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STATE PLANNING

By making it possible to avoid major economic crises, state planning has essentially contributed both to economic growth (and) to containing labor movement from achieving any decisive political or economic victory.

The reconstruction following World War II in Europe was unthinkable without government interference in any economic sector - though in a different degree. In Western Europe, there was no real proposition of planning as a comprehensive system of state intervention with a definite set of goals. In Eastern Europe, where even the non-Communist left and in some cases /as in Czechoslovakia or Hungary/ also other political parties fell under the spell of "socialism" most of the political parties represented in parliaments voted for the introduction of state planning systems. Here, no real alternative to the Soviet type of planning could be offered - and, indeed, no other system could have been accepted under the prevailing circumstances.

In the West, the word "planning" itself seemed soon to be banned as the term was becoming associated with fettering controls. Nevertheless, state interventions continued becoming more often and growing in scope.

This was, however, but the surface of things. The underlying causes were the development of production forces - though thrown back by the war - (and) the technological revolution presenting itself under the guise of a militarily successful atomic research.

Atomic research was part of U.S. war production program and was taken over for non-military purposes by /private/ civilian companies step by step only. The militarization of economics grew, however, during peace time and some of the new inventions were either originally discovered for military use by men employed in military institutions or used and developed first by military agencies.

Research on the scale first seen after World War II could not have been carried out without either state help or - in extreme cases - without the State "guiding" or planning it. This was both because of the immense and still growing research costs and because the development of science reached a stage on which research had to be concentrated should it be successful. Thus science development and the needs of research including technological revolution that announced its coming by means of atomic research and the development stage of the production forces as well combined to force the State to take the role of the leader and planner. This was enhanced in Western Europe by the ravaged economy which needed a concerted concentration of means for quick reconstruction.

The U.S.A. presented a different picture insofar as government intervention was neither as open as that of the European governments

nor did it take the form of overall planning. The American variant appeared for a great part as military expenditure stimulating economic growth without specific goals.

The tables 1a, 1b present a picture of the governmental share in gross domestic product of some industrialized states as seen in government expenditure and revenue.

Table 1a
Government Current Expenditure on Goods and Services
as a Proportion of G.N.P. at Current Prices

	1938	1950	1960
France	13.0	12.9	13.3
Germany	23.1	14.4	13.6
Italy	16.3	11.1	14.5
Sweden	10.4	13.9	17.7
United Kingdom	13.5	15.6	16.6
Canada	10.9	10.6	14.4
U.S.	10.1	10.6	17.2

/Source: A. Maddison, Economic Growth in the West, Twentieth Century Fund, New York 1964, p.103/

Table 1b
Categories of Government Revenue as a Proportion
of G.N.P. in 1957

France	32.7
Germany	36.9
Italy	29.3
Sweden	31.7
United Kingdom	31.0
Canada	27.1
U.S.	27.7

/Source: A. Maddison, op.cit., p.114/

④ It was the state's dominating position in the economy that enabled it to stimulate the economy, keep its pace of growth and prevent major economic crises. ^{1/n} The rate of growth of total output of major West European countries and the U.S.A. and Canada is shown below. /Note the difference between the first period on the one hand and the second and third on the other./

Table 2
Annual Rate of Growth of Total Output

	1913-50	1950-60	1956-61
France	0.7	4.4	4.2
Germany	1.2	7.6	5.9
Italy	1.3	5.9	6.7
Sweden	2.2	3.3	4.0
United Kingdom	1.7	2.6	2.1
Canada	2.8	3.9	1.8
U.S.A.	2.9	3.2	2.3
Average	1.9	4.2	3.9

/Source: A. Maddison, op.cit., p.28/

/Note 1 on following page/

It is not only the size of the rate that is remarkable: still more remarkable is its steadiness and the length of the period it takes. Economists are right in speaking no more of "crises" but of "recessions" for it is more than a change of a technical term that is involved as the dogmatists would like to make us believe, it rather mirrors the actual change in economic phenomena.

The more dogmatic adherents of Soviet-type communism present the Soviet system as an economic order that does not know any sort of crisis and never did. They would be right only if one equals a crisis to the depression of the thirties which is an untenable presumption. Since what they are used to call Marxism they have learnt in the Stalin school they are unable to recognize the many crises Soviet economy and society have gone through since 1928.

That neither planning nor a "socialist"-owned and managed economy can prevent the occurrence of even a major recession is proved by the case of Czechoslovakia. Without going into details we present the following illuminating table on Czechoslovak national income during the past few years.

National Income of Czechoslovakia
/1955 = 100/

Table 3

1959	1960	1961	1962	1963	1964	1965
130.0	140.5	150.1	152.2	148.9	149.8	155.3

/Source: Statistical Yearbook /in Czech/ 1966, p.127/

If it was planning that helped in a decisive manner to stave off economic crises, so it was technology, too. Both of these causes, however, have aggravated internal crises other than economic: the unrest of labor - with living standards increasing yet exploitation growing the more - became permanent.

Both planning and technology seem to have helped in generating economic growth, steadying it and preventing it from assuming disastrous disproportions. They could not, however, help in avoiding crises to occur at all: the form changed from the economic to a rather social and political one.

/Note 1 from the preceding page/

1/ "Government has assumed so important a role in the economy that its own operations largely determine the general economic momentum, and what appears as the business cycle is nowadays mainly a reflection of phases in government policy" says A. Maddison whom we have quoted already and who has besides observed the functioning of these policies as a member of the O.E.C.D. staff in Paris.

As much as the "welfare state" cares for eradicating misery it still leaves very much poverty in existence. Any "war on poverty" program notwithstanding the state cannot master it: the least that can be said is that there are "pockets of poverty" and millions of unskilled illiterates⁽¹⁾. This is due to a great part to the rapidly changing technology. Since no state really considers development of human values, development of man its actual aim, men are held to be functions of production / "production factor" / and, therefore, also - or primarily - functions of technology. Any program of education or upgrading is being connected with some deficiencies of a profession or industry as uneven development of technology makes this industry surging up today and another tomorrow. It is for this reason that no education program can be comprehensive enough and the same basic failure keeps to be repeated again and again.

Political dissatisfaction is piling up on the social and economic. None of the "traditional" parties or systems offers anything more but the solution of some momentary, transitional, short-term problems. While living standards - measured by consumption of easily accessible goods - may rise, so does the exploitation.

Added to these internal crises are the international tensions.

B. ANALYSIS OF THE THIRD WORLD

Following World War II a new group of states emerged as colonies acquired the status of independent countries / India, Pakistan, Burma, Indonesia / or wholly new states have been constituted / Israel, African states /. This process came to a certain halt in the early sixties when most of the African colonies were "granted" independence and thus changed the face of a whole continent almost over night.

This group of very loosely connected countries was later to be called the "third" world because of their "non-alignment". They are indeed distinct from the other two camps of the state capitalist world, i.e.

1/ The leading power of the capitalist world has had 34.1 million persons defined as poor in 1964. "The total number of poor, unrelated individuals over 65 years of age increased by 300,000 during the 1959-64 period. ... The number of large families with 5 or more children living in poverty also showed no decline..." The Annual Report of the Council of Economic Advisers, Washington (1966) p.113

However, after 20 years of "socialism", some south-western regions of Poland or eastern-most Czechoslovakia present problems very similar to the American.

the capitalist as well as the socialist one (1/). Nevertheless, they remain within the imperialist orbit not only owing to their origins that connect them directly with the capitalist world, but according to their later development as well. Whatever actions they may have carried out in the UN or whatever ⁵¹Access their particular members may have won in trying to bring the other two worlds together their common ground was always an uneasy and narrow one.

This is understandable since the Third World itself can be divided roughly into three groups in accordance with their geographic position: it is the group of Latin American, Asian and African states, respectively.

It is the African nations that make the group of the poorest members of this community. What makes them really poor indeed, however, is not their poverty, but the low stage of development /industrialization/ and the speeding up of the development of the industrialized countries that leaves them even more behind and more backward.

(1/ The difference is roughly yet clearly to be seen from table 4.

Table 4

Dynamics of Gross National Product According to Two Groups of the Capitalist World, 1950 - 1957 and 1965 /estimated/

Year	Advanced Industrialized Countries		Developing Countries	
	GNP bill. \$ 1957.	GNP per head 1957 \$	GNP in bill. \$ 1957	GNP per head
1950	579.1	1.113.5	89.4	107.0
1951	619.2	1.173.8	92.8	109.3
1952	639.3	1.199.9	96.8	111.9
1953	671.1	1.243.0	102.5	116.5
1954	672.9	1.230.8	107.3	120.0
1955	722.8	1.306.0	110.8	121.7
1956	754.7	1.346.9	114.6	123.8
1957	763.6	1.345.4	117.4	124.6
1965	1.060.0	1.713.8	165.5	149.2

/Source: UN Economic and Social Council General Review of the Development and Coordination of the Economic, Social and Human Rights Programs and Activities of the United Nations and the Specialized Agencies as a Whole, 5 May 1960, p.20/

The growth of the developing countries during the two post-war decades was not only uneven, but very slow indeed.

Table 5

Per Capita Gross Domestic Products by Major Regions, 1950, 1955 and 1960

	Average annual compound rate of growth		
	1950-50	1950-55	1955-60
Developed market economies	2.7	3.4	2.0
North America	1.5	2.5	0.5
Western Europe	3.7	4.2	3.3
Japan	8.0	7.6	8.5
Developing market economies	2.2	2.5	1.8
Latin America	1.8	1.9	1.6
Africa	1.9	2.2	1.6
Far East	2.1	2.4	1.8
West Asia	2.7	3.0	2.4

/Source: World Economic Survey, UN, New York 1965, p.21/

Naturally, the differences are great not only between the geographic groups, but among particular members of these groups as well. Some Latin American countries seem to have arrived on the threshold of sustained growth /Brazil, Argentina/; a few Asian nations like India may soon arrive at this moment, too. Yet in the most favorable cases this process takes very long and its goal is by no means certain.

The differentiation will probably proceed, with occasional lapses into previous development stages. But without an internationally concerted action during a reasonably long period the end of this millennium would be very far from seeing the underdevelopment overcome. With the onrushing demographic explosion the problem of developing countries will rather take alarming dimensions.

C. RELATIONSHIP OF INDUSTRIALIZED WORLD TO UNDERDEVELOPED

The relationship of the industrialized world to the underdeveloped may be briefly summarized in the following table:

Table 6

	Terms of trade 1960 = 100			
	1961	1962	1963	1964
Latin America	98	97	102	106
Africa	96	92	94	96
West Asia	98	98	98	97
Southern and south-eastern Asia	96	94	93	92
Developing countries	98	96	98	99

/Source: World Economic Survey, UN, New York 1965, p.222/

Whatever may have been the development of the "underdeveloped" countries, their position compared with that of the industrialized nations remains rather the same. UN statisticians put it this way in 1961:

"The considerable gaps in level of activity and extent of industrialization between the industrialized and developing countries, each considered as a whole, remained essentially of the same dimensions in 1961 as in 1938."

Every aspect of the relationship between the advanced and the developing countries confirms the basic facts that change and evolve in time but leave the essential relation untouched: the "primary producing countries" supply the "advanced" with raw materials the prices of which tend to fall. To quote again the UN statisticians' comments: "And against this probably slow growth of export earnings, the need for a rapid increase in imports, especially of capital equipment, to sustain an adequate rate of economic development, stands in marked contrast."

In 1961, for instance, this moments were as follows:

Table 7

Trade of Developing Market Economies
with Developed Market Economies
/1950 = 100/

	Index, 1961
Unit value of exports	98
Unit value of imports	113
Terms of trade	86
Unit value of exports, excl. fuels	95
Terms of trade, excl. exports of fuels	83

/Source: World Economic Survey, UN, New York 1963, p.7/

To offset this unfavorable situation as well as to overcome the difficulties accumulating on the road to the self-sustaining growth the developing countries have to ask for aid of the industrialized nations. The forms of this aid vary yet the main is represented by long-term capital /others include technical assistance, official donations, etc./ Its flow during the last few years is shown in table 8.

Table 8

Net International Flow of Long-term Capital
/millions of dollars/

	1961	1962	1963	1964
Net receipts of 49 countries	2,849	2,435	3,304	3,370 p/
Net reported outflow ^{a/}	4,666	4,285	4,791	5,264
^{a/} Outflows from the developed market economies and the international agencies to all developing countries				

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/Source: International Flow of Long-term Capital and Official Donations, 1961-1965 UN, New York 1966, p.41/

1/ The Growth of World Industry, 1938-1961, International Analyses and Tables, UN, New York 1965, p.234
2/ World Economic Survey, UN, New York 1965, p.145

However, not only did the external indebtedness rise as a consequence and put a heavy burden on the developing economies, as seen from table 9.

Table 9

Outstanding Public and Publicly Guaranteed Debt of Developing Countries: End of 1955, 1960 and 1962

Region	/Billions of dollars/		
	1955	1960	1962
Latin America /18 countries/	4.0	6.6	8.9
Asia /9 countries/	1.3	4.0	5.9
Africa /7 countries/	0.7	1.2	1.4
Total, above	6.0	11.8	16.3
Total /60 developing countries/	7.1	...	19.8

/Source: International Flow..., l.c., p.45/

Relatively to the total output of the industrialized countries, the outflow of funds to the developing economies declined steadily since 1961: it fell from 0.84 of gross domestic product in 1961 to 0.72 in 1962, 0.66 in 1963 and 0.65 in 1964.

Thus the developing countries have been so sucked into the vortex of the advanced industrialized economies that they are stagnating or even retrogressing. "In the Third World countries there is no clear determinant today /economic, social or political/ that would determine the direction of further socio-economic evolution of these countries", a Polish specialist on developing countries states. And Conor Cruise O'Brien writes: "Instead of thinking of a non-aligned Third World, it would be more realistic to think in terms of a world-wide capitalist economy of which the supposedly non-aligned countries form an integral part, ... If this process continues ... the independence of the non-aligned countries is likely to resemble increasingly that of the Latin American countries."

There is indeed a very real danger of these countries becoming "client states" if social revolution does not come up against this process of strangling the independence and economic development.

"As the service payments have almost invariably to be made in convertible currencies, the relative burden is probably somewhat greater than this arithmetic would suggest." International Flow..., p.45

International Flow..., p.15

J. Kleor, An Analysis of the Social-Economic Structures of the Third World /in Polish/, PWE, Warsaw 1965, p.5

J.W. Burton /ed./, Nonalignment, Deutsch, London 1966, p.131-132