

INTEGRATION OF THE SOCIAL SYSTEM:  
AN APPROACH TO THE STUDY  
OF ECONOMIC GROWTH

The usual practice in contemporary literature is to treat of economic growth by way of an analysis of the several factors whose joint operation is thought to issue in an expansion of the productive powers of society. There are, for instance, the factors of saving and investment; investment leads to an increase in the social product and, if sufficiently large, to a rise in per capita income. Around this central mechanism of growth, many authors group a variety of contributing factors which perform a more or less decisive role in raising a country from poverty to riches. Those usually discussed include population, entrepreneurship, technology, resources, and a somewhat loosely defined category of social and institutional factors.

No one can deny that all of these are somehow involved in

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the process of economic growth. But are they sufficient to explain it? Or rather, are we justified in talking of economic growth as if it were nothing but the interaction of these factors in determined ways? If that were so, then society, of which economy forms but a part, would be simply a piece of complex machinery in which all the gears run smoothly if only they are of the right size and proportion. Abstractly seen, it may indeed be possible to make some progress towards a knowledge of the way society "works," but a final understanding would be precluded. Economic growth in a particular country is not the result of certain actions, but a process of inter-actions in which cause and effect are intermingled with antecedents that reach immeasurably far into the past and which comes to a head through a conjunction of unique and favorable occurrences. In short, it is an historical process. In this perspective, economic growth appears as the remaking of society.

What is the proper method for the study of a subject of such vast scope? The mechanistic, factorial analysis, we have agreed, yields a not insignificant amount of practical knowledge. From it we may learn that if we press these and these buttons, push these and these levers, certain more or less predictable consequences will follow. The predictions are perhaps not very accurate, but still they may be useful to the people who have to make the plans and the decisions. An historian, on the other hand, would be willing only to describe and interpret the past course of a country's economic evolution, he would shy away from drawing general conclusions and from extending the experience of one country to other countries in similar conditions. Yet a third way seems possible, however, that would at once do justice to the historical nature of the process of economic growth and yet manage to be relevant to a wide arc of possible experiences. This is the approach which concentrates on the morphology of growth.

We know, for instance, that so-called underdeveloped or traditional economies exhibit fundamental similarities quite irrespective of their prevailing, and often sharply diverging, cultural patterns. Liberia, Ecuador, Jordan, and Afghanistan may be widely apart on specific cultural grounds, but as social economies they are sufficiently alike to permit us not only to call them primitive folk societies, as the late Professor Robert Redfield might have done,

though they may be shot through with a pattern of feudal or quasi-feudal relations, but also to entertain definite expectations with regard to their economic performance. On the other hand, we also grasp a fundamental consistency in the character of the so-called advanced economies. Culturally France, for example, and Japan may be at opposite poles. But economically, having in view their capitalistic, urban-industrial structure, they are certainly more alike each other than either is to Jordan, Afghanistan, etc. Thus we may order societies according to the degree of their transition from a primitive folk to an advanced socio-economic order, and also to the extent of the internal cohesiveness and harmonious adjustment of their constituent cultural elements. Each of these societal types will exhibit a style or pattern of living, characteristic of both the stage of development to which it has attained and its tendency towards either cultural arrestment or transition. This style will reveal the distinctive form of the type. Economic development is accompanied by, nay, it is found at one with, an orderly succession of such forms.

It is only for the sake of analytic clarity, however, that we are justified in separating the phenomena of economic growth from the plethora of activities which make up in their complex inter-relationships the woof and warp of a social system undergoing change. The dynamic character of activity in social life suggests to us not only a constant renewal of the traditional cultural patterns—of values, institutions, manners, and of other relevant behaviour—but also their gradual transformation into something else. The persistence of old and the simultaneous emergence of new forms characterizes the continuance, through time, of a social system. The activities which are typical of economic growth—e.g., the expansion of economic institutions or the accumulation of wealth—are bracketed on either side by the forces of and change persistence. These activities are forming no less than they are formed, they stamp their character upon the general social process, but they also are determined by this process. If we should look at the course of social transformation with the eyes of an economist, we should move strictly economic actions into the foreground, though we should lose the necessary perspective if, behind the relief of this foreground, we should not also be able to perceive, and perceive clearly, a background of changing values, customs,

motives, and structural relationships in social behavior. Or we may study the processes of social change as either historians or sociologists. Though in each instance, the reliefs in the foreground will change, foreground and background together will always represent the self-same landscape.

Transformation suggests the imagery of a trans-forming, a passing over into new configurations. Economic growth may therefore be studied as a process which, following upon the disruption of the old and no longer functional forms, successfully reintegrates around new principles the fragments of the social system which remain. It is important in this connection to recognize the historical specificity of growth phenomena. Economic growth may appear to our eyes as a rhythmic forward movement in time, with occasional periods of accelerated change, followed by periods of arrestation or decline, but each forward wave will appear in a different historical setting and suggest to us a different meaning. Though the phenomenon, as measured objectively through various statistical indices, is evidently everywhere the same, it will remain closed to our understanding unless we succeed in relating it to the specific historical situation in the background against which the concrete event must be viewed. Should we wish this background away through a wave of the magic hand of abstraction, we should be left with but a mass of more or less unintelligible signs. The economic growth of 19th-century England and 20th-century Russia were both eminently historical events. They permit the analyst who follows a mechanistic orientation to draw important parallels, but these will remain analogies at best. Historical, indeed all social, events are time-specific: they yield their hidden meaning only if viewed as part of a total configuration, the rhythmic forwardmoving *Gestalt* of a limited period of social transformation. It is for precisely this reason that purely formal analysis may yield significant insights into the behaviour of social man, insights which will have general validity because they derive from an analysis of stylistic unities. It is suggested that behind the historical differences which marked the emergence of both England and Russia as commanding economic powers, we shall detect fundamental similarities in the processes which have led to the successful struggle for world-wide eminence of these two countries.

The acceleration of growth rates—using whatever statistical

measures are conveniently available—may be rapid or gradual and extend over a time period of varying length. Depending on these circumstances, we may assume that the disruption and transformation of old forms will be more or less radical, more or less severe. But invariably, growth will be associated with this dialectic process and, unless it merges in a new synthesis, will collapse before its course has become reintegrated at a new stage of its development. In this view, then, the integration or, more accurately, the reintegration of the social system is the specific medium in and through which economic growth occurs.

Let us assume that, for one reason or another, the old forms of social organization are no longer adequate, that they are placed under severe stress because of the spread of new knowledge, new technology, new desires, new ambitions. If nothing but the breakdown of the old forms were achieved, economic growth would not take place; instead, we would be left with social chaos. It is therefore evident that a new system of social, political, and economic order must be created which is adequate to the new needs and ambitions and which alone permits the release of new energies and their direction into economically constructive paths.

This simple fact of social dynamics is clearly perceived by the great national leaders of today whose countries are submerged in just such a process of disruption through forces both from outside and within. These leaders are facing up to the immensely difficult task of welding a diversity of limited interests into a national whole. They have to struggle with problems of language, custom, value-orientation, political structure, economic dualism, and the like. By comparison, and we mention this only parenthetically, the problems of savings and capital formation appear to be of relatively minor importance, to belong rather to a sub-category of problems than to the core of the problem itself. For to a considerable extent, the solution of economic problems is dependent upon the simultaneous if not prior solution of the general problem of social integration. Modern developmental planning must therefore function as an instrument of transition and be basically preoccupied with the question of how to move from less to more highly differentiated, from simple to complex, from particularistic to universalistic structures in the life of a nation or a region. It must be preeminently concerned with the morphology of growth.

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*Integration in relation to economic growth.* We shall assume in the following that a certain amount of social disruption has already occurred in a formerly traditional society where family and community represented the central meaning of human relations, that social as well as political life is astir in the country, that there exists among the population a strong desire for higher levels of material comfort, as well as for wider opportunities in health, education, and leisure. We shall assume all this and argue that economic growth which is necessary in order to give some satisfaction to these particular wants is accompanied by and, to a large extent, achieved through, successive and increasingly higher levels of integration of the social system. Such integration of course must take place around entirely new and different principles than those which formerly prevailed. For at a particular juncture in the evolution of a social group, economic growth will appear as a leap forward into time, as a sudden speed-up of the rate of social transformation. In order for this leap to be successful, it becomes imperative to gather all of a nation's strength and to point it towards the objective, to align the different forces and purposes within an existing social order in such a way as to leave none to hinder the other, as to remove internal obstructions, and find new forms for new functions. For, in the end, the leap cannot succeed unless all of the human energies which lie latent within the social structure are released and turned to such uses as will yield the wished-for results. The principal difficulty in this purposeful concentration of a country's strength will be found in its lack of internal cohesion, its lack of integration. This will be evident on at least three levels: a. social and political structure; b. economic structure; c. structure of spatial relationships.

It is the purpose of the following sections briefly to consider the nature of the problems to be faced on each of these levels.

*Social and political integration.* If substantial economic growth is to take place, an effective social and political space must be created out of the fundamental disunity which is encountered in traditional societies. To suppose the existence of disunities in such societies may at first appear anomalous, for it is commonly presumed that a country whose social structure is organized primarily around the family and the village commune, will exhibit a remarkable degree

of internal cohesion and stability. This, however, is true for only as long as we focus attention on the village or at best a small region of villages. But when we raise our sight to the level of the nation, itself composed of many different regions, each with its local traditions and very often with even its own speech, we find that this unity and this cohesion often is not present on the larger scene. The very opposite, in fact, may be discovered. For instance, serious conflicts of authority may arise as local is challenged by national leadership. Effective verbal communication may be difficult because of the variety of dialects which will probably do more to divide the country than any other single difference. Or religious questions may breach the country, set Moslem against Hindu and Christian against Moslem. Though each small region may count, under certain conditions, on the uncompromising loyalty of its population, though each village may certainly expect to receive the faithful support of local villagers, such loyalty may be withheld from the nation, the concept of which may not as yet exist as an effective psychological reality.

But the limits to economic expansion in the village are set, in part, by the development of the surrounding region which, in turn, is dependent for its own level of opportunity by what is achieved in the nation as a whole. The social and political integration of the nation is, therefore, essential to the economic growth of the whole. Internal unity, order, and peace must be created through the extension of the powers of a central government and its administration over the entire geographic area; it must be created through a heightened consciousness of national, as opposed to local, tradition, and through a legal framework that not only permits an adequate representation of diverse interests but also defines the rights and duties of the citizens of the State. Subordinate rulers must be tamed; old allegiances must be broken. Above all, a new sense of values and attitudes must be ingrained that will permit a rapid forward movement of the economy and turn the individual away from primary identification with his family and the village commune, so that he may assume a higher sense of responsibility towards society at large.<sup>1</sup> A public moral order must be brought into being.

<sup>1</sup> This is probably more necessary today than during previous historical

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Let us pause for a moment and consider this condition. The old and sanctioned values of the community had been conservative and particularistic: they placed high premium on the traditional ways of solving recurrent problems; they supported an existing hierarchy of local authorities; they encouraged a way of behaviour that as rule gave the older generation an almost absolute authority; and they also demanded that each person assume fundamental economic and social responsibilities towards the family or clan. The new values which must come to replace these, or at least to claim their right to be considered primary, are progressive and universalistic: social standing must be determined by one's achievements in the practical affairs of men rather than by tradition; sons must take over from their fathers and strike out on new paths; the look must be ahead, not backward to one's ancestors; common rules must be equally applied to all; rational calculation must replace time-honored customs and beliefs in coping with situations for which the traditional answers are no longer appropriate.

An interesting change must also occur in the pattern and meaning of responsibilities. Initially, in the as yet undisturbed society, responsibilities are unambiguously defined by tradition. They are comprised in the reciprocal responsibilities towards one's immediate family, the clan, the village. Sharp distinctions may be drawn between the we-group and the "others": toward the first one acts responsibly in accordance with custom, towards the second so as to advance one's immediate material interest. The connotation of these reciprocal relations among the we-group is strictly a moral one: one speaks of filial piety and duty.

With the transition to modern society, however, these distinctions between in-group and out-group tend to blur, and responsibility becomes increasingly impersonal, secularized, and diffused. Urbanization, which accompanies the movement away from folk-society, brings with it a dangerous loosening of kinship ties. Yet anarchy cannot be tolerated if the social group is to survive, and the evolving economic and social system proves itself to be a very demanding and complex one: the life and livelihood of each

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periods when growth was more sporadic, more limited, and due less to technological innovations than to market speculation, monopoly gains in trade, and similar factors.



individual becomes suddenly dependent upon the action of thousands of others who stand in no unique and personal relation to him. Responsibility therefore ceases to be a moral obligation and rather assumes a legalistic and contractual form. Thus, on the job, a certain wage is paid for a contracted quantum of labor: it would be irresponsible for both employer and employee to break this contract. Delivery schedules are determined and quality standards are set: consistent failure to abide by them is judged to be irresponsible conduct, and damages may even be claimed and awarded in court. Society soon learns to protect itself and, acting responsibly through its government in the interest of the whole, demands legislation, for example, to insure maintenance of purity standards in the processing of foods and drugs. Or the net of impersonal, secularized responsibility may be drawn wide with the introduction of social insurance schemes, as for example against unemployment and illness, that substitute effectively for the personal concern of family members.

This shift to a new type of responsibility, to a new standard of value, is most difficult to accomplish in practice, and many setbacks may be suffered along the way. And yet, as we survey the course of western civilization, we shall observe a progressive secularization of values in precisely this sense, a secularization which came to a definite break-through during the last century, when science and machine technology swept away what the new age would tolerate no longer. It would be futile to speculate at this point about the sequence of events that led to this result. All that we can say is that there existed a definite historical interaction which helped to encourage the formation and development of both the new values and the new technology. It would be similarly futile to speculate on the possibility of another, non-western, and less secularized system of values that might some day be brought into harmony with science and industrialism. If the present values—and they have been condemned often enough by perspicacious critics—drive a wedge between man and man, and leave each isolated in the lonely prison of his ego, we yet have to accept these values and, from this point, out of this acceptance, endeavor to fight our way through to a life more in keeping with man's most inner needs. For growth economics is a matter of calculation in terms of a common medium of exchange. And only a system of values which

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not only permits but actively encourages such calculation in every sphere of life can be held, in these days, to be adequate to sustain growth over an extended period.

Now it may be argued that it is precisely this *Entzauberung* of the past, this rationalistic system of values, which may cause an undue schism in the body social, by tending to disrupt more than it would unify. Whereas right and wrong actions could formerly be distinguished with relative ease, now, with the sudden obfuscation of the ancient rules, a radical relativism of moral value will have brought society close to the edge of spiritual chaos. There is certainly some truth in this assertion. But it is also true that emergent society will come to insist on its own standards of conformity, be it through the uncoordinated pressures of mass opinion, or through an ideology which holds out the norms of the collectivity, or the platitudes of the collectivity, as the ultimate good. Thus the threatening relativism of moral values will soon be overshadowed by the somewhat colorless, drab uniformity of the collective will. And this indeed appears to be one of the paradoxes of modern economic growth: though the individual loses a certain measure of his dignity by being lifted out of the moral certainties of his past life, though his very existence as a morally responsible person may be put into question, he may yet gain a new measure of self-confidence by achieving, as a member of a larger collectivity—whether it be the Organization, the Party, or the State—a remarkable degree of mastery over his environment. A great and novel tradition can thus be brought into being, a moral force around which common loyalties may be grouped, providing a new source of strength for decisions and actions and a common universe of reference for all. The way must be opened for Community to pass into Society.

This change will not take place in the absence of a strong and stable government, in the absence of high statesmanship, which succeeds in extending a uniform political, legal, and administrative system of order over the entire nation. The ideological basis of this system matters far less than its ability to establish firm rules by which the political life of the nation may be carried on, and the extent to which these rules are sustained by the active or passive consent of the inhabitants. For where this is achieved, a number of important consequences for economic growth will follow. Re-

sources which previously had been used to maintain internal order by force—in the absence of sanctioned rules—can now be released for peaceful and more constructive uses. A recovered sense of freedom may provide the incentives for new adventures in enterprise. With political stability widely expected, the future is likely to be faced with greater equanimity, allowing more certain expectations to be entertained. And thus the possibility is given for planning, in the private as well as in the public sector. Order in the nation; order in business: this is the old Confucian saying turned around. It is also the principle that applies to modern society. With planning become feasible, those enterprising groups will be encouraged that are willing to assume moderate economic risks in place of excessive, speculative ones. By further permitting, with the establishment of internal order, a large measure of free movement of workers and capital within the effective political and social space, new opportunities will be created for the use of human energies, for enterprise, and for the development and application of new skills to new tasks. Through legislation, property relations will become stabilized and firm contractual agreements become possible. These and many other related consequences follow upon political and moral integration which makes explicit the limits of legal and acceptable conduct for the citizen. And this new order, in turn, is necessary to secure through the integration of diverse interests within a stable system of inter-personal and inter-group relationships an effective economic space.

*Economic integration.* Those activities which are called social or political may be presumed also to include actions which are normally regarded as economic in the more restricted sense. Nonetheless, the problems which arise in regard to the latter deserve special consideration in a treatise on economic growth. Speaking generally, economics treats of the techniques by which goods are produced, distributed, and consumed. Prior to a period of social and political integration, the economy in this limited sense is very often found to be fragmented into a large number of largely self-subsisting production and consumption units: the basic organizing principle will be the family and, in some areas, the nomadic community or tribe. The problem of economic integration is therefore how to move from a familistic to a social economy. No

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longer the primary social unit but the system as a whole, expressed as a regional, national, or even international system of sanctioned order, becomes the organizing principle for economic behaviour. Fragmentation must be succeeded by an integration of economic life.<sup>3</sup> Four problems arise in this connection: (1) the creation of a common and stable medium of exchange; (2) the creation of a common market for commodities; (3) the introduction of economies of scale; (4) the introduction of techniques for subordination of private to public ends in economic conduct. It is the purpose of the following paragraphs briefly to discuss each of these problems of economic integration in turn.

a. *A common and stable medium of exchange.* This is the *sine qua non* of economic growth: at any one time, over the entire socio-political space, only one system of currency can be valid. Even rudimentary economic knowledge is cognizant of this necessity. A common standard of exchange is primarily an accounting device which readily permits the calculation of equivalent economic values and vastly facilitates the exchange of heterogeneous commodities and services for one another. Thus, it paves the way for the nearly unlimited specialization of labor.

It is by way of such specialization no less than the special-

<sup>3</sup> The reader may feel that by starting with the familistic economy, a somewhat over-simplified view is proposed. For certainly, the sudden rise of the western European economies from the latter part of the 18th well into the 19th century began from a social base quite different from the one alluded to here. This is true. But it may be argued in partial refutation that the rapid tempo of European development during this period was made possible by the fact that a large measure of social, political, and economic integration already existed, particularly, of course, in England, so that economic growth could be attributed to a significant extent to innovations and the propensities for saving and organization management. Neither Italy nor Germany could make much progress until they had achieved a certain degree of internal unification, and their subsequent growth served to stimulate further this cohesion. But all three of these countries, particularly England and Germany, enjoyed rather comfortable levels of living prior to the industrial revolution which indicates the considerable growth (and integration) that must have taken place during earlier periods. On the other hand, a majority of today's so-called under-developed countries is far more primitive than England, Holland, Germany, or France were at the time of their own more recent economic push, and are thus starting with a severe handicap, i.e., with an almost total lack of social and economic integration.

ization of whole regions that economic growth, in part, occurs. For, if we assume that the maximization of product is the exclusive end of economic activity, the peculiar talents of each person or the distinctive resources and locational advantages of each area may be used to economic advantage only in this way. That specialization incurs consequences of also more dubious value, in no way detracts from its economic significance.

To have within the same social and political space more than one medium of exchange, would in effect signify the existence of as many economic systems as there are valid currencies in circulation.<sup>3</sup> Each such economy would strive to be self-sufficient in most essential respects, with the result that certain production activities could not be established at all for lack of an adequate market. Furthermore, the movement of capital and labor would be greatly impeded with consequences that might well end in disaster for a local economy. There is no need to dwell on this point except to say that a common currency, of course, implies a measure of central control over its issue, a control which will determine the terms of its convertibility as well as the quantity of money in circulation. With this, however, we touch already upon the multiple problems of monetary and fiscal policy which fall outside a discussion of economic integration, irrespective of how important they may be in other respects.

b. *A common commodity market.* The elimination of artificial barriers to trade within the effective socio-political space will give rise to a number of consequences important for economic growth and, in particular, will give encouragement to the maximum development of economies of scale. A common unit of exchange is not, by itself, sufficient, though it is a pre-condition to the establishment of a common market. Once more, we are dealing with an elementary principle, in fact so much, that economic integration as such is often meant to refer exclusively to the idea of a common or unified market. In this connection the German *Zollverein* may be recalled, and its importance in es-

<sup>3</sup> The same reasoning applies to a society which is divided into a subsistence and a money economy. The former must be absorbed into the latter if a single economic space is to be formed.

establishing Germany as a major economic power in central Europe during the last century.

A common market means essentially two things: (1) protection from outside competition and (2) freedom to transfer goods to and from any location within effective political and social space without the payment of duties, tariffs, and the like. The protectionist element in this formula may be varied to some extent and may be either strong or weak. But where it is eliminated altogether, the condition for expansion of a common market area is given, to be succeeded in time by the necessary measures to improve inter-regional transportation and to establish the basic marketing institutions. When this has happened, an economic space, however primitive at first, will have come into being, alongside the already existing political and social space.

As a matter of fact, the consolidation of each of these spaces will help to strengthen the others, and they will become mutually supporting.<sup>4</sup> It is, of course, far easier to achieve this goal during a time when economic structure in the several regional economies is still developed relatively little. For, at a later date, the existing institutional and economic structures might have been thrown into disequilibrium, requiring a lengthy period of adjustment to the new conditions of the common market, a period during which the relevant economic curves might, in some cases, point down, rather than upwards. This is essentially the problem that must be overcome in order to create a free market area in western Europe today. It did not exist when the thirteen original states merged, under the Constitution, into the United States of America. On the other hand, it cannot be gainsaid that the fragmentation of markets imposes its own limitations upon growth which must eventually be eliminated before further advances can be made.

*c. Economies of scale.* Up to now, the principal problem of integration has appeared to us as the creation of an effective economic space through common coinage and the elimination of

<sup>4</sup> It is, of course, also conceivable that the creation of an economic space precedes political and social integration, though such procedure would be temporary only, the tendency being for economic unities to require political and social unities as well.

trade barriers. The possibility for achieving important economies of scale was suggested as one of the results of such integration. We now turn to face this question directly, in order to see what the legal and institutional framework would have to be if significant economies of scale are to be obtained. What we have in mind is nothing less than the organizing principles for economic activity as such.

Sufficient analyses have been made to show that the small firm, in many productive and distributive activities, must be considered relatively inefficient, that its output per unit of input is small relative to larger establishments. The optimum scale of organization will not be everywhere the same, but in general, the proposition above would seem to hold. Following this same line of reasoning, it has been argued, that even the consumer is in need of some organized assistance through consumers' councils and the like, in other words, that the individual consumer (let us say, the family), is relatively inefficient unless he takes advantage of the "economies of scale" for research into the merits of different products afforded him by such organizations.

If we observe economic growth processes anywhere in terms of their evolving structure and form—in brief, morphologically—we will recognize in the transformation of the economy a change from an undifferentiated, homogeneous to a highly differentiated, heterogeneous field, with important concentrations, intensities, and dominant and sub-dominant forces within it. To be sure, this is a very abstract and overly simplified description of a concrete and extremely complex process. Nevertheless, it points to an important truth: economic growth reveals itself in the evolution of structure from simple to complex forms, it involves the integration of heretofore isolated, individual activities into larger aggregations and the subsequent integration of these into more or less stable systems of relationship. In the course of this form-building process, economies of scale are obtained. But increases in productivity through progressive economies of scale as well as through other means lie at the root of our conception of the process of economic growth.

The peculiar structure of any economic system is not to be explained as a "natural" fact, but as the result of fundamental legal provisions that define not only property rights and contrac-

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tual relations, but likewise establish the principles and rules intended to regulate potential aggregations of producers, consumers, and investors. These rules may differ from society to society, and certainly some of them may be more effective than others in encouraging the optimum economies of scale while, at the same time, promoting the common good (see section d below).

In looking around for telling examples, we might point at corporation and cooperative as two legal entities through which economic activity is today organized in free-enterprise countries, or at the stock exchange and central banking system. Each of these is intended to promote the large-scale handling of certain kinds of transactions. A different economic system, for example, one based on public ownership and centralized planning, would of course evolve a different legal framework and vocabulary for this purpose.<sup>5</sup>

The important thing about such rules, however, is that they

<sup>5</sup> Perhaps the most far-reaching of socialist institutions to obtain maximum economies of scale (as well as to reach other important social and political objectives) is the People's Commune recently introduced by Communist China as the basic social unit for "industrial and agricultural production, exchange, and cultural, educational, and political affairs." One of the principal provisions for their establishment is that the property of members, either privately or cooperatively owned, is to be turned over to the Communes for its more efficient management under a system of "centralized leadership and decentralized control." The modern, rationalist character of the Commune, as contrasted to the traditional forms of management common particularly in the rural areas of China, becomes readily apparent from the following requirements (quoted in part):

"Art. 23. The Commune shall introduce planned management and work out long-term construction plans and annual plans in the light of the State economic plans and the concrete conditions of the Commune...."

"Art. 25. The Commune must carry out the principle of industry and thrift. It should set the masses in motion to produce and work hard, make full use of its own strength and overcome difficulties. It should practice rigid economy, reduce production costs, combat waste and unnecessary spending of money, cut non-productive equipment and structures and make do with available things where possible.

"Art. 26. The Commune must institute a strict system of fiscal control. All accounting units must work out budgets of receipts and expenditure on time, observe the system of formalities concerning the use of cash and settle accounts on time...."

From "Provisional Regulations of the Sputnik People's Commune" (Suip'ing hsien, Honan Province), as reported in *Current Affairs Newsletter*, Publication of the United States Information Service, vol. II, no. 3, March 1959, Seoul, Korea.



provide a legal and practical basis for the conduct of economic affairs. Only in this way can a certain degree of permanence, stability, and economic and social order be maintained. In the absence of such legal foundations, wide-spread motivation for economic growth would only lead to disturbances within the social order. From this it follows that any society beyond the rudimentary stages development must evolve a set of legal principles that will help to organise its economic life. It is evident, of course, and derives from what has been said so far, that where these principles attempt to do more than merely establish the *form* of organization and try to shape economic conduct itself by direct interference with the internal structure of formal organizations, that the system so created will tend to be inflexible and ponderous and incapable of generating a high and sustained rate of economic growth. This seems to have been the case with the medieval guild system which was too rigid a structure to cope successfully with the flood of new inventions beginning during the 18th century and therefore was destroyed. Eventually, its place was taken by the modern labor union movement which has apparently been most successful where it has applied itself exclusively to the wage and work benefits of its members rather than to production decisions (workers' councils).

d. *Subordination of private to public ends in economic action.* By far the most difficult task of economic integration, fraught with dangers that arise from an unbalanced, extreme interpretation of its meaning, is the one alluded to here. To elucidate it, we must be aware of the radically new nature of sustained and rapid economic growth within an effective socio-political space. Such growth requires that public or social ends are placed above private ends in the pursuit of economic objectives. The single-minded devotion to the latter rarely, if ever, existed on any important scale, and the belief that it did must be ranked among man's less charming myths about himself. The individual has always been subordinate to something; with the disappearance of the moral order of the family, the tribe, and the village commune as the basic units of economic organization, it is society-at-large which has to take the place of this source of living values and extend its umbrella of comprehensive objectives and rules of conduct over private activity. This is simply a concomitant to the super-imposition of an

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economic over a socio-political space. The complexities of an economy, with its manifold and intricate human relations, demand some conception and actualization of social, including distributive justice. This is the sense we give to the precedence of public over private ends. Unless the social good is achieved as well as the good of private persons and families, we are faced with a chaotic situation in which each would cut the throat of all the others: we would live in the Spencerian jungle of the survival of the fittest.

At this late date it should no longer be necessary to refute the theories of Spencer and his followers. It should suffice to say that the "struggle for survival," in the old sense, would render any form of coherent social organization impossible, including that required by sustained economic growth. In fact, it would render any significant social development in whatever direction exceedingly doubtful.

The integration of economic activities and the creation of an economic space quite naturally lead to a new conception of economic life, based upon the notion of the common good. Subsistence economy becomes social economy, sometimes also called political economy. In this connection, it will be appropriate to recall the views current during the past century which endeavored to prove a perfect and natural coincidence of private and public ends: the pursuit of hedonistic principles on the part of everyone was imagined to result, through the mechanism of free competition, in the "greatest good of the greatest number" (Bentham). We recall this interpretation at this point to give weight to our own analysis, to show that even during the heyday of free enterprise capitalism, the chase after profits was sanctioned only insofar as it was believed to result in a maximization of pleasure or happiness for the body social. At no time was this chase ever justified on its own grounds. To government was attributed the role of arbitrator: it was to take care that the mechanism of competition worked without undue friction.

Looking back over this early era of industrialism in the West, we can see how this philosophy was inspired by a naive and mechanistic view, how the new miracle of the machine took hold of social thought. Government became a sort of super-mechanic whose principal task was to oil the machine by which the "unseen hand"—much like steam power or electricity—might gently bring

about a worldly paradise. Of course, it did not work this way. Before half a century had passed, the cry for social justice had become too loud to be ignored. In 1848 barricades went up in the streets of Paris and Marx and Engels proclaimed the Communist Manifesto. But already in different parts of Europa, but especially in England, the period of reform capitalism had begun to stir, with governments assuming increased responsibilities for the welfare of their citizens: these early efforts were eventually to culminate in the modern welfare state. On the other hand, those countries to which these ideas of reform failed to spread or spread in time, changed through violent revolution to a socialist economy. Russia, of course, is the preeminent example. In the absence of either of these changes—revolution or basic reform—it is likely that the early spurts of economic growth in the West would have collapsed upon themselves.

Governments in all parts of the world now assumed a decisive role in actively promoting the public good through a balancing of economic powers, the control of trusts and monopolies, the encouragement of collective bargaining, the enactment of social welfare legislation, the institution of public ownership of basic industry, the promotion of equitable schemes of taxation, the formulation of monetary-fiscal policies to control inflation and assure full employment, the institution of planning and budgetary controls, and so forth. Rapidly, government outgrew the mechanic's role that had once been attributed to it. Once again it was recognized—after that brief flirtation with the illusion of an anarchy that would bring benefits to all—that governments have a basic responsibility to the body politic, and that to govern means essentially to make and carry out the laws that will promote the public interest.

*Spatial structure.* In the preceding sections, I have discussed some of the salient issues in the formation of social, political, and economic space, suggesting that in these might be found the principal means for integration of the social system. I have tried to argue that only through an extension of integrating principles can mere geographic space also become *effective* in any of the three senses referred to. The process of integration was viewed as more than a pre-condition to rapid, sustained growth; it was

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seen as the principal way through which such growth might be achieved.

Wherever we encounter this process working in a particular historical setting, however, we discover that the various forms of integration do not extend to all areas equally, and that at any one time some areas will have reached a more highly developed state of integration than others. A few will be well integrated in all three respects, and some with respect to only one or two, so that the degree of integration, taking the nation as a whole (or any of the larger sub-divisions within it), will differ markedly from one region to the next. We shall propose that the observed differences in economic development among regions may be traced to these differences in integration. Some areas will be well advanced economically, enjoying a corresponding measure of socio-political and economic integration, others will lag considerably behind. This variability may be usefully characterized as economic dualism, though in using this phrase we are conscious of doing some violence to the actual state of affairs. A whole range of economies along a continuum of capital-intensity and integration would represent a more realistic picture. Still, the concept of dualism gives us a convenient tool for analysis. An economy which is so divided into two parts will exhibit, respectively, capitalistic and non-capitalistic features. On the one hand, methods of production will employ large quantities of capital equipment per worker, on the other, production will be directly from hand to mouth *without* the intervention of much capital. This contrast brings with it important structural differences which must be discussed more fully in another place. A study of the economy in terms of a graduated concept of capital-intensity, with due attention being given to the varied degrees of integration, will reveal its characteristic spatial structure. This structure will undergo important transformations in the course of time. But the purpose of such transformations is the complete integration of the economy in terms of space.

What does this mean? Primarily, it suggests the image of creating out of diversity and contrast one coherent and organic social pattern. Specifically, it means to overcome dualism in society. Only when this has been achieved, can we rightfully speak of full success in regard to a policy of economic growth. For

dualism tends to impair growth for the whole of the relevant geographic area once a certain level of development has been attained in any one region.

There are many reasons why dualism should occur. To begin with, economic growth tends to spread outward from the city which is itself a center where social, political, and economic integration has attained its highest level. But any city is, to begin with, a place, delimited in space: its very central position in regard to the area surrounding it, imposes a definite structure of economic and other relationships upon this region. As one moves away from the core of the city, the degree of interation and of integration, at a peak in the center, tends to diminish, except that new urban focal points may be established at certain intervals to help boost the level of integration in areas further away from the original and central core of the system. These urban centers will tend to form a hierarchy of relationship among themselves, based on trade, government, and communication. Where this hierarchy attains to relative maturity, that is, where a full complement of small, medium-sized, and large cities, heterogeneous and homogeneous in function, appears within a region, the degree of integration for that entire region will tend to be high.<sup>6</sup> At the same time, a relatively advanced level of economic growth will be achieved. Where it is still immature—i.e., where the structure of urban places shows significant gaps—the opposite will be observed: poor integration, low levels of economic growth.

The principal function of the city in economic growth is effectively to organize geographic space in terms of the categories that we have laid down. Social, political, and economic integration takes place only through the agency of urban interest groups and urban institutions, representing the organized and organizing powers of the city. While it is true that the expansion of cities is a consequence of economic growth, they themselves will nonetheless exert a profound influence upon this process. Indeed, the large cities represent the central stage where the drama of

<sup>6</sup> For an elaboration of this concept of "maturity," see the author's, "Locational Aspects of Economic Development," *Land Economics*, August 1956, pp. 213-27.

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socio-economic transformation is acted out. Where this effort is not abortive, the spell of the drama will gradually reach out to engulf the entire country and repeat on provincial stages the same sequence of compelling acts. It is through the flourishing of urban ways and institutions and their gradual expansion into the non-capitalistic, backward areas, it is through the multiplication of cities and the increasingly complex interactions between city and city region, that the principles of integration will be applied to ever larger areas and thus eventually will overcome the crippling dualism of societies in transition.

*Further research.* In the preceding, we have not only worked our way through to what I trust is a new approach to the study and interpretation of economic growth, but we have also broadened the scope of investigations to such an extent that a synthetic solution to the problem of economic growth or, more broadly, to the problem of social transformation, appears to be impossible, accessible at best through a philosophy of history. And yet, if synthetic judgments are not permitted because of the vastness and complexity of the problem, we have been able to extract from the mass of possible observations a few and rather simple categories which will be useful both in undertaking specific studies of growth phenomena and in helping an investigator to order his research materials in such a way as to make sense out of them, in other words, to understand them. Without such categories, no effective research can be done.

These categories may be summarized as follows:

### *Socio-political integration*

1. Creation of an effective social space through:
  - a. transforming local into regional and national loyalties: encouraging a heightened sense of identification with, and responsibility for, social units larger than the village commune or the family group;
  - b. transforming traditional and particularistic into progressive and universalistic values, replacing customary with rationalistic, calculated behavior;
  - c. teaching of a common language to replace existing dialects.

2. Creation of an effective *political* space through:
  - a. extension of the law-making and law-enforcing powers of government over the whole of the relevant geographic area;
  - b. formulation of a uniform legal framework which permits adequate representation of diverse local interests but, at the same time, makes explicit the rights and duties of all citizens, and regulates the possession and use of property as well as conditions of contract. Such a framework must obtain the consent of a large majority of the population.

### *Economic integration*

Creation of an effective *economic* space through:

- a. institution of a common and stable medium of exchange;
- b. institution of a common commodity market;
- c. encouragement of economies of scale through a basic legal framework regulating economic conduct;
- d. sub-ordination of private to public ends in economic action.

### *Spatial integration*

The extension of effective socio-political and economic space over the whole of the relevant geographic area through development of urban institutions.

I am perfectly aware of the impressionistic and cursory examination of these problems that we have just completed, and yet I would maintain the usefulness of even such a condensed review for future research. For the investigator is now prepared to concentrate his attention on the way these several categories have taken on substance in a given area during a period of incipient social transformation. In doing this, it is of course essential that he also bear in mind the multiplicity of factors that are involved in economic growth and that form the usual subject of theoretical and empirical research. But if my understanding of the matter is correct, these factors and the role they play can be interpreted correctly only where they are studied in terms of the essential processes of integration.