WHY WE SHOULD VIEW THE UNITED STATES AS A DEVELOPING COUNTRY*

Ira Sharkansky**

It might appear perverse on my part to deliver a paper dealing with the United States as a "developing country" at a meeting of the Indian Political Science Association. India is known throughout the world as a developing country, with serious problems of poverty, nutritution, housing, and public health, while the United states often stands as "overdeveloped". Even though these standard designations are appropriate, it is also true that the United States and India share traits in common: Large size; large population; great social and economic diversity; the active pursuit of nationhood in the face of much internal diversity; plus the use of democratic procedures, open and competitive politics, and a federal system as a mechanism to achieve unity while permitting diversity.

There is no denying the great wealth of the United States. On most aggregate indicators of economic development, the United States scores at the top among nations. Yet the diversity within the United States and the contrasts between affluence and poverty present a series of *dualisms* in economics, culture, and politics. These dualisms of the Unites States--in character if not in scale--resemble those found in India and throughout the Third World, and provide a focus of this paper.

The theme of this paper is stated in its title: why we should view the United States as a developing country. The "why" is answered in two ways. First, because we can understand features of the current American scene that elude other analyses by viewing it with similar perspectives as we use to examine the countries of Africa, Asia, and Latin America. Second, because we can use this developmental perspective to *prescribe* a strategy of promoting further economic growth; this strategy has recently been lost amidst competing perspectives that urge a halt to further economic growth in the United States.

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* Presented at the Indian Political Science Association, Chandigarh, December 1973

** Ira Sharkansky, Ph. D.; Professor of Political Science, University of Wisconsin-Madison.

The Natures of Economic Development

The breadth of interest in "economic development" has prompted a range of meanings for the term. Rather than try a definition at this point, we shall move sideways toward understanding by noting its various uses by political scientists and economists.

Several users of "economic development" see it as a feature of the environment that influences policy-makers.[1]

1. The nature of development in a jurisdiction (i.e., a country, state, province, or locality) is said to affect the public policies that are possible by shaping the magnitude and character of resources available to officials. The more developed an economy, the more easily governments should assemble the revenues to pay for their activities. Also, a government should recruit more easily from a well developed economy the professional and technical personnel needed to staff administrative agencies.

2. The nature of economic development is said to influence the kinds of demands that come to government officials. A well developed economy has inhabitants with more education, sophisticated occupational skills and different tastes than a lesser-developed economy. Whereas lesser developed economies generate demands that emphasize jobs, housing, public health facilities and the rudiments of transportation and communication, better-developed economies support demands for increased leisure, greater access to higher education, generous welfare services for the needy sectors, and investments in sophisticated-research and development.

3. A well-developed economy tends to coexist with multiple institutions that shape popular tastes for policy, and present demands to the officials charged with policy-making. These include aggressive mass media, alternate political parties and pressure groups.

4. Economic development also occurs with certain kinds of governmental features. Not only are officials generally more receptive to opposition parties and vocal interest groups, but the government is more likely to accomodate demands for changes in key personnel. *Coups d'etat* and military governments occur less frequently in the jurisdictions with advanced economics. The lable "political development" conjures up even more diversity than "economic development," yet

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1 See, for example, Irma Adelman and Cynthia Taft Morris, *Society, Politics and Economic Development* (Baltimore: Johns Hopkins University Press, 1967); Thomas R.Dye, *Politic, Economics and the Public: Policy Outcomes in the American States* (Chicago: Rand Mc Nally, 1966); W.W. Rostow, *Politics and the States of Growth* (London: Cambridge University Press, 1971); Samuel P. Huntington, *Political Order in Changing Societies* (New Haven: Yale University Press, 1968).

despite differences in definition and interpretation from one scholar to another, the findings are widespread that advanced levels of economic development come along with political systems that are more open, competitive, adaptable, and promc to orderly changes in government.

5. Economic development correlates with the magnitude and nature of public services offered by a jurisdiction. Where economic development is more advanced, a society tends to spend more per capita through its public sector. Also, wealthier jurisdictions are more likely to spend their funds on welfare services (e.g., public education, pensions, public health, child-and family-assistance) that help to spread the benefits of affluence to the less-well-off sectors.

"Economic development" is not only a source of stimuli for the policy-making process. It is also a frequent target of the process. Much of governments' activities in designing public policies have a direct or indirect intention of shaping the development of its economy. This is true in the poorest countries of Africa, Asia, or Latin America, as well as in the United States.

For examples of policies having economic development as their direct target, there are the efforts of central banks (the Federal Reserve Board in the United States) to govern the monetary supply by setting reserve requirements of commercial bank; the treasury's efforts to shape the rate of inflation via government spending and borrowing; and the activities of other departments to promote the exploitation of natural resources, to nurture industries through import controls or export promotion, and to facilitate commerce through the development of transportation arteries and the regulation of financial institutions.

Many policies pursue economic development concurrently with other goals. A host of social programs find justification partly in their contributions to increase purchasing power or increased human productivity: *e.g.*, education, manpower training, employment security, family assistance, pensions, plus research in natural science, technology, and social sciences. Even the subsidies for leisure-time activities (e.g., hunting, fishing, trails through wilderness areas) appeal to officials partly on the basis of the stimuli provided to economic development in the regions to be visited by the affluent at play. Economics provides much of the justification for the game parks in East Africa (they attract foreign exchange from Europeans and North Americans) and for the snowmobile trails in the northern U.S. (they provide winter employment for sparsely-populated regions that traditionally had depended entirely on summer tourists).

Economic development is the constant preoccupation of policy-makers in the Third World, and only proportionately less so in the United States. Even though average levels of economic security in the U.S. are significantly greater than those in the so-called lesser-developed countries (ldc's), our policy-makers continue to pursue continued growth in resources. It is only minorit y utopian movements whose vocal spokesmen feel we have passed from the economics of scarcity to a "post-industrial society" or should severely restrict further growth. We still employ lots of economists to remind us that resources are scarce, and that we should make public decisions in a manner to obtain the most product or service from each dollar of inputs. The 1960's saw the development and dissemination throughout American governments of policy-making schemes to squeeze the most possible benefit from each unit of cost. Variously called "systems analysis," "operations research," and "planning-programming-budgeting" these techniques came from the sector of our society that was on the leading edge of advanced industrial and cybernetic capacity (i.e., the Department of Defense) and were promoted among state and local governments by no less a post-industrial phenomenon than the Ford Foundation.[2] These modes of analysis came in for considerable criticism and are now showing a retreat. The Nixon Administration has toned down from "program-planning-budgeting" (ppb) to "program-planning-evaluation" (ppe). However, problems of ppb were more in their capacity to identify, measure, and analyze all relevant components of a policy system than in any widespread conclusion that our economic resources made such analysis unnecessary.

"Economic development" is a multi-faceted concept, with qualitative as well as quantitative aspects. It includes features of economic balance and distribution, as well as the sheer magnitude of economic resources, productivity, and growth rates. Many economists and policy makers recognize that a "developed" economy must offer rewards to a broad spectrum of the population, especially those who are (or capable of becoming) politically organized in ways to threaten the status quo. Thus, programs defended as promoting economic development include provisions to spread economic opportunities or increase welfare payments and social services to social classes and geographic regions that are currently getting less than an equal share of the economy's rewards. Many countries in the Third World have programs to enhance the economic opportunities of ethnic, linguistic, or regional groups currently in the underside of the reward structures. In the United States we find affirmative action programs to increase the educational and job opportunities of women, blacks, American Indians, and Spanish-American people, plus regional commissions charged with spurring economic growth in Appalachia, the Upper Great Lakes, New England, the Ozarks, and the "four corners" region of Colorado, New Mexico, Arizona, and Utah.

Components of "Economic Development"

In this sideways movement through examples of "economic development" in studies of public policy, we have already seen many of its principal dimensions. Those dimensions fit more or less neatly into seven categories.[3]

1. *natural resources*, including the value of agricultural land, fuel, and minerals other than fuel;

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[2] For a discussion of the use of PPB. in the states, see Allen Schick, *Budget Innovation in the States* (Washington: Brookings Institution, 1971).

[3] See Adelman and Morris, Ch. 2.

2. *capital*, or human, physical or financial resources invested in the maintenance or growth of economic potential, with "capital" measured by indices for financial assets, the skills of the population, and industrial, power, and transportation facitlities;

3. *modernization of industry and agriculture*, with particular attention to the use of productive technologies and schemes of organization and management, often measured by the value of products in relation to worker input;

4. *capacity of financial institutions* needed for public and private investments, shown by such features as the effectiveness of the tax system, central banks, commercial savings, plus stock and monetary exchanges;

5. *character of foreign trade*, with the more developed economies showing greater exports of processed and manufactured goods, as opposed to raw agricultural or mineral exports;

6. *institutions to enhance human resources*, including technological and scientific education, plus research institutes, health facilities, and the programs that contribute to the economic security population;

7. *nature of economic integration*, i.e. the evenness of distribution in economic opportunities and benefits among the various regional and social divisions of the society.

The United States as a Developing Country

There are obvious differences between the United States and the countries of the world that are usually labelled "lesser-developed." Gross Domestic Product Per Capita (GDP/c) is the single measure of economic development most widely used in international comparisions; it sums the market value of the total goods and services produced. For 1970, the GDP/c of the Unites States was 4,734; the average for a group of 13 black African countries was $ 172; for 16 lesser-developed Asian countries $235; and 19 Latin American countries $ 473.[4] Yet despite these marked differences and all that they mean in terms of the economic security and living standards of North Americans compared to people in the lesser developed regions, it remains useful to consider United States-Third World differences to be in degrees rather than in kind. If we look within the Unites States, we find contrasts between our most-and least -affluent regions and social groups. We display shortcomings in the components of economic development that assess the capital available to various sectors, institutions to enhance human resources, and the nature of economic integration. Comparisons between the most comfortable sections of New York and California and the depressed regions of Mississippi, West Virginia, and New York City bring home our problems

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4 The data come from *Statistical Abstract of the United States*, 1972 (Washington: U.S. Government Printing Office, 1973), p. 813; calculations for Asia omit Israel and Japan.

of economic development. Our rural backwaters, urban slums, and depressed social classes resemble counterparts in the Third World. We can learn about our condition by looking at it from a developmental perspective, and along the way we may come to appreciate certain strategies for development that are lost to the perspectives of "post-industrial society," "end of growth," or "resource depletion."

Lesser Developed Regions in the Unites States and the Third World

Several policy-relevant parallels appear to link the states of the U.S. with lesser-developed economies and the lesser developed countries of Africa, Asia and Latin America. These traits include dependence on "foreign" sources of capital and policy leadership., the style of politicians, aspects of governmental structure, and public policy. In the United States, the prominent lesser developed region is the South. Most of the following traits occur in most of the southern states, as well as such other low-income states as Vermont, New Mexico, North Dakota and Utah.[5]

Developing states and countries receive significant inputs of financial grants, soft loans, and technical assistance from other governments and from outside private capital. Chief among the governments that supply aid to the developing countries are the former colonial powers, with other assistance coming from a list of countries that may feature the Unites States, the Soviet Union, Canada, Sweden, and West Germany. In the U.S., the federal government provides more in per capita aid to the developing states than do wealthier states. Low-income states also depend heavily on outside sources for private capital. In 1970, per capita receipts of federal aid by the 10 least developed states was \$ 112.32, while that of the other states was \$ 104.90. In 1971, per capita assets of commercial banks in the 10 least-developed states was \$ 2,052, while that in the other states was \$ 3,858.[6]

Citizens in both the developing states and countries feel they pay a price in the control of their economic resources by outsiders. Just as Chileans and Cubans have rallied against Yankee control of copper and sugar, so West Virginians, Kentuckians and Georgians have declaimed Yankee control over their coal fields or railroads. A difference, of course, lies in the options open to the governments in the lesser developed economies. A developing country may try to

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5 The discussion that follows comes from my "Structural Correlates of Least Developed Economics: Parallels in Governmental Forms, Politics and Public Policies Among the Least Developed Countries and the Least Developed (U.S.) States," delivered at the International Political Science Association Meetings, Montreal, August, 1973.

6 The 10 states ranking lowest on a widely used single-indicator of economic development (Per capita personal income) are Alabama, Arkansas, Kentucky, Louisiana, Mississippi, New Mexico, North Carolina, South Carolina, Tennessee, and West Virginia. See also, Dye.

expropriate the resources of foreigners at the risk of substantial changes in its international relations. In the developing states of the U.S., the governments have some leverage through the regulatory powers of the national government and the weight of their own representatives in the national legislature.

Developing states and countries rely on more advanced jurisdictions to supply models for government structures, procedures, and policies, which the less well-off then adapt to their own circumstances. Developing countries began their independence with a heavy residue of governmental forms and procedures from their former colonial masters, and continue looking to that source in adopting legislative and executive arrangements, civil service codes, currency system, and modes of providing services. Professor Jack Waker has shown that lower income American states usually follow upper income states in the adoption of new programs.[7]

Developing states and countries also resemble one another in certain efforts to induce economic growth. Both pursue industrialization with similar kinds of tax reductions for new industries and both have problems with the marginal industries that are attracted by such schemes; i.e., firms that teeter on the brink of bankruptcy, require extensive nursing by the government offices charged with economic development, offer little in the way of transferable skills to their employees, or fail to pay back the jurisdiction's investment in the form of substantial taxes or resources added to the economy. In the low income states of the U.S., the problem industries are small operations employing low-skilled and low-paid workers, and sometime moving from one jurisdiction to another in order to take advantage of limited-term tax advantages or low-cost [illegible] facilities constructed by industrial commissions. In developing countries, some problems come from marginal efforts at import substitution, resulting in higher-priced but poorer quality goods than available from importers. Other problems come from the show-piece heavy industries that strain a country's capacities to make available the skilled manpower needed to operate or manage the firm, to provide the markets needed to absorb its output, or to make the profits needed to repay foreign creditors.

In both the least developed countries and states there is a greater role for cultural traditions in the political process. Political campaigns are less concerned with the hard details of policy alternatives than with the efforts of candidates to identify themselves with folk symbols. 7a In Kenya,

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[7] Jack L. Walker, "Innovation in State Politics," in Herbert Jacob and Kenneth N. Vines, eds., *Politics in the American States: A Comparative Analysis* (Boston: Little, Brown 1971).

[7a] See Robert E. Ward, "Political Modernization and Political Culture in Japan," in Claude E. Welch, Jr., ed., *Political Modernization: A Readter in Comparative Political Change* (Belmont, Calif.: Duxbury Press, 1971), pp. 100–117:

for example, President Jomo Kenyatta features traditional dancing at many of his public appearances, and often joins the dancers of different tribes to sway and kick through several routines. Likewise an aspiring politician in the American South will mix with the boys, and provide traditional food and music to attract the folk to his rallies. Of course the importance of traditional symbols lies not so much in the food or festivities of political rallies, as in their use in cementing alliances and shaping the predispositton of policy-makers. Developing countries and states provide examples where traditional loyalties slow the political modernizaion that is feasible; they also provide examples of the leaders' use of traditional symbols to attract cultural groups behind a program, and to maximize popular support for developmental efforts.

Regressive tax and spending policies also link the developing states and countries. A regressive tax or expenditure is one that takes disproportionately from the lower-income population, or provides its benefits disproportionately to upper-income classes. In developing states and countries, the regressive tax has the advantage of taking revenue from the large number of poor residents, who possess--in the aggregate--the largest sums of money in the population. It does not burden the wealthy classes, and thus leaves them free to invest in commerce or industry that will add to economic growth. In the developing countries, the typical regressive taxes are the excise taxes on fuel, cloth, processed food, beer or manufactured goods, and the customs duty on goods that permeate the society (e.g., imported radios and printed cloth, or the imported components that are assembled by local industries). In some countries, regressive levies do not exist as separate commodity taxes, but are included within the price of goods manufactured or distributed by government corporations. Such corporations are expected to make a profit on their transactions, with the surplus going to the government treasury as a tax on the corporation, or used to pay for services or subsidies provided to certain citizens directly by the corporation.

In the United States, the archetype of the regressive tax is the levy on retail sales. State individual and corporate income taxes, in contrast, are progressive.[8] During 1971, the 10 states with the least developed economies drew only 10.3 percent of their revenues from income taxes, while the 10 states with the most-developed economies took 20.6 percent of their revenues from such taxes.[9]

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8 See "Allocating Tax Burdens and Government Benefits by Income Class," (New York: Tax Foundation, Inc., 1967).

9 For the 10 least developed states, see note # 6; the 10 states with the highest per capita personal incomes are California, Connecticut, Delaware, Illinois, Maryland, Massachusetts, Michigan, Nevada, New Jersey, and New York.

The tendency to avoid progressive taxes has a further parallel in the tendency to give little support to these programs that have a progressive impact on the distribution of resources. Elementary and secondary education, welfare and public health programs go disproportionately to citizens in the lower income ranges;[10] in the U.S., these are the programs that tend to receive smaller per capita allocations in the low-income states. Highway and natural resource programs, in contrast, represent investments in economic infrastructure and promise "growth"; they tend to receive greater per capita allocations in the states with lesser-developed industrial sector.[11] Similar allocations appear in the development plans of many lower-income countries, and serve to complement their avoidance of progressive taxes. On the expenditure side, these plans feature transportation, electric power, and communications facilities plus only those "welfare" activities like education and health that may contribute to economic development through the manpower sector.

Two policy-relevant traits of political structure also appear in developing jurisdictions here and abroad: We label them "centralization" and "concentration."

The "centralization of government" refers to the dominant role taken by the central, as opposed to the local jurisdictions. It shows in the center's collection of revenue, its distribution of financial aid to local units, its establishment of program standards to be followed by local government, and its direct provision of services throughout the jurisdiction by means of central government officers. For the lesser-developed American states, centralizaion appears most clearly in the ratios of state to local activities in revenue collection and spending. On some of these measures, the 10 states with the least-developed economic score 60 per cent more centralized than the national average and the most developed states.[12] For the least developed countries, the best data on the relative positions of central and local governments comes from a doctoral dissertation written at the University of Southern California. Paulo Reis Vieira developed an index of decentralization for 45 countries based upon the ratio of local government revenues and expenditures to total government revenue and expenditure for the period 1953-63. By comparing his country rankings with per capita gross domestic products, we find the expected association between economic development and decentralization. As in the case of the American states, governmental *centralization* is a trait of lesser developed economies. The countries showing the greatest cen-

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10 "Allocating Tax Burdens and Government Benefits by Income Class."

11 Ira Sharkansky and Richard I. Hofferbert, "Dimensions of States Policy," in Jacob and Vines.

12 Centralization is measured as the percentage of combined state and local government tax revenues collected by the state or the percentage of combined state and local government expenditures made by the state (i.e.,the central) government.

tralization on Vieira's index have an average gross domestic product per capita of $ 801, while the countries showing the greatest decentralization have an average gross domestic product per capita of $ 2647.[13]

Centralization in lesser-developed jurisdictions serves to maximize the resource potential of the central government. In the U.S., for example, where a state as a whole is poor, the local governments are especially poor. The rural countries and small towns cannot support state-mandated minimum levels of service on the basis of taxable resources that lie within their boundaries.

It is the state government that has access to resources in "have" as well as "have not" regions, and uses its taxes to acquire the sums necessary for programs throughout the state. The dynamics of politics work to extend state financial aids even to the "have" communities. In order to pass the legislation needed to aid the low-income localities, there must be some aid for every locality. The result is a generally low level of local taxation throughout the least-developed states, with the state governments assuming financial responsibility for programs that are funded by local governments in the more-developed states.[14]

"Concentration" pertains to the aggregation of political options in relatively few hands, and reflects the political opportunities available to citizens. It differs from "centralization", which pertains to the aggregation of powers to officials in the capital city. Yet "concentration" and "centralization" complement one another; both permit a narrow base of effective participation, with many citizens and officials left out of real decision-making.

A hallmark of concentration is limited competition between political parties. The dominance of single parties lessens the opportunities for citizens to make decisions on the basis of

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13 See Paulo Reis Vieira, "Toward a Theory of Decentralization: A Comparative View of Forty-Five Countries," (a doctoral dissertation, University of Southern California, Los Angeles, 1967), cited in Frank P. Sherwood, "Devolution as a Problem of Organization Strategy," in Robert T. Daland, ed., *Comparative Urban Research: The Administration and Politics of Cities* (Beverly Hills : Sage, 1969, pp. 60-87); see also, Francine F. Rabinovitz, "Urban Development and Political Development in Latin America," in Daland *op. cit.*, pp. 88–123.

14 See my *The Maligned States: Policy Accomplishments, Problems and Opportunities* (New York: McGraw-Hill, 1972), pp. 59–62.

alternatives to present office holders or public policies. In some developing countries, the major party has a monopoly that is written into the national laws and/or enforced by the official police or the party thugs.[15]

In many of the low-income American states, the lack of party competition comes along with a low incidence of voter turnout. The lack of participation, presumably, reflects the lack of importance and interest that attach to noncompetitive election. In the 10 states with the least-developed economies, the majority party controlled an average 82.9 per cent of the legislative seats in 1970, and turnout rates averaged 30.7 of the age-eligible population; comparable figures for the 10 states with the most-developed economies showed closer divisions in the legislative (61.6 per cent of the legislative seats held by the majority party), and more turnout (48.5 per cent).[16]

Strong executive leadership frequently accompanies the traits of centralization and concentration. Huey Long is the archetype of a strong executive in the context of a lesser developed American state, with George Wallace, Gene Talmadge and Orval Faubus providing other examples. Virtually all of the developing countries offer their own parallels, with some of the most striking cases being those nationalist leaders who led their countries out of the colonial experience: Kwama Nkrumah in Ghana, Jomo Kenyatta in Kenya, Julius Nyere in Tanzania, Hastings Banda in Malawi, and Sukarno in Indonesia. In most of the least developed countries, it is the bureaucracy --and often the military sector of the bureaucracy--that joins the chief executive in commanding the greatest leverage in public. The bureaucracy attracts members of the best families and the best graduates of the national universities; it commands a virtual monopoly over technical expertise; and its police and military segments may use their poweres to control other branches of government.[17]

The Policy Relevance of Parallels Between Lesser-Developed States and Countries

Elements of governmental centralization, political concentration, traditionalism in politics, and such policies as industrial promotion, tax and spending regressivity fit together in a syndrome that both reflects conditions of relative deprivation and may affect the processes of further economic development. Centralization and concentration both serve to limit the claimants

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15 See, for example, William J. Foltz, "Building the Newest Nations: Short-Run Strategies and Long-Run Problems," and James S. Coleman and Carl Rosbert, Jr., "African One-Party States and Modernization," both in Claude E. Welch, Jr., *Political Modernization: A Reader in Comparative Political Change*, (Belmont, Calif: Duxbury Press, 1971) pp. 293-304; and 330-354; and Aristide R. Zolberg, *Creating Political Order: The Party-States of West Africa* (Chicago: University of Chicago Press, 1966).

16 Turnouts are measured for 1970 contests for the U.S. House of Representatives; data come from *Statistical Abstract of the United States*, 1972.

17 See, for example, Fred W. Riggs, *Administration in Developing Countries: The Theory of Prismatic Society* (Boston: Houghton-Mifflin, 1964).

on public resources with centralization, there is a minimum opportunity for regional and local groups to bolster their demands on public resources with the aid of any formal instruments built into the policy-making process. Political concentration lessens the power of citizens in regional or class grouping who would claim resources for their own welfare purposes. Centralization and concentration also permit the small number of trained and experienced administrators to keep the management of scarce resources in their own hands. As the chief executive of a national airline in one new country put it:

> In a country like this, the manager of a public enterprise must be ambidextrous and pedidextrous. He must be able to write tickets with his left hand while he checks vouchers with his right hand, and type letters with his right foot while he does inventory with his left foot.

There is a view that prospects for economic development benefit from centralization, concentration, traditionalism, and regressive policies. Yet this view is problematical and relies on one important assumption: that the elite which benefits will use its economic and political leverage for public benefit rather than private gains. Regressive tax and spending policies extract their costs mostly from the mass of low - income residents, and less - so from upper-income residents who may invest their resources for further growth. Traditional symbols may distract unsophisticated voters from their leaders' policies. Programs of industrialization, transportation, communications, improved agricultural techniques as well as public health and education, can result from a publicly-minded elite investing rationally to stimulate economic development. On the other hand, some elites use their leverage to reinforce their own position, keep taxes low for their own social class, control the government for personal profit, and either band the proceeds overseas or consume them in opulence at home. The developing states and countries provide examples both of asceticism and excess on the part of its elites.

Lesser-Developed Classes in the United States

Throughout the United States-- in the most -as well as the least-developed states--there are *classes* of individuals who show traits of their counterparts in lesser-developed economies. The most distinctive of these are the racial and ethnic minorities, with most of the 22.6 million blacks, 9.2 million people of Spanish origin, and 800 thousand American Indians scoring significantly below the white average in incomes, education, and health care. A few statistics from recent years remind us of conditions that are well known:[18]

1. median family income for whites in 1971 was $ 10,700, and for non-whites $ 6,700;
2. 51.6 per cent of white families had incomes over $ 10,700, and 28.2 per cent of non whites

18 *Statistical Abstract of the United States*, 1972.

3. 9.9 per cent of white families were below the "low-income" line, and 30.9 per cent of nonwhites;

4. the unemployment rate for whites was 5.4 per cent, and 9.9 per cent for nonwhites;

5. the median school years attained by white adults was 12.2 years, and 10.1 years for nonwhites;

6. infant death rates were 21.5 per 1,000 live births for whites, and 40.3 for nonwhites.

If we combine the traits of economically undeveloped people *and* regions to examine ethnic minorities in low-income states, we find the clearest instances of dual societies in the United States. Looking just at infant deaths, we find the rate for nonwhites is 48.1 per 1,000 live births in Mississippi and 55.6 in Wyoming. In these two states the major "nonwhite" groups are, respectively, blacks and American Indians,. They exhibit infant mortality rates from 2.7 to 3.6 times those of whites is such states.

Nonwhites are not simply poorer, less-well educated and less healthy than whites in the United States. They also exist in an economic structure that differs from the dominant economy in ways that helps perpetuate their problems. Professor Frank G. Davis has described the economics of urban black communities in ways that remind us of the "dismal science" tradition of economics. He identifies five traits in the economies of urban ghettoes:

1. Non-white workers' salaries are approximately 58 per cent of whites'. Even after adjusting for white-nonwhite differences in education, age, region, and size of city, the income of nonwhite urban males is only 81 to 87 per cent of white counterparts. This differential of 13 to 19 per cent represents the economic discrimination against nonwhites in the urban setting.

2. There is a net *outflow* of capital resources from the ghetto. This reflects purchases made by black businesses (mainly small retail and food shops) from outside the ghetto; imports of goods and exports of profits by white-owned businesses; and the export of black labor to employers outside the ghetto.

3. The high concentration of low-income residences attract small-scale, low-profit retail activities, but excludes manufacturing opportunites due to land scarcity and high land values.

4. Black owned businesses tend to be smaller and more precarious than the white-owned businesses in the ghetto, thus minimizing any hopes for a burgeoning of "black capitalism."

5. Industries locate in the low land-value suburban areas, imposing transportation costs on black laborers that make the wages for unskilled labor in the suburbs uneconomic for ghetto blacks. "The result is the simultaneous existence of job vacancies and unemployed black labor."

Other traits of the larger economy in which the ghetto exists have striking consequences for ghetto residents:

1. Investments in industry emphasize technological changes that reduce the need for unskilled labor.

2. Economic growth for industry in the larger society makes low-skill black laborers redundant in jobs that increase in their skill requirements, and forces blacks to compete for jobs in low-productivity, low-paying service industries where blacks are already concentrated.

Professor Davis examines the promise of "black capitalism" for the ghetto, but remains pessimistic. There remains the problem of high residential land values that prohibit large scale industrialization in the ghetto. Davis finds that manpower training programs have not reached the mass of unemployed blacks: over a 6 year period on-the-job trainees have included only 1.4 per cent the estimated number of black unemployed. Some programs may increase the number or the wealth of black entrepreneurs, but leave untouched the major forces producing black poverty. "Mere substitution of black capitalists for white capitalists under present conditions of resource use is far from an optimum economic condition of ghetto development and growth and could have only minimal effects."[19]

By looking at the United States from a developmental perspective, we find serious problems of regions and social groups that are not integrated into the main stream of economic beneficiaries. The least developed states resemble the least developed countries of Africa, Asia, and Latin America on traits of politics, governmental structure, and public policy. Blacks and other ethnic minorities show economic and social deprivations, and express strident demands for change. The calls from lesser developed regions and classes within the United States make a chorus with officials of the lesser-developed states seeking continued growth.

A Counter Perspective: Advanced Growth on the Frontier of Doom

Before moving further through the developmental perspective on the United States and expounding the strategy of continued growth associated with that perspective, it is necessary to detour through some counter arguments. It is time to reckon with those who see this as a new era that differs more in kind than in degree from lesser-developed economies, and who demand that growth be tightly constrained or even stopped in order to maintain a viable society.

There are several points of view to be faced. Numerous writers have expressed these views, and they do not share all features of the perspective to be outlined below. Yet their work is suffi-

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[19] Frank G. Davis, *The Economics of Black Community Development: An Analysis and Program for Autonomous Growth and Development* (Chicago: Markham, 1972), esp. pp. 78, 104, 145.

ciently alike in its attachment to notions of dramatic economic and social changes in the recent history of the United States, and in its concern to control further growth that they warrant this common treatment. By examining the work of several widely-hailed individuals who represent different strains in this literature, we can raise important caveats for the perspective that urges continued economic growth. The counter perspective has three principal thrusts:

1. The United States has moved into a new age. Daniel Bell began a movement among intellectuals with his term "post-industrial society." By this he means the replacement of manufacturing with service activities as the dominant feature of the economy; the predominance of theoretical knowledge as basic to the new economic order, with universities the institutions at the leading edge of continued change; the importance of research and development activities, with government increasing its role in the economy by the need to fund R & D projects that are beyond the resources of the private sector, and to control the new technologies that are devised.[20]

2. The process of social and economic change has speeded up to an unsettling degree, with society seemingly hyper-innovative. Alvin Toffler's *Future Shock* has gone through some four editions and 34 printings attracting countless people to the argument that a triumverate of *transcience*, *novelty*, and *diversity* are the traits of today and tomorrow that will produce the sypmtoms of social pathology. He calls our society "super-industrial," and writes with a compelling force.

> Million sense the pathology that pervades the air, but fail to understand its roots. These roots...... are traceable... to the uncontrolled, non-selective nature of our lunge into the future. They lie in our failure to direct, consciously and imaginatively, the advance toward super-industrialism. . . the United States is a nation in which tens of thousands of young people flee reality by opting for drug-induced stupor or alcoholic haze; a nation in which legions of elderly fold vegetate and die in loneliness; in which the flight from family and occupational responsibility has become an exodus; in which masses tame their raging anxieties with Miltown, or Librium, or Equanil, or a score of other tranquilers and psychic pacifiers. Such a nation, whether it know it or not, is suffering from future shock.[21]

3. Growth has not only psychic costs, but poses severe physical threats. There are too many people, too much industrial production, and consumption of too many nonrenewable

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[20] Daniel Bell, "Notes on the Post-Industrial Society," *The Public-Interest*, (Winter and Spring, 1967), as reprinted in Franklin Tugwell, ed., *Search for Alternatives: Public Policy and the Study of the Future* (Cambridge, Mass.: Winthrop Publishers, 1973).

[21] Alvin Toffler, *Future Shock* (New York: Bantam Books, 1971), p. 366.

resources; the result of all this glut is said to be impending pollution that will stifle the environment. Paul Ehrlich is an articulate professor of biology. He looked ahead only ten years from 1969, and saw an "eco-catastrophe."

> The end of the ocean came late in the summer of 1979, and it came even more rapidly than the biologists had expected. There had been signs for more than a decade, commencing with the discovery in 1968 that DDt slows down photosynthesis in marine plant life . . . .
>
> Other changes had taken place by 1975. Most ocean fishes that returned to fresh water to breed, like the salmon, had become extinct, their breeding streams so dammed up and polluted that their powerful homing instrinct only resulted in suicide....[22]

In a more temperate and persuasive piece, an group of researchers from the Massachusetts Institute of Technology projected growth rates for population, industrial and food production, resource consumption, and pollution. Their book, *The Limits of Growth*, reports computer print-outs showing "the basic behavior made of the world system is exponential growth of population and capital, followed by collapse." [23] They note that "feedback loops" exist to perceive and react to excessive growth by control mechanisms, but find these feedback loops too slow for the rates of growth that are envisioned. The example of the Green Revolution (the introduction of new seed varieties combined with fertillizers and pesticides) shows how an attractive technological solution to the world's food shortages has negative consequences not foreseen and uncontrolled with the rapid introduction and spread of new schemes:

> Where...... conditions of economic inequality already exist, the Green Revolution tends to cause widening inequality. Large farmers generally adopt the new methods first. They have the capital to do so and can afford to take the risk. Although the new seed varieties do not require tractor mechanization, they provide much economic incentive for mechanization, especially where multiple cropping requires a quick harvest and replanting. On large farms, simple economic considerations lead almost inevitably to the use of labor-displacing machinery and to the purchase of still more land. The ultimate effects of this socio-economic positive feedback loop are agricultural unemployment, increased migration to the city, and perhaps even increased malnutrition, since the poor and unemployed do not have the means to buy the newly planted food.[24]

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22 Paul Ehrlich, "Eco-Catastrophe," *Ramparts* (September, 1969), as reprinted in Tugwell, especially p. 186.

23 Donella H. Meadows et al, *The Limits to Growth* (New York: Universe Books, 1972), p. 142.

24 *Ibid.*, p. 147.

The publisher's blurbs on the back cover of the M.I.T. volume give some indication of its basic message and reception:

> The earth's interlocking resources--the global system of nature in which we all live--probably cannot support present rates of economic and population growth much beyond the year 2100, if that long, even with advanced technology.

And in the words of one prestigious reader:

> If this book doesn't blow everybody's mind who can read without moving his lips, then the earth is kaput.

Some Problems with the Counter-Perspective

The view that growth produces doom makes serious demands on our attention. We cannot end this essay with a simple recommendation to pursue growth without regard for avoidable consequences to the environment. Neither can we prescribe growth without regard for modes of distribution that will maximize the contribution that growth can make toward the amelioration of our social problems. Yet the simple assertion that growth produces doom is no better a place to end; There are serious problems inherent in that perspective. Not the least is its proponents' desire to have the benefits of improved resource distribution without permitting continued growth. In the words of the M.I.T. volume:

> We unequivocally support the contention that a brake imposed on world demographic and economic growth spirals must not lead to a freezing of the *status quo* of economic development of the world's nations.
>
> If such a proposal were advanced by the rich nations, it would be taken as a final act of neocolonialism. The achievement of a harmonious state of global economic, social, and ecological equilibrium must be a joint venture based on joint conviction, with benefits for all.[25]

What the M.I.T. group lacks is a convincing demonstration that a strategy of no (or limited) growth will facilitate the redistribution of resources from "have" to "have not" sectors. I once asked a class of sophisticated students from African and Asian countries if they knew of a way to take advantages from people who had them but did not want to give them up. After a long pause, the only response was: "shoot them."

There is an appealing argument that a more-equal distribution of opportunities and resources via lost-cost education and training, health services, transfer payments and other welfare

25 *Ibid.*, p. 194; this language is not that of the research team, per se, but is a commentary by the Club of Rome, i.e., the sponsor of the M.I.T. group's research.

programs becomes easier, politically, in a more affluent and continuously growing economy where the well-to-do can tolerate greater levels of taxation without feeling significant loss of their *own* opportunities. The M.I.T. group is putting its chips on the side of changes in values:

> We affirm finally that any deliberate attempt to reach a rational and enduring state of equilibrium by planned measures, rather than by chance or catastrophe, must ultimately be founded on a basic change of values and goals at individual, national, and world levels.[26]

Such changes may occur, but it seems wiser to count on a projection of present values and figure out a way to inter-and intranational redistributions without waiting for utopia. It is curious that the M.I.T. group assumes a stability of present values in its analysis, and then abandons this assumption when offering policy recommendations.

There have been seriour effort at challenging the growth-produces-doom perspective with fresh information and reanalyses of the data used by the M.I.T. group. The thrust of this work is threefold: 1) growth is not so rapid or universal as viewed by the doomsters, and does not so clearly threaten resource depletion or stifling pollution; 2) projections of unlimited growth have not rekoned with the continued growth of technologies that could blunt the adverse consequences; and 3) the issue of growth vs no growth is a sterile debate, and distracts attention from the more important concern of "what kind of growth?" and "how should its output be distributed?"

One group of demographers has challenged any projections that see population as going continuously upward. Their argument has two basic points. First, that population forecasting should *not be* accepted without strong reservations:

> No demographer has ever succeeded in forecasting the future of any population. However, demographer today are much better informed about the reasons for their failure, and their product is much more likely to be regarded with justifiable doubt. We call that progress.[27]

Second, figures that do exist about recent trends severely question any expectation of continued population growth. Indeed, the long trend among countries with advanced levels of economic development is population *decline*. This is true of United States, with the magnitude and duration of the post World War II "baby boom" being not the typical pattern but the aberrant pheno menon to be explained. That phenomenon seems to have passed at about the mid-1960's,

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26 *Ibid.*, p. 195; this also is the lang of the Club of Rome.

27 Norman B. Ryder, "The Future Growth of the American Population," in Charles F. Westoff, et al, *Toward the End of Growth: Population in America* (Englewood Cliffs: Prentice-Hall 1973), pp. 85–86.

with the mean birth ratio declining by some 20-24 per cent between 1961-65 and 1966-70.[28] Declines have come partly with changes in technology (more widespread use of better contraception) and values (later marriages and fewer children wanted). While this group of researchers did not extend their analyses to trends outside of countries with "developed" economies, the implication of their work is that economic growth brings a modernization of attitudes and life styles, and fewer children. There are occasional upward spurts in population, but there seems little in recent history to support any notions of continued exponential growth.

Another group of researchers from Sussex University in England takes direct aim at the M.I.T. group. Their volume is titled, *Models of Doom: A Critique of the Limits to Growth,* and offers a systematic attack on the assumptions, methods, conclusions, and recommendations offered by their New England colleagues. This may not place to referee the international match and award a cup to the winning university, but we can array the Sussex to the growth-produces-doom perspective. The Sussex group finds the M.I.T. people to the unreconstructed Malthusians. The essence of Malthus' forecast was that population would grow exponentially, while the produce of agriculture would grow only arithmetically. Malthus offered predictions from the early 19th century that had most of us starving long before now. The Sussex group calls their colleagues on a failure to build technological and value changes into their projections of growths, resource depletion and pollution. They remind us that Malthus was proved wrong on the basis of higher agricultural yields as well as on the uneven nature of population growth; and that other technological innovation has occured since he wrote and should continue. Just as any forecasting of energy supplies done in the mid-19th century could not have taken the (as-yet undeveloped) use of petroleum into consideration, so any energy projections to the year 2100 must concede some unexpected progress toward discovery and innovation. Sussex also indicts M.I.T. for working with a whole-world model, and thereby masking the numerous opportunities for continued resource exploitation, industrialization and population growth in as-yet undeveloped regions. One quotation from the Sussex report brings together several strands of its critique:

> In the early 19th century, Malthus predicted that all the World's arable land would soon be used up- including that in the Americas. According to data presented in the Technical Report (of the M.I.T. group), less than 50 per cent of the world's potentially arable land is at present under cultivation. In the densely populated continents of Europe and SE Asia, the percentage is over 80; in North America and the USSR it is between 50 and 60; and in Africa, Australia and

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28 Norman Ryder, "Recent Trends and Group Differences in Fertility, in *Ibid.*, pp. 66-67,

> South America it is around 15 to 20. In North America, Australia and Argentina, land yields are low by world standards by the degree of mechanization is high, thereby suggesting that in these regions of the world the relatively scarce factor in agriculture is labour, not land. Indeed, in some of these regions, arable land is being taken out of use.[29]

The Sussex group concedes that there are theoretical limits to growth, but is more impressed with the political than the physical constraints. By admitting some degree of technological change into their models, they push the point of resource depletion beyond the time span of their models. For them, the issue is not growth *vs* no-growth, but the *nature* of growth, its *location*, and the *use* of its outputs. These issues lend themselves to political analysis, which must focus on the most variable of elements that do not lend themselves to computer projection.

> Some types of growth are quite consistent not merely with conservation of the environment, but with its enhancement. The problem in our view, is a socio-political one of stimulating this type of growth and of more equitable distribution, both between countries and within them.[30]

The Sussex group questions the social goals of the M.I.T. researchers. It finds the New Englanders loyal to the intellectual and leisure values of their class, and doubts they can acquire more tangible values without economic growth. There is in the M.I.T. perspective "and aristocratic concern for enjoying amenity and environment without disturbance by others" which also appeared in anti-growth writings of the 19th century.[31] The M.I.T. group excludes from the no-growth prescription and welcomes the further development of those virtues "that many people would list as the most desirable and satisfying activities of a man--education, art, music, religion, basic scientific research, athletics, and social interaction."[32] This may be the ideal list named by "many people," but such judges would likely enunciate their preferences with the accents of the well-educated upper classes.

Growth and Equality

Here we come to a crucial point in the argument. Can economic growth serve as an engine for social as well as economic progress? The forecasters of doom are pessimistic. They

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29 H.S.D. Cole et al, *Models of Doom: A Critique of the Limits to Growth* (New York: Universe Books, 1973), p. 59.

30 *Ibid.*, p. 10

31 *Ibid.*, p. 148

32 *Ibid.*, p. 175.

fear growth. They want social progress, but without significantly more economic development. They have no scheme other than a hoped-for change in values to render a more equitable distribution out of an economic pie that is fixed in size. If they cannot have both no growth and more equal distribution, they offer no solution to the question of which is preferable: no growth or no more-equal distribution.

While there is no evidence in the writings of the M.I.T. group that a change in values will produce greater economic equality without growth, there is evidence elsewhere for the proposition that the greatest economic equality occurs in the well-developed economies. Countries with the most equal distributions of income are the best developed economically, i.e., the countries of northern and western Europe, North America, Australia and New Zealand. This list includes the United States, and within the United States it is the states with the most affluent economies that present the most equal distributions of income.[33]

It is a separate question whether the process of economic *growth ,per se*, leads to more equality. There is speculation on both sides of the issue. One model that offers some fit with data indicates an initial period of greater inequality during the growth process, followed by long run changes in the direction of greater equality. The early negative change may occur as growth begins in the more sophisticated industrial and urban sectors, and provides immediate rewards for those workers who can meet the qualifications of training and skill. In many of the lesser developed countries, this produces a movement from rural to urban areas and a shift in employment opportunities from low-wage to high-wage that skews further the existing gaps between income brackets. Yet it is also apparent that a rapidly growing economy expands employment opportunities at all levels; total employment grows faster than the available workforce, and increased opportunities appear at all skill levels. As more low-skilled people move from unemployed to employed status, the distribution of incomes moves in the direction of greater equality. With growth continuing, an economy should reach the position of the "developed economies," where generous programs of income transfers, low-cost or free education and health care serve to enhance equalization opportunities across regional and generational lines: During the period of growth, the timing and extent of early-inequality/later-equality may vary with such things as the capital-intensity of the first developments and governmental efforts to speed or slow the rate of growth. An early emphasis of capital-intensive industry is likely to put the premium on

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33 See, for example, Simon Kuznets, "Economic Growth and Income Inequality," *American Economic Review*, 45 (March, 1955), pp. 1–28; Kuznets, *Modern Economic Growth : Rate, Structure, and Spread* (New Haven: Yale University Press, 1966), esp. Ch. 4; Bruce Russett et al, *World Handbook of Political and Social Indicators* (New Haven: Yale University Press, 1964), p. 217.

high-skill employment and thus skew distribution toward greater inequality. Studies of the recent Brazilian experience indicate that governmental efforts to dampen growth worked in the direction of initially greater inequality, while a policy of more rapid growth opened opportunities across the skill ranges, made jobs available to more workers, and produced a more equal distribution of incomes.[34]

There is, therefore, evidence that the more-developed economies feature greater income equality than the less-developed economies, and that the process of development, *per se,* promises greater equality perhaps after an initial period of greater inequality. To be sure, this may not come without some governmental attention to the nature of growth and the opportunities for proportionate rewards going to various sectors of the economy. It is also apparent that greater equality of income and opportunities, by themselves, may not produce social satisfaction. Within the United States, we have the findings of Edward Banfield that urban ghettoes can fester with discontent even while the objective indicators show greater individual opportunities than in the past.[35] Among the ldc's, there is the notion of a "revolution of rising expectations," where demands for social services begin to rise only after the masses have risen from the position of extreme squalor and hopelessness, and then escalate more rapidly than the economy or the government can respond. Despite these warnings for the attention of policy-makers, however, we do find a basis for perceiving growth as the engine of social progress; and are hard pressed to project significant social progress in the direction of equal opportunities and incomes without economic growth, and without revolution. If tastes go in the direction of peaceful redistributions, rather than shooting the wealthy to enrich the poor, then a strategy of growth seems appropriate.

Conclusions

We must not forget the sheer magnitude of differences between the United States and the so called lesser-developed countries. Moreover, this paper has discussed the economic growth of the United States and the ldc's without facing some thorny issues of international economics that may govern the timing and the possibility of parity between countries that are currently more-and less-developed. As the title indicates, the paper is concerned primarily with the United States, and looks to the ldc's for intellectual models useful in understanding the United States. The transference of models seems useful not only in viewing demands for growth within the United States, but also in some issues that counter demands for growth. Both the United States and the lesser developed

34 A. Fishlow, "Brasilian Size Distribution of Income," *American Economic Review,* 62, (May, 1972), pp. 391–402(and Samuel A. Morley and Jeffrey G. Williamson, "The Impact of Demand on Labor Absorption and the Distribution of Earnings: The Case of Brazil," Paper No. 39, Program of Development Studies, Rice University, Spring, 1973, mimeo.

35 Edward E. Banfield, *The Unheavenly City: The Nature and Future of Our Urban Crisis* (Boston: Little Brown, 1970).

countries have serious problems of pollution, even while the character of their problems differ greatly. The United States can afford to concern itself with a level of environmental cleanliness that requires sophisticated and expensive devices to clean the wastes of industries and automobiles; the ldc's must struggle with the more basic problems of sanitary water in urban areas. Yet the United States as well as the ldc's must shape its policies toward pollution with an eye toward similar economic trade-offs: How much to spend on the control of pollution? How to rank pollution control in relation to other goals, especially goals of economic growth and distribution that may compete with pollution control? Strong advocates of environmental purity elevate their goals to the highest priority, and resist compromise for the sake of other values. However, to the extent that the United States, India, and other developing countries show the traits of open, competitive, and democratic politics, the issues of growth, distribution, and pollution control must struggle among themselves and with other values for the attention and resources of policy-makers.