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Volume Title: The Comparative Study of Economic Growth and Structure

Volume Author/Editor: Raymond W. Goldsmith

Volume Publisher: NBER

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

Publication Date: 1959

Chapter Title: Some Suggestions for Research on Comparative Development

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Chapter URL: <http://www.nber.org/chapters/c4419>

Chapter pages in book: (p. 142 - 144)

SOME SUGGESTIONS FOR RESEARCH ON COMPARATIVE DEVELOPMENT

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The following suggestions for empirical research are largely based on various propositions set forth in my book, *The Strategy of Economic Development*.¹

Sequences of Development Decisions

Development can be viewed as the result of a limited number of "development decisions." These decisions comprise not only investment decisions, but also institutional innovations such as the setting up of financial institutions, the enactment of agrarian reform, the introduction of an income tax, etc. It is important to obtain more knowledge about the process through which one development decision calls forth another. Who induces whom? The vital processes of inducement and contagion may be quite different in different countries. For instance, in some countries, building social overhead capital ahead of demand may be an excellent way of inducing the growth of industry; in others the efficient sequence may be the other way round: it may be best to build up industry first, even with an inadequate transportation and power base, and to let the emerging shortages and bottlenecks forcefully point to the areas in which additional overhead investments are required. It is important to realize that these crucial differences in sequence are not revealed by the usual comparative data which record the outputs or assets of different sectors at two widely separated points of time. Such data may well show growth of all sectors over the period, but they will not tell us which ones have been inducing and which ones induced, and yet this is essential information.

Similar differences in sequences can be observed in the pattern of industrialization. But of even greater interest are interactions between institutional, social, and economic progress. In this field what looks like "prerequisites" in one type of sequence may well turn out to be a necessary final step in another type.

¹Yale, 1958.

The methodology of describing such sequences of development decisions remains to be worked out. Certain decisions could be identified as such, others would have to be deduced from indirect evidence, such as increases in assets and flows. The basic hypothesis to be tested here is that intersectoral imbalances bring with them tensions and pressures that are an essential ingredient of the growth process and that different patterns of imbalances may be suitable to different types of countries (or regions within countries).

Industrialization and Domestic Production Thresholds

For a large—and increasing—number of industries, the principal determinant of location in any one country is the size of that country's market. Therefore, as a country's income grows, it will automatically become attractive to additional industries. Thus, income growth induces capital formation, the assumption being that the economy is "squeezable," i.e. can, within rather wide limits, generate additional capital when this becomes a sufficiently attractive or compelling matter. In this connection, it would be of interest to investigate:

1. The minimum economic size of plants for a wide variety of products and for different countries, taking into account transportation costs and local availability or nonavailability of basic materials.

2. The typical patterns of this type of induced capital formation over time, given some of the industrialization sequences identified as a result of development decisions. It is possible that one would obtain, in this way, a projection of induced capital formation which, because of bunching of thresholds, would show sharp ups and downs, even assuming an initially smooth autonomous expansion in demand. Series calculated in this manner would be tested against the actual experience of the type of countries for which they would have been computed.

A related inquiry concerns the relation between imports and industrialization. The swallowing of imports by a developing country after it has crossed a domestic production threshold is common experience. In other words, imports of certain commodities often play the role of demand reconnaissance for an underdeveloped country's entrepreneurs; and when they reach a certain "degree of fatness" they are swallowed. This phenomenon, which has important implications for international trade theory and structure, deserves to be carefully studied under various settings.

Comparative Productivity

Underdeveloped countries always surprise us by the high level of their efficiency in some pursuits (a recent example is the ability of Egypt to keep traffic in the Suez Canal going) and by their utter lack of competence

in others. I am suggesting that part of the explanation is that some activities (production of precision instruments, flying and maintenance of airplanes) have much less latitude for poor performance than others (production of cloth, maintenance of highways). In some activities, the characteristics of the process or the product provide considerable help and stimulation in precisely those areas of organization, coordination, and efficiency in which underdeveloped areas are apt to be weak.

In connection with this hypothesis (and for several other reasons), it would be of great interest to know more about comparative labor productivities than we do today. I would be particularly curious about comparative performance when similar techniques are used. It may well be that, as a result of such studies, we will have to revise our traditional ideas—already somewhat shaken by the Leontief paradox—on where the *comparative* advantage of the economically advanced countries lies.

Interregional Transmission of Growth

The regional disparities that arise in the course of growth have been given far less attention than the phenomenon of sectoral leadership. Nevertheless, the obstacles to interregional transmission lie behind some of the severest stresses and strains experienced in underdeveloped countries, witness the overcrowding in the few boom cities and the discontent accumulating in the stagnant or deteriorating regions. It usually is not difficult to find data on regional disparities. Tax collections, bank deposits, motor vehicle registration, construction activity, and consumption of articles on which excise taxes or other charges are levied (meat, cigarettes, beer, etc.)—all these series are usually available with regional breakdowns.

Growth always fastens on one or a few areas at first. This emergence of growing points can then lead to a gradual lifting up of economic activity in the rest of the country or to a prolonged “north-south” split. It would seem of great interest to investigate actual patterns in representative countries so as to gain more insight into the forces making for trickling down or polarization, respectively. It is likely that such an inquiry will also increase our understanding of the process of *international* transmission of economic growth.