives, primary loyalties differ, and "it can bring only confusion to judge one group of persons by the standards of another".\(^{(22)}\)

Thus, as a U.S. Senate subcommittee put it several years ago: "Low standards in the conduct of public affairs are a symptom

\(^{(22)}\) M. Berger, Bureaucracy and Society in Modern Egypt, Princeton University Press, 1957, p. 115.
of low standards in the country generally."\(^{(23)}\) According to Berger, this is true only if the standards are similar or grow out of the same traditions, as those which guide the conduct of public affairs. If, as so often happens, "the official standards of government are developed or imposed with little regard for the nature of the loyalties that command the general public, then immorality in the government does not imply immorality in the society. The measures are simply different."\(^{(24)}\)

It may be postulated, however, that a rationally-based system of public administration of the Western type is an absolute necessity for any state which undertakes an economic development programme. In fact, whether or not such a system is in harmony with the existing social values and social structure, it has to be made to work. Even a fairly modern and efficient administrative apparatus which serves the needs of a slowly changing agrarian society may be quite inadequate to cope with the added strains of a development programme, where government activity becomes more complex and positive.


\(^{(24)}\) Berger, *loc. cit.*
than ever before, reaching into areas of the economy previously ignored by the civil servants, and involving technical and financial problems out of all proportion to anything they may have been trained to deal with. Thus, in Pakistan, "while government policies have a clear and definite bias in favour of development, the administration, wedded as it is to the status quo in its approach as well as in its organisation and procedure, tends to pull in a different direction."(25)

Measures for eliminating bureaucratic rigidities are likely to affect morale in direct proportion to their severity, and may compound already severe staff shortages, especially where expatriate staff recruited from overseas is involved. Whether such rigidities are more important than simple inefficiency or dishonesty is a difficult question to answer. Hanson has remarked that:

the inefficiency of the administrative official is often equalled by his lack of public spirit. It is not that the peoples of underdeveloped lands are by nature less honest, or more ready to tolerate dishonesty in their officials, than are the peoples of the West. What we call 'dishonesty' arises from the fact that the country is in a state of transition, in which the standards of a primitive agrarian society have been disrupted but not yet replaced by those of a more advanced one. During this transitional phase, officials suffer great temptations to abuse their powers

for personal and sectional ends, and many of them, recently 'detribalised', have not yet acquired the capacity to resist such temptations that a sense of "public" responsibility brings with it. The disintegration of traditional "mores" inevitably releases among both rulers and ruled a crude individualism that is hostile to the development of a professional conscience, and the supersession of ancient forms of social organisation by 'novelties' such as mass political parties and trade unions gives a new and sinister significance to the granting of privileges and favours, which in former days was regulated by the comparatively wholesome customs of the tribe, clan, or extended family. In these circumstances even the most beneficient of institutions can be easily transformed into an instrument of illegitimate personal gain and political influence.(26)

Here we come to the essential recognition that the public administration problem is "only one facet of the greater problem of political and social change". (27) Although the public service may have to alter faster and more radically than the society it represents, and it may even be necessary for it to act as a "stalking-horse" for change, it is likely to remain an alien and rootless organization until its goals have been adopted by at least a majority of the people who make up the society.

V

In this chapter we have examined a few of the starting points from which political scientists, anthropologists, or

(26) Hanson, op. cit., p.55.
(27) Ibid., p.56.
specialists in public administration might begin their analyses of countries such as "X". All the factors discussed have a considerable bearing upon economic policy questions. In dealing with the more purely social factors, we flirted briefly with a kind of "economic determinism" by suggesting that the relative slowness of social change among the pastoralists might be due to the limited spread of the market mechanism. Since it would be equally valid to claim that the reverse was true, we dropped this line of approach.

It is apparent that the political and social picture in "X" is both confused and confusing. This knowledge enjoins caution in the application of economic reasoning. Without invalidating the theory itself, the element of confusion does appear to make it less defensible to advocate a wholesale application of the theory instead of a cautious step-by-step approach to a problem with so many indeterminate factors.

Here we are at the heart of an African dilemma — on the one hand are governments committed to wholesale reconstruction of society in order to "increase the range of human choice", (28) 'The method of production in material life determines the general character of the social, political and spiritual processes of life.' (K. Marx, Capital, London, Everyman's, 1933, XVI.) See also M. J. Herskovits, Economic Anthropology, N.Y., Knopf, 1952, pp. 487-502.

yet forced to regard this criterion, for the present, as a Western humanistic abstraction of little relevance to their nations; on the other, two opposed groups of economists, one enjoining caution and a "piecemeal" approach to development; the other urging "full steam ahead!". The enthusiasts might do worse than to heed Sir Robert Hall's warning that "there is a danger that underdeveloped countries will expect too much of the economists rather than too little: so that perhaps we ought actively to be engaged in reducing our image to proper proportions". (30)

Following this digression on confusion in economic affairs, we end this chapter with a quotation which might have originated in Accra on Conakry, but which in fact comes from Stellenbosch, the intellectual centre of Afrikaner nationalism. With the general view expressed, very few social scientists, especially economists, would disagree:—

Economic development of an underdeveloped people by themselves is not compatible with the maintenance of their traditional customs and mores. A break with the latter is a pre-requisite to economic progress. What is needed is a revolution in the totality of social, cultural and religious institutions and way of life. What is, therefore, required amounts in reality to social disorganization.

Unhappiness and discontentment in the sense of wanting more than is obtainable at any moment is to be generated. The suffering and dislocation that may be caused in the process may be objectionable but it appears to be the price that has to be paid for economic development; the condition of economic progress. (31)

CHAPTER II:

In the last chapter we examined some significant findings of specialists in political science, anthropology and public administration. Our aim was to illustrate the futility of adopting any rigid formula for measuring the quality of life or belief in Africa.

By way of illustration of the theme that explicit recognition of political and social factors is necessary before economic analysis can begin to do useful work in Africa, we shall briefly review in this chapter some aspects of the vexed question of development planning and policy formulation where political, social and economic factors will be found to be inextricably mingled. We shall continue to use the semi-fictional device of "Country X" to give continuity and coherence to our background material. At the end of this chapter, with the background completed, we shall dispense with "X" and proceed to deal with specific questions relating to the meaning and implications of "stabilization" as a policy aim for underdeveloped countries.

We have already mentioned that, with popular acclaim still ringing in their ears, the leaders of "X" have announced a rather hastily-drawn-up 'development plan' for their country.
The details of the plan need not concern us. We shall try instead to discuss three fundamental assumptions about planning in "X". These are:

1. That there is a correspondence between political and economic "dynamisms;"

2. That advanced economic and statistical programming techniques are capable of application in countries such as "X"; and

3. That "X" is the possessor of a 'colonial economy' which therefore suffers from a 'bias' in favour of primary production for export.

If there is one aspect of "X"'s economic development plan which might strike an uninformed observer as curious, it is the heavy reliance upon increased productivity as a result of the "psychological shock of national feeling", (1) which is expected to follow the attainment of independence. Unfortunately

this crucial factor does not lend itself to economic analysis. However, given a political system of the 'mobilization' type described on pages 10-12 above, it may be inevitable that there will be an optimistic reliance upon nationalistic fervour as one of the main driving forces behind economic development. For example, according to the account given by the United Nations Economic Commission for Africa of the 1960 Development Plan of the Republic of Mali, "the attitude of the masses to development must be transformed from a passive to an active one. As traditional education works too slowly to that end, the change must be accompanied by political action. Accession to independence should give the masses, 85% of whom are illiterate, a psychological shock of national feeling, through which this end may be achieved. The existing well-organized political party should, according to the Government, be the instrument in this action". (2)

In the U.N. publication, cited above the Mali Plan is referred to with approval, as representing "a more fundamental view of development programming" (3) than that found elsewhere. There is no comment about the interesting suggestion

(2) United Nations, loc. cit.
(3) Ibid, p.81.
that the national psychology should be changed, not through education (and the fostering of independent thought), but by "political action".

These are strange matters for the student to dabble in: nevertheless, they are necessary for an appreciation of 'development economics' in Africa today, since reliance upon the psychological shock of national feeling is common in the development plans of many African countries. It is possible, of course, to avoid agonizing by stating that psychological 'aggregates' are outside the scope of economics, or, at least, that their economic aspects cannot be measured. This leads naturally to the question of what can be measured.

II

Comprehensive planning involves the use of two techniques: a "programming" or a "project" approach. The programming approach starts from overall targets of national income, and then estimates the concomitant levels of consumption, capital formation, imports, exports and other relevant economic aggregates. In a further analysis these totals are broken down into sectors. Exchanges and relationships between the sectors are then calculated and fitted into a consistent
framework. Thus a more or less detailed description of the economy during a certain period is derived. Certain assumptions may have to be made regarding external factors as well as the coefficients of the system. The picture of the future economy thus obtained serves as a detailed guide to the policies which have to be followed if the economy is to reach the targets fixed and maintain the desired equilibrium. A further analysis of the sectors leads to a detailed formulation of the projects to be carried out in the context of the plan. (4)

The other possible approach, the project approach, involves starting at the other end, from individual projects proposed which can be worked into a comprehensive plan. Cost-benefit calculations regarding the direct and indirect impact of such projects on the economy are added together to give an overall picture of the changes to be expected in the economy. The aspects of the projects which have to be taken into account are, on the one hand, increases in production, income, employment, exchange earnings, tax receipts and the like, and, on the other, requirements of capital, material, labour of varying types of skill, foreign exchange, and extra demands put on public facilities. This approach, which would in theory result in the same kind of plan as the programming approach, is rather

rarely put into practice. (5)

An atmosphere of pained disapproval permeates some contemporary discussions of development planning in Africa. This is well illustrated in the United Nations publication referred to previously, where it is pointed out that development plans in Africa are usually not comprehensive, being "mainly public capital expenditure programmes containing no projections, objectives or targets for the private sector". It is said that even though they contain lists of projects, these plans ought not to be confused with the "project approach" to development programming, because they take no, or very limited, account of the impact of the projects on the economy. It is true that, as far as demands on resources are concerned, the only aspects usually assessed in such plans have been capital costs, although in recent years, the effects on current budgets have also been estimated and taken into consideration. It is claimed therefore that the only benefits normally estimated have been direct benefits, i.e. "no explicit account has been taken of the wider repercussions on the economy." As a consequence, it has always been difficult in these plans to establish proper priorities and make rational comparisons between projects. The plans concerned are therefore "more truly government capital expenditure programmes than development programmes proper." (6)

(5) Loc. cit.

(6) Ibid. pp. 74-75.
It sometimes appears that the reasons for the lack of "rationality" in the "capital expenditure programmes" of African countries receive less emphasis than they deserve. Regarding the most obvious of these reasons, it will be unnecessary to enter into the merits, real or assumed, of comprehensive planning, per se. It is hoped even without such a discussion, to demonstrate that the comprehensive approach is, at least in the short run, impossible, since it is apparent that nothing more than a rudimentary (and purely non-operational) beginning can be made on such an approach in the absence of detailed statistical data. (7) We shall therefore look at the state of African economic statistics.

Writing of her five year's work on the social accounts of Nyasaland and Northern Rhodesia, Phyllis Deane said that her experiment in national income measurement for colonial territories had a very limited success. It resulted in the construction of a series of articulated but necessarily incomplete social accounts which within the limits of such crude accounts were as reliable as the existing stock of data would permit. It set up a framework which could be useful for general descriptive and analytical purpose but was by no means sufficient to form the basis for a detailed national budgeting. Miss Deane remarked

(7) The remarks which follow apply a fortiori to the exhortations of the writers who urges use of input-output tables, so far as these remarks are intended to apply to African countries. See, for instance, D. Dosser, "Development plans in British Colonies". In Economic Journal, Vol. LXIL, June 1959. pp. 255-266.
inter alia that; "The statistical material is inadequate for the purpose of precise and intelligent analysis, and the concepts which are applicable to a money-exchange economy mean relatively little in the context of a subsistence economy". She found no simple economic magnitudes which would express the movements of a semi-subsistence economy with any degree of reliability, and no economic indicators which could safely be set up as guides without a fairly detailed map of the accompanying economic and social context. (8)

Following her work on the rather better documented and largely cocoa-producing economy of the Gold Coast (Ghana), Polly Hill had this to say:

in the present state of ignorance, 'totals' have very little value. It would be nice to know, far more exactly than we do, how many cocoa farmers there are in the Gold Coast; it would be nice to know how many labourers they employ; it would be nice to know a great deal about the size-distribution of the farmers, in terms of loads of cocoa produced. But unless a good deal were also known about, say, the systems of labour employment for different kinds of cocoa farming work, the total employment figures would lack interest. If it were known that farmers who produced 40 loads annually accounted for \( \frac{x}{2} \) of the Gold Coast's cocoa and numbered \( \frac{y}{2} \) of all the Gold Coast's farmers, one would still be no nearer answering the question of whether a rise in the cocoa price up to £p a load would result in increased output in either the short or the long run. (9)

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A noted pioneering attempt to apply modern statistical techniques in African conditions was that of Messrs. A. T. Peacock and D. Dosser, who attempted to construct an inter-industry input–output table for Tanganyika. They divided the economy into eighteen sectors. This meant that a possible 306 inter-industry flows could be identified. They found that it was possible to fill only 23 cells in the production matrix with quantities which were significant in amount. Further, all the sectors in the production matrix taken together delivered only £3.8mn of output to other sectors, compared with deliveries of £181.6mn to final demand. The largest flow shown was an (imputed) purchase of grain by "Craft Industries", which meant brewing, from "Staple Agriculture".

The "empty boxes" of the Tanganyika input–output table are explained by the lack of interdependence between various sectors in a largely peasant-farming economy. Labour is relatively plentiful in Tanganyika, and the return to capital is usually large, but inputs of these factors are not shown in a conventional production sector matrix. Yet labour is almost the only input in subsistence agriculture, and wages and profits

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account for almost all costs even in cash-crop agriculture. In those industries where there are substantial inputs other than capital and labour, these are mainly imported goods, which again come from outside the production sector matrix. On the output side, the export industries obviously sell to a sector which is outside the production sector. And even staple-crop agriculture sells direct to the consumption sector.

Peacock and Dosser concluded that "input-output analysis must be of very great potential use to justify the expenditure of large statistical resources on it. But, at least in Tanganyika, uses at present seem to be slight". (12)

The handicaps of comprehensive development planning in tropical Africa are well illustrated by the evidence set out above for Northern Rhodesia, Nyasaland, Ghana and Tanganyika. It appears that, even if such planning were thought to be intrinsically desirable, most African countries would have to divert resources to building of adequate statistical services over a period of several years before even the preliminary data could be assembled. Further, for as long as predominantly subsistence economies are the rule, sophisticated statistical techniques of the order of input-output analysis will not work.

One may or may not agree with Professor W. A. Lewis's dictum that "the case against detailed central planning is that it is undemocratic, bureaucratic, inflexible and subject to great error and confusion. It is also unnecessary". (13) But it seems that for years to come its cost and slight usefulness in African conditions will be prime factors in ensuring that comprehensive planning is not adopted on any widespread scale.

Certainly there appears at the present early stage of development to be a much better case for "piecemeal planning," i.e. for concentrating on a few of the "commanding heights" of the economy, such as the level of exports, or capital formation, or food production, and for leaving the rest of the economy to adjust itself to demand and supply. "Piecemeal planning" does not imply an absence of forethought or rationality, nor does it imply rejection of the use of statistical techniques. It does comprehend interference with the market mechanism where this is necessary, i.e. where it is a priority objective to modify the results that would be yielded by market forces operating alone. But it stops far short of the wholesale (and non-operational, as we hope we have shown) prescriptions of the proponents of comprehensive planning for tropical African countries.

Lastly we come to one of the basic assumptions which appears to guide the formulation of development plans in many of the poorer countries.

The 'export bias' doctrine has acquired a certain vogue through its association with nationalistic anti-colonialism. In its simplest version, the doctrine merely states two undoubted facts; that colonial economic policies were directed mainly towards encouraging production of primary products for export, and that this was usually to the benefit of the metropolitan countries. From these premises, however, a variety of more or less sweeping conclusions have been drawn. The commonest of these is that either through malice or ignorance, colonial policies retarded general economic development, and, worst of all, built into the colonial economic systems a pernicious form of bias in favour of primary production for export.

We may question whether African chiefs, amongst others, would if left to themselves have pursued conscious policies of economic development. The most effective refutation of the 'export bias' doctrine, however, is contained in a
1958 article by the Burmese economist, Hla Myint, entitled "The 'Classical Theory' of International Trade and the Underdeveloped Countries". Dr. Myint provides a consistent alternative explanation of the present high degree of concentration of ex-colonial territories on primary production for export.

In order to do this he has gone back to Adam Smith and has pointed out that the Smithian theory of international trade contained two leading ideas. The first, which is familiar to students everywhere, is that international specialization improves the division of labour and thereby raises the general level of productivity within a country. This aspect of classical theory, says Myint, provided the rationale for the 19th century "export drive" policies of many colonial governments, and to the debatable extent that such policies may have meant "warping" the productive structures of some countries to meet export demands, criticisms of "colonial economies" may, in this context, be granted to have a certain limited validity. However, the second, and more generally neglected, aspect of Smith's trade theory, redresses any debit balance established by the first.

Myint points out that Smith viewed trade as providing a "vent for surplus", in the sense that it created an outlet for

surplus land and labour where there was no domestic demand. The following paragraphs contain a sketch of the analysis with which Myint applies this aspect of Smithian doctrine to the conditions of both 19th century and present-day underdeveloped countries.

The author begins by drawing a comparison between the Ohlin version of the comparative costs doctrine, (15) and the "vent for surplus" theory. The former assumes, firstly, that the resources of a country are fully employed at the time it enters international trade, and, secondly that there exists perfect internal mobility of factors. Smith's theory assumed on the contrary, that resources were not fully employed on entering into trade (i.e. that the country possessed a sizeable surplus productive capacity), and also that there was a considerable degree of internal immobility or specificity of factors. These assumptions appear to fit the fact of both the last century and today, especially where sparsely-populated countries are concerned.

Thus, Myint writes that in dealing with a sparsely-populated underdeveloped country newly entering into trade, Ohlin would "equilibrate-away" the initial disparity between land and labour by assuming a fully developed money economy in which

land was cheap and labour dear. But the transition from a subsistence economy to a fully-developed money economy takes place only after the country enters trade, and for so long as transportation remains primitive and specialization in production non-existent, both land and labour are likely to be cheap because there will be no incentives for self-sufficient peasant economic units to produce more than their own requirements. The role of trade is therefore to provide both access to a market and incentives to induce people to respond to the market's demands.

The real importance of international trade for countries which still have large pockets of subsistence production, therefore, lies in the incentives it provides for extension of communications, capital formation, economic development, and the breakdown of outdated social institutions through utilization of already existing surplus productive capacity. No-one who has understood this simple fact is likely to subscribe to the "export bias" or "colonial economy" doctrine, especially since its corollary is that the real choice facing 19th century colonial governments "was not so much between using resources for export production or for domestic production as between giving employment to the surplus resources in export production or leaving them idle". (16)

Myint quotes Indonesia as an example of the applicability of his analysis. Production of rice by peasants of Java and Sumatra for export has traditionally been carried on, not as a specialized separate branch of production, but in addition to the cultivation of subsistence crops. Rice for export has been grown on surplus land, and the income derived from this crop has been regarded by the peasants as a surplus over their subsistence needs. Today, however, population pressure has resulted in exhaustion of the surplus land. Export production is falling off as more and more land is drawn back into subsistence use. Despite Indonesia's undoubted comparative advantage in rice production, the limited spread of the money economy has combined with the peasants' desire to secure their subsistence needs at all costs, and the result has been that both rice exports and foreign exchange earnings have been reduced. In Myint's view, given the social and economic conditions prevailing in many underdeveloped countries even today, it is fair to conclude that the trend in their export trade will be nearer to that suggested by the surplus-productive capacity approach than to that suggested by the theory of comparative costs. He also points out that in the absence of an overnight transition to a fully-developed money economy, coercion by the state may be the only means of maintaining Indonesia's export
production in the face of population pressures.

We may add an example of our own to illustrate Myint's approach to the beneficial effects of trade in its impact upon outdated social institutions. We referred in Chapter I to the so-called "extended family system", under which there exists a traditional social obligation of the possessor of a surplus to distribute it at ceremonial feasts to a swarm of dependants and retainers. And yet, is it not obvious that this obligation is a relic of a subsistence economy, in which surpluses could not regularly be marketed? There is abundant evidence to suggest that, once trade begins, the economically advanced sections of the community will take steps to avoid incurring such "outdated" social obligations.

A defect of the Myint approach is that it provides at best a clumsy tool for economic analysis. But the student of economic development is dealing with some very "clumsily" organized economies, and the Myint approach appears to be conceptually preferable to the type of analysis which implicitly assumes the highly-restrictive Ohlin preconditions to have been met at least in part. The true importance of the "vent for surplus" approach is twofold: it provides a viewpoint of international trade in connection with economic development, by drawing attention to the role of trade in creating social external
economics in backward societies; and it focuses attention upon the actual, as opposed to idealized, social and economic conditions of underdeveloped societies.

This short resumé of the Myint position by no means disposes of the multitude of arguments concerning the 'unfairness' of the present pattern of international trade. It provides merely a foretaste, since we shall have occasion to refer to such arguments in greater detail in the following chapters, where we will discuss the economic merits of commodity price stabilization schemes.

We have attempted so far to provide a fairly comprehensive background against which the discussion of stabilization policies can be brought into focus. Thus, whilst we shall from here on be chiefly concerned with economic analysis of this specific policy question, it is hoped that the preceding chapters will illustrate some of the ways in which the analysis may have to be modified in operational circumstances. For example, micro-economic analysis should allow for the peculiarities of a predominantly subsistence economy with poor transport facilities; welfare judgements may have to be suspended to take account of the realities of 'mobilization' types of political organization, with their emphasis upon the psychological rewards
of reorientation of economic activity; problems of measurement may be seen as being rooted in the real difficulties encountered in compiling statistical data in backward economies; and recommendations for government action can be viewed in the light of the dichotomy between the ambitions of the governments and the low level of their resources in the field of public administration.
CHAPTER III:

For the purposes of this chapter, "underdeveloped countries" are defined as those countries in Africa, Asia and Latin America with levels of real income and capital per head of population which are low by standards of North America, Western Europe and Australasia; they are countries in which there is no large-scale application of modern technology to agriculture and industry; subsistence production is generally important; home and foreign markets are comparatively narrow; and exports of primary products are the major source of foreign exchange. (1)

"Primary products" are defined as "those commodities which are entering the economy for the first time and which have undergone little or no processing, other than that required to obtain them in their original form and to prepare them for marketing," (2) including agricultural products of all kinds, fishery and forest products, minerals and mineral fuels.

From the many generalizations which are made about underdeveloped countries, only one has been selected for discussion in this chapter. The argument which it is proposed

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(1) P. T. Bauer and B. S. Yamey, The Economics of Underdeveloped Countries, Cambridge University Press, 1957, p.3.

to examine is based upon the following propositions:

(a) that underdeveloped countries depend for their imports of capital goods on foreign exchange earned by exporting primary products,

(b) that because short-run demand for these exports is highly variable, being an "overspill" from the industrial countries, and since short-run supply is relatively inelastic, highly variable prices result.

(c) that the average prices received for the exports are unfair; they are sometimes too high, inducing over-investment, but more often too low, leading to foreign exchange problems reduced capacity to import, and a sluggish growth rate. (3)

From these premises, deductions similar to the following have been made:

(d) "International action in the field of commodity price stabilization is necessary to alleviate the acute problems facing exporting countries." (4)


It is the purpose of this chapter to examine the validity of this proposition.

It will first be necessary briefly to discuss the propositions (a), (b) and (c), upon which the main proposition rests; (a) is true by definition; (b) will be examined in the course of the chapter, although there is no dispute as to its essential truth (we assume that in international trade the excess demand of the importing country always represents the net of total demand and domestic supply (i.e. "overspill"), whereas the excess supply offer of the exporting country is derived from total supply and domestic demand); (c) is vague and subjective with regard to price levels but clear as to the alleged effects of "high" or "low" prices. These effects are thought to be subjects for domestic, not international, action. They are treated toward the end of this chapter, and in a more detailed fashion in the following chapter.

A final note on method and content. "Stabilization" is essentially a short-run concept when used in connection with the export proceeds of underdeveloped countries. This chapter is not intended to deal with long-run factors, and the discussion will be confined as far as possible to short-run considerations.

A glance at the directional pattern of the trade in primary products serves to demonstrate the extent to which
the underdeveloped countries rely upon the level of aggregate demand in the industrial areas. In 1960, according to the United Nations, the advanced industrial countries took 70% of the total exports of the primary exporting countries; trade between the primary exporting countries absorbed another 25%; the remaining 5% went to the countries of the Communist block.

The commodity pattern of the trade in primary products suggests that not only are the underdeveloped countries vulnerable and highly dependent upon aggregate demand in the Western industrial economies, but they are able to offer only a few of the products which these economies want. Thus, according to Professor Cairncross, 75% of the exports of underdeveloped countries consists of seven commodities or groups of commodities, which are, in order of importance, petroleum, beverages, textile fibres, base metals, sugar, oilseeds and fats, and rubber.

Limited as a group to a small variety of products, the primary exporting countries are often found to be even more vulnerable to price fluctuations when taken individually. In 1953 there were thirty countries, all underdeveloped, that depended on a single product for at least half of their export.

(5) Ibid. p. 2-6.

(6) It is not stated whether these figures include exports from such countries as the U.S.A., Canada and Australia. If so, the proportion of exports from underdeveloped countries going to industrial areas would probably be higher than 70%.

earnings, and between them these countries accounted for 40% of all exports from the three poorer continents.\(^{(8)}\) Few of these exports are consumed at home in the exporting country or produced abroad in the importing country, which reduces the elasticity of net supply in the exporter, and net demand in the importer. Where, as with sugar beet and tobacco, competing producers exist in the importing countries, supply is frequently highly elastic for price increases, thus setting a ceiling to prices obtainable for such exports.

The following figures give some idea of the extent to which the export earnings of individual underdeveloped countries can fluctuate; according to Professor Higgins,\(^{(9)}\) during the nine year period 1948 – 1956 the actual (price) fluctuations averaged 10 – 15% for Thailand rice, for Ceylon tea, for Indonesian and Malayan tin, and Philippines abaca. For Burmese rice, Philippines copra, and Pakistani jute the range was 15–20%. Rubber prices showed an average fluctuation of 30%. It must be remarked, however, since Professor Higgins does not do so, that these figures include the Korean war period, and may therefore tend to reflect abnormal conditions,


which were extremely favourable to primary producers at that time. Whatever may have happened at other times, Ragnar Nurkse has estimated that the shift in the terms of trade in 1950 benefited the underdeveloped countries to the extent of two billion dollars in 1951 alone. (10)

As far as we have gone it appears that the underdeveloped countries are in a vulnerable - or perhaps a better word would be "speculative" - position; they depend upon a narrow range of products, and both the volume and price of their exports are likely to be determined by market demand conditions. The long-run implications in favour of diversification of their economies are fairly clear, but we still have to discuss the factors affecting the supply of primary products.

The supply of primary products from the underdeveloped countries is generally considered to be inelastic. Indeed, the propositions which we are examining in this chapter explain price fluctuations in terms of an inelastic supply curve facing a relatively elastic demand curve, which is "highly variable", i.e. liable to slip suddenly to the left or right. In such a situation we should expect a leftward shift in the demand curve, with supply remaining constant,

to result in a small reduction in quantity accompanied by a larger drop in price. This is in fact what appears to have happened during the 1957/58 recession, which affected all the leading industrial countries.

According to the United Nations Economic Bulletin for Africa, (11) "the volume of exports from primary exporting countries in 1958 was practically unaffected by the depression, while the average export unit value dropped sharply". "The combined effect of the unchanged volume of exports and of a lower unit value was a decrease in the average (sic) level of proceeds of 5-6%", compared with 1957. On the other hand, the import unit value of the primary exporting countries showed the greater resistance of prices of manufactures to cyclical downswings and declined by a considerably smaller percentage; the result was "a deterioration in the terms of trade of the primary-exporting countries of approximately 4\%." (12)

If the evidence in the first part of the previous paragraph is accepted for discussion purposes as typical (even though it implies an absolutely inelastic, i.e. vertical, supply curve, thereby demonstrating the basic weakness of the aggregate approach to single commodities), the effect of cyclical recessions in the industrial countries upon incomes in the primary

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(12) Loc. cit.
countries can be acknowledged without further ado.

Although supply is unlikely to be as inelastic as the aggregate calculations above would indicate, there are sound reasons for assuming that it cannot easily be varied in the short run. The problems of persuading peasants to change to a new staple crop are usually mentioned, and also the preponderance of long-maturing perennial crops in which increased capacity cannot easily be reversed. Mineral production is said to continue during recessions because of high overheads, and the need to keep a trained labour force intact. The fact seems to be that, in developed countries, entry and exit in manufactures are relatively easy; in underdeveloped countries, however, entry is easy for primary products, particularly in agriculture, but exit is difficult because of the difficulty in reversing increased capacity installed during periods of high prices. And entry is difficult in most kinds of manufactures. The result is that when the price falls, the supply of primary products fails to contract; but when prices promise to rise, the supply of primary products rises, whereas the supply of manufactured imports does not. This provides a strong basis for the tendency illustrated above, of the terms of trade of primary exporting countries to worsen during cyclical recessions.
One influence of the supply of primary products often goes unmentioned. Many treatises on economic development either ignore or make only passing reference to the weather as a cause of severe fluctuations in supply. Yet "there are hundreds of millions of people in the world whose incomes depend primarily on the amount of rainfall in the growing season."(13)

To the extent that the supply of agriculture products is liable to fluctuate from natural causes, a diminished quantity would result in a higher price where the exporting country provided a substantial part of the world's needs of a particular commodity. The amount of the price rise would depend upon the elasticity of demand for the commodity, and upon the elasticity of supply from alternative sources. Only a detailed breakdown by countries and commodities could illustrate this effect, but it does appear that when some primary exporting countries have been hard-hit by natural hazards they can expect to be cushioned by an improvement in their terms of trade.

The discussion so far has tended to show that there is some substance in the second of the propositions under review: price fluctuations do occur; demand is variable and appears to shift according to cyclical conditions in the industrial countries; elasticity of supply in the face of a

price drop is small (in the example taken, a leftward shift in demand appears to have resulted in the market being cleared at a lower price); and we have introduced another factor — supply is also variable, because of natural hazards. It seems, then, that the question of whether primary commodity prices in general are determined by supply or demand factors can only be settled in individual cases. We therefore leave propositions (b) and (c) above with the comment that they contain some truths but that there is no evidence to support the implication that demand factors are wholly, or even mainly responsible for the economic woes of particular underdeveloped countries.

Some light may be thrown upon the main proposition in favour of an international commodity price stabilization scheme if a digression is first made to discuss some background aspects of the proposal.

A number of politicians and economists, particularly from Latin America, appear to support such a scheme; some development economists in the United Nations Organization and elsewhere also favour the idea. It seems that a certain hint of "blame" for the operation of the mechanisms of international trade permeates the discussions which take place on this subject; thus, demand conditions are said to be "responsible" for commodity price fluctuations: _ergo_ the industrial countries, who have
allowed their demand to fall below an acceptable level, should "do something about" the situation— that is, they should support an international stabilization scheme, presumably by providing funds for the support of an international scheme of the buffer-stock or buffer-fund type.

It is normal and at times even praiseworthy for politicians to demand action by foreigners instead of calling for painful and unpopular effort and adjustment at home, but to the extent that economists may have acted from the same motives, the situation has its ludicrous aspects. In the case of cyclical fluctuations in demand due to business recessions in the industrial countries, the critics should take comfort from the knowledge that recessions are unpopular everywhere. As for fluctuations in supply due to natural causes, it is clear that price stabilization will not change the weather.

Two warnings will be sounded at this stage of the discussion of the proposition for international action in the field of commodity price stabilization. First, the present pattern of international trade does involve some inequities (which need not be discussed here), and it may contain certain long-run implications in favour of economic diversification as the only solution for some countries. There is a danger that these implications might be obscured by the operation of a
stabilization scheme, which would then have served only to delay adoption of the correct long-run remedies for the basic economic disequilibria from which some countries are known to suffer. Second, the political feasibility as well as the economic need for stabilization schemes on the international level is open to question. As already noted, they depend upon the co-operation of the industrial countries, in the sense that the buyers are expected to assume some, if not all, of the sellers' risks; in terms of neo-classical allocation economics, action of this sort might be held tantamount to "socializing" international trade, since, amongst other things it would tend to obscure the market signals which guide the allocation of resources.

Professor Haberler may have had these considerations in mind when he said at a Conference on Economic Development for Latin America which took place in Rio de Janeiro in 1957 that:

instead of learning to live with a certain amount of instability, making the economy flexible, and evolving methods to offset some of the consequences of the fluctuations in international demand and export proceeds, administratively and politically, if not economically, hopelessly unworkable schemes of price stabilization are being proposed and discussed.\(^{(14)}\)

The consensus of the discussion on stabilization of

\(^{(14)}\) G. Haberler, "Terms of Trade and Economic Development", in H. S. Ellis, ed. \textit{op. cit.}, p. 296.
export proceeds which took place at this conference was that, although stabilization of incomes was an important objective, efficient methods of achieving it through international co-operation were unlikely to materialize.\(^{(15)}\) At one extreme was Professor Haberler, who said that "the existing international credit machinery, together with the maintenance of a high level of business activity was as much as was needed from the side of the industrial countries". At the other were two South American economists who supported an international stabilization scheme but feared that the prices fixed would be too low "because the United States might take advantage of its position as a monopolistic buyer to keep prices low".\(^{(16)}\)

It emerged in the course of Professor Wallich's paper\(^{(17)}\) and the discussion that followed that the chief purpose of stabilization agreements from the point of view of the underdeveloped countries was not so much price stabilization as to effect improvements in the terms of trade, i.e. to effect income transfers. There are other means of effecting such transfers, and it appears to the writer that there can be few methods more dis-


\(^{(16)}\) \textit{Loc. cit.}

\(^{(17)}\) \textit{Ibid.}, pp. 342-365.
tortionary in their effects than the one proposed. The choice before those developed countries which wish to help the poorer countries to stabilize their economies, is in essence one between price support through stabilization schemes or straight income transfers in the form of international aid. Stabilization schemes are in fact analogous to the price supports which are preferred by American and European farmers — although not by economists — to the alternative system, as practised in the United Kingdom, of income guarantees combined with freely-fluctuating prices. The latter has the advantage of not obscuring market signals; it therefore helps to make the economy more flexible by encouraging the removal of resources from unstable or unprofitable lines of production. Where underdeveloped countries are concerned, this effect is important, because, as we have seen, much of their "vulnerability" in international trade springs from the tendency of their supply of exports to be highly inelastic with respect to price decreases in lines of lagging or declining demand. It would of course be naive to ignore the political factors underlying the preference of the poorer countries for indirect aid through stabilization schemes; they are motivated, as are American and European farmers, by the fact that there are fewer potential "strings" to price supports than to income subsidies. Nevertheless, the purely economic justification for preferring income
subsidies effected through international aid is clear. The conclusion appears warranted that even where individual commodity price stabilization agreements exist, they should be regarded as emergency measures, particularly to assist the one-crop producers, and should be coupled with aid to assist in the necessary diversification and expansion of other lines of output.

If international income transfers are ignored and all that is required is stabilization of producer prices and incomes, this can, as will be discussed in the next chapter, be achieved by purely national action. A country can adopt the technique of the West African Marketing Boards or some refinement of it, selling its commodities on the world market for whatever they will bring, paying or taxing its producers according to the difference between the stabilized and the world market prices. It can accumulate exchange reserves in good times and draw them down in bad. A country following this policy would not stabilize the world price, but its domestic economy and its imports would behave as though the price had been stabilized.

In concluding the discussion of the case for an international commodity price stabilization scheme, we return to the assertion that the context of all modern discussions of underdeveloped countries is that of capital formation for development. Once it is placed firmly in this context, it is easy to see that
the chief merit of an international commodity price stabilization scheme would be as a device for avoiding painful but necessary economic and political adjustments in the underdeveloped countries themselves.

An increase in a country's export proceeds through improvement in its terms of trade can by itself contribute little or nothing to development. The extra foreign exchange must be used to finance imports of capital goods. Unless the whole of the increase in income is channelled into savings, and thence into capital investment, it may even hamper future growth by causing inflation and increased demand for consumer imports resulting from a combination of higher incomes and higher domestic prices. (18)

Given the desire for rapid economic development, it is for individual governments to decide whether voluntary savings out of export surpluses can be relied upon to finance development; if the answer in a particular country is that they cannot be so relied upon, then the government may have to use its powers to extract forced savings; particular circumstances will determine whether fiscal or monetary policies or devices like the West African Marketing Boards, or a combination of all three, are used. But on no account can the present situation, in which

stringent policies for mobilizing capital and controlling inflation are non-existent in many underdeveloped countries, be allowed to persist.

In essence then, the proposed international commodity price stabilization scheme would treat a symptom without affecting the disease. The biggest problem for many, if not most, underdeveloped countries lies at home, and it is for the governments of these countries to ensure that their present export proceeds are applied for development purposes. A country with sound internal policies should have little difficulty in obtaining a measure of security through the existing international credit machinery. The immediate responsibility for internal stabilization is one which can neither be shared with nor shifted to an international price stabilization authority.

In summary: the discussion of this chapter has covered some aspects of the demand for and supply of primary commodities; it has been noted that severe price fluctuations occur and that some underdeveloped countries are in a speculative position, which varies from year to year, from country to country, and from commodity to commodity. The possible long-run implications in favour of economic diversification for those countries which tend to speculate unsuccessfully have been mentioned, and the view had been expressed that international action which might
tend to obscure these implications is undesirable. It has been observed that, to the extent that international price fluctuations result from cyclical recessions in the industrial countries, the most important stabilizing contribution these countries can make is the maintenance of a high and sustained level of business activity in their home economies. Finally, extreme doubts have been cast upon the practicability, necessity or desirability of international action in the field of commodity price stabilization; such action is not well-designed for effecting international income transfers; to the extent that it would shelter inefficient governments from the consequences of their short-sighted policies, it is undesirable; and whilst it might protect local producers from price fluctuations in world markets, this end can equally well be achieved by domestic action. In the next chapter we shall discuss some types of domestic action which might be included under the broad heading of "stabilization".
CHAPTER IV:

We have examined the meaning and implications of "stabilization" in the international field, and shall now deal with the same concept as it applies to the domestic policies of tropical African countries. The particular aspect of stabilization policy selected for treatment in this chapter is the marketing of agricultural export surpluses by means of statutory export monopolies.

Such monopolies, or marketing boards, handle all important export crops in the former British colonies of East and West Africa. With the actual organization of the Boards, which has changed considerably during the course of the last few years, we shall be little concerned. Suffice it to say that each is predominantly 'official' in composition, and that all work under the close policy supervision of the governmental authorities. They have little or no autonomy except in matters of detailed administration; any further degree of autonomy would be inappropriate in view of the large part of the economic welfare of the countries concerned which is tied-up with the Boards' activities and methods of operation. As late as 1954 the financial resources of the West African Marketing Boards exceeded those of the governments they served. (1) The dis-

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posal of their large reserves has been a major factor in the political and economic situation in these territories.

The best-documented and most important single crop under control of a Marketing Board monopoly is Ghana cocoa. We shall as far as possible draw upon examples from this crop, which can be regarded for purposes of analysis as typical.

Cocoa accounts for approximately 60% of Ghana's exports by value. (2) Ghana grows approximately 72% of Africa's cocoa, and is the world's largest producer, with 38% of total world production in 1960/61. (3) The average annual price fluctuation of cocoa on world markets during the seven years 1954-1960 was 25%. (4) The contribution of cocoa export duties (levied on a sliding scale on all Marketing Board surpluses) to the national revenue has varied between 55% in the exceptional year of 1954 and 20% in the bad year 1957. (5) The importance of the crop in Ghana's economy is evident.

The Cocoa Marketing Board, the successor to a wartime Produce Control Board, was founded in 1947, following the issue of a British Parliamentary White Paper in 1946. (6) The White

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(2) For detailed statistics for Ghana and other West African countries, see Statistical Appendix, Tables I and II.

(3) See Tables III and IV, Appendix.

(4) Table V, Appendix.


Paper stated that wartime experience had shown that the Government could achieve stabilization of seasonal prices paid to cocoa producers. After noting that wartime price stability had been "generally welcomed" in preference to the fluctuating prices of the pre-war era, the White Paper stated that "the remedy for many of the evils afflicting the West African cocoa industry lies in imposing a buffer between the producer and the international market which will protect him from short-term fluctuations of world prices and allow him a greater stability of income." As envisaged in the White Paper, in seasons when world prices were high, the price paid to the producers would be less than the average realization on sales of the world market. When world prices were low, the Board would pay a higher price to producers, out of surpluses accumulated during the boom years. It was expected that transactions would approximately balance over a period of years, with the producers having received an average price "substantially equal to the average net price realized on world markets." It will be noted that the White Paper drew no distinction between income stabilization and price stabilization, and that it was vague as to the time period over which "averaging" was to be achieved.

It is unnecessary to go into the detailed reasons why wartime price stability had been "generally welcomed" by
producers. (7) Frequent and wide fluctuations in the prices and incomes of producers entail important social, political and economic disadvantages wherever they occur. Where the impact of the money economy is comparatively recent, understanding of the economic forces which are at work is correspondingly limited, and the population are apt to blame adverse price changes on the 'exploitation' of merchants. Sharp short-term variations in prices may also lead unsophisticated producers to bring about changes in capacity which are not justified by the long term trends. The effect of discontinuous fluctuations in income on the propensities to save and to import is also important.

There is no doubt that insulating the home economy from fluctuations of world market prices was an important policy objective. The difficulties all lay in achieving the objective. As Professor P. T. Bauer has pointed out, stabilization policy in West Africa suffered, at least in its earlier stages, from the failure to define the objectives of the policy in an unambiguous way. The concept of stabilization may refer to stabilization of prices, money incomes, or real incomes. Stabilization of any one of these may destabilize the others; and in certain likely circumstances, such as a rise in import prices

or a crop failure, it will necessarily do so. (8)

The White Paper quoted above assumed as self-evident that fluctuations in prices and incomes are the same thing. But where fluctuations in output due to natural causes are concerned, this is not so, particularly where the producing country is an important supplier on the world market. We remarked in Chapter III on the "cushioning" effect of a rise in world price when a country had experienced a crop failure. To stabilize prices in such circumstances is actually to destabilize incomes. Moreover, in conditions of a general rise in prices and costs the stabilization of money incomes would mean a fall in the real incomes of cocoa producers, although this would not necessarily be the case with other groups of income-earners in the economy. The cocoa-producers might then find themselves singled out by their stabilization scheme for specially unfavourable treatment.

This ambiguity appears again when we consider the concept of stability over time, which appears to be meaningless.

without reference to a specific period over which the accumulated surplus of the Board is to be disbursed. The lack of a clear policy directive led to the accumulation by the Ghana Cocoa Marketing Board of huge surpluses within a few years of its inception. As Bauer remarked,

When there is no stated or even contemplated finite period over which stable prices are to be achieved, the continuous accumulation of increasing reserves could provide its own perpetual superficial justification. In these circumstances even the most austere producer price policy could be justified by postulating an infinitely large and prolonged fall in market price in the undefined future. (9)

If disbursement of the surplus is considered over time, some further conceptual difficulties appear. Output in every region of Ghana varies considerably from year to year, sometimes in the opposite direction from the total output; (10) it is only to be expected that variations between individual farmers within the various regions will be even more random. There are also considerable geographical shifts in production, with new farms coming into bearing for the first time, and old farms going out of production. If the funds were distributed in proportion to present-day production, the old farmers who have been wiped out

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(10) See Appendix, Table VI.
by swollen-shoot disease (11) would receive nothing and would in effect be subsidising the new farmers who have just begun to produce. This is not stabilization of incomes; it reduces the incomes of some producers and adds to the incomes of others. It is virtually impossible to find an income stabilization formula for the individual farmer.

There are obviously fundamental ambiguities in connection with the specific definition of stabilization as a policy aim. We have seen that the announced purpose of the Ghana Board was simultaneously to stabilize prices and income, although the two are by no means the same thing. The process of accumulating surpluses for stabilization in the event of a price drop in the undefined future has appeared to be one which may be largely self-perpetuating. And the disbursement of surpluses accumulated over a number of years seems to present insurmountable problems of equity in income distribution.

Quite apart from these ambiguities, the desirability of stabilization (whether of prices, money incomes or real incomes) can be questioned on other grounds. The aim of the policy is not to 'fix' producer incomes at their present levels, but to remove or reduce random fluctuations about the long-period

(11) For a detailed account of the attempts to control this virus disease which caused cocoa production in the Eastern Region of Ghana to drop from 116,000 tons for 1937 to 38,000 tons in 1956, see J. B. Wills, ed., Agriculture and Land Use in Ghana, London, O.U.P., 1962, pp. 306–314.
trend of world prices. There is a serious risk that the stabilization measures will lose contact with this trend, since it is not possible to say until well after the event whether a particular price change was a short-term fluctuation or a phase of a long-term change. If the world market price itself is comparatively stable, then the price stabilization scheme will work - but then there will be no need for the scheme. A large-scale long-period change in one direction could not be "evened-out" by a stabilization scheme, except by extreme luck in forecasting, and then only for a few years. It would in any case be unwise to try to fight against a persistent trend, upwards or downwards.

This leaves drastic short-period changes due to cyclical disturbances of the world market. Stabilization of producer incomes in Ghana even in these circumstances would probably be out of the question. Cocoa producers are one-tenth of Ghana's population, and cocoa income contributes at least one-third of the total cash income of the country - possibly more.\(^\text{12}\) It is possible to subsidize an economically small section of the community for a short time, but no country can possibly subsidize such an important cash-earning group. "To imagine that in a

\(^{12}\) Niculescu, \textit{op. cit.}, p. 741.
time of depression, when the whole income of Ghana, as a primary producer would have been cut down drastically, any stabilization funds in existence could be used solely for bolstering up the income of the upper tenth, while the rest of the country would meekly look on and accept to do without, is to expect too much of human nature." (13) Any large accumulated funds could be used at such times only for the benefit of the country as a whole, and not for that of a small part of the population.

Again, when the rate of exchange with the outside world is fixed, an improvement in the terms of trade should lead to a rise in local prices and wages relative to import prices; if stabilization is rigidly interpreted, no improvement in the terms of trade resulting from a rise in export prices can be transmitted to the local population. In fact, with export prices controlled and import prices free to rise, the result is likely to be a deterioration in the living-standards of producers. By the same token, however, the balance of payments effect of the Board's operations, especially when combined with the levying of export duties, is wholly favourable, and is achieved through withholding domestic purchasing power and thus restricting the level of imports. (14)

(13) Loc. cit.

The role of prices and incomes in resource allocation cannot be overlooked. Stabilization may remove incentives for expansion and contraction in certain lines of output, and may thus actually tend to destabilize the long-period allocation of resources within the economy. This is, of course, the parallel objection to that put forward in Chapter III against an international commodity price stabilization scheme, which might also tend to obscure the market signals which guide resource allocation. The objection, as far as national governments are concerned, falls away if the economy in question is highly centralized and closely administered, i.e. if the political system favours this type of organization and the administrative resources of the government are equal to the task of directing resources in accordance with a comprehensive development plan.

Messrs. Bauer and Paish's objections to the price policies of the West African Marketing Boards during the early 1950's (15) were largely based on the assumption that price stabilization at a level below world market price would inevitably affect the volume and direction of effort put forward by producers, with consequent effects upon "the maintenance and extension of capacity and the volume of output." The effect would be "to reduce both output and consumption and thereby reduce the world's

(15) Bauer and Paish, Loc. cit.
We may say with hindsight that time has falsified Bauer and Paish's expectations with regard to the overall competitive situation of West African cocoa producers. Since 1953, despite the onset of swollen-shoot disease, Ghana has maintained and Nigeria has increased its percentage share in a greatly expanded total volume of world cocoa exports. In view of the fact that a declining long-term trend in world consumption of cocoa and consequently in cocoa prices has apparently begun to show itself during the last decade, it is probably fortunate that West African capacity has not expanded at any faster rate.

The non-fulfillment of the Bauer/Paish predictions provides an interesting incentive to examine their analysis and find out where they went wrong, if indeed they did go wrong.

The price policy of a Marketing Board is unlikely to have any short-term effects where cocoa is concerned as it takes some seven years for a young tree to come into bearing. However, in maintaining its proportionate share of the world cocoa market at a time when world supply has been steadily increasing, total Ghana production has obviously increased since 1953.

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(17) See Tables III and IV, *Appendix*. 
duction in the 1959/60 season in fact reached the record figure of 316,000 tons. (18) This was despite the price policy of the Marketing Board, which in combination with a sliding-scale export duty, had ensured that producers received only between two-fifths and three-fifths of the commercial value of their crop. (19)

It is of course, impossible to say with accuracy what level Ghana's cocoa production might have reached if producers had received the full value of their crop throughout the period under review. We may however, obtain some indication of the actual income and price elasticities of supply of cocoa by looking at some of the underlying conditions. Three significant facts appear:

1) One-third of Ghana's estimated national income of £150 million in 1951 was attributed to cocoa, although only one-tenth of the population (220,000 out of 2,300,000 aged 16

(18) Agriculture and Land Use in Ghana, op. cit., p. 193.
(19) Bauer, West African Trade, op. cit., p. 294. The export duty is levied directly upon the price received by the Marketing Board on world markets. Producers therefore receive a price which is net of export duty and the amount added to or withdrawn from the Board's reserves for stabilization purposes. Although the two deductions amount to the same thing for producers, it is clear that the gap between world market and internal cocoa prices is largely due to fiscal, not stabilization, policy. Bauer and Paish certainly knew this. It therefore appears that their criticisms of "the pricing policy of the Marketing Boards" concealed an implicit attack upon the fiscal policies of the then Gold Coast Government. Professor Bauer has been more explicit elsewhere, and the basis of his criticisms is discussed later in this chapter.
or over) was engaged in cocoa production. The cocoa farmers are "the first to admit that they are much better off than any of the other major occupational groups"\(^{(20)}\) in Ghana. They can fairly be described, from the point of view of income as the "upper tenth" of Ghana society. Niculescu states that they are also fully aware of the fact that their high present day income is not due to greater initiative, or to harder work than the rest of the population but is mainly "the result of a combination of ... world demand, and of favourable climatic and soil factors,"\(^{(21)}\) for which they can hardly claim credit. This being so, it seems that the higher incomes of the cocoa producers are largely made up of rents, and that the relevant opportunity costs are not those of the producers themselves, but the alternative rents which cocoa farms are capable of producing under different crops.

2) A fair indication of the relative shares of wages and rents in cocoa producers' incomes can be obtained from Polly Hill's account of the Ghanaian abusa labour system. Miss Hill says that most of Ghana's cocoa may be plucked by abusa labourers, about whose numbers there is little

\(^{(20)}\) Niculescu, *op. cit.*, p. 731.

\(^{(21)}\) *Loc. cit.*
information. \(22\) The significant aspect of the abusa system is that the Twi word abusa means tripartite division; an abusa labourer is paid a one-third share of the value of the cocoa he plucks and prepares for market for his employing farmer, who is in fact the landowner.

The abusa labourer is frequently assisted by members of his family, who then live with him on the farm. He always does the fermenting and drying as well as the plucking of the cocoa; he frequently markets the cocoa as well. He has a duty to weed the cocoa farm at least once a year. "As he does nearly all the work, it is to a large extent he, not the farmer, who determines how much cocoa is produced in any one season." \(23\) Thus in many areas the effective cocoa price, so far as quantity of cocoa is concerned, is one-third of the official buying price.

3) The third significant fact about the conditions underlying price elasticity of cocoa supply in Ghana is also attributable to Miss Hill, who is here quoted in full:

Although the present sliding-scale export duty is the main-stay of the Gold Coast economy, inquiry and observation have shown over and over again that the ordinary Gold Coast farmer is usually unaware that he is being taxed at all - let alone that when world cocoa prices are high he is probably taxed more heavily than any other primary producer in the world. \(24\)


\(23\) Loc. cit.

\(24\) Ibid., p. 112 ff.
The cocoa export duty has been in existence since 1916.

What bearing does the evidence assembled above have on the Bauer/Paish prediction of 1952 that the low prices paid to cocoa producers by the Ghana Marketing Board would adversely affect incentives and hence the level of production? It appears, firstly, that the cocoa producers have higher incomes as a group than any other occupational group in Ghana. The only evidence available on their alternative earning opportunities in farming is provided by Niculescu, who estimated in 1953 that the actual average annual cash income (after taxation and Cocoa Marketing Board retentions) of active adult participants in cocoa-growing was £150, as compared with £30 - £40 for the rest of the farming community, £160 for skilled workers, and £80 for unskilled workers. (25) Most cocoa farmers would be classified as unskilled, and wage earners have to pay for lodgings, and for much of the food normally grown for farmers by themselves, in addition to working twelve months of the year, where cocoa farmers have a great deal of leisure. It is apparent that the cocoa producers' income would have to drop much further than it had done in 1953 before there would be any shift to other occupations.

It further appears likely that, even if such a shift were to begin, it would for some time be untraceable in production.

(25) Niculescu, loc. cit., p. 734.
figures, since its first effect would presumably be felt in a decline in the number of *abusa* labourers. Many of these men are immigrants from the poorer Northern Territories area and Togoland, and their remuneration would have to fall (in the absence of alternative employment for unskilled immigrant labour) to a level sufficient to induce them to return home. Production would then decline only in the proportion in which the farmer-owners were unable to perform the *abusa*'s work by themselves.

Lastly, it appears that the farmers as a group know very little of cocoa prices or of the taxation which is levied on them. It may not be too fanciful to assume that if they are so little aware of their own economic best interests, they are unlikely to gear production to price.

We therefore fault the Bauer/Paish analysis on three grounds: there are no closely comparable alternative occupations for cocoa farmers; the effective price ruling in *abusa* areas is one-third of the Marketing Board price; and the producers may not yet have entered into the money economy to the extent of allowing their entrepreneurial decisions to be guided by price. A simple explanation, which is not inconsistent with our argument, is that the cocoa producers are so much wealthier.

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than other occupational groups within the Ghana economy that they simply do not find it necessary to consider either alternative occupations or prices. Even if hard times come, many of them can obtain a 50% increase in income by themselves doing the work they now employ *abusua* labourers to do.

As for the purely theoretical aspects of the Bauer/Paish analysis, two points only require mention. The first is that the analysis implicitly assumes a positively-sloped supply function throughout the entire range of prices payable by the Marketing Board. This is perfectly reasonable, provided most of the Ghana cocoa farmers respond to economic incentives like 'economic men'. No conclusive evidence is available on this point, and it would therefore be equally valid to postulate that within certain price ranges, and for certain groups of individuals, there will be a tendency for the supply function to be discontinuous, at time perfectly inelastic and at other times even backward-sloping. We may agree with Bauer and Paish's analysis so far as the whole country is concerned, with the reservation that where individuals and even regions are the economic units under analysis, only detailed factual study could enable judgements to be formed as to the effect of higher or lower producer prices on incentives and consequently on the level of total production.
The second point of interest about the Bauer/Paish analysis is that it nowhere mentions the effect of increased Ghanaian production of cocoa on the world price. Since Ghana is an important producer (38% of world output), increased output would only benefit producers if the elasticity of world demand for Ghanaian cocoa were greater than one at the price being considered. The writers present no evidence, or even discussion, to establish that this is in fact so. The figures of Tables III, IV and V suggest that the increased world production between 1954 and 1961/1962 has met with a more than proportionate decline in the world price of cocoa. There is some evidence also to suggest that elasticity of world demand is greater than one for a drop in price, but less than one at all other times. (27) The developed countries appear to buy large quantities for their stockpiles in years of low price and to restrict demand when prices are high. (28) Such stockpiling can only exert further downward pressure on cocoa prices from any one supplier. We may therefore claim that even if it could be fully established that the Cocoa Marketing Board's pricing policies were responsible for restricting Ghanaian output of cocoa after 1947, this restriction may have been beneficial in view of the fact that cocoa was headed for a period of overproduction and for a drastic fall in price.


(28) Loc. cit.
There are however, other economic effects of the Cocoa Marketing Board's price policies which are easier to assess; it may well have been these which Bauer and Paish had in mind when they criticized the low producer prices. The factors with which we have so far dealt refer almost exclusively to the economic decision-making of established cocoa growers. We have produced evidence which tends to show that the majority of established growers hold comfortably inframarginal positions, drawing a large proportion of their incomes from rents and that they are therefore unlikely to respond to price incentives. But the position is far different when we consider the potential cocoa growers on the extensive margin of production.

Even if the established producers were to grow less cocoa as the result of a higher price, total supply could increase, because prospective growers who previously had not cultivated the crop might be induced to do so by the higher price. This applies with particular force in a country with poor communications and heavy transport costs, where there is a large element of subsistence production. In these circumstances, we should expect that a considerable price differential would be necessary to persuade conservative peasants to move into cash crop production. The empirical verification for the process of extension of capacity at the margin is provided by the historical evidence of the establishment and growth of the large tropical peasant
industries, including cocoa, where increased production has been achieved by the gradual and often rapid extension of the area under cash crops at the expense of subsistence production. (29)

We suggested at the end of Chapter II that the chief importance of international trade for countries which still have a large element of subsistence production may lie in the extension of communications and the creation of social external economies through the provision of new economic incentives. Perhaps the low producer prices of the Ghana Cocoa Marketing Board have resulted in a diminution of incentives at the margin, and have consequently prevented the spread of the money economy into the remoter areas of the country. And it should be borne in mind that in Ghana approximately 60% of the male population is still engaged in subsistence production. (30)

It appears that higher producer prices for Ghana cocoa would in all likelihood have resulted in increased extension of

(29) For an account of the connection between the changeover from subsistence to cash crops and the development of transportation in Ghana, see Agriculture and Land Use in Ghana, op. cit., pp. 173-178.

(30) Ibid., p.192.
cocoa producing capacity.\(^{(31)}\) We have, however, already seen that an absolute increase in production of Ghana cocoa might well have induced a more than proportionate fall in the world price, with consequent unfavourable effects on the country's external position. Assuming this to have been the case, the only policy open to the government if it had wished to take action to extend the margin of production would appear to have been to attempt to reduce production in the established areas, perhaps by taxing the older growers more heavily in order to subsidize the new marginal producers through a differential price or tax structure. The objections to such a policy are obvious, particularly in a monoculture where dependence upon one crop is already a source of danger, and where diversification of production is quite properly a prime aim of policy. On distributional grounds, it would be impossible to justify a policy of taxing the more efficient producers in order to provide income subsidies for a group of potential producers.

\(^{(31)}\) The fact that higher prices could have been paid, as opposed to whether they could be paid in the future, is not in dispute. The Board's surplus in 1958 stood at over £53,000,000; far from 'averaging' good and bad years, the Board has added to its surplus in all years since 1947, with the exceptions of 1948, 1956 and 1957, in which the producer prices were supported by £100,000, £1 million and £6½ million respectively. See Bauer and Paish, op. cit., p. 757; F.M. Bourret, Ghana: The Road to Independence 1919 - 1957, London, O.U.P., 1960, p.204. The losses in 1956 and 1957 were in a sense nominal from the point of view of the economy as a whole, since Export Duty paid by the Board to the Central Government never fell below £9 million, even in 1957. There were, however, balance of payments deficits in both years, and foreign assets fell correspondingly. See P. Ady, "The Economic Position of Ghana", Bulletin of the Oxford University Institute of Statistics, vol. 20, Nov. 1958, p.315.
If the price were freed to fluctuate with every vagary of the world market, this would be no solution. It would in fact involve a return to the chaotic conditions of pre-war cocoa marketing, already discussed. Whilst the majority of the established producers could probably survive such a drastic measure, it would be likely to cause political discontent on a large scale, and the position of the marginal producer would be lacking in even minimal security.

The remaining solution is the difficult one from the Board's point of view of fixing seasonal prices at a level closer to the world market price. Not even the severest critics of the Board's policies have suggested that the advantages of intra-seasonal stability can be dispensed with, but the difficulty lies in achieving this objective. It is clear that the Board would still need to hold substantial reserves if a policy of paying higher prices even from one season to the next were adopted, in order to guard against the ever-present possibility of a drastic fall in the world price in the middle of the season, i.e. after the minimum price had been announced.

It is apparent that the Board's pricing policies since its inception in 1947 have been extremely conservative, in the sense that it has paid producers at a rate well below the average world price. The alternative of a more adventurous policy would, however, have exposed it to all the risks of a commodity speculator
on world markets. Since its terms of reference were ambiguous from the start, and its responsibilities extend to the general welfare not only of the producers as a group, but of the economy as a whole, it is only natural that the Board sees its responsibilities as stretching beyond the intra-seasonal stabilization of prices and into the realm of guaranteeing at least medium-term (i.e. possibly 5 - 10 year) stability in cocoa revenues. In order to effect such stabilization it needs very much larger reserves than would be necessary for intra-seasonal operations. It is this ambiguity in the Board's terms of reference which led Professor Bauer to assert that the continuous accumulation of reserves can become a largely self-justifying process.

Given that the Board sees its responsibilities as stretching over a period of several years at a time, it is apparent that uncertainty about the long-term trend of world cocoa prices must play a considerable part in its decision-making. As for this trend, there are indications that United States and European per capita consumption is either stable or declining, but there is a rising market for cocoa in those Far Eastern countries with increasing per capita income, notably Japan. On the other hand, new producers (e.g. Fiji, Borneo) are entering the world market. The long-term trend in cocoa

prices is very hard to forecast, since it will ultimately depend upon the relative strengths of the presently-declining Western demand and the as-yet-unrealised potential demand of those underdeveloped countries whose per capita income is rising, in combination with the potentially large increase in world supply from new producers.

We thus see that the Ghana Board's inability to pay a higher price to producers is largely determined by uncertainty as to the world market price from day to day, and particularly for any considerable period ahead. Its need for large reserves is largely dependent upon its duty to safeguard the Ghana producers for more than one season at a time, and upon uncertainty as to the long-period trend in world prices.

To return to our original point (i.e. the question of whether Ghanaian cocoa production should have been increased by paying a higher price to induce extension of capacity as the margin) we may say that there is no evidence that such extension would benefit the overall external position of the Ghanaian economy. We may also say that achievement of such extension, which is desirable from the point of view of extending the money economy, would involve either uneconomic subsidies to one group of producers by another or a pricing policy on the part of the Board which might not be justified by the present long-term prospects of the world cocoa market.
The mention of subsidization of one group of producers by another leads us to the larger question of the subsidization of the entire Ghanaian economy by the cocoa producing group.

We have already mentioned that cocoa income constitutes approximately one-third of the national income of Ghana, that between 20% and 55% of the national revenue is attributable to cocoa export levies, and that cocoa producers as a group constitute only 10% of the population. We also quoted Niculescu to the effect that the cocoa-farmers were fully aware that their high present-day income was due more to a combination of favourable geographic and climatic factors than to greater initiative or harder work on their part. The same writer remarked that the cocoa-farmers as a group within the Ghana economy were "the equivalent of the super-tax group in the United Kingdom", and that they are on the whole ready to see some of their group's earnings redistributed among the other nine-tenths of the population. (33) Dramatic confirmation of this statement was provided in 1959, when the Ghana Farmers Council voluntarily decided to make a still bigger contribution to development, asking the Government to reduce the price guaranteed to the farmer from £112 to £134 a ton. (34)


Since the Ghana farmers themselves, have demonstrated their willingness, at least as a group, (and presumably because of their political enthusiasm for development) to share their earnings with the rest of the population, the issues involved become somewhat academic so far as the Ghanaian position is concerned. They are intrinsically both important and interesting, however, and the general principles involved will be discussed below.

The choice facing the Ghana Government has been between extracting forced savings from the cocoa producers through accumulation of Marketing Board surpluses and through export duty, (35) or of allowing the producers themselves to reap the full benefits of their crop. Professor Bauer has put his own view of the West African Marketing Boards and their surpluses somewhat acidly, as follows:

For good or evil the boards must be seen as instruments for the socialization of savings and for a large measure of government control and socialization of peasant production in West Africa. Suggestions that they are devised for price stabilization ... only obscure their nature and function. (36)

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(35) The duty is levied on a sliding scale on the price obtained by the board on world markets, and has consequently not directly affected either the producer price or the Board's stabilization operations.

(36) Bauer, West African Trade, op. cit., p. 316.
We have seen that there is in fact a good deal to be said about the stabilization function, per se, of the Ghana Cocoa Marketing Board, but in order to get to the heart of Bauer's position we must make two assumptions. Either he believes as an economist concerned with economic development that the peasants would themselves have saved and invested the agricultural surplus from their production, and that Government intervention in the operation of the market economy is therefore unnecessary; or he is taking an ethical position from which he judges that it is right for the farmer to be in a position to consume the whole fruit of his labour, plus any rent he may acquire on the way, and wrong for the Government to take his surplus away. (37)

We may briefly examine both of these positions, but the reader is warned at the outset that such scanty evidence as is available is mainly historical, and therefore cannot be used as a basis for prediction or for saying what "might have been".

Niculescu stated in 1954 that "The large increase in the personal incomes of the Gold Coast population has been almost entirely used so far ... on consumption expenditure." Imports

(37) We dismiss the third possibility - i.e. that Professor Bauer has written a book and several articles merely to protest against collection of forced savings via marketing boards, instead of through some other type of fiscal instrument - as trivial.
of food, drink and tobacco increased from £1.9 million in 1946 to £13.6 million in 1952. Imported cloths jumped from £3.1 million in 1946 to £11.7 million in 1952, whereas the greater part of the increase in the import of building materials and of industrial equipment (cement, e.g. going up from £0.4 million to £1.8 million), was due to increased activities by the Government or by the large, almost all foreign-owned, firms. (38) There is thus a *prima facie* case leading to the conclusion that little saving for investment can be expected from the farmers, even though their income is greatly increased.

Niculescu does, however, point to some evidence to show that even in 1952 some sections of the population were taking an interest in the possibilities of productive investment, e.g. the import of trucks, which are "mainly" operated by African owner-drivers, climbed from 492, worth £0.2 million in 1946 to 2,987, worth £2.2 million in 1952. Timber-sawing equipment and small power-operated grain mills are further examples, as is the tendency towards building of new "modern" houses in the richer farming districts. (39) But the fact that these developments were taking place at a time when the Marketing Board was rapidly building its surplus reserves and when the export duty

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(38) Niculescu, *op. cit.*, p. 735.

(39) *Loc. cit.*
was making a substantial contribution to revenue, is surely an indication, especially when combined with the absolutely much larger expansion in consumption spending, that the private sector was by no means being starved of funds to carry out such expansion as was within its power. And when we learn that more than 1,000 miles of all-weather roads and many bridges were constructed by the Government between 1946 and 1956, the increase in vehicle imports is not surprising. Nor does Niculescu state what proportion of these imports can be attributed to government or larger foreign-owned firms.

Comparison of the figures for consumer goods given by Niculescu with those for vehicle imports and cement can only lead to the conclusion that the producer-goods component of Ghanaian imports would have been even smaller in the absence of substantial taxation, which must at least have had the effect of damping down the pressure for consumer imports. The evidence that private capital formation was increasing is interesting, but is only significant in the unlikely circumstance that the Ghana Government would be prepared to wait for an indefinite period for the growth of entrepreneurship in the private sector to lead to a shift from largely consumer-oriented to largely producer-oriented imports. That it was not so prepared follows

(40) F. Bourret, Ghana; The Road to Independence 1919-1957. (op. cit.,) p. 209.
from the existence in Ghana of a socialist political system.

The Government's lack of faith in the growth of private entrepreneurship is evidenced by the fact that the levy on cocoa exports was increased from £112 to £134 per ton in 1959. (41)

The success of the government's policy of forced saving for development is graphically illustrated in Table VII, Appendix, by extrapolation from which (at $2.80 : £1) it appears that in the seven years to 1959, imports of machinery and transport equipment had jumped in value terms by approximately 1170% to £25.6 million, whereas food and tobacco increased only 72% to £23.4 million and textiles by a mere 53% to £17.9 million.

Unfortunately supporting data is unobtainable for the years 1952 - 1959, and our conclusion that the vast increase in imports of producer goods is due in the main to government action and not to the growth of private entrepreneurship, must rest on the evidence already quoted as to the nature of the Ghanaian political system and the fact that the process of extracting forced savings from the peasant producers has actually been accelerated during the period under review.

Professor Bauer says that although the habit of individual saving and investment "has not yet taken firm root" in Ghana and Nigeria, there is evidence that the habit has been

developing. He again points to house building as an example, and also to the increase in the sales of agricultural and transport equipment to African customers.\(^{(42)}\) His chief objection to the process of forced saving is, however, summarized in the statement that:

> The severe obstacles to the further growth of private saving serve to prevent the development of a prosperous and independent peasantry which might have a stabilizing effect in the highly charged political atmosphere of West Africa.\(^{(43)}\)

Our problem can now be said to shift from the economic to the political arena; ought Ghana to tend toward development of a society with a strong, dynamic, bourgeois element or should it move towards an egalitarian society where the Government (and perhaps some large foreign firms) will be the only owners of capital sufficient for large-scale development in the industrial and trading fields?

> We cannot answer this question, which is beyond the scope of a primarily economic paper, with any degree of directness. We may state the obvious fact that if a society with a strong bourgeois element is desired, the simplest way of achieving such an objective is to allow an accumulation of capital in the hands of a fairly large group, e.g. the cocoa-producers. And


\(^{(43)}\) Loc. cit.
we may also point to the political and social factors which we discussed in Chapter I, and indicate that Ghana's leaders are in fact imbued with Pan-Africanist sentiments, that their political system is of the "mobilization" type, and that they have a burning desire to modernize and enrich their society as quickly as possible. We have seen, as a matter of fact, that the leaders of many of the newly-independent African states have strong leanings toward theoretical socialism of one kind or another. They consequently have predilections for central direction of economic and political activity, as is shown by the fact that all but five of the 36 independent African States have already abandoned any pretence at practising parliamentary democracy. (44)

It would therefore seem that the creation of a dynamic bourgeois element in African society is not a policy aim of many African governments. Given the direction in which the governments intend their societies to develop, the process of forced saving, whether coupled with stabilization measures or not, appears to be logical, necessary and efficient.

We now summarize some of the more important conclusions of this chapter. It appears that domestic stabilization schemes

are well able to stabilize the *intra*-seasonal prices paid to producers of primary products, and that their ability to achieve a leveling-out in producer prices over a period of years depends directly upon the size of their accumulated reserves, the direction of the trend in world prices, and the violence of fluctuations in prices received from abroad.

The joint effect of accumulation of reserves by the stabilization agency and simultaneous levying of export duties has been noted as favourable in that it both safeguards the country's external position through damping domestic demand for imported consumer goods, and provides an efficient method of obtaining capital for development.

At the same time we have noted that the policy of paying low prices to producers has probably resulted in a diminution of incentives at the margin of production, with consequent adverse effects upon the potential increase in volume and upon the spread of the money economy into the marginal areas. The possibility that on balance this may be an advantageous effect where production is of the monoculture variety, has been mentioned, and this applies particularly where the country concerned is an important producer with the potential to turn world market prices against itself through overproduction.
The handicaps of domestic stabilization schemes have been shown to be chiefly associated with failure rigorously to define the purposes which the stabilization policies are themselves designed to serve. Thus, stabilization may refer to prices, money incomes, or real incomes, and stabilization of any one of these may actually destabilize the others.

The concept of the time-period over which stabilization is to be achieved is also extremely important. As already mentioned, the choice appears to be between holding a fairly low level of reserves and achieving intra-seasonal stability or holding very large reserves and attempting to achieve longer-period stability. The longer the period which is aimed at, the riskier the policy becomes, and the larger the reserves need to be. Such reserves are capable of use for other than stabilization purposes, and would constitute an ever-present temptation to the political authority. Strengthening the justification for "embezzlement" of the reserves would be the fact that distribution of the accumulated funds would rarely be equitable, since those producers who drew out in hard times would not necessarily be the same ones who had paid in at earlier dates.

Given the difficulties of the more ambitious schemes, then, our conclusion is that an ideal stabilization scheme would
have the strictly limited objective of stabilizing the price paid to producers, (i.e. not their money or their real incomes) during the course of one season at a time.
Chapter V: 

CONCLUSIONS

The analysis in the last two chapters of this paper has dealt with 'stabilization' as a policy aim for governments in Africa south of the Sahara. Before beginning this analysis, we sketched in the opening chapters a number of the political, administrative and social factors which typically affect the implementation of economic policy, including stabilization policy, in these countries. From this background analysis we may conclude that the tendency in most African countries will be toward creation of equalitarian societies in which the economies will be to a greater or lesser degree centrally controlled and directed. The adoption of the socialist route to development will imply an expansion in the number and quality of State employees. This is a process which will take many years to complete.

A more fundamental difficulty is the fact that, for so long as the type of social organization appropriate to the subsistence economy survives, there will be limits to the extent to which control of resource allocation can be achieved. A primary objective of African governments in pursuit of economic growth will therefore be the financing and carrying-out of those infrastructure developments with maximum impact upon the tradi-
tional forms of social organization. This will, of course, involve heavy taxation of all groups within the economy, as well as considerable social upheavals. Taxation of marginal producers of cash crops, however, is likely to have adverse effects upon the extension of the money economy. It may be necessary to devise special policies to overcome this self-defeating tendency of government fiscal policies aimed at overcoming social backwardness.

It is probable that, during this transitional phase, the governments will be forced to attempt to maintain political and economic stability by placing heavy reliance upon the 'psychological shock of national feeling' to which reference was made earlier in this paper. In this context, the crucial factor in the process of African economic development may well turn out to be the success or failure of individual governments in generating and maintaining a self-sacrificing spirit of enthusiasm for development in the minds of the present generation. We have seen an example of the kind of spirit of national unity which is required in the action of the Ghana Farmers' Council in requesting a reduction in the producer price of cocoa. Voluntary sacrifices by the possessors of surpluses are, however, comparatively rare. Of more fundamental importance is the passive (or active) acceptance of such heavy levies as the Ghana Cocoa
Export Duties, which will have to serve for many years as a main source of government revenue.

In countries whose revenue is very heavily dependent upon exports of primary produce, such devices as the West African Marketing Boards are desirable in order to ensure a measure of stability in the production sectors of their economies.

Stabilization at either international or national levels is a worthwhile objective of policy, but we have seen that the obstacles in the way of a general international stabilization scheme are so great as to be virtually insurmountable. Such schemes suffer from handicaps which are not only political, but practical and economic as well.

National stabilization schemes, on the other hand, have been shown to be politically, administratively, and economically quite feasible. The West African Boards have performed their functions of price stabilization adequately, and have moreover made important contributions to the external stability of the economies they serve. Their drawbacks are all connected with the failure rigorously to define at their inception the purposes which the stabilization authorities were required to serve. There appears to be no real reason why such handicaps should permanently lessen the Boards' ability to play useful roles in economic development. Nor does there appear to be any reason why stabilization.
policy should not be coupled with measures to collect forced savings for development, always provided, of course, that the political climate is favourable to the carrying-out of such a policy.
## TABLE I

Percentage Share of Cocoa in Total Exports of Selected African Countries, 1955-59

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Ghana</td>
<td>68.9</td>
<td>59.4</td>
<td>55.9</td>
<td>60.0</td>
<td>61.0</td>
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<tr>
<td>Republic of Cameroun</td>
<td>49.1</td>
<td>34.5</td>
<td>38.4</td>
<td>43.5</td>
<td>41.4</td>
</tr>
<tr>
<td>Togo</td>
<td>...</td>
<td>20.7</td>
<td>16.5</td>
<td>39.1</td>
<td>34.3</td>
</tr>
<tr>
<td>Nigeria</td>
<td>20.2</td>
<td>18.1</td>
<td>21.0</td>
<td>20.2</td>
<td>23.2</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>7.5</td>
<td>4.8</td>
<td>2.6</td>
<td>5.3</td>
<td>...</td>
</tr>
<tr>
<td>Ivory Coast</td>
<td>...</td>
<td>32.0</td>
<td>26.0</td>
<td>20.3</td>
<td>31.3</td>
</tr>
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<table>
<thead>
<tr>
<th>Commodity</th>
<th>1959 Value</th>
<th>1959 Percent of Total</th>
<th>1960 Value</th>
<th>1960 Percent of Total</th>
<th>Percent Change 1959/60</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cocoa beans</td>
<td>192,562</td>
<td>61.0</td>
<td>186,015</td>
<td>58.1</td>
<td>- 3.4</td>
</tr>
<tr>
<td>Diamonds (uncut &amp; unworked)</td>
<td>24,245</td>
<td>7.7</td>
<td>27,549</td>
<td>8.6</td>
<td>13.6</td>
</tr>
<tr>
<td>Timber: Logs</td>
<td>22,319</td>
<td>7.1</td>
<td>29,170</td>
<td>9.1</td>
<td>30.7</td>
</tr>
<tr>
<td>Sawn</td>
<td>14,860</td>
<td>4.7</td>
<td>15,347</td>
<td>4.8</td>
<td>3.3</td>
</tr>
<tr>
<td>Manganese and Concentrates</td>
<td>18,978</td>
<td>6.0</td>
<td>14,493</td>
<td>4.5</td>
<td>- 23.6</td>
</tr>
<tr>
<td>Bauxite and Concentrates</td>
<td>1,025</td>
<td>0.3</td>
<td>1,540</td>
<td>0.5</td>
<td>50.2</td>
</tr>
<tr>
<td>Copra</td>
<td>574</td>
<td>0.2</td>
<td>532</td>
<td>0.2</td>
<td>- 7.3</td>
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<tr>
<td>Palm kernels</td>
<td>325</td>
<td>0.1</td>
<td>348</td>
<td>0.1</td>
<td>18.2</td>
</tr>
<tr>
<td>Other commodities</td>
<td>9,458</td>
<td>3.0</td>
<td>14,266</td>
<td>4.5</td>
<td>50.8</td>
</tr>
<tr>
<td>Gold</td>
<td>31,360</td>
<td>9.9</td>
<td>31,049</td>
<td>9.7</td>
<td>- 1.0</td>
</tr>
</tbody>
</table>

Total                          | 315,706    | 100.0                 | 320,345    | 100.0                 | 1.5                    |

### TABLE III

Production of Cocoa, 1953/54 - 1959/60

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<thead>
<tr>
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<tr>
<td></td>
<td></td>
<td>104.4</td>
<td>109.1</td>
<td>116.9</td>
<td>101.5</td>
<td>117.3</td>
<td>131.1</td>
<td>125.7</td>
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<td><strong>A. Indices</strong></td>
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<tr>
<td>World production</td>
<td>100</td>
<td>104.4</td>
<td>109.1</td>
<td>116.9</td>
<td>101.5</td>
<td>117.3</td>
<td>131.1</td>
<td>125.7</td>
</tr>
<tr>
<td><strong>B. Percentages</strong></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Africa</td>
<td>61.0</td>
<td>61.3</td>
<td>61.6</td>
<td>64.8</td>
<td>58.8</td>
<td>62.7</td>
<td>64.8</td>
<td>67.1</td>
</tr>
<tr>
<td>South America</td>
<td>28.3</td>
<td>27.3</td>
<td>28.8</td>
<td>25.4</td>
<td>29.2</td>
<td>26.8</td>
<td>25.8</td>
<td>22.0</td>
</tr>
<tr>
<td>Brazil</td>
<td>20.1</td>
<td>18.8</td>
<td>20.4</td>
<td>17.9</td>
<td>20.8</td>
<td>19.3</td>
<td>18.5</td>
<td>15.5</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>10.7</td>
<td>11.4</td>
<td>9.6</td>
<td>9.8</td>
<td>12.0</td>
<td>10.5</td>
<td>10.7</td>
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### TABLE IV:

**African Production of Cocoa, 1953/54 - 1960/61**

<table>
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<td>African Production</td>
<td>100.0</td>
<td>104.9</td>
<td>110.2</td>
<td>124.2</td>
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<td>120.5</td>
<td>139.3</td>
<td>137.2</td>
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<td><strong>B. Percentages</strong></td>
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<td>47.9</td>
<td>48.6</td>
<td>45.1</td>
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<td>45.8</td>
<td>45.9</td>
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<td>22.4</td>
<td>23.5</td>
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<td>25.2</td>
<td>23.6</td>
<td>23.3</td>
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<td>British Cameroons</td>
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<tr>
<td>Republic of Cameroun</td>
<td>11.5</td>
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<td>10.3</td>
<td>14.2</td>
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<td>10.9</td>
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<td>Ivory Coast</td>
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<td>12.3</td>
<td>9.9</td>
<td>9.8</td>
<td>8.9</td>
<td>8.9</td>
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<td>Spanish Guinea</td>
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<td>3.8</td>
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<td>3.7</td>
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<td>4.5</td>
<td>4.7</td>
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TABLE V:

International Market Prices of Cocoa, New York
Annually 1954-1960, Average and monthly 1960-1961

<table>
<thead>
<tr>
<th>Period</th>
<th>Spot Accra US cents per pound</th>
<th>Spot Bahia US cents per pound</th>
</tr>
</thead>
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<tr>
<td>1954</td>
<td>57.8</td>
<td>55.7</td>
</tr>
<tr>
<td>1955</td>
<td>37.4</td>
<td>36.2</td>
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<tr>
<td>1956</td>
<td>27.3</td>
<td>25.5</td>
</tr>
<tr>
<td>1957</td>
<td>30.6</td>
<td>30.5</td>
</tr>
<tr>
<td>1958</td>
<td>44.3</td>
<td>43.3</td>
</tr>
<tr>
<td>1959</td>
<td>36.6</td>
<td>35.4</td>
</tr>
<tr>
<td>1960</td>
<td>28.4</td>
<td>26.8</td>
</tr>
<tr>
<td><strong>Monthly Averages</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1960: Jan - June</td>
<td>28.5</td>
<td>27.0</td>
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<tr>
<td>July - Dec</td>
<td>28.2</td>
<td>26.4</td>
</tr>
<tr>
<td>1961: Jan - June</td>
<td>22.2</td>
<td>22.3</td>
</tr>
<tr>
<td>July</td>
<td>22.0</td>
<td>22.0</td>
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</tbody>
</table>

### TABLE VI:

Cocoa Production, Ghana, by Regions (in Tons)

<table>
<thead>
<tr>
<th>Crop Year</th>
<th>Ash</th>
<th>W.P.</th>
<th>C.P.</th>
<th>E.P.</th>
<th>T.V.</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>1939/40</td>
<td>73,780</td>
<td>10,396</td>
<td>34,843</td>
<td>105,548</td>
<td>17,261</td>
<td>241,743</td>
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<tr>
<td>1940/41</td>
<td>82,290</td>
<td>8,332</td>
<td>28,906</td>
<td>100,757</td>
<td>16,706</td>
<td>236,991</td>
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<tr>
<td>1941/42</td>
<td>89,572</td>
<td>9,079</td>
<td>32,509</td>
<td>101,608</td>
<td>17,952</td>
<td>250,720</td>
</tr>
<tr>
<td>1942/43</td>
<td>72,029</td>
<td>7,222</td>
<td>24,124</td>
<td>87,202</td>
<td>16,772</td>
<td>207,349</td>
</tr>
<tr>
<td>1943/44</td>
<td>78,155</td>
<td>5,482</td>
<td>23,758</td>
<td>73,867</td>
<td>14,813</td>
<td>196,075</td>
</tr>
<tr>
<td>1944/45</td>
<td>91,324</td>
<td>8,164</td>
<td>33,594</td>
<td>76,998</td>
<td>18,649</td>
<td>228,729</td>
</tr>
<tr>
<td>1945/46</td>
<td>94,854</td>
<td>9,562</td>
<td>25,481</td>
<td>64,782</td>
<td>14,616</td>
<td>209,393</td>
</tr>
<tr>
<td>1946/47</td>
<td>79,606</td>
<td>9,956</td>
<td>34,195</td>
<td>52,158</td>
<td>16,201</td>
<td>192,116</td>
</tr>
<tr>
<td>1947/48</td>
<td>105,935</td>
<td>11,243</td>
<td>24,890</td>
<td>45,531</td>
<td>19,960</td>
<td>207,559</td>
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<tr>
<td>1948/49</td>
<td>125,866</td>
<td>15,162</td>
<td>44,093</td>
<td>66,793</td>
<td>26,458</td>
<td>278,372</td>
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<tr>
<td>1949/50</td>
<td>116,016</td>
<td>14,044</td>
<td>39,107</td>
<td>54,435</td>
<td>24,229</td>
<td>247,831</td>
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<tr>
<td>1950/51</td>
<td>122,667</td>
<td>16,613</td>
<td>42,161</td>
<td>56,147</td>
<td>24,635</td>
<td>262,223</td>
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<tr>
<td>1951/52</td>
<td>97,669</td>
<td>11,773</td>
<td>30,068</td>
<td>47,585</td>
<td>23,568</td>
<td>210,663</td>
</tr>
<tr>
<td>1952/53</td>
<td>118,297</td>
<td>12,391</td>
<td>38,138</td>
<td>50,247</td>
<td>27,909</td>
<td>246,982</td>
</tr>
</tbody>
</table>

Note 1: Crop year runs from October 1 to September 30.

       E.P. - Eastern Province. T.V. - Trans Volta.

Note 3: All cocoa production figures have been compiled from Cocoa Marketing Board returns.

**TABLE VII:**

GHANA: Imports by Categories 1959 - 1960
in thousand U.S. Dollars

<table>
<thead>
<tr>
<th>Category</th>
<th>1959</th>
<th>1960</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Value</td>
<td>Percent of Total</td>
</tr>
<tr>
<td>Food, beverages &amp; tobacco</td>
<td>65,479</td>
<td>20.7</td>
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<tr>
<td>Basic materials &amp; Mineral Fuels</td>
<td>19,099</td>
<td>6.0</td>
</tr>
<tr>
<td>Chemicals</td>
<td>25,162</td>
<td>8.0</td>
</tr>
<tr>
<td>Textiles</td>
<td>50,026</td>
<td>15.8</td>
</tr>
<tr>
<td>Machinery &amp; transport equipment</td>
<td>71,696</td>
<td>22.7</td>
</tr>
<tr>
<td>Other manufactures</td>
<td>80,472</td>
<td>25.4</td>
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<tr>
<td>Miscellaneous</td>
<td>4,528</td>
<td>1.4</td>
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<tr>
<td>Total</td>
<td>316,462</td>
<td>100.0</td>
</tr>
</tbody>
</table>

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BOOKS


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CHAPTER II:

BOOKS


ARTICLES, etc.


CHAPTER III:

BOOKS


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ARTICLES, etc.


CHAPTER IV:

BOOKS


ARTICLES, etc.


ARTICLES, etc., (cont'd)


