

# เอกสารทางวิชาการ DISCUSSION PAPER SERIES

Number 88

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Challenge"

By

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DISCUSSION PAPER SERIES

August 1982

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## AUTOCENTRIC DEVELOPMENT : A CONTEMPORARY CHALLENGE

By Dr. Hans U. Luther \*

### Part I : Introduction

#### What is Autocentric Development ?

Autocentric (or self-reliant) development is an alternative development policy for the III. World proposed by a number of economists and social scientists from various countries who base their approach on comparative development economics and the analysis of patterns within the framework of economic history.<sup>1</sup> The theoretical point of departure was the comparative study of the development performance of European economies in the 18th. and 19th. century as well as studies about the economic and social development in the United States of America and Japan. The main goal of these case-studies was to identify elements of self-sustaining growth and socio-economic "viability".<sup>2</sup> Later the various results of these research projects were compared with the contemporary structure of a set of III. World economies from which a number of indicators of "underdevelopment" were

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extracted. In the further process of research the two sets of structural indicators derived from the performance of developed and underdeveloped countries have been compared in order to draw some useful conclusions of how to overcome endemic underdevelopment and mass poverty. Hence, the political point of departure was scholarly dissatisfaction with three decades of unsuccessful development strategies which have resulted in misguided growth patterns and a further fragmentation of formerly self-sufficient socio-economic formations like the Philippines, Thailand or Indonesia.

However, the paradigm of autocentric development should not be confused with the concept of "autarky" (Burma ?) <sup>3</sup> nor with a modernized version of "import-substitution" policies (B. Balassa et al.) Rather some relationship could be established to the theory of "balanced growth" as represented by P.N. Rosenstein-Rodan and R. Nurkse inasmuch as the primary goal of both 'schools' is to achieve self-sustained growth and to arrest the disequalizing forces during the process of economic take-off.

#### The Problem

The decade after the II. World War saw the struggle of national and anti-colonial movements in most of the III. World countries. Their aim was political domination and a fairer distribution of national wealth. However, the policies and goals

of their economic development did not challenge profoundly the international division of labour as it had been shaped during the last century, especially the mechanisms of the 'colonial pact' which contained the unequal exchange of high-priced secondary goods against low-priced primary goods from the developing countries. In other words, the newly independent countries accepted in their majority the 'colonial' model of outward oriented and economically dependent development patterns. In general, these countries continued to be vital suppliers of mineral and agrarian raw materials though some of them like Hongkong, Singapore, Taiwan and South-Korea turned into 'free industrial zones' and produced textiles, semi-conductors and more sophisticated equipments. Today, there can be no doubt that average growth rates in many III. World countries during the past three decades have been much higher than the average growth rates of the highly industrialized countries during their major development periods. But not only did the economy grow-so did mass poverty and unemployment! This undeniable fact has been well documented by many reports of the World Bank, ILO, FAO and other concerned international organizations.

On the background of the current debate about the inter-relationship between high growth rates and a booming foreign trade on the one side and spreading mass poverty and malnutrition on the

other side, the idea has been formulated that an alternative development strategy should enable the III. World countries to put their economies on a new and more 'viable' base which would make the combination of growth and development possible in the near future.

The concept of autocentric development works on the empirically sustained assumption that the economies of most developing countries are structurally 'crippled' as compared with those of the industrialized countries which were able to develop coherent economic circuits. Consequently, this alternative version of development strategy recommends the setting up of 'viable' economies based on locally available resources and being characterized by a system of 'confederating' and mobilized productive forces of the country. This means the interlinking of manifold economics circuits, including all possible forward and backward linkages which would make a tightly-knit and well-integrated socio-economic system possible.

If our contention is correct that recent models of development have failed <sup>4</sup> and that the socio-economic problems of the III. and IV. World (the least developed countries) have increased during the last two 'development decades' then it is high time, that new strategies should be pursued which are able to consolidate political independence by gradually increasing

economic independence, too. These new development strategies contain three closely related aspects:

1) The decision for more self-reliant development which follows the principle of relying on one's own resources.

2) The priority of cooperation and economic integration with other (neighbouring) countries of the III. World (collective self-reliance).

3) The demand for a new International Economic World Order which is based on better prices for raw materials and the control of natural resources, the access of producers of the III. World to the markets of the industrialized countries on more favourable terms of trade as well as an accelerated transfer of modern technology to the poor countries.

Though the paradigm of autocentric development differs from the programme of the New International Economic World Order, especially in point 3) (which advocates an even deeper integration into world market system whereas we consider this as detrimental to a policy of self-sustained growth), the crucial question remains: is self-reliance a possible development path for III. World countries? <sup>5</sup>

The answer to this question is strategically so important because both leading development schools which oppose each other

bitterly have denied such a possibility. The so-called modernization theory which is based on a neo-classic approach to economic development claims that self-reliance and autocentric development would result in economic stagnation and quotes the sluggish development of the Burmese economy during the 1960's and 1970's as a case in point. Only an accelerated integration based on D. Ricardo's principle of comparative advantage would help to overcome 'underdevelopment'. By contrast, the conventional theory of dependent capitalist development ("dependency theory") has also rejected the possibility of self-reliance. It claims that in difference to central capitalism which was able to develop a self-centered system of accumulation and which followed a somewhat linear development pattern, the development in the 'periphery' is blocked by outside and inside forces and therefore has little chance for dissociation from the dominating global system.

Whatever the implications of the argument may be, it is also a fact that both schools have contributed a great deal in describing and analyzing 'underdevelopment' but have offered little to solve the ongoing development dilemma. Therefore, the underlying hypothesis of this paper is that autocentric development is not merely an option for the III. World but rather a necessity whatever the obstacles may be. This does not mean, however, that the whole concept sine conditio has to be adapted but that elements of this concepts have already made inroads



into most development plans. As the political power structure will hardly permit a radical restructuring of society and economy, it seems nevertheless useful to integrate at least a number of elements of this concept into national planning (as the Fifth Five-Year Plan in Thailand has attempted!) and thereby test gradually the feasibility of the concept.

Last not least the evaluation of autocentric development policies depends very much on whether one differentiates between short term and long term national interests. Such a strategy (like reducing imports in order to 'save' exports) may seem to contradict a number of short term interests in the developing and in the highly industrialized countries (like it is 'cheaper' according to economies of scales to import durable consumer goods rather than manufacturing them in the country). Seen from a long term perspective, however, it may well be less costly to restore the 'viability' of developing countries than to face the fierce competition of low-wage economies based on widespread poverty and denial of basic needs.

## Part II

### Structural Foundations of Viable Economies

Comparative studies of economic history have shown that the precondition for successful social and economic development

is the ability of any given country in shaping a specific structure and dynamic process of capital formation. From a mainly economic point of view, the combination of the following factors is of fundamental importance:

1. Agricultural revolution : this means the increase in agricultural productivity to ensure the basic food supply for the entire population and to supply the embryonic industry with agricultural raw materials.

2. The industrial production of consumer goods which the mass of the population is able to buy (as opposed to those 'luxury' goods which most people cannot afford to buy).

3. The industrial production of basic means of production (like tools and equipment for agriculture, basic and simple machines for the production of consumer goods etc.)

4. Local production of as many intermediate goods (small industries for fertilizer, cement, iron, steel, glass) as possible to help with the production of consumer goods.

5. The creation of a broad-based infrastructure which is decentralized to promote regional markets, village-to-village trade etc.

6. The accelerated production of goods and services for 'collective' consumption like transport, communication, training facilities, schooling and public health.

As case-study research has shown, the economic history of any viable socio-economic formation builds up on the development and gradual interlinking process of the above-mentioned sectors and sub-sectors. Thus, the whole structure of production becomes more differentiated and this increasing relationship leads to a structural coherence which enables such economies to develop.

If we analyze such viable economies further, we find out that they are characterized by a number of basic socio-economic capacities:

1. The mass of the people is integrated productively into the national economy. People find work within the productive sectors, they receive sufficient income to become consumers (purchasing power), and consequently their needs are satisfied according to the level of development and the amount of distribution of national income.

2. Hence, we find in these countries an inherent relationship between the facilities of production, the level of employment, the distribution of income and the structure of individual and collective consumption which complete each other.

3. Such structural congruence of the economy results in a development process which moves from simple to complex and in which the level of development matches the profile of consumption and the complexity of local production facilities and locally

available technology. Also, the rise in the level of productive capacity is related closely to the level of real wages and the supply of consumer goods.

4. Such economies attempt to increase their own capacity of technical innovation and therefore the dynamics of development and technical progress are organically interlinked.

5. Such economies are able to develop a certain level of transformability and diversification of the structure of production which is closely connected to locally initiated innovations in the technical and social field.

6. If the above-described development process is successful, we are able to observe the 'confederation' of productive forces (Friedrich List, 1841) in the various sectors which become consequently more and more able to sustain each other development.

In order to find out in which direction an economy moves and if a country develops at all, it is useful to take a look at the tendency which may either go towards fragmentation (disparities of sectors and incomes) or towards a more interlinked and homogeneous structure. This can be empirically tested by studying the level of productivity in different sectors, real wages, interest rates, profit rates and, of course, the general profile of consumption.

### Part III

#### Structural Features of Underdeveloped Economies

Let us now compare in greater detail these findings drawn from the transformation process ('development') of industrialized countries with a similar set of observations which characterize the socio-economic formations of the III World countries. It is not surprising that these so-called peripheral economies ('peripheral' in a geographic and political sense as seen from the developed 'centers') have a number of special features which show exactly the opposite of what has been outlined above as the basic structural foundations of viable economies:

1. Only the export-oriented part of agriculture has a higher growth rate and may show a considerable degree of development like for instance, the agribusiness sector. But the less profitable segment of the primary sector has hardly any dynamics and is marked by extensive rather than by intensive patterns of cultivation and production. This means that the most essential precondition for successful development is not yet fulfilled. This observation is exacerbated by the very fact that this applies as well to the raw material sector and to mining activities. As much as in agriculture the production and exploitation of raw materials is promoted only in those segments of the economy

which are directly connected to the needs of metropolitan industries and hence, quite isolated within the structure of local industry ('enclaves'). Therefore, a considerable amount of valuable development potential is lost by this unilinear orientation to exports and to the demands of the world market system. In Thailand we can observe the great difference in terms of productivity between agribusiness ventures and subsistence farming, TNC - mining and family-mining ventures in the field of iron, tin or precious stones. However, this is not a 'dualistic' system because the bulk of the products (except for family consumption) finally arrives at the market and thus becomes exchange value.

2. Compared to the imports of industrially produced durables and sophisticated consumer goods (luxury goods as compared to basic goods!), the industrial production of locally produced mass consumer goods is relatively stagnant or even negative in terms of growth which is due to the lack of locally generated mass purchasing power (effective demand). This phenomenon does not only reflect increasing income differentials in the III. World but it shows also the growing incapability of underdeveloped societies to integrate the mass of the population productively and effectively into the national process of capital formation. Moreover, this structural distortion reflects the direct relationship between the low level of mass purchasing power and the development

(or rather 'underdevelopment') of a domestic market. As we can observe in Thailand: there is sufficient local production of consumer goods but these are mostly earmarked for export purposes as the local market cannot 'absorb' them because the majority of the people have little cash at their disposal. In difference to so-called Socialist countries like Poland<sup>6</sup> where there is more purchasing power than there are available consumer goods in the market, Thailand and similar countries in Asia have an abundance of consumer goods which cannot be sold inside the country due to minimum wages and low prices for agricultural products which result in low farm incomes and rising debts.

3. In general, a sector for the local production of means of production (capital goods) is also lacking due to the international division of labour in which it is supposed to be "cheaper" to import such goods from the industrialized centers. Though this may be true as a short term cost-benefit calculation, this mechanism of dependence on imports has at the same time deprived peripheral economies of self-generated inputs for local development. Again, in those few cases where we can find such industries (like production of cars), these are typically oriented towards producing goods for the upper income groups and not for mass consumption. Hence, their market is narrow and hardly competitive.

4. Even less developed is the local production of intermediate goods, which, in addition to the lacking production of tools based on local needs, is the main reason of far-reaching technological and structural dependence of 'underdeveloped' economies on the dominant industrialized societies. One of the serious results of this process is the increasing amount of foreign debts ("debts trap") which have accumulated due to disadvantageous terms of trade for primary goods and the absence of local production of basic investment goods.

For instance, sugar and rice were the only two major export commodities in Thailand which netted higher export prices in 1981. Prices of all other major commodities ranging from tapioca, tin, rubber and maize were lower than the year before.<sup>7</sup> Meanwhile, the export price of rice has also dropped significantly and the government proved to be unable to pay the guaranteed minimum price, a fact, which led to demonstrations of farmers in the capital city. In 1981 the level of outstanding foreign debts of Thailand had reached over 6 billion US-Dollars and the debt service ratio (repayments and interest on official foreign debt as a percentage of merchandise exports) has climbed to nearly 16%.

5. Another conspicuous indicator of the deepening disparities within the country is the wide gap between the average living standard in the capital city and the hinterland of developing



economies and also the very unequal distribution of available services.

According to the World Bank Report on Thailand (1975/76) 45% of the poor people lived in the Northeast while 15% lived in the central region. By 1979 the number of poor people living in the Northeast increased to 52.3% whereas the number of poor people living in the central region decreased to 10.9%. The Rural Poverty Eradication Programme which was published by NESDB in 1981 also points out that according "to available medical records 70% - 80% of preschool children in rural villages do not have enough food and malnutrition leads to numerous infectious sufferings. Almost 90% of the population living in remote areas suffer from anemia and up to 100% suffer from vermi-intestinal infections." <sup>8</sup>

The addition and combination of these characteristics complete the picture of an increasingly heterogenous structure of the economy and society. As a rule, peripheral economies lack the vital sectors of production (broadly-based and over-all productive agriculture, a 'light' industry for mass consumer goods, equipment industry for rural and urban households, infrastructure for marketing and distribution of goods and services) all of which are essential for a viable development process.

Moreover, these economies lack the interlinking of these sectors. They may therefore be described as structurally "crippled" and topheavy.

However, the problem of developing countries is not the lack of productive forces, of capital or of labour. On the contrary, they have achieved very considerable growth in the period from 1950-1970 but during this process they also turned into unbalanced growth-pole economies due to the domination of outward-oriented growth patterns and consequently higher incomes were concentrated on a few and mostly export-oriented subsectors. Even in those cases where the domestic process of industrialization was relatively successful, growth was strictly limited by a narrow local market and goods and services of better quality reached only those privileged who could afford to buy these goods.

The structural result of such peculiar growth is the general fragility of peripheral economies and their extreme vulnerability to social conflict. Especially their lack of structural coherence can be attributed to three main points:

a) the lack of links between agriculture and industry on the lower and middle level of production.

b) the lacking depth of production because there are no complete economic cycles due to the fact that part of the process of capital formation (production of technologies, equipment goods, intermediate products and even consumer goods) takes place outside the country and hence, economic spin-offs are lost to the developing economy.

c) the tendency towards industrialization satisfies mainly the demands of the high-income groups whereas the production of mass consumer goods remains by and large stagnant on account of the very limited purchasing power of the 'poor majority'. This, in turn deforms the local market and results in the above-mentioned incomplete and non-coherent dynamic of reproduction.

If the evidence of our comparative observations is correct and the general findings can be backed up by sufficient case-studies,<sup>9</sup> then we can safely assume that "underdevelopment" of the 1980's has nothing much to do anymore with traditional backwardness and the famous "cultural obstacles" on which modernization theory has focussed and even less with the "laziness" of the people in the III. World. Rather we can claim that underdevelopment is the manifestation of misguided development of productive forces in the III. World. The problem lies no more in the inability of peripheral societies to generate capital and

to induce growth but in the deformed structure of dependent capital accumulation, a process, which obviously has had a detrimental impact on the majority of the people living in these countries.

As we have seen, this kind of capital formation is not designed to open a country's domestic market for further development but it is predominantly oriented towards the metropolitan economies whether by promoting "sweat shops" like in Hongkong and South-Korea or by taking over metropolitan goods, Western consumption patterns (Mac Donald's food chain etc.) and complicated technologies, all of which reflect a far higher and much more complex level of development and hence are much too capital-intensive, energy (oil !) -intensive and too costly for a poor country.

In the course of this process, not only was locally generated capital drawn off from the III. World but a much more radical result was the forced transformation of formerly fairly viable and agriculture-based self-reliant economies like Indonesia, the Philippines and Thailand into defected and crippled peripheral economies which "urgently need help". Especially this dynamic process of over-integration and semi-industrialization has resulted in topheavy dependent development and has brought about a number of specific effects :

a) The mass of the population can not be integrated productively into the process of capital formation. Marginalization, rural-urban migration, slums and crime are the inevitable results.

b) Locally produced agricultural goods are not sufficient anymore to feed the mass of the people especially if a large amount has to be exported in order to pay for the import bill. The consequences are malnutrition and mass poverty, a decreasing capacity to work and bad health among the rural poor.

c) The country is incapable to manufacture its own basic means of production, equipment, hand tools and of adapting existing goods and resources to basic local needs.

d) The technical process is not geared to solving local problems and to change local structures but is transplanted only into certain "enclaves" and growth poles.

e) The fragmentation of the entire economy and the hierarchization of modern and backward sectors is matched by very unequal chances for political participation and organization of the people. The mass of the population remains under the political tutelage of autocratic governments which is alternated by periods of "populism". This process in the political arena stands in sharp contrast to the growing political restructuring of industrialized societies (like France, Italy or Spain), and particularly in contrast to the increasing degree of political organization of labour in the industrially advanced countries.

As a direct result of these dialectics between misguided growth and mass poverty a substantial amount of social and political conflict has been generated which is the deeper reason for the growing internal militarization of many III. World countries.

#### Part IV

#### Conclusions for an Autocentric Path of Development

From the foregoing argument we can draw some general conclusions which would lead to a considerable restructuring of current development theory and development planning in the III. World:

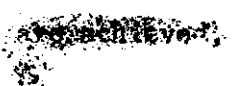
a) Necessary for a successful development process is a well-balanced structure of capital formation which is not only based on "natural factor endowment" (as D. Ricardo had suggested) but which aims primarily at a comprehensive and differentiated development of all productive forces of the national economy.

b) Necessary is the interlinking of resource mobilization and resource utilization for the domestic market-oriented production. This is exactly the opposite of what can be observed in the present-day structure of peripheral economies whose notorious outward-orientation cuts the ground of any efforts towards a more self-reliant development. This means also that some of

the development potential should be tapped which has so far not been used because it promised to be of little value for export.

c) Necessary is also a more organic development process which is able to build-up vital structures of accumulation ranging from simple to complex (and not the other way around as it is mostly the case!). Most demand profiles of III. World economies are too topheavy and have an in-built bias towards rapid growth, complex technology, capital-intensive and energy-consuming production patterns which satisfy only the demand of the upper stratum of society and probably part of the urban middle classes.

The "learning costs" of changes in development strategy are certainly not low, especially as autocentric development demands the overhauling of development structure and development goals. But in the long run these 'investments' will pay-off in form of a fairly coherent economic system and guarantee the satisfaction of peoples' basic needs. Also, it may be useful to take into consideration that within the last 300 years there was not a single case of successful development in which some central determinants of autocentric development did not take a combined effect. Furthermore, autocentric development is necessary only for the initial period of capital formation and economic consolidation. Once the essential features of a viable economy



are achieved, a cautious integration in the global market and selective foreign trade will be of advantage and without the negative results of socio-economic deformation and growing income disparities. A historic case in point for such a process was not only the development in China from 1950-1976 but also Japan's way to industrialization in the 1950's and 1960's. Noteworthy is also the very different development path of North- and South-Korea as seen from a perspective of autocentric development, namely the results of basic-needs strategies (North) in comparison to growth-first policies (South).

Two problems in connection with the implementation of self-reliance strategies for III. World countries can not be answered within the scope of this paper. Firstly, it is open to debate and quite unclear what kind of political changes are necessary to pave the way for a more social oriented development policy <sup>10</sup> because if the power-structure on the internal and external level would not be as it is - another form of development would have been practicable much earlier. Secondly, even if there is more self-reliance and better prices for primary goods can be negotiated with the industrial countries to the effect that the unequal relationship is verymuch reduced, it is by no means sure whether the additional surplus will be distributed more evenly in future. This all points to the fact that political development



and economic changes can not be separated. As history shows in all above-mentioned cases we learn that economic transformations were always preceded or accompanied by a major crisis of the dominating political system.

### Footnotes

1. This paper draws heavily on the following publications:  
Friedrich List, The National System of Political Economy, Tubingen (West-Germany) 1959, first published in 1841 (!) and Dieter Senghaas, Dissociation or Autocentric Development- An Alternative Development Policy for the III. World - Bremen (West-Germany) 1978, reprinted in "Economies", Vol, 23, Tubingen 1981. Other authors are Samir Amin, Johan Galtung etc.
2. The term 'viability' is borrowed from biology and means the "long term ability of a (socio-economic) system to assure its expanded reproduction and to safeguard a certain independence of action and of decision-making". Thus, we distinguish 'viable' and 'non-viable' systems.
3. Burma is not such a clear case of autarky as it is normally assumed. For instance, foreign trade has by and large been replaced by smuggle from Thailand and the black market fulfills the same economic function, namely to make specific goods available to people who have the necessary purchasing power.
4. See the paper by Hussein Mallik, The Economics That Failed, Special Lecture at the Department of Economics, Quaid-i-Azam University in Islamabad, Pakistan (25.4.1975).
5. See the paper by Samir Amin, Self-Reliance and the New International Economic Order, Monthly Review, Vol. 29, No. 3, 1977.

6. See Hans U. Luther, The Polish Crisis in Development Perspective, Paper No. 2508, Faculty of Economics, Chulalongkorn University, February 1982.
7. Far Eastern Economic Yearbook 1982, p. 256 (Hongkong 1982).
8. All information on poverty quoted from: Rural Poverty Eradication Programme, NSEDB, Bangkok 1981, p. 5-7.
9. See my case-studies on Singapore (Economy, State and Class in Singapore, Frankfurt 1979) and South-Korea: South-Korea-A Model for the III. World ?, Munich (West-Germany) 1981.
10. See for more details on Thailand the Ph.D. -thesis of Grit Permtanjit, Political Economy of Dependent Capitalist Development: A Study on the Limits of the Capacity of State to Rationalize in Thailand, Chulalongkorn Social Research Institute, 1982.