How 'post-industrialism' kills the economies of the developing sector

by Sylvia Brewda

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One of the most successful policies of today's neo-Malthusians has been convincing the developing-sector nations to abandon the process of industrialization for what is euphemistically termed a "modern economy." Despite glowing rhetoric about full employment and a move away from an agricultural economy, today's post-industrialization interpretation of a modern economy has had a devastating effect, shrinking the productive work force and piling up overhead expenses. Developing nations not only rapidly lose the agricultural capacity to feed their populations, but also lose the ability to produce any real wealth. In short, conversion to a post-industrial economy destroys that nation's potential to provide for an increasing population: The population begins to die of starvation and disease, a process most brutally evident in Latin America. "Too bad," the same Malthusians say, "but there are just too many people."

Twenty years ago, such pessimism and outright genocide would not have been tolerated. Until 1960, the term "modern economy" was synonymous with an industrial economy. Nations throughout the developing sector looked forward to escape from the centuries-long prison of rural, peasant modes of production by shifting a growing percentage of their labor force out of agriculture and into the industrial processes of the manufacture of goods. In the late 1960s, however, the term was redefined, and "modern economy" came to mean the provision of goods and services, with the service component becoming increasingly dominant. In the advanced sector, this type of economy was titled the post-industrial society. Volumes were written to demonstrate that the Western nations had passed beyond the industrial revolution, that the smokestacks of Pittsburgh were now obsolete, and so forth. The exemplar of this shift is Britain, which under the guidance of Prime Minister Margaret Thatcher has ostentatiously become a "formerly industrialized country."

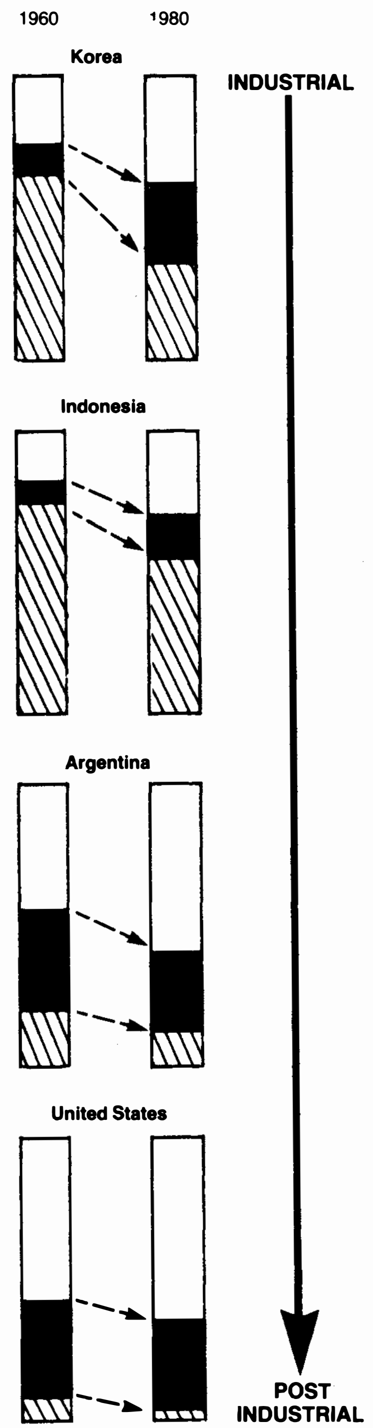
At the same time—without the equivalent fanfare in the media and business literature—the same shift was occurring in the developing-sector nations, but with much more devastating consequences. The last two decades have seen a significant shift of employment out of agriculture throughout the world, a shift that is necessary but which requires simultaneously upgrading agricultural technology and industrializing. The greatest shifts, in general, have occurred in those countries that are known for their economic miracles. For example, during this period, Korea, Taiwan, and Japan all decreased the percentage of their work force involved in agriculture by one half, while Brazil decreased its agricultural work force by almost 40%.

Apart from these spectacular examples, the countries of Ibero-America were the most successful of the developing sector in shifting out of agriculture; the Latin American nations finished the 1970s with agriculture comprising between 10 and 40% of the work force, rather than the 20 to 55% found there at the start of the 1960s. In Peru, one of the Latin American countries in the worst economic straits, the rate of decline of agriculture was 1.3% per year, while in Colombia it was over 3%. The shift was less dramatic in Asia and Africa, although marked. In general, agriculture still supplied at least half of the employment in these economies in 1980. In the best cases, the rate of decline has averaged 1.5% per year, while in others, such as India and Tanzania, it has been less than 0.4% per year.

Services as overhead

The problem for the developing sector is that the net result of the move out of agriculture has been a transfer of employment (and productive resources) *out of real production and into the overhead expense of services*. The understanding that "service sector" employment is an overhead cost to the economy as a whole is basic to the LaRouche-Riemann method of economic analysis. The question is not whether a particular job is "valuable." Service jobs include teachers, researchers, doctors, and many others required for the well being of society. However, these jobs, and the construction of schools and hospitals, are just as much overhead charges against the productive economy as the employment of cosmetics salesmen and the construction of luxury hotels. The economy must produce *tangible wealth*, and that wealth, by definition, is produced only by farmers and those included in the "industrial" category. All other activity must be supported by the output of industrial and farm workers.

This most definitely does not imply that the service sector cannot or should not grow as an economy progresses. Clearly, as each individual operative becomes more productive, he or she can support a greater number of other citizens. Also, a higher technological level requires longer schooling and better health care to ensure longevity, as well as a greater investment in research to produce new scientific and technological advances.



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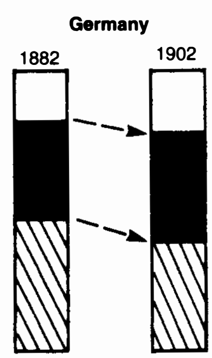

Spectrum of labor force structures

The bar graphs show the percentage distribution of the work force in various developing countries undergoing increasing degrees of movement toward a post-industrial structure, represented by the United States. The historical information on Germany, while not strictly comparable, represents an approximation of the structure of healthy development at a similar point in the shift away from an agrarian society.

Source: The World Bank, *World Tables*, Vol. 2, 1983; B.R. Mitchell, *Historical Statistics of Europe, 1750-1975*, 1981.

However, all these requirements act as a tax on the productive sector, decreasing the wealth available for reinvestment into expansion of the productive sector. If the tax is too high, the productive sector will actually shrink, because its own maintenance requirements will not be met. The healthy development of an economy must balance the need for direct investment in the productive sector with the increased requirements for support of a developing society. Such investment in the productive sector must be seen both in terms of increased real wages to productive operatives and increased capacity embodied in higher average technological levels.

In contrast to this economic fact, developing-sector nations today are generally moving to impose greater and greater overhead burdens on their productive sectors. They are being told—by the same economists and political planners who engineered the demise of the Western industrial societies—to emphasize "employment" of whatever kind rather than to concentrate on creating jobs in the capital-intensive areas of manufacturing that can then actually create the conditions for rapid transformations throughout the economy. The result of this bad advice can be seen in the accompanying table, which gives the details of the change over the two decades between 1960 and 1980 for 24 countries. The figure summarizes these results in a spectrum of development patterns.

Recolonization

Since 1960, the nations of Ibero-America have moved from positions in which economic development seemed both necessary and eminently feasible, to their current position in which the weight of debt and dependence on foreign support seems likely to drive them back to a colonial mode: raw material and agricultural exploitation, coupled with brutal declines in population and living standards. Over the past few years, as the effects of U.S. Federal Reserve head Paul Volcker's interest rates have been felt throughout the world economy, the development policies and plans of these nations have been mauled by the international movements of credit and commodity markets over which these nations had no immediate control. Even before that time, however, decisions were taken by the post-industrial faction in the West that left the developing nations far more vulnerable to these external events.

For example, in 1960, most countries in Ibero-America employed approximately half of their labor force in agriculture, mainly at a subsistence level; the industrial work force made up about one fifth of the total, and the remainder of the work force was employed in service activities. This mixture, although not ideal, was not unlike that of France or the United States at the end of the 19th century: In 1886, 47% of the French work force was agricultural, and just under half of the remainder, 26%, was involved in industry. In 1890, the United States had 43% of its workers employed in agriculture, 27% in industry, and the remaining 30% in services. It took the United States and Europe 100 years to make the transformation to a "post-industrial" work force; the Ibero-American nations, however, condensed this devolution into a 20-year span. By 1980, four of the eight major nations had service sector employment of 50% or more, and four had experienced an actual decrease in the%age of the work force engaged in industry.

Even Mexico, despite its strong nationalist outlook and the availability of oil revenues, had incurred a growth of the service sector that was more than double that of the industrial work force. Of the Ibero-American nations, only Brazil shows a pattern of development that might have led to industrialization, with employment growing at a rate 50% greater in the industrial sector than in the service sector.

The effects of these post-industrial policies over the decades of the 1960s and 1970s were visible in areas other than employment. Investment was diverted away from industrial sectors and into nonproductive service areas, such as shops, restaurants, or financial markets. A pattern of dependence was established, in which any industrial activity that took place was channeled into the relatively low-capital areas of consumer goods and assembly work, rather than developing basic, high-capital, long-lifetime projects. Lack of industrial expansion often constricted the availability of the technological inputs required to increase agricultural productivity, and some nations, quite ridiculously, given their natural resources, became food importers. The apparent continuation of GNP growth, concentrated in the service sector, was allowed simply by the availability of credit.

Pseudodevelopment and stagnation

In Africa, the years from 1960 to 1980 were generally more a period of stagnation than of the pernicious pseudodevelopment of Ibero-America. Most countries experienced changes similar to those of Nigeria and Zaire, where the decrease in agricultural employment has produced approximately equal increases in service and industrial employment. The worst case is Tanzania, the showcase of so-called appropriate technology (which for Africa has meant sticks and stones for farm implements, combined with muscle power). Now one of the poorest countries in Africa, Tanzania experienced a growth rate in the service sector twice that of industry, and in 1980 was burdened with service employment almost double that in industry.

Look now at the relatively healthy economies of Asia. Only the "economic miracle" countries of Korea and Taiwan, plus Thailand, have experienced growth in industrial employment greater than in the service sector. Thailand provides impressive proof that "objective conditions" have not necessitated a move away from industry; this nation more than doubled the percentage of its work force involved in industry over the last 20 years.

On the subcontinent, Pakistan maintained equal growth rates of service and industrial employment over this period, while India did not. Although the difference in growth of 2% and 3% between the industrial and service sectors in India is small enough to appear a possible statistical fluke, the employment totals in 1980 bear out the indication that India has been placing 50% more of the human resources freed up from agriculture in the service sector than in the industrial sector. In Indonesia, Malaysia, and the Philippines, the ratio is more extreme. In each of these cases, the growth of the service sector has been far more rapid than that of industrial employment, and by 1980 the service sector consumed the efforts of twice as many workers.

These figures, in conjunction with the current economic collapse in Ibero-America, should give economic planners pause. The weakness of the post-industrial economy has been exposed all too clearly under the pressure of a credit constriction and a swelling load of debt and interest payments. The fact is that increases in urbanization lead only to slums, *if the new urban dwellers are not producing, on the average, more tangible goods per person than they were in their rural existence*. In addition, jobs that are cheap to provide in terms of initial investment often prove no bargain if they involve continued reliance on outside capital.

Even the technologically advanced economy of the United States, a model of the post-industrial society, has arrived at the point where it is dependent on the provision of massive subsidies by the developing sector in the form of trade advantages.[2] The United States obtained a subsidy of $108 billion in 1983 in the form of (U.S.) trade deficits and advantages in terms of trade, equivalent to 7% of the total tangible output of the economy and more than the swing in reported output attributed to the so-called recovery.

The model for real economic growth—industrialization spurred by continued investment in the scientific and technological advances that spur productivity—exists historically and has been a proven success. It is no accident that those economists and political leaders promoting the post-industrial society are the very same Malthusians who passionately hate the concept of science and progress and who are striving to ensure that the world population is cut in half, by starvation and disease.