Essays on the Political Economy of Africa

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International Corporations, Labor Aristocracies, and Economic Development in Tropical Africa

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The emergence of the large-scale corporation as the typical unit of production in advanced capitalist economies has had momentous implications for the process of development in the still underdeveloped lands. Implicitly or explicitly, this is generally acknowledged by all but those who continue to base their theories on the competitive model, thus assuming away the problem. It is also agreed that such implications are, on balance, negative. There is no agreement, however, concerning the nature of the relationship between the growth of oligopoly in the advanced capitalist countries and the permanence of underdevelopment.

All theories that emphasize the size of the market and its growth and/or technological discontinuities as important factors in hampering development are, to some extent, implying the relevance of the increased scale of capitalist production and of oligopolistic behavior.[1] However, this relationship between oligopoly and underdevelopment is often seen in purely technological terms, that is, as having little to do with the political-economic systems obtaining in the advanced and underdeveloped economies. Perroux has made the point explicitly:

> The organization of nations on a one-by-one and separate basis goes against technical and economic requirements which do not depend on democracy or dictatorship, communism or capitalism, but which are the direct and unavoidable consequence of techniques used in industry in the twentieth century.
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> The conflict between the exigencies of the political and territorial or-

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ganization of the social life of peoples and the exigencies of the multinational administration of the large-scale industries is a continuing reality.

It may be doubted whether Marxism has yet accurately and sufficiently grasped this fact.[2]

An emphasis on oligopolistic behavior, rather than on technological factors, can be traced in Prebisch's[3] argument that the terms of trade between the "industrial centers" and the "periphery"[4] of the world economic system have behaved in the opposite way than one would expect from the competitive model. In that model the faster technical progress in the industrial centers, relative to the periphery, ought to result in falling prices of industrial products relative to primary products. However, the market power of workers, in pressing for higher wages, and of oligopolists, in resisting a squeeze on profit, in the industrial centers is considerably greater than the market power of capitalists, workers, and peasants in the periphery. As a consequence, in the centers the incomes of entrepreneurs and of productive factors increase relatively more than productivity, whereas in the periphery the increase in income is less than that in productivity.

Marxist theorists have, of course, been far more explicit in tracing the inability of contemporary capitalism to promote development in the nonindustrialized lands to the oligopolistic structure of advance capitalist countries. The argument has been succinctly expressed by Oskar Lange:

> With the development of large capitalist monopolies in the leading capitalist countries, the capitalists of those countries lost interest in developmental investment in the less developed countries because such investment threatened their established monopolistic positions. Consequently, investment in underdeveloped countries of capital from the highly developed countries acquired a specific character. It went chiefly into the exploitation of natural resources to be utilized as raw materials by the industries of the developed countries; and into developing food production in the underdeveloped countries to feed the population of the developed Capitalist countries, It also went into developing the economic infrastructures . . . needed to maintain economic relations with the underdeveloped countries.
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> . . . the profits which were made by foreign capital . . . were exported back to the countries where the capital came from. Or if used for investment . . . they were not used for industrial investment on any major scale, which, as we know from experience, is the real dynamic factor of modern economic development. . . .

> Furthermore . . . the great capitalist powers supported the feudal elements in the underdeveloped countries as an instrument for maintaining their economic and political influence. This provided another obstacle to the economic development of these countries. . . .[5]

With regard to Africa, Nkrumah has emphasized another aspect of the problem by pointing out that the balkanization of Africa has created a superstructure that makes it impossible for individual nations to cope with the bargaining power of the international corporations which, by means of interlocking directorships, cross-shareholding, and other devices, effectively act on a Pan-African scale.[6]

The purpose of this essay is to analyze the relationship between capitalist centers and periphery in order to assess the validity of these assumptions. The analysis will be limited in two ways. In the first place, it will be concerned with tropical Africa and, within that region, with East and Central Africa in particular. The main reason is that, while it may be legitimate to deal with an "ideal" or "average" type of underdeveloped country when the interest of the analysis is centered on the advanced capitalist countries, the procedure may be misleading when the interest is focused on the periphery.

The discussion is limited in another direction. The pattern of relationships between centers and periphery is changing and considerable confusion concerning such relationships stems from the fact that different conclusions are drawn according to whether the "old" or the "new" pattern is emphasized. The relative importance of the two is difficult to assess, though the former is still predominant. Notwithstanding, this, we shall focus our attention on the new pattern, i.e., that emerging from the relative decline in importance, not only of foreign portfolio investment in colonial government and railway stock, but also of foreign capital attracted to tropical Africa by the combination of rich natural resources and cheap labor, on the one hand, and the growing relative importance of direct investment by large-scale oligopolies on the other.[7] By limiting the study in these two ways we shall be in a positión to gain an insight into the developmental potential of the emerging pattern of center-periphery relations under conditions of embryonic class formation in the periphery itself.

The advantage of an analysis of center-periphery relations under conditions of embryonic class formation is that it enables us to examine the position of the "intelligentsia" and the proletariat in the political economy of the periphery in the absence of "conservative" classes. The alliance of foreign interests with conservative elements in the periphery (feudal elements, landowning classes, some sections—or the whole—of the national bourgeoisie, upper ranks of the armed forces, corrupted bureaucrats, etc.), is usually thought to be the most powerful factor determining the stability of center-periphery relations.* The working class and the "intelligentsia" are left in a rather equivocal position. While it is sometimes acknowledged that the exploitation of cheap labor no longer represents an important determinant of foreign investment in the periphery: suggestions that the interests of the proletariat proper and of the intelligentsia may conflict with those of the peasantry (often semi-proletarianized) have called forth some strongly worded criticism:

> [The working class is] the object of systematic defamation, to which some European idealists, infatuated with agrarian messianism, have unconsciously lent themselves. It is true that the wages of the workers are incomparably higher than the income of the African peasants; it is true that their standard of living is higher . . . it is normal that the bourgeoisie in power should use this stare of affairs to set the peasants against the workers by presenting them as the privileged. It is, on the other hand, aberrant to find the same arguments coming from the pens of socialist theoreticians. The Russian workers in 1917 also formed a privileged minority with regard to the mass of mouzhiks, but what does that prove?[10]

In East and Central Africa in particular, the classes or groups usually singled out as likely to form alliances with foreign interests are economically and/or politically too weak to compete successfully for power with the intelligentsia (normally in bureaucratic employment), the wage workers, and the peasantry. We shall, therefore, have to look for some other factor contributing to the stability of the present center-periphery relations.

We shall proceed as follows. In Section 1 we shall analyze the emerging pattern of foreign investment in tropical Africa with particular reference to the choice of techniques and of sectors implicit in that pattern and to its developmental potential. In Section 2 we shall analyze the changes in the class structure of tropical African societies associated with that pattern. In Section 3 we shall examine the implications for growth and development of the conclusions reached in the previous two sections. And finally, in Section 4 we shall discuss the limitations of state action in the light of the political economy of tropical Africa.

1

The growth of oligopoly as the dominant structure in the advanced capitalist countries has been accompanied by a relative decline in importance of rentier capital as an independent center of economic and political power, and of competitive capitalism as a dynamic factor of growth. Small competitive firms still exist but in a subordinate position with respect to the large manufacturing or distributive corporations.[11] The latter, on the other hand, are increasingly able to take care of their investment needs from internal financing (especially depreciation allowances),[12] thus freeing themselves from outside financial control. The reciprocal recognition of strength and retaliatory power on the part of competitors, suppliers, and customers, characteristic of oligopolistic structures, enables the corporations to protect their profit positions through adjustments in prices, techniques, and employment. The long time horizon in investment decisions that the financial independence of the corporations makes possible, and the greater calculating rationality of corporate managers enable the oligopolies to approach new developments with care and circumspection and to calculate more accurately the risks involved.[13] These changes in the competitive structure of the industrial centers have, since World War II, been reflected in the pattern of investment in the periphery.

The declining relative importance of rentier capital has been matched by a decline in portfolio investment in the periphery relative to direct investment on the part of the corporations.[14] At the same time, the vast financial resources available to the corporations favored further vertical integration, while oligopolistic behavior encouraged the formation of consortia in mineral extraction and processing.[15] These tendencies were strengthened by the process of "decolonization." The "colonial preserves of European imperialism" were opened up to American capitalism,[16] where the oligopolistic corporation plays a more central role than in French or British capitalism. More important still was the outflow of small-scale, competitive capital that accompanied independence. In fact, decolonization was, among other things, the result of a conflict between the dynamic elements (big companies) and the backward elements (marginal enterprises, small planters, small trading houses, small semi-artisanal workshops) of colonial capitalism.[17] Independence favored the outflow of the latter. For example, the accession to independence of French-speaking Africa was accompanied by capital outflow in the sector of small colonial enterprises and trading houses and a capital inflow in mining, manufacturing, and industrial agriculture.[18] Similar tendencies were at work in English-speaking countries: the flight of small-scale colonial enterprise was undoubtedly an important factor in the drastic fall of British private investment in Sterling Africa, from £30 million in 1960 and £33.4 million in 1961 to £8.8 million in 1962, £2.5 million in 1963, and *minus* £9 million in 1964.[19] The upshot of these changes has been the emergence of a new pattern of foreign investment in which financial and merchanting interests and small-scale capital (mainly in agriculture but also in secondary and tertiary industries) have declined in importance relative to large-scale manufacturing and vertically integrated mining concerns. The 'typical expatriate firm operating in tropical Africa is more and more what has been called the "multinational corporation"[20] or the "great interterritorial unit,"[21] i.e., an organized ensemble of means of production subject to a single policy-making center which controls establishments situated in several different national territories.

An analysis of the factors determining the investment policies in the periphery of such multinational corporations is therefore necessary in order to assess the impact that foreign investment is likely to have on the process of development of tropical Africa. It is useful to break down the analysis into two problems: (1) The sectoral distribution of investment; and (2) the type of techniques adopted in each sector. As we shall see, the two problems are interrelated but, as a first approximation, their separate treatment is analytically convenient.

There is a lack of basic quantitative evidence on the *sectoral distribution of foreign investment* in tropical African countries. Most of what exists is aggregated in such a way as to be of little use for our purposes. There is, however, considerable agreement on a few broad generalizations:

1. The colonial pattern of capital investment in production for export has basically remained unaltered: investment in mining and petroleum absorbed the preponderant amount of private funds in the last decade.[22] What has changed in this respect is that complementary investment in the infrastructure, which used to be undertaken by private interests, is now the responsibility of the public sector. Private capital is now invested in more directly productive enterprises.[23]

2. Industrial investment other than in mining has been almost entirely concentrated either in primary products processing for the export market[24] or in import substitution in the light branches of manufacturing such as food, beverages, textiles, clothing, footwear, furniture, soap, and other consumer goods. More recently, the development of import substitution has begun to move gradually into branches of manufacturing industries producing intermediate goods (cement, nonmetallic mineral products, and, less often, fertilizers and chemical products).[25]

3. Notwithstanding these developments, heavy industry in tropical Africa is either nonexistent or, being export-oriented, is totally unrelated to the structure of the national and supranational African economies in the sense that it can hardly constitute a basis for the production of the capital goods required for the industrialization of the areas in which it is located. Rhodesia is possibly the only exception to the generalization. This situation is in sharp contrast with that of South Africa, where metallurgy, chemicals, and rubber are relatively advanced, and, to a lesser extent, with that of some North African countries, where chemicals and some basic metal and metal products industries have been developed.[26]

This sectoral pattern of foreign investment is likely to change slowly or not at all for reasons that are partly technological and partly political-economic. The sectors in question (mainly heavy engineering and chemical industries) are those in which economies of scale and the advantages of operating in an industrial environment (low costs of buying, erecting, maintaining, and operating machinery) are greatest. Hence the very underdevelopment and the balkanization of tropical Africa hinder the development of an organic capital goods industry.[27]

However, as Michael Barratt-Brown[28] has pointed out, there are more fundamental reasons than these:

> The main reason for the failure of capitalism to invest more in the industrialisation of the less-developed lands has arisen from a real doubt about the possibilities of success, and, therefore, of a profitable return. Investment in heavy industry is a big business, on which a return may only be seen in the

> very long term. There must be good reasons to believe that the whole overseas economy will develop in such a way as to nourish a market for capital goods. . . . It is not surprising that capitalist firms and financiers . . . should prefer to wait and see how the establishment of light industries and the development of power supplies and a marketable surplus of food goes, before wishing to sink their capital in heavy industry.

Bearing this in mind, it would seem that the greater calculating rationality and the greater care and circumspection in approaching new developments of the modern international corporàtions, relative to competitive capital and to chartered companies and finance capital of old, are an important obstacle to the development of capital goods industries in the periphery. The oligopolistic structure of advanced capitalist countries, however, plays a more direct role in favoring the bias of investment in the periphery against the capital goods industry. As we have seen, oligopoly favors the reciprocal recognition of strength and retaliatory power. This means that when a large-scale manufacturer is deciding whether to invest in a new area, he will take into consideration, among other things, the effect of the decision on: (1) his own export interests, **(2)** his competitors' export interests, and (3) his customers' export interests, if any.[29] A textile manufacturing concern, for example, will take into consideration only (1) and **(2).** A manufacturer of capital goods, on the other hand, will also consider possible effects on his customer interests which may be impinged upon by the growth, in the periphery, of a competing industry induced by the local production of capital goods. In consequence, quite apart from its effects on the level of investment to be discussed later on, the oligopolistic structure of the industrial centers strengthens the other factors mentioned above in producing in tropical Africa a sectoral pattern of foreign investment biased against the capital goods industry.

With regard to *choice of techniques,* it seems fairly well established that foreign investment in tropical Africa has a capital intensive bias.[30] This bias is sometimes due to technological constraints. In mining, for example, the nature of the deposits may be responsible for differences in capital intensity. The scattering of Rhodesian gold deposits favored labor intensive techniques, while the concentration of high-grade copper deposits in Zambia favored capital intensive techniques.[31] In the latter case, even if highly labor intensive techniques exist, such as those used by Africans prior to European penetration, the technological gap is too

great for such techniques to develop the industry on a significant scale.[32] However, even in extreme cases like the one in question, alternative techniques are always available,[33] though within a relatively limited range. Thus technological constraints are only one factor in determining the capital intensity of investment, and, in the case of many industries (e.g., light industries) in which foreign investment shows an equally strong bias toward capital intensity,[34] they are rather unimportant. Other determinants have to be sought. Somewhat related to technological factors, management constraints have to be mentioned. Techniques of management, organization, and control have evolved in the technological environment of the industrial centers and cannot be easily adapted to the conditions in the periphery.[35] Often, therefore, either the conditions in the periphery can be modified, at least partially, to make capital and skill intensive investment possible or no investment at all will be undertaken by the multinational corporations.[36] In other words, the spectrum of techniques taken into consideration by the multinational corporations may not include labor intensive techniques.

There is another reason, probably more important than management constraints, why labor intensive techniques may be disregarded.

As Perroux and Demonts have pointed out,[37] the multinational firm applies to all its branches technical methods corresponding to its capital, whatever the importance of the factors at work in the territories where it settles. There is a tendency in discussions of underdevelopment to overlook the fact that a shortage of finance is an important impediment to the growth of the small enterprise and of the public sectors of African economies, but it is no problem for the multinational firms. The latter not only have access to the capital markets in the industrial centers,[38] but, as we have mentioned, they are in a position through their pricing and dividend policies (in the industrial centers as well as in the periphery) to build up large accumulated reserves of capital for their investment programs. Financial strength makes the large firm adopt capital intensive techniques, not only in the industrial centers but also in the periphery.[39]

In a way, capital intensity is favored also by the qualitative characteristics of the labor force in tropical Africa. The problem is too often overlooked because of insufficiently clear definitions of the various categories of labor.[40] Let us classify labor as follows:

1. *Unskilled labor,* characterized by versatility (in the sense that it can

be readily put to varied unskilled activities), and by lack of adaptation to the discipline of wage employment.

2. *Semi-skilled labor,* characterized by specialization, regularity, and identification with the job.

3. *Skilled labor,* characterized by relative versatility (in the sense of having complex skills), e.g., carpenters, mechanics, supervisors, etc.

4. *High-level manpower,* characterized by specialization and by educational qualifications other than, or besides, training on the job, e.g., maintenance and production engineers, purchase and sales experts, designers, cost and accounting personnel, etc. ~,

Capital intensive techniques will not only require less labor for each level of output, but they will also require a different composition of the labor force than labor intensive techniques, as they make possible the division of complex operations, which would need skilled labor, into simple operations that can be performed by semi-skilled labor. In other words, labor intensive techniques are associated with a pattern of employment in which labor of types (1) and (3) predominate, whereas capital intensive techniques are associated with a pattern of employment in which labor of types **(2)** and (4) predominate. As we shall see in the next section, provided that employers take a sufficiently long time horizon in their wage and employment policies, it is easier, under African conditions, to provide the remedy for a shortage of the latter types of labor than it is to do so for a shortage of skilled labor. Thus, from this point of view as well, the longer time horizon of the multinational corporations favors the adoption of capital intensive techniques.

These two biases of the pattern of investment emerging in tropical Africa (i.e., in favor of capital intensive techniques and against the capital goods sector) reinforce each other. The choice of capital intensive techniques within each industry favors the use of specialized machinery and consequently restrains the growth of demand for capital goods that could be produced in the periphery. The lack of investment in the capital goods sector, in turn, prevents the development of capital goods embodying a *modern* labos intensive technology which may reduce the bias in favor of capital intensity. This double bias has many implications for growth, development, and class formation in tropical Africa that will be examined in the following sections. What must be considered here is *the relationship between the pattern of investment* just discussed and *the size of the internal market* that is a key determinant of foreign investment in the region.

The development of the capital goods sector performs the double function of expanding both the productive capacity of the economy and the internal market. The latter function was emphasized by Lenin in a controversy with the Narodniks on the subject of the possibility of the "*internal* expansion of capitalism." The development of the internal market, Lenin argued, was possible despite the restricted consumption by the masses (or the lack of an external outlet) because to expand production it is first of all necessary to enlarge that department of social production which manufactures means of production, and it is necessary to draw into it workers who create a demand for articles of consumption. Hence, "consumption" develops after "accumulation"[41] The crucial assumption in the argument is that the demand for capital goods is largely autonomous, i.e., that it is not induced by the preexisting size of the market and its growth. However, this autonomous development of the capital goods sector presupposes a type of behavior which may characterize competitive capitalism, but which cannot be expected from the modern corporations.[42] These corporations tend to expand productive capacity in response to market demand and in consequence restrain the endogenous generation of growth stimuli.

In the case of tropical Africa and the periphery in general, the position is made worse by the fact that the multinational corporations (whenever the nature of the productive process permits it) usually prefer to expand productive capacity in the industrial centers where they are more secure and where they can take advantage of operating in an industrial environment.[43] Expansion in the periphery is usually undertaken by a foreign concern in response to protectionist policies on the part of national government in order either to protect its own export interests, or to establish itself anew in the area.[44] In other words, the existence of a local market for the production of the foreign concern, though a necessary condition, is not sufficient for the actual establishment of **a** plant. This presupposes the ability of individual governments either to set up production in competition with foreign interests or to play one oligopoly off against the other. The fact that this ability on the part of the governments of tropical Africa is most limited in the case of capital goods industries is an additional factor strengthening the bias of the emerging pattern of investment against such industries.

It follows that the emerging pattern of investment is unlikely to reduce the basic lack of structure of the tropical African economies. Growth in these economies continues to depend on the growth of outside markets. In fact, the dependence is even greater than it used to be in view of the fact that industrialization tends to take a capital intensive path which presupposes the importation of specialized machinery. For this reason the integration of the modern sectors of tropical Africa (due to the need of the multinational concerns to operate on a supranational scale) is accompanied by their greater integration with the industrial centers. We shall return to these conclusions in Section 3, where their implications for growth and development are discussed. We must now analyze the impact of the emerging pattern of foreign investment on the class structure of tropical African societies.

2

The analysis in this section will be focused on wage and salary workers and their direct and indirect relationships with other classes and interests. *Wage employment in tropical Africa* is at a low stage of development. Table 1 [45] gives no more than an idea of the order of magnitudes involved. As will be pointed out below, this small participation in wage employment is matched by qualitative characteristics of the wage-labor force which reduce even further the relative importance of the proletariat proper in tropical Africa. Equally important is the fact that wage employment has been relatively static over the last ten to fifteen years,[46] though in almost every country there have been periods, coinciding with heavy investments in infrastructure and with installation investments, during which the proportion of the labor force in wage employment temporarily rose. This relatively static wage employment has been accompanied by rising wages; the average annual rate of increase in African wages during the 1950s, for example, appears to have been on the order of 7 to 8 percent.[47] In general, wages are not merely chasing prices but are running ahead of them, the rise often implying an increase in real wages considerably faster than that in real national product.[48] In consequence, the employees' share of national income rose sharply in many countries.[49] As Turner remarks, "It seems rather hard to find a case where the general level of real wages has in recent years behaved as it theoretically ought in an underdeveloped economy—i.e., has lagged

Table I
Estimated Population Labor Force and Total Nonagricultural Wage Employment in Africa
(by region, around 1960)

Region	*Population*	*Labor force*		*Total wage employment*		*Non-agricultural wage employment*	
		in millions	*as percent of pop.*	*in millions*	*as percent of labor force*	*in millions*	*as percent of labor force*
East Africa	67.6	24.7	36.5	3.8	15.4	2.5	10.1
Central Africa	32.8	13.8	42.1	2.1	15.2	1.6	11.6
West Africa	71.8	32.9	45.8	2.0	6.1	1.7	5.2
Tropical Africa	173.2	71.4	41.2	7.9	11.1	5.8	8.1
North Africa	65.4	22.6	34.6	7.5	32.2	4.6	20.4
Southern Africa	16.9	6.0	35.5	3.8	63.3	3.0	50.0
All Africa	254.5	100.0	39.3	19.2	19.2	13.4	-13.4

behind other incomes, and particularly profits." [50] Thus the main characteristics of the wage working class are relatively static numbers and rising incomes. With regard to the structural characteristics of wage employment, the table below illustrates them for selected tropical African countries.[51]

It can be observed from the table that the public sector, as a rule, employs a substantial proportion of wage workers and that nonagricultural employment is heavily concentrated in the service sector. The underdevelopment of industry is an obvious determinant of that structure. Another important factor is that the colonial powers superimposed a complex administrative structure on near-subsistence economies which tended to control not only the public services but also many economic and social agencies, such as marketing boards. After independence, African governments have taken over these functions and expanded them in their attempts to step up economic growth and to enlarge social services

Table 2

Structures of Wage Employment in Selected Tropical African Countries

Country	Year	*Nonagricultural wage employment*		
		Percent of total wage empl.	*Percent employed in public sector*	*Percent employed in services sector*
Kenya	1965	65	30	77
Uganda	1965	82	39	77
Tanzania (Tanganyika)	1965	62	32	75
Malawi	1961	65	—	61
Malagasy Rep.	1961	77	—	77
Nigeria	1962	98	34	46
Ivory Coast	1961	55	—	68
Ghana	1960	73	35	55
Sierra Leone	1963	95	—	53

(agricultural extension work, development corporations, education, etc.).

Unfortunately, there are no data on the relative importance of wage employment in concerns to which the analysis of the previous section may apply (viz., in enterprises with international affiliations including the vertically integrated combines and mixed or state enterprises managed by international corporations). This lack of quantitative data, however, is only a partial obstacle to our analysis as our main concern is with the qualitative changes in the wage-labor force that can be associated with the pattern of investment discussed in the previous section. In this connection, the first point that has to be emphasized is the heterogeneity of the African salary and wage-working class. We have already classified the labor force according to skills, singling out four categories: unskilled, semi-skilled, and skilled labor, and high-level manpower. This classification only to some extent overlaps with two other classifications that are relevant in the present context. The first, to be discussed presently, concerns the degree of commitment to, or dependence upon, wage employment and gives rise to the two main categories of "proletariat" and "semi-proletarianized peasantry" (or, less frequently in tropical Africa, semi-proletarianized artisans). The other classification focuses on status and prestige and distinguishes an elite, a sub-elite, and the mass of the wage workers.[52]

At a seminar of the International African Institute on the New Elites of Tropical Africa (Ibadan, July 1964) it was suggested that the term "elite" could be appropriately used to denote those who were Western educated with an annual income of at least £250.[53] The sub-elite, on the other hand, is made up of the less well educated, i.e., those with post-primary education or some secondary education (executive-clerical grades, primary school teachers, and skilled artisans).[54] The rapid growth of the African elite and sub-elite in the last decade can be traced to the expansion of educational facilities and of job opportunities for Africans in highly paid employment that accompanied and followed the accession to independence. This expansion has been phenomenal but it is still a fortunate few who manage to reach secondary school. In no African state does the proportion exceed 2 percent, though in some constituent regions this figure is exceeded.[55] The fast rate of expansion of highly paid job opportunities for Africans has been due mainly to the Africanization of the complex administrative structure inherited from colonial rule, the scope of which, as I have mentioned, was extended by the African governments. Another factor favoring this expansion, the Africanization policy of expatriate firms, is of lesser but growing importance as the top posts in government service are uniformly held by young men with decades of service ahead of them. Expatriate firms have become increasingly conscious of their "public image" and have quickly Africanized their office staffs, middle commercial posts, and some managerial posts, especially in personnel management and public relations. Production, engineering, and other technical and higher executive posts are still mainly in expatriate hands, though in a few instances Africans have been recruited to nominal directorships.[56] In the colonial period the private professions held great attraction for Africans who were subject to discriminatory practices in the civil service. These professions are still popular, but, though in general lawyers remain in private practice, most doctors are now employed in the public service.[57] Thus the overwhelming majority of the elite and the sub-elite in tropical Africa is in bureaucratic employment, and, though employment in the public sector is predominant, the international corporations are becoming an increasingly important outlet for the newly educated African.

When we come to analyze what in the classification just discussed is lumped together as the "masses of wage workers," the distinction focusing on the commitment to, or dependence upon, wage employment becomes relevant. The mass of English migrants in the early nineteenth century were landless agricultural laborers. In tropical Africa the mass of migrants are peasants with rights to the use of land.. While the former were 'proletarians, the latter are peasants at different stages of proletarianization and therefore present a much greater heterogeneity. Labor migration in Africa is compounded of various elements of "push" and "pull," the former relating to the maintenance of subsistence or essential consumption and the latter relating to the improvement of the preexisting standard of living.[58] "Push" factors are usually associated with a deteriorating relation of the population to the traditional means of subsistence (e.g., land shortage), or changes in the nature of essential consumption due to the penetration of the money economy. The improvement of the existing standard of living, on the other hand, can be achieved either directly or indirectly-directly when the aim of labor migration is a net addition to the consumption of the extended family; indirectly when the aim is the purchase of equipment to improve production in the traditional sector or the accumulation of sufficient financial means to enter some petty capitalistic activity (e.g., commercial farming, trade, contracting, etc.). The two main characteristics of the labor force under the system of labor migration are low wages and high turnover. The wage rate is customarily based on subsistence for bachelor workers. Such a wage may or may not allow some saving according to whether "pull" or "push" factors predominate in the economy. Low wages strengthen the tendency for the participation in the labor market to be of a temporary nature, which in turn accounts for the persistently unskilled character of the labor force. These factors interact, favoring the development of a poorly paid and unskilled labor force.[59] In addition, the lack of division of labor between agricultural and nonagricultural activities and between wage employment limits the internal market, especially for agricultural produce. Thus, by hampering the development of capitalist agriculture, it further entreaches the labor migration system.

Under these conditions the complete *proletarianization of the wage workers,* i.e., the severance of the ties with the traditional; sector, is largely optional. It occurs when the incomes derived from wage employment are high enough to make the worker uninterested in the maintenance of reciprocal obligations with the extended family in the traditional sector. More specifically, his income must be sufficiently high and reliable to allow him to support his family in the town and to save enough to insure himself against distress in periods of unemployment, sickness, and in his old age. The difference between this income and the low migrant-labor wage rate will normally be considerable. This differential is reflected in the high cost of semi-skilled and skilled labor relative to unskilled labor. The time horizon of the migrant worker is typically short and therefore as soon as his acquired skill commands remuneration in excess of that which he presently receives, he leaves the employer.[60] In consequence, either the employer is willing and able to pay the much higher wages that can induce greater stability of the labor force or he must adapt his techniques to the existing qualitative characteristics of the labor force rather than train the workers for more skilled activities. The nature of the typical enterprise in colonial times milirated against a breakthrough in the vicious circle "high turnover–low productivity–low wages–high turnover" and therefore against the development of a semi-skilled, relatively highly paid, stabilized labor force. Small planters, small trading houses, small workshops could hardly be expected to take a long time horizon in their investment decisions. Similarly, the large enterprises engaged in primary production were either indifferent toward the use of mechanized techniques or positively against it in view of the instability of markets or, whenever technological constraints imposed capital intensity and the use of skilled and semi-skilled labor, found it more convenient to resort to the importation of expatriate workers than to embark upon the expensive exercise of stabilizing the African labor force.[61] Thus traditional colonial employers relied on African migrant labor for their requirements of unskilled labor and on racial minorities (Europeans, Asians, Levantines) for their requirements of skilled labor. The demand for semi-skilled labor remained, on the whole, very limited. In the 1950s important changes took place. As we have seen, the pattern of foreign investment altered, especially in the immediate pre-independence period when the importance of small-scale colonial enterprises declined and that of the multinational concerns increased. This change was accompanied by the slackening of the influence of the former interests and of the racial minorities on government policies, and by the correspondingly greater influence of the international corporations and of the African elite, sub-elite, and working class. These two changes can be assumed to have been instrumental in bringing about the breakthrough in the vicious circle "low wages–high turnover–low productivity–low wages." Various factors were at work in producing the breakthrough and their relative importance is not only difficult to assess (given their interaction), but varies considerably from country to country. Let us first analyze some of the most important factors and later suggest what their relative contribution to the change might have been.

The salary structure of the independent African states remains a colonial heritage. As Africans gradually entered the civil service and the managerial positions in large foreign concerns, they assumed the basic salaries attached to the posts since, so far, the principle of equal pay between African and expatriate for equal posts has generally been maintained.[62] In consequence, Africanization brings about a huge gap between the incomes of high-level manpower (the African elite and sub-elite), and the incomes not only of unskilled labor but also of semi-skilled and skilled labor. Thus the whole level of wages, from the unskilled laborer upward, comes into question.[63] The workers' capacity for industrial conflict may be negligible but their political influence is often considerable, while increases in wages and salaries seem an easy route to prove the value of the recently acquired independence.[64] For these reasons governments in tropical Africa are easily induced to steadily raise wages either through increases in legal minimum wages or, being major employers of labor, by acting as wage leaders. Thus the Africanization of high-level manpower and greater influence of the working class on government policies favored a gradual rise in wages at the lower levels.

Another important factor was the *emerging pattern of foreign investment* discussed in the previous section. As we saw, the greater capital intensity of production associated with that pattern requires a labor force in which semi-skilled labor predominates. For the multinational concerns, therefore, stabilization of a section of the indigenous labor force is essential and actively sought after as the importation of skilled labor becomes impracticable and indeed unnecessary as complex operations are broken down into simpler operations that can be performed by semi-skilled labor. Capital intensity of production (which makes wages a small proportion of total costs and requires labor stability), the ability to pass on to the consumer increased labor costs (in the periphery in the case of manufacturing concerns, in the industrial centers in the case of the vertically integrated companies operating in primary production), and the ability to take a long time horizon in employment and investment decisions, make the multinational companies willing and able to pay sufficiently high wages to stabilize a section of the labor force. In other words, for the companies in question the exploitation of natural resources or of market opportunities in the periphery with capital intensive techniques is far more important than the exploitation of cheap labor. These factors are undoubtedly responsible for the observed tendency to pay relatively high wages and to experiment with modern training and management methods on the part of large expatriate firms.[65]

Governments' and international corporations' wage and salary policies interact and the ensuing steady rise in wage rates induces further labor saving, not only on the part of expatriate firms, but also on the part of those locally based enterprises which can afford it.[66] Capital intensity, in turn, generally means that labor is a lower proportion of costs to the enterprise than it would otherwise be, so that the individual concern's willingness to concede wage increases is higher; but this reinforces the tendency to capital intensive (or labor saving) development *and a "spiral" process* may ensue.[67] Some disagreement is bound to arise concerning the extent to which growing capital intensity in tropical Africa is induced by the investment and employment policies of the international corporations. The question is largely academic as such policies, either as a casual or as a permissive factor, are undoubtedly a crucial element in the "spiral" process. The importance as a "prime mover," on the other hand, will vary from country to country. In Uganda, for example, it would seem that government policies have played a predominant role in bringing about the steady rise in wages and, in consequence, most mechanization has been "induced." [68] In Rhodesia, on the other hand, African workers have hardly any power to influence government policies and the steady rise in wages in the 1950s and in the early 1960s seems to have been induced by the stable labor requirements of the large-scale expatriate firms. Thus, while African money wages rose between 1949 and 1962 at an average annual rate of 9 percent, the increase was largely concentrated in those sectors where labor stabilization mattered most (viz., manufacturing and services). In the sectors where stabilization mattered least (viz., agriculture), money wages rose at a rate not much higher than that of price increases.[69]

An assumption that seems unacceptable is that the rise in wages has been due, to any important extent, to *monopolistic action* on the part of

African workers, as distinct from their power to influence government policies. This is Baldwin's assumption concerning the rise of wages on the Zambian copperbelt:

> **Since the war . . . African and European wages have been raised by monopolistic actions to levels considerably above the rates necessary to attract the numbers actually employed. The consequences of this wage policy have been the creation of unemployment conditions in the Copperbelt towns, especially among Africans, and the widespread substitution of machines for men in the** industry.[70]

That European workers, in the colonial situation, were in a strong bargaining position is a generally acknowledged fact. But it is equally acknowledged that the prevalence of the migrant-labor system and related lack of skills and specialization among Africans militates against the workers' capacity for industrial conflict.[71] Moderately effective trade union organization normally follows and does not precede labor stabilization and mechanization,[72] as witnessed by the fact that, apart from the public services, the most important instances where anything like normal collective bargaining has been established appear to be in large-scale enterprises under foreign ownership and management.[73] It is possible therefore that, though trade union organizations have in the past mainly played a dependent role in the spiral process of rising wages and mechanization, they may, with the growing stabilization of the labor force, become a partly autonomous factor. However, the effect, if any, will be felt primarily on the differential between the remuneration of stabilized skilled and semi-skilled labor and that of the semi-proletarianized unskilled labor whose market power is bound to remain negligible.

This consideration brings us to the question of the stratification of the working class. The conclusion that emerges from the foregoing analysis is that the changes in the pattern of capital investment and in government policies in tropical Africa that have occurred in the last decade have resulted in a breakthrough in the vicious circle "low wages–high turnover–low productivity–low wages"; such a breakthrough, however, concerns only the small section of the working class that is being rapidly proletarianized by enabling it to earn a subsistence in the wage economy. The breakthrough is therefore achieved at the cost of a relative reduction of the overall degree of participation of the labor force in wage employment. Whether this relative reduction can be assumed to be a short-term phenomenon which leads in the longer run to faster economic growth and greater participation in wage employment is a problem to be discussed in the next section. Here we are concerned with structural problems. From this standpoint it is correct to assume that the spiral process of rising wages and mechanization tends to produce a situation of rising productivity and living standards in a limited and shrinking modern sector, while the wage-employment opportunities in that sector for the unskilled, semi-proletarianized peasantry (which increasingly becomes a noncompeting group vis-à-vis the semi-skilled proletariat) are reduced.[74] To find out to what extent this tendency is a special aspect of a more general trend toward a growing cleavage between the modern capital intensive sector and the rest of the economy we must analyze the impact of the emerging pattern of foreign investment on the other classes of tropical African society.[75]

Let us begin by examining the implications of the emerging pattern of foreign investment for the rural sector. The first point that has to be made is that the sectoral distribution of such investment enhances the dependence of agriculture on world markets for its expansion. The bias against the capital goods sector not only restrains, as we have seen, the growth of the internal market, but also increases the dependence on foreign sources for the supply of the capital goods necessary for the transformation of traditional agriculture. This transformation comes, therefore, to be subject to balance-of-payments constraints which, as it will be argued in the next section, are likely to become increasingly severe. The bias in favor of capital intensive techniques has equally important implications. There are two ways in which the African peasantry can participate in the money economy: through periodic wage employment and through the sale of produce. We have seen that the emerging pattern of foreign investment restrains the growth of wage-employment opportunities in the modern sector for the unskilled, semi-proletarianized peasantry. But, in addition to this, the low income-elasticity of the demand for agricultural produce in general and local produce in particular implicit in the capital intensive growth of the modern sector also restrains the growth of demand for peasant produce.

It would seem, therefore, that the emerging pattern of foreign investment tends to reduce both the complementary links between urban and rural sectors (i.e., to increase further the lack of structure of the economies of tropical Africa), and the spreading of development stimuli from the modern to the traditional sector. These conclusions hold for whatever assumptions one may want to make concerning the type of development of the agricultural sector, i.e., whether the expansion of agriculture takes place through the formation of a "kulak" class employing wage labor, or through the formation of cooperatives, collectives, and communes, or through the expansion of production by self-employed producers.

It may, however, be argued that the *relative* impoverishment of the peasantry associated with the emerging pattern of investment will speed up the spreading of capitalist relations in African agriculture,[76] i.e., the simultaneous formation of a kulak class and a rural proletariat, that would enhance the growth of agricultural productivity. This argument, however, misses the point that the relative impoverishment of the peasantry is accompanied by the negative impact of the emerging pattern of investment on the growth of demand for local agricultural produce. Such a pattern, therefore, restrains the incentive for, and financial ability of, the emerging kulaks to expand wage employment so that, other things being equal, it tends to produce an impoverished peasantry without fostering its absorption in capitalist agriculture.

The last point we have to discuss in this section is the implication of the emerging pattern of investment for the national bourgeoisie in non-agricultural sectors. In the colonial period most commerce (not directly in the hands df expatriate companies), and small-scale industrial enterprise[77] was in alien hands—the Levantines of West Africa,,the Indians of East Africa, the Europeans, and, to a lesser extent, the Indians of Central Africa. African traders were almost totally absent in Central and East Africa while part-time trading activities were widespread among West Africans, especially in Ghana and Nigeria. This pattern started to change with the approach of independence. In East and Central Africa the Africans, with official support, began to challenge Asian dominance in the commercial sphere. In West Africa the large expatriate firms, while Africanizing their staff, began to let slip into African hands the less sophisticated types of trade, particularly the produce buying and the retailing of simple goods—many of the licensed buyers are in fact men trained by these companies.[78] In industry, on the other hand, locally based capitalist enterprises are still largely in the hands of racial minorities and, though there are exceptions,[79] they are generally small and managed by people whose background is commerce rather than industry.[80] Africanization in this sphere is proceeding more slowly than in petty trade, but in Ghana and Nigeria Africans own businesses and workshops in a wide range of light and service industries.

There are various factors hampering the growth of a locally based capitalist class. Lack of specialization generally characterizes African petty capitalism: wage employment, trade, farming, and artisanal activities are often combined, though the combination of more than **two** occupations is rare.[81] This lack of specialization favors the dispersal of capital, labor, and managerial resources, and in consequence it hampers the growth of productivity and credit-worthiness in each line. The emerging pattern of investment in tropical Africa creates additional and more powerful obstacles. The rise of an African elite, sub-elite, and proletariat proper, all enjoying a relatively high standard of living, both imposes consumption patterns which discourage accumulation,[82] and makes business unattractive relative to salary employment or even wage employment in the capital intensive expatriate or mixed enterprises.[83]

The new pattern of foreign investment, however, has more direct repercussions on the supply and demand conditions facing existing or potential local capitalism. On the supply side, we must consider the effects of foreign investment on the labor force. We saw that large-scale foreign corporations contribute to the rising trend in wages. While those local enterprises which can afford it adapt themselves to the new market situation by stepping up labor saving, the rise in labor costs tends to discourage the expansion of the smaller scale, financially weaker enterprises which cannot afford mechanization.[84] However, to the extent that a dual wage structure obtains, *de jure* or *de facto,* the possibility of survival or expansion of small-scale local capitalism depends on how effectively labor intensive enterprise can compete, in quality and price, with capital intensive large-scale enterprises. The experience of advanced countries shows that, given a sufficiently large market in relation to the minimum scale which makes capital intensive production economical,[85] it is difficult to think of industries, besides construction, some servicing industries, and the exceptions mentioned below, where small-scale labor intensive enterprise has a competitive advantage.

The pattern of consumption associated with the capital intensive production of the wage sectors of tropical Africa aggravates the position. The income elasticity of demand not only for agricultural produce but also for simple consumer and capital goods in the production of which small-scale industry may have a competitive advantage, is much smaller than it would be in the case of a labor intensive type of growth of the money economy. This pattern of demand, therefore, makes it easier for modern manufacturing based on the latest technology to undersell, or to preempt, the market opportunities for local small-scale enterprises.[86] This possibility threatens the latter even when no competition from large scale enterprises is expected in the short run; the greater risks involved in undertaking production may thus discourage the exploitation of profitable opportunities by small entrepreneurs.

In each industrial process, however, there are *operations* which can be profitably subcontracted to smaller labor intensive enterprises by the large-scale expatriate firms. It is not inconceivable, therefore, that investment. by multinational corporations in tropical Africa will encourage the growth of a satellite, small-scale national bourgeoisie. Such a subordinate role is all that this national bourgeoisie will, at best, play in the area. In other words, the polarization of the business world, so aptly described in the following passage by C. Wright Mills with regard to the industrial centers, can be expected to grow in the periphery as well:

> Roughly speaking the business world is polarized into two types: large industrial corporations and a "lumpenbourgeoisie." The latter is composed of a multitude of firms with a high death rate, which do a fraction of the total business done in their lines and engage a considerably larger proportion of people than their quota of business. . . .
>
> Their remarkable persistence as a stratum . . . should not be confused with the well-being of each individual enterprise and its owner-manager . . . [as there] is a great flow of entrepreneurs and would-be entrepreneurs in and out of the small business stratum. . . .

The small businessmen are increasingly concentrated in the retail and service industries, and, to a lesser extent, in finance and construction. Their most important characteristic from the standpoint of **our** analysis is the subordinate role–they come to play:

> The power of the large business is such that, even though many small businesses remain independent, they become in reality agents of larger businesses. . . .
>
> Dependency on trade credit tends to reduce the small businessman to an agent of the creditor. . . .

> [By means of] "exclusive dealing contracts" and "full line forcing" . . . manufacturers, who set retail prices and advertise nationally [internationally, in our context], turn small retailers into what amounts to salesmen on commission who take entrepreneurial risks. In manufacturing, subcontracting often turns the small subcontractor into what amounts to a risk-taking manager of a branch plant.[87]

The main implication is that the national bourgeoisie will be increasingly incapable of creating growth stimuli independently of international capitalism in the sense that its expansion comes to be almost entirely induced by the complementary growth of the multinational concerns. In consequence, the integration of tropical Africa with the international capitalist system can be assumed to exclude the possibility of a national capitalist pattern of development.

3

In this section we will analyze the implications for growth and development in tropical Africa of the main assumptions that have emerged in the previous discussion. A brief summary of the main conclusions so far reached is in order. In Section 1 we argued that the financial strength and managerial characteristics of the multinational concerns are reflected in the choice of capital intensive techniques within individual sectors or industries. In addition, the oligopolistic behavior and greater calculating rationality of the multinacional concerns are reflected in a sectoral pattern of investment which is biased against the capital goods sector. Both biases (in favor of capital intensity and against the capital goods .sector) contribute to the low demand-generating potential of investment which is 'already implicit in oligopolistic behavior. We concluded that this pattern of investment tends to promote the integration, of the modern sector in the periphery and of these with the industrial centers but does not contribute to the reduction of the lack of structure of the national and supranational economies of tropical Africa. In Section **2,** where attention was focused on the changes in the class structure of tropical Africa that can be associated with the emerging pattern of investment, we saw that the multinational corporation contributes to the reproduction of an environment in the modern sector of the periphery that suits its operations: a semi-skilled proletariat, a white-collar elite and sub-elite, a dependent "lumpenbourgeoisie." This tendency deepens the cleavages between modern and traditional sectors for two main reasons:

1. Because of the growing qualitative differences between proletarianized and semi-proletarianized labor. The former, through relatively high income and consequent greater stability, acquires specialized skills, while the latter's dependence on the traditional sector is increased by the labor-saving development of the modern sector.

2. Because of the lessening of the links between the traditional sector and the modern sector as the capital intensity and bureaucratization of the latter minimizes the income elasticity of its demand for the output of the former.

Growing internal cleavages and greater external integration tend, of course, to reinforce each other in a process of circular causation. The various "demonstration effects" which influence the pattern of consumption, investment, technology, and administration in the modern sector, are strengthened by greater external integration and, in turn, deepen the internal cleavages.

It may be argued that whatever the outcome in the short run, the long-term development potential of the tropical African economies is increased rather than reduced by this pattern of growth. The argument may seem to be implicit in those theories of development which uphold the advisability—in definite conditions, to be discussed presently, and from the standpoint of long-term consumption and employment maximization—of a choice of capital intensive techniques in underdeveloped economies.[88] The argument is based on the consideration that each technique of production has a double impact on employment and consumption. There is a direct effect on output and employment in the short run, and there is an indirect effect in the long run as the technique of production, through its influence on income distribution and the size of the investable surplus, affects the rate of growth of output and employment. Labor intensive techniques are associated with high levels of employment in the short run and with a large share of wages in output. Capital intensive techniques, on the other hand, imply a smaller share of wages in output, and may therefore yield a larger investable surplus and a faster rate of growth of employment.

The argument, implicitly or explicitly, is based on a number of restrictive assumptions. We shall limit our discussion to the following crucial ones:

1. The real wage rate is fixed whatever technique of production is adopted and it is constant through time.

2. The reinvestment of the larger surplus associated with capital intensive techniques is feasible in the sense that either the productive capacity of the capital goods sector is sufficiently large to supply the capital goods required by such reinvestment, or foreign exchange is available to make up the deficiency of capital goods through purchases abroad.

3. The reinvestment of the larger surplus is not only feasible but desired by whoever controls its utilization.

Let us discuss the validity of these assumptions in the context analyzed in Sections 1 and 2.

1. The real wage rate is constant whatever the technique of production and through time.

Both assumptions are generally untrue in the context of tropical Africa. Capital intensive techniques require a semi-skilled and therefore stabilized labor force committed to wage employment. As we saw, the "price" of stabilization, and therefore the differential in real wage rates according to whether capital or labor intensive techniques are used, is considerable. In consequence, even though the share of output accruing to wages is smaller in the case of capital intensive techniques, the size of the investable surplus (and therefore the rate of growth of output and employment) may be greater in the case of labor intensive techniques. The case for capital intensive techniques is further weakened by the fact that, either as a permissive or as a causal factor, they encourage a steady rise in wages. In consequence, capital intensive techniques may foster the rapid growth of consumption on the part of employed workers rather than the rapid growth of employment.

2. The reinvestment of the larger surplus associated with capital intensive techniques is feasible.

In a closed economy, if the capital goods sector cannot supply the means of production necessary for the investment of the larger surplus associated with capital intensive techniques, the ceiling to the rate of growth of output and employment will be determined by the capacity of that sector. We saw that the emerging pattern of investment in tropical Africa has a double bias, in favor of capital intensive techniques and against the capital goods sector. The implication of this double bias for growth is that the positive impact of the former bias is counteracted by the latter. In other words, the bias against the capital goods sector of the emerging pattern of investment reduces the problem of the feasibility of a faster rate of growth through capital intensive development to one of foreign exchange availability to purchase capital goods abroad.

The lack of structure of tropical African economies makes them dependent for their foreign exchange earnings on the export of primary products. With the exception of the oil-producing countries and certain metal producers, underdeveloped economies relying on sales of primary products have, since the end of the Korean War boom, experienced a slowing down in the rate of growth of output and an actual fall in prices which has led to a decline in total earnings.[89] In the case of tropical Africa, while the value of exports rose about 55 percent between 1950 and 1955, it rose only 15 percent between 1955 and 1960,[90] and lately the position has probably worsened. In addition, it must be borne in mind that, in the case of many agricultural exports such as coffee, tobacco, short-staple cotton, oilseeds, sisal, etc., the position would have been seriously worsened in the absence of restrictive actions and/or lack of expansion in competing areas.[91] As tropical Africa is principally an agricultural producer, though its world position is strongest in minerals, it is safe to assume that a steady and rapid expansion of exports in the future is highly unlikely. A few individual countries with important mineral deposits will, of course, represent the exception to the general rule.

Imports, on the other hand, have been growing faster than exports with the result that, in recent years, there seems to be no surplus in the trade account for tropical Africa as a whole.[92] When investment income paid abroad and "services" are taken into account, tropical Africa has a considerable deficit on current account.[93] Given this situation, the ability of tropical Africa to sustain a high rate of capital intensive investment will depend on the inflow of private and public capital from abroad.[94]

Let us first discuss foreign private investment. Such flow of capital has positive and negative effects on the balance of payments. The most obvious negative effect is the outflow of profits which, after a lag, the investment will bring about. It seems that returns of some 15 to 20 percent on capital, usually on the basis of an investment maturing in about three years, are required in order to attract foreign investment in tropical Africa.[95] Table 3 gives the rates of growth of foreign investment, for different maturation lags and rates of profit, which must be maintained if

Table 3
Rates of Growth of Gross Foreign Investment Necessary to Offset the Outflow on Investment Income
(percent values)

	Rates of profit (percent)			
Maturation period:	*10*	*15*	*20*	*25*
3 years	8	11	14	16
4 years	7	10	12	14
5 years	7	9	11	13

the outflow of investment income is not to exceed gross foreign investment. The combinations denoted with a circle can be conservatively assumed to be the most relevant to our context. Rates of growth of foreign private investment in the order of 10 to 12 percent are very high from the standpoint, not only of past performance," but, as we shall see later on, of future prospects. It seems, therefore, highly unlikely that a net inflow of private capital can, with occasional exceptions, be expected to ease the shortage of foreign exchange in tropical Africa.

Let us now see whether we can expect a positive effect of foreign investment on the trade account. In the case of investment in mining, foreign investment can, in many cases, be expected to bring about a steady increase in the value of exports. These gains, however, may be offset by related effects of such investment on imports. As we have seen, the emerging pattern of foreign investment in tropical Africa, in mining as well as manufacturing, favors (either as a permissive or as a causal factor), the development of a pattern of consumption and of production in the modern sector that weakens the links between the modern sector itself and the rest of the economy in the periphery. The pattern of demand for productive inputs and of consumption, associated with a capital intensive and bureaucratized modern sector, tends to promote a pattern of derivative demand that will be mainly satisfied either by imports from the industrial centers or by production within the modern sectors of the periphery. In the former case the negative impact on the balance of payments is direct and immediate. In the latter case, on the other hand, it is indirect. In order to understand this more roundabout effect we must consider the impact on the trade account of the balance of payments of foreign investment in manufacturing. The biases of investment in tropical Africa in favor of capital intensity and against the capital goods sector are relevant in this connection.

They are in fact largely responsible both for the fact that import substitution has largely been self-defeating[97] and for the poor prospects for tropical African economies to become competitive on the world markets for manufactures.[98] As a result, manufacturing tends to be undertaken to supply almost exclusively the national or supranational markets of tropical Africa.[99] While a positive net impact on the trade account may obtain in the early stages of import substitution, the negative effects that we have earlier traced in the pattern of derivative demand associated with the emerging pattern of investment become overwhelming in the longer run. If we take into account the fact that it is also in the early stages of import substitution, if ever, that foreign private investment is likely to attain the "critical" rate of growth of 10 to 12 percent discussed above, the general conclusion emerges that after that stage foreign private investment, far from easing the shortage of foreign exchange of tropical African economies, increasingly worsens the situation.[100]

Let us now consider the possibility that the foreign exchange necessary for the capital intensive development of tropical Africa will be made available by the advanced capitalist countries through bilateral long-term financial loans, multilateral loans, and "aid." The inflow of finance from these sources is essentially a postwar phenomenon and has replaced private portfolio investment in financing expenditure in infrastructure. The net flow to tropical Africa rose steadily in the 1950s[101] and, as the interest payments on loans credited to African countries has begun to rise rapidly,[102] it seems to have reached a ceiling of $0.9–1.0 billion in the 1960s.[103] There is a strong possibility that these financial flows, other than for military purposes (which have no positive effect on the availability of foreign exchange), are, for the most part, a dependent factor, i.e., it is likely that they are determined by the flows of direct private investment. In the first place, this financial assistance is more and more made available on the basis of the "economic viability" of the projects which it is supposed to support. This, in general, means that private capital must be forthcoming to make use of the overhead capital financed by public capital. In the second place, as mentioned above, a large proportion of bilateral assistance aims at easing the balance-of-payments position of tropical African economies in order to make possible either the importation of capital goods or the repatriation of profits and capital. For these reasons official flows of financial resources cannot but marginally be considered an independent variable in determining the availability of foreign exchange necessary for the capital intensive development of tropical Africa.

Such availability will ultimately depend on the level and growth of foreign private investment in the sense that public capital will in general reinforce whatever tendencies are favored by the inflow of private capital—in the case of a high propensity to invest in the area, it will provide the financial resources necessary for the materialization of that propensity; in the case of a low investment propensity, it will ease the shortage of foreign exchange to make possible the outflow of capital, thus worsening the situation in the long run. In conclusion, the problem of the feasibility of the higher rate of growth made possible by the capital intensive development of tropical Africa is largely related to that of the propensity to invest in the area of private foreign capital. We must now discuss this propensity.

3. *The reinvestment of the larger surplus associated with capital intensive techniques is not **only** feasible, but desired, by whoever controls its utilization.*

In the present context the utilization of the surplus is controlled by the international corporations.[104] Thus in order to assess the likelihood that the surplus will be reinvested in tropical Africa, we must briefly discuss the determinants of their propensity to invest in the periphery. Three main considerations seem to be relevant in this context.[105]

1. The extent to which tropical Africa is a "growth area," as it is in fast-growing economies that the profitable opportunities necessary to attract foreign investment will present themselves.
2. The extent to which tropical Africa is affected by a shortage of foreign exchange which would restrain the freedom of foreign corporations to repatriate profits and capital.
3. The extent to which investment in tropical Africa is subject to the risks of expropriation of assets and for nationalization without "full" compensation.

The last question is not particularly relevant: in the present discussion as we assume that, in this respect, conditions favorable to foreign capital obtain. We shall return to it in the next section.

The fact that the propensity to invest in tropical Africa is affected by its balance-of-payments position, on the other hand, gives rise to a problem of circular causation. Recalling what we said earlier in this section, if foreign private investment grows at a rate higher than the critical value of some 10 to **12** percent, then such investment eases the shortage of foreign exchange, and if other favorable conditions obtain, additional foreign investment will be attracted to the area, improving further the balance-of-payments position. But if the rate of growth of foreign capital invested in the area falls short of that critical value, the opposite cumulative process of falling propensity to invest and growing shortage of foreign exchange will take place. **As** we have seen, the flows of official capital will, in general, strengthen these tendencies. This cumulative process is more likely to operate in a downward than in an upward direction, since in the latter case other conditions connected with 'the extent to which tropical Africa is a "growth area" must obtain'to make the process self-sustaining. Let us take the lower limit of 10 to 12 percent as the mimimum rate of growth of foreign investment that would create the conditions for the reinvestment in tropical Africa of the surplus accruing to foreign. corporations. This rate seems of impossible attainment for two main reasons:

1. With the exception of a few countries with particularly rich mineral deposits, the prospects for a rapid rise of tropical African primary exports, i.e., at a rate exceeding the present 3 to 5 percent per annum, are very poor.[106]

2. Given the bias of the emerging pattern of investment in the area against the capital goods sector, the autonomous growth of the internal market is severely restrained.

The combination of these two factors makes it safe to assume that, given the behavioral and institutional framework we have been analyzing, tropical Africa will not, in the foreseeable future, become a "growth area." In consequence, whatever the situation might be during the so-called phase of easy.import substitution, foreign.investment will increasingly become a mere device for transferring surplus 'generatedin tropical Africa to the investing country.[107] Under these conditions the higher surplus associated with capital intensive techniques does not lead to faster growth of employment but to higher exports of profits.

We see, therefore, that none of the three crucial assumptions on which the argument for capital intensive techniques is based apply to our context. In consequence, the bias of the emerging pattern of investment in favor of capital intensity and against the capital goods industry cannot be expected to lead, in the long run, to a faster growth of wage and salary employment; it will simply allow a larger outflow of surplus from the area and growing incomes for a small, and, in relative terms, constant or contracting section of the working population. This type of growth, which, as we have seen, already characterizes tropical Africa,[108] we shall call growth without development. In the last section of this essay we must turn to discuss the reasons for the stability of this pattern of growth.

4

The analysis in the previous sections has been carried out in some detail in order to show the complexity of the relationship between the integration of tropical Africa with the international capitalist system and the obstacles to African development. The assumption of a connection between the persistence of underdevelopment and the evolution of oligopolistic structures in the advanced capitalist countries seems to be valid; we need, however, to qualify ir in many ways to take into account various technological and behavioral factors that act independently of the form of ownership of the means of production in the periphery and in the industrial centers with which the former is integrated.

It should be clear that the mere participation of the state in stimulating or undertaking major industrial and marketing functions (a phenomenon that can be observed in many countries of tropical Africa), or even the nationalization of foreign enterprises, does not necessarily alter the nature of the relations between periphery and industrial centers and among sectors and classes within the periphery itself. For example, it is normal in tropical Africa for managerial control of enterprises wholly owned by the state (or in which the state holds a majority participation) to remain in the hands of international corporations.[109] M'inority participation and management agreements ensure the foreign corporations a regular flow of payments in the form of royalties, patents, licensing agreements, and technical assistance fees, etc., which to some extent replace the export of profits in affecting the balance of payments negatively.[110] But even if state ownership increases the share of the surplus retained in the periphery, the bias of investment in favor of capital intensive techniques may remain unaffected not only because of the persistence of managerial constraints, but also because the managing corporations profit from the supply of equipment, components, materials, and technical services which embody capital intensive techniques. Similar considerations apply to the bias against the capital goods sector. In fact, though the state may have greater confidence in the future industrialization of the economy, which would justify the expansion of the capital goods sector ahead of demand, the other obstacles discussed in Section 1 are not removed by the mere public ownership of the means of production. Indeed, if capital intensity is retained, the balance-of-payments problems, discussed in Section 3, may be intensified.

Our analysis also implies that a disengagement from the international capitalist system and greater integration with the socialist economies of Eastern Europe and China may not in itself alter the pattern of growth without development. It is true that such reorientation of external economic relations, if it were possible,[111] might remove the various obstacles to development we have seen to be related to the existence of oligopolistic structures in advanced capitalist countries. It is also true that the integration of tropical African countries with planned economies would make planning in the former less of a gamble. Yet the problems connected with the balkanization of Africa which make the individual national economies inefficient planning units would persist, More important still is the fact that many technological and mânagerial constraints are independent of the mode of production obtaining in the industrial centers.[112]

In other words, there is no panacea for African economic development, and African unity is no such panacea either. The fact that international capitalism acts on a pan-African—indeed on a world—scale undoubtedly reduces the bargaining strength and ability'to plan of the small African nations. However, we have seen that the lack of development in tropical Africa originates in a pattern of growth that is only partly due to the balkanization of the area. Whatever the relative importance of these factors (i.e., ownership of the means of production in the tropical African economies and in the industrial centers with which they are integrated, and the balkanization of Africa') may be in determining the pattern of growth without development, none can be singled out as the crucial variable. Institutional changes alone cannot be expected to change that pattern.

African governments will have to face up to the problem of primary accumulation, a process that has not gone very far in tropical Africa. Broadly speaking, this process has two related aspects: the mobilization of the saving potential implicit in the underutilized productive resources of the pre-capitalist economies; and the reallocation of the surplus from export of investment income and from conspicuous or nonessential consumption to serve the requirements of that mobilization. In this connection two patterns of growth of the modern sector seem to confront each other. The existing pattern is characterized by a high capital intensity of production within each sector and by a sectoral distribution of investment implying a low "implicit capital intensity."[113] We have seen that this pattern has a very low development potential because it restrains the growth of the internal market and (being associated with a high income elasticity of imports), it creates balance-of-payments problems which frustrate the further expansion of productive capacity. An alternative pattern of growth would be one characterized by a lower capital intensity within each sector but a higher "implicit capital intensity."[114] This pattern would have greater developmental potential because it would foster the autonomous growth (i.e., independent of external stimulants) of the internal market and would reduce the dependence of steady increases in productivity upon the availability of foreign exchange.

The importance of this last point warrants some detailed discussion. Increases in productivity involve a "learning process" that enhances the rationality of productive combinations. The existing pattern of growth not only restrains the spreading of the learning process over large sections of the population; in addition, even in the state-owned enterprises, it limits considerably the range of experiences that can be undergone in the periphery as crucial economic and technological decisions are made in the industrial centers. Furthermore, the bureaucratization and narrow specialization that capital intensive large-scale enterprises entail limit the number of different arrangements and situations in which learning can take place.[115] The use of labor intensive techniques would not only spread the learning process to larger sections of the African population but also make it more complete and varied. The use of labor intensive techniques is also more likely to make possible the mobilization of the underemployed labor of the African pre-capitalist system. Disguised unemployment in Africa is typically seasonal and periodic since no general population pressure on the land exists. The labor migration system (an adaptation to African conditions of the "putting-out" system that has characterized primary accumulation in the now advanced economies), however inefficient, performed the function of mobilizing this type of disguised unemployment for productive purposes. As we have seen, the emerging pattern of investment is displacing the system but no alternative way of mobilizing underemployed labor has emerged. The main failure of the labor migration system in colonial times was that it did not create the conditions that would have made it obsolete. In other words, migrant labor was employed in primary production for export which, with some marginal exceptions, did not lead to industrialization and to the transformation of traditional agriculture that would have enabled the African economies to supersede the system. This consideration leads us to a fundamental question. As Nurkse[116] has pointed out, the state of disguised unemployment implies a disguised saving potential as well. The emerging pattern of growth with its bias in favor of capital intensity and against the development of a sector producing the capital goods most suitable for the modernization of the African economies makes the mobilization of that potential unlikely if not impossible.[117] In consequence, it leads to reliance on outside finance which, as we have seen, frustrates development in the long run. Labor intensive techniques and the development of a capital goods industry would, on the other hand, make possible the mobilization of the disguised saving potential of tropical Africa and therefore the internal generation of the surplus necessary for long-term growth and development.

It is, however, important to bear in mind that the question of a shift toward more labor intensive techniques within sectors and toward a different allocation of the investable surplus among sectors cannot be divorced from the second question mentioned above, namely, that of the distribution of the surplus among classes. We shall presently turn to this question; at the moment it is sufficient to point out the obvious incompatibility between the absorption of the surplus by the export of profits and by the conspicuous or nonessential consumption of a small section of the population, on the one hand, and its utilization to step up capital accumulation and to provide incentives for the transformation of traditional agriculture, on the other.

Thus, changes in techniques of production and in the sectoral distribution of investment, like the institutional changes discussed above, are only necessary and not sufficient conditions for the development of

tropical Africa. In other words, development must be seen as a total process in which technical, behavioral, and institutional factors are interrelated. This does not mean, of course, that institutional, technical, and behavioral obstacles to development all have to be tackled at the same time; it certainly means, however, that changes in each of the various factors can only make sense *as tactical moves in a strategy which aims at some special transformation in the total situation*. In concluding this essay we must attempt to find out why such strategy has failed to emerge in tropical Africa.[118]

The emphasis is usually put on external obstacles. By not dealing with such obstacles it is not our intention to belittle them. We disregard them because, whatever the retaliatory power of foreign capital, it is more important to understand the causes of the failure to evolve a valid strategy of development, which are rooted in the political economy of tropical Africa itself, namely in the power base of the African governments. As pointed out in the introductory section, in most countries of tropical Africa feudal elements, landowning classes, and national bourgeoisies are either nonexistent or not sufficiently significant, politically and/or economically, to constitute the power base of the state. The implication is that the stability of the existing system of internal and external relationships must be sought in a consistency between the interests of international capitalism and some classes other than the abovementioned. Our analysis has suggested that such classes are, in all likelihood, the African elite, sub-elite, and *proletariat proper* (i.e., excluding migrant labor); which we shall collectively refer to as the "labor aristocracy" of tropical Africa.

The labor aristocracy, as we have seen in Section 2, owes its very emergence and consolidation to a pattern of investment in which the international corporations play a leading role. The displacement costs involved in the disengagement from international capitalism therefore have to be borne mainly by the labor aristocracy itself. The most important consideration, however, concerns the reallocation of the surplus that is necessary for the mobilization of the disguised saving potential of tropical Africa. Such a reallocation directly hits the labor aristocracy, which has most benefited from the present pattern of growth without development,[119] and whose consumption therefore has to be significantly curtailed. State ownership and management of the means of production is not sufficient to prevent the present unequal distribution of incentives.

As we saw in Section 2, the steady rise in wages and salaries of the last ten to fifteen years is only partly due to the investment and employment policies of the large-scale foreign corporations. Governments' wage and salary policies have also played a leading role. It follows that even though the labor aristocracy may not be opposed to state ownership and management of the means of production, it can be expected to resist that reallocation of the surplus on the part of the state which must be an essential component of the strategy for the transformation in the total situation of the societies of tropical Africa.

It may be argued that there is no real conflict of interests between the semi-proletarianized peasantry and the labor aristocracies, as growth without development is, in the long run, self-defeating. The argument is ambiguous because the definition of class interests without a time dimension does not make much sense. Of course, we can always take a point in time distant enough to be able to show that the labor aristocracy can only gain from the organic development of the economies of tropical Africa. However, in defining class interests one must make assumptions not only about the benefits derived by a class from a certain pattern of growth and development at a point in time, but also on whether that point in time lies within the time horizon that can be realistically expected from that class. Disregard of the time dimension may lead both to a kind of "proletarian messianism" and to unrealistic assumptions concerning the class interests that can be attributed to international capitalism. The view that international corporations have an interest in the development of the periphery is held by most non-Marxist economists and, to some extent, seems to have influenced some Marxist scholars. Barratt-Brown,[120] for example, in answering the question, "What chance is there of the great corporations embarking upon the policies of worldwide industrial expansion?" argues that since wider markets, rather than cheap labor, represent the most important interest of international capitalism:

> This gives rise to the hope that capitalist firms and governments will see . . . that economic development in the as yet underdeveloped lands is very much in their interest. . . . It seems hardly to be in the nature of capitalism to undertake such development, but British capitalism did it once for the lands of European settlement and we must consider the possibility of continuing the job in the less developed lands of Asia and in Africa.[121]

That international capitalism is made up of heterogeneous sectional interests and that some of its sections have an interest in the industrialization and development of the periphery is widely accepted. The point, however, is that the "freedom of action" of what we may call the "progressive" section of international capitalism and of the governments of capitalist countries are severely limited, in the case of the former, by the oligopolistic structure of the international capitalist system and, in the case of the latter, by their power base in which the "progressive" capitalist element is normally of little consequence. These two factors considerably curtail the time horizon of international capitalism so that its long-term interests in the industrialization of the periphery are irrelevant to the determination of its behavior.

Proletarian and bourgeois "messianism" seem therefore to be closely related, both being rooted in the competitive models of capitalism of, respectively, Marx and Smith. A shift in the focus of attention from competition to oligopoly is most needed to understand both contemporary capitalist systems and the problems of development and socialism in their periphery.

Notes

1. Individual, small-scale, competitive producers assume that, at the ruling price, the market demand for their output is unlimited. Furthermore, under competitive conditions the flexibility of the rate of profit ensures the expansion of demand to match supply. See below.
2. F. Perroux, "La Nation en voie de se faire et les pouvoirs industriels," ***Les Cahiers de la République*** (July–August 1959), p. 51.
3. R. Prebisch, "The Role of Commercial Policies in Underdevèloped Countries," ***American Economic Review Papers and Proceedings*** (May 1959).
4. The terms "periphery" and "industrial centers" will be retained throughout to designate the underdeveloped and the industrial countries with which the former are economically integrated.
5. O. Lange, ***Economic Development, Planning, and International Cooperation*** (New York, 1963), pp. 10–11.
6. Kwame Nkrumah, ***Neo-Colonialism: The Last Stage of Imperialism*** (New York, 1965).
7. See below.

8. Cf., for example, Lange's passage quoted above and also P. A. Baran and **P.** M. Sweezy, *Monopoly Capital* (New York, 1966), p. 205; and Hamza Alavi, "Imperialism Old and New," *The Socialist Register* ***1964*** (New York and London, 1964), p. 124.
9. Cf., for example, Alavi, ibid., p. 116.
10. E. R. Braundi, "Neocolonialism and Class Struggle," *International Socialist Journal*, no. 1 (1964), p. 66.
11. Cf. C. Wright Mills, *White Collar* (New York, 1956), pp. 23–38.
12. Baran and Sweezy, op. cit., pp. 102–105; **S.** Tsuru, ed., *Has Capitalism Changed?* (Tokyo, 1961), pp. 51–53.
13. Baran and Sweezy, op. cit., p. 50.
14. R. Vernon, "The American Corporation in Underdeveloped Areas," in E. **S.** Mason, ed., *The Corporation in Modem Society* (Cambridge, Mass., 1959), pp. 238–39; W. A. Chudson, "Trends in African Exports and Capital Inflows," in M. J. Herskovits and M. Harwitz, eds., *Economic Transition in Africa* (London, 1964), pp. 349–50; M. Barratt-Brown, *After Imperialism* (London, 1963), ch. 8; Baran and Sweezy, op. cit., pp. 196–97.
15. Cf. Nkrumah, op. cit.
16. Ibid., pp. 58-60.
17. Braundi, op. cit., pp. 55–56.
18. Ibid., p. 60. See also the staff paper by G. Benveniste and W. E. Moran, Jr. (Stanford Research Institute, International Industrial Development Center), quoted in **S.** F. Frankel, "Capital and Capital Supply in Relation to the Development of Africa," in E. A. G. Robinson, ed., *Economic Development* ***for*** *Africa South of the Sahara* (London, 1964), pp. 431–32.
19. D. J. Morgan, *British Privas Investment in East Africa: Report* ***of*** *a Survey and a Conference* (London: The Overseas Development Institute, 1965), p. 6.
20. "Multinational Companies, a Special Report," *Business Week,* 20 April 1963.
21. Cf. M. Byé, "La Grande unité interterritoriale," *Cahiers de l'I.S.E.A.*, quoted by F. Perroux and R. Demonts, "Large Firms—Small Nations,". *Présence Africaine*, no. 38 (1961), p. 37.
22. Chudson, op. cit.
23. Loc. cit.
24. UNESCO, *Policy Aspects* ***of*** *Industrial Development in Africa: Problems and Prospects,* E/CN. 14/AS/II/2/K/1 (1965), pp. 22–27, mimeographed. In some cases increases in manufacturing activities merely represent classification changes. Cf. R. E. Baldwin, *Economic Development and Export Growth: A Study of Northern Rhodesia,* ***1920–1960*** (Berkeley and Los Angeles; 1966), p. 181.

25. UNESCO, *Policy Aspects of Industrial Development in Africa.* See also G. Hunter, *The New Societies of Tropical Africa* (London, 1962), pp. 161–62.
26. UNESCO, op. cit.
27. Intermediary and capital goods industries generally require, especially in nonindustrialized countries, supranational markets. The possibility of using protectionist policies or setting up competing units in neighboring countries increases the risks of, and therefore discourages, investment in each country. 'This consideration points to the possibility of conflicts of interest within international capitalism concerning the balkanization of tropical Africa.
28. Barran-Brown, op. cit., p. 419.
29. We are assuming that the new plants will not compete in the national market from which the investment originates. The argument holds *a fortiori* if this assumption is not made.
30. Cf. Hunter, op. cit., pp. 60–61. See also **H.** A. Turner, *Wage Trends, Wage Policies, and Collective Bargaining: The Problems* ***of*** *Underdeveloped Countries* (Cambridge, 1965), p. 21; and below.
31. Baldwin, op. cit., pp. 79–80.
32. Loc. cit.
33. Ibid. This is also shown by the fact that the copper mines of Uganda have a lower degree of mechanization than the Katangese mines. Cf. A. Baryaruha, *Factors Affecting Industrial Employment: A Study* ***of*** *Ugandan Experience,* ***1954–1964*** (Nairobi, 1967), p. **58.**
34. Cf., for instance, Baryaruha, op. cit., and Hunter, op. cit., pp. 60-61.
35. Cf. Vernon, op. cit., pp. 253–54.
36. See below.
37. Perroux and Demonts, **op.** cit., p. 46.
38. Cf. **D.** J. Viljoen, "Problems of Large-Scale Industry in Africa," in Robinson, op. cit., pp. 253–54.
39. Capitalist enterprises always tend to adopt those techniques which "maximize" the surplus. Such techniques are relatively capital intensive (see Section 3). However, financial stringency prevents the smaller firms from taking a long time horizon in their investment decisions and therefore from adopting capital intensive techniques. The large corporation, on the other hand, is to a large extent free from financial constraints upon its investment decisions.
40. One notable exception is W. Elkan, *Migrants and Proletarians: Urban Labor in the Economic Development of Uganda* (London, 1960).
41. Quoted in Alavi, op. cit., pp. 106–107.
42. Degree of competition is not the only variable in this context. **As** already

mentioned, the calculating rationality of the capitalist concerns is equally relevant, giving rise to the discrepancy in the behavior of the chartered companies and concessionaries of old and that of the modern corporations.

43. Cf. Alavi, op. cit., p. **121**. This point is discussed more fully in Section 3, where the determinants of corporate investment in the periphery are dealt with.

44. Cf. Vernon, op. cit., pp. **248–49;** Barratt-Brown, op. cit., pp. **273–76;** Morgan, op. cit., p. **47.**

45. Derived from K. C. Doctor and H. Gallis, "Size and Characteristics of Wage Employment in Africa: Some Statistical Estimates," *International Labor Review,* no. **2 (1966),** p. **166.** The estimates are very rough.

46. Cf. Turner, op. cit., p. **14;** D. Walker, "Problems of Economic Development in East Africa," in Robinson, op. cit., p. **123;** T. L. V. Blair, "African Economic, Development," *Présence Africaine* (English edition), no. **56 (1965),** p. **34.** That the rate of growth of employment has been considerably less than the rate of growth of the population is clearly shown in the following table which gives data for selected countries of East and Central Africa:

	Annual rates of growth (compound)			
Country	*Employment*	*Population*	*Real product*	*Period*
Uganda	**1.2** (a b)	**2.5** (c)	**3.5** (c)	**1952–65**
Kenya	**.9** (d b)	**3.0** (c)	**4.8** (c)	**1954–64**
Tanzania (Tanganyika)	**−2.1** (e)	**1.8** (c)	**3.5** (c)	**1953–65**
Rhodesia	**1.3** (e)	**3.3** (c)	**5.4** (c)	**1954–64**
Malawi	**.3** (e)	**2.4** (c)	**2.5** (c)	**1954–64**
Zambia	**.4** (e)	**2.8** (c)	**2.5** (c)	**1954–65**

The data were calculated from: (a) Uganda Government, *1963 Statistical Abstract* (Entebbe, **1963),** p. **89;** (b) East African Statistical Department, *Economic and Statistical Review,* no. **20 (1966),** p. 51; (c) OECD, *National Accounts of Less-Developed Countries* (Paris, **1967),** pp. **5–9;** (d) Kenya Government, *Economic Survey, 1964* (Nairobi, **1964),** p. **39;** (e) International Labor Institute (ILO), *Year Book of Labor Statistics* **(1961),** p. **100;** *Yearbook of Labor Statistics* **(1966),** p. **288.**

47. Cf. Turner, op. cit., pp. **12–13.**

48. Loc. cit.

49. Ibid., p. **14.**

50. Ibid.

51. Sources: For Kenya, Uganda, and Tanganyika, see East African Statistical Department, *Economic and Statistical Review,* p. **51;** data for the other countries have been derived from Doctor and Gallis, op. cit.

52. The terms "elite" and "sub-elite" have ideological connotations. They are used in this essay for want of a better terminology and not because of any implicit agreement with the view that no conflict of interest exists between the "elite," on the one hand, and the "masses," on the other, or that there is a lack of class structure within the "non-elite." This view seems to justify the use of the terms by some writers. Cf. P. Lloyd, ed., *The New Elites of Tropical Africa* (London, **1966),** p. **60.**

53. Ibid., p. **2.**

54. Ibid., pp. **12–13.**

55. Ibid., p. **22.**

56. Ibid., p. 8; and Hunter, op. cit., p. 8.

57. Lloyd, op. cit., pp. 7–8.

58. What follows is based on my own unpublished research on the proletarianization of the Rhodesian peasantry (see Chapter 5 of this volume) and, unless otherwise specified, on standard works on the subject such as J. C. Mitchell, "Labour Migration in Africa South of the Sahara: The Cause of Labour Migration," *Bulletin of the Inter-African Labour Institute,* no. **1 (1959);** W. Watson, *Tribal Cohesion in a Money Economy* (Manchester, **1958);** and, especially, Elkan, op. cit.

59. Cf. W. E. Moore, "The Adaptation of African Labor Systems to Social Change," in Herskovits and Harwitz, op. cit., pp. **293–94** and **297.**

60. Cf. Elkan, op. cit., pp. **52–54.**

61. **A** distinction has to be made between stabilization in the sense of "long service in one type of employment" and stabilization in the sense of proletarianization or urbanization implying "a severance from rural ties combined with a tendency to settle down forever as a town dweller." Obviously employers in Africa have always been keen on the former type of stabilization. However, as they were not prepared to bear the costs (and the risks) involved in the latter type of stabilization, their interest remained purely hypothetical. Cf. Baldwin, op. cit., p. **138.**

62. Lloyd, op. cit., pp. **10–11.**

63. Hunter, op. cit., pp. **230–31.**

64. Turner, op. cit., pp. **20–21.**

65. Cf. Hunter, op. cit., p. **207;** Elkan, op. cit., p. 85; Turner, op. cit., pp. **17–18, 48.**

66. Baryaruha, for example, shows that locally based enterprises also stepped up mechanization in response to the steady rise in wages.

67. Cf. Turner, op. cit., p. **21.**

68. Cf. Elkan, op. cit.
69. See Chapter 3 of this volume.
70. Baldwin, op. cit., p. 105.
71. Cf. Moore, op. cit., p. 290; Elkan, op. cit., pp. 61–62.
72. Moore, op. cit., p. 290.
73. Turner, op. cit., p. 48.
74. Cf. ibid., p. 21.
75. The following analysis is rather cursory as the focus of our attention is on the wage-working class and foreign capital. Its only purpose is to bridge the gap that would otherwise arise between the foregoing discussion and the analysis of the next two sections.
76. Some rural economies of tropical Africa are already some way along the road to class formation. Those of southern Ghana, parts of eastern and western Nigeria, the Ivory Coast, and Buganda are examples. They still are, however, rather exceptional, particularly in East and Central Africa.
77. Enterprises are here defined as small scale if they have no international affiliations and employ a relatively small number of workers.
78. Hunter, op. cit., pp. 129–31, 156. New opportunities have also arisen in the field of gasoline service stations as the oil marketing companies have become some of the largest investors in sub-Saharan Africa.
79. The Madhvani Group of East Africa is certainly the most conspicuous exception. In Uganda, Kenya, and Tanzania it controls twenty-Ehree enterprises, excluding subsidiaries and associates, in a wide range of industries: sugar, vegetable oil, beer, steel, textiles, glass, confectionery, matches, and others. Obviously groups such as this, though locally based,.must be included in international capitalism.
80. Cf., Elkan, op. cit., pp. 111–12.
81. Cf. M. Katzin, "The Role of the Small Entrepreneur," in Herskovits and Harwitz, op. cit., pp. 179–80; Hunter, op. cit., pp. 100–101, 137–40.
82. Hunter, op. cit., pp. 137-40; **S.** Chodak, "Social Classes in Sub-Saharan Africa," *Africana Bulletin,* no. 4 (1966), p. 35. In Buganda, it is the consumption pattern imposed by a prosperous farming community which frustrated the accumulation of savings on the part of would-be petty capitalists. See Elkan, op. cit., p. 47.
83. Cf. Katzin, op. cit., p. 195; Lloyd, op. cit., p. 8.
84. In addition to this, the advantage that small enterprises may derive from the imparting of skills among the population on the part of large-scale enterprises is considerably reduced by the use of highly capital intensive techniques. The less capital intensive small enterprises will generally need either unskilled labor or labor fully skilled in one of the traditional crafts. As we have seen, however, the large-scale corporations will tend to create a semi-skilled, specialized force largely unsuitable for the local employers.

85. The obstacles of the small national market can be overcome by the large-scale corporation by ,means of multinational operations.
86. This is another reason for assuming that international corporations may benefit from rising wages and salaries. As we have seen, large numbers are employed by the public sector (see Table 2 above); in consequence, the increase in demand for the products of the corporations brought about by the rise in labor incomes makes it easier to pass the increased labor costs on to the consumer.
87. Mills, op. cit., pp. 23–28.
88. See, for example, Maurice Dobb, *An Essay on Economic Growth and Planning*, orig. pub. 1960 (New York, 1969); W. Galenson and H. Leibenstein, "Investment Criteria, Productivity and Economic Development," *The Quarterly Journal of Economics* (August 1955); A. K. Sen, *Choice of Techniques. An Aspect of the Theory of Planned Economic Development* (Oxford, 1962). Since implicitly or explicitly these authors assume a socialist economy, what follows does not represent a critique of their theories.
89. Barratt-Brown, op. cit., **p.** 354.
90. Chudson, op. cit., p. 337.
91. Ibid., p. 340.
92. A. M. Kamarck, "The Development of the Economic Infrastructure," in Herskovits and Harwitz, op. cit., p. 75.
93. Loc. cit. The "guesstimates" of the deficit on current account given by Kamarck are $1.0 billion for 1963 and $0.9 billion for 1964. These deficits amount to 24.4 and 19.2 percent, respectively, of the exports from tropical Africa in the two years.
94. We are excluding for the time being reductions in imports of nonessential consumer goods. This possibility is discussed in Section 4.
95. Cf. Morgan, op. cit., pp. 15–16.
96. For the trend of the private investment from advanced capitalist countries to the underdeveloped economies see "The Slow-Down on Aid," *Economist,* 26 August 1967, pp. 736–37. With regard to tropical Africa, gross private foreign investment seems to have reached a peak of about $800 million per year sometime between 1950 and 1957 and to have since then fallen. See Frankel, op. cit., p. 428. The table on the following page gives U.K. and American foreign direct investment (excluding oil) in Sterling Africa and Africa, respectively, for the period 1959–1964. It was derived from Morgan, op. cit., p. 6 (for the U.K.), and Kamarck, op. cit., pp. 266–67 (for the U.S.).
97. In the sense that import substitution leads to a faster growth of imports of semi-finished goods, capital goods, and raw materials.
98. Kamarck, op. cit., p. 155.
99. Chudson, op. cit., p. 352.

Private direct investment, excluding oil
(millions of $U.S.)

	1959	1960	1961	1962	1963	1964
U.K. (Sterling Africa)	81	83	83	25	7	−25
U.S. (Africa)	92	13	8	93	105	75
Total	173	96	111	118	112	50

100. This conclusion refers to tropical Africa as a whole and to the majority of countries. There will probably be exceptions of two kinds: countries with particularly rich mineral deposits, such as Gabon, and countries in which foreign investmenr in manufacturing will tend to concentrate to take advantage of a relatively industrialized environment.
101. Cf. Chudson, op. cit., p. 349.
102. Cf. Blair, op. cit., pp. 29–30; Nkrumah, op. cit., pp. 241–42.
103. Kamarck, op. cit., p. 202. As Braundi has pointed out (op. cit., pp. 241–42), these flows of public funds have been instrumental in making possible the export of profits from tropical Africa which would otherwise have been paralyzed by disequilibria in the balance of payments.
104. Problems connected with the invesement of the surplus on the part of the state are discussed in Section 4.
105. Cf. Morgan, op. cit.
106. See p. 246 above.
107. Baran and Sweezy have shown, on the basis of official data, that in the case of the U.S. (the industrial center par excellence), foreign investment is in fact a most efficient device for transferring surplus generated abroad to the investing country. In the period 1950–1963, while the net direct investment capital outflow from the U.S. amounted to $17,382 million, the inflow of direct investment income amounted to $29,416 million. See ***Monopoly Capital,*** pp. 106–108.
108. Cf. n. 46 above.
109. Cf. Hunter, op. cit., pp. 183–84.
110. Cf. Alavi, **op.** cit., p. 119; Nkrumah, op. cit., p. 178.
111. For the feasibility of a strategy of development that includes the institutional changes under discussion, see below.
112. The experience of China is instructive in this respect. In the early and mid-1950s the rapid industrialization of China was made possible by Soviet assistance. However, the nature of this assistance tended to produce a pattern of growth without development which contributed to the difficulties of the late 1950s. Cf. Franz Schurmann, *Ideology and **Organization** in Communist China* (Berkeley and Los Angeles, 1966).

113. By “implicit capital intensity” is here understood the proportion of the labor force employed in the sector producing means of production.
114. It would be futile and quite beyond the purpose of this essay to give a detailed and concrete description of this alternative pattern of growth. While its broad characteristics can be perceived at the theoretical level, its concrete characterization can only emerge from the *praxis* of African development.
115. On this last point cf. H. W. Singer, “Small-Scale Industry in African Economic Development,” in Robinson, op. cit., pp. 640–41. The spread of än organic “learning process” is particularly important in connection with the development of a *modern* labor intensive technology which might very well be necessary for the development of Africa.
116. R. Nurkse, *Problems of Capital Formation in Underdeveloped Countries* (Oxford, 1953), p. 37.
117. Cf. Singer, op. cit., pp. 641 and 653. The capital goods sector must be understood in a broad sense to include, for instance, capital construction and land improvements in the rural sector.
118. Tanzania may turn out to be an exception to the general rule.
119. Turner (op. cit., pp. 12–14) estimates that the whole benefit of economic development in Africa during the 1950s accrued to the wage and salary earners. In fact, however, we have seen that the unskilled semi-proletarianized peasantry (as a class) can have benefited but marginally from this rise in labor incomes because of the loss of employment opportunities ensuing from increased mechanization. Hence, not wage earners as such, but the labor aristocracy has gained from the present pattern of growth.
120. Barratt-Brown, op. cit., pp. 324–27.
121. From the conclusions of this study it would seem that Barratt-Brown deems possible a coalition between the British government and “progressive” giant corporations to promote the industrialization of the underdeveloped world.