

UNEMPLOYMENT AS A WORLD PROBLEM.

Lecture at the University of Bilbao - December. 4th. 1972

May I start by asking forgiveness for my inadequate, somewhat Transatlantic, Spanish - and still more for my complete ignorance of the historic Basque tongue.

I am not going to speak about the situation in Spain about which I am very ignorant! any similarity between the picture I am painting of underdevelopment and that of Spain is purely coincidental. I am going to talk, not about any particular country, but about the emergence of large-scale unemployment in many parts of the world, especially in Africa, Asia and Latin America. This is now causing a reassessment of our ideas and practices in all fields of development and it is certain that not only the political repercussions will shake the advanced industrial countries - so will the theoretical repercussions.

In the 1950's most people in the field of development treated economic growth as synonymous with development although some political scientists added the dimension of "modernisation". In ~~either~~<sup>any</sup> event, the underlying idea was ~~that what~~  
*the Third World should do was to*  
follow the path which had been travelled in the nineteenth century by today's industrial countries. It was assumed, explicitly or tacitly, that as in their  
*of the industrial countries*  
case, unemployment in Third World countries would be kept to moderate levels as they grew and the distribution of income would become less unequal - not merely between rich and poor, but between the more prosperous regions of a country and the remainder.

In fact, during the 1960's the rate of economic growth was fairly fast in the Third World, averaging some 5% - with big variations from country to country. But from the information available it seems that unemployment has become greater. Today "open unemployment", in the sense of people seeking jobs, is about ten to twenty per cent of the labour force in cities where figures of reasonable quality are collected. This is some two to four times as high as in North Western Europe. Moreover, there are many kinds of underemployment. People remain on small holdings or in family businesses just to have somewhere to work, without making any contribution to output. I will not speak of the lottery sellers, shoe shine boys, etc. - it is now almost impossible to walk through a city like

\* "Third World" may not be a familiar term. It is used to denote countries which belong neither to the Communist bloc nor to the industrial group (i.e. OECD).

Bogota without falling over them. Nor will I speak of the unemployed who cannot be counted because they have gone abroad, to take on menial work for foreigners because their (won) country has no work for them. Or of those, <sup>especially</sup> ~~the~~ women, who have given up looking for work, because they have no hope of finding it.

Moreover, unemployment is particularly severe among the young. The rate of unemployment is often twice as high among those aged less than 25 as in the population as a whole. Where there has been a big educational expansion, unemployment is particularly severe among school leavers. Thus in Ceylon, no less than two out of every three young people under twenty-five who have a leaving certificate from secondary school are without jobs. One need not look much further to explain last year's tragic insurrection in that country.

Unemployment is today for many countries, perhaps most of the world, more severe than in the great depression of the 1930's. It is certainly a more serious problem. Unemployment in the 1930's was the consequence of a trade cycle, and the public knew that it would be eased when industrial output recovered in the leading countries and world trade rose to the levels of the 1920's. But today's unemployment has emerged after two decades of almost continuous boom in the industrial countries and steadily growing volumes of trade. It is chronic unemployment, not cyclical.

Both as cause and effect of this mass of unemployment, the distribution of income is highly concentrated. *(It is a cause, because a mass of unemployed people means a load on the families that support them (and how many))* In Latin America, the richest 5% receive from 30% to 40% of total income after tax, and the big cities have drawn further away from the country areas, not merely in income levels but <sup>also</sup> in the availability of educational and medical services *(except perhaps in Argentina and Uruguay)*.

I can only sketch very briefly the reasons for this interlocked complex of inequality and unemployment. One is the fast growth of population and labour force, *reflecting the decline in infant mortality (in the 1950's) ~~and~~ which started*. If we ask why this cannot be absorbed by the industrial expansion which is also fast, the answer is that technologies are being imported into countries of the Third World which provide insufficient employment - in fact they are often merely copies

\* Cuba is also a major exception, but ~~the~~ a full treatment of the fascinating case of Cuba would take us too far afield.

of the technologies devised for countries with far higher wage levels. <sup>In Latin America</sup> Moreover, ~~the retention of industrial employment is less than half the rate of growth of industrial output~~ consumption standards of the upper income groups are also based on those of richer countries; they buy imported motor-cars, consumer durables, foreign travel, etc. all ~~involving~~ <sup>involving</sup> a heavy outlay of foreign exchange, but not much employment of <sup>local</sup> labour. It is true that many consumer goods are now manufactured domestically in the Third World, but with the help of imports of intermediate products and capital equipment, not to speak of the foreign exchange cost of license fees and profits of foreign firms.

We now have some clues on why the growth paths of the industrial countries cannot be repeated in the twentieth century. When Britain and France were industrialising, there were no richer countries setting inappropriate standards, The technology and consumption patterns which emerged were at least not wildly inappropriate to their national needs at that time.

In the Third World today, the patterns of growth have brought the benefits of the twentieth century to a very small minority. A modern sector has emerged linked more closely with overseas countries than with its own hinterland. The result is a terrible hybrid - a modern imported way of life grafted onto a feudal or primitive society.

Parentetically, how did Japan escape this trap? In the nineteenth century ~~it was apparently~~ <sup>one would have thought it</sup> no more capable of resisting the process I have described than many others in Asia or indeed elsewhere. This is a subject which requires much more research but one reason at least is that Japan had sufficient unity in race and language to be able to stave off colonial occupation and absorb what it wanted from the West, ~~and when it wanted this - not what the West chose to provide~~ <sup>ever</sup> ~~was~~ <sup>offered</sup> at any time.

This new concern with the social problems of development and with their international context is having a profound effect on the whole field of development studies. It is now clearer than ever that it is dangerous to consider the economic aspects of development in isolation from social and political aspects.

The real question for example, is not how much the nation's income has increased but whose income? - the income of which section of the community, and in what part of the country? A process which has led to the emergence of a modern sector with standards which cannot be afforded by the rest of the country is hardly development in any true sense.

When we ask about solutions to these problems we are brought back to questions of political power. It is not difficult to work out on paper ways in which many countries could reach a high level of productive employment. (I have been in teams which have done this for Ceylon, Colombia and Kenya). But the measures needed include drastic land reforms, taxes which genuinely reduce expenditure on luxuries and an educational system turning out dynamic young people ready to build nations <sup>on endless series of</sup> (Instead of those already aged by sitting ~~examinations~~). Yet these reforms are extremely difficult to achieve - They are resisted by everyone who has something to lose and normally they are precisely the people who hold <sup>or sustain</sup> ~~influence~~ political power.

While many political leaders see inequalities on the current scale as not merely morally objectionable <sup>but</sup> - in the long run - incompatible with political stability, they also have to take account of the strength of ~~short term~~ resistance to solutions, often backed by foreign support. Others use coercion to inhibit <sup>reforms</sup> ~~change~~ - always a sign that a country has lost the power to adapt to its changing needs.

My own belief is that the growing concern with unemployment and inequalities is going to change the social science syllabus though perhaps not very rapidly: university bureaucracies are often among the most tenacious in resisting change, and this applies in countries of all political shades - Left, Right and Centre. In the Third World, the syllabus will <sup>be modified, now or later,</sup> ~~change~~ because it is clearly irrelevant - it cannot explain the social changes which are taking place. I think that in the end the social sciences in the industrial countries are going to be changed as well, for we also have similar problems though they take somewhat different forms.

Certainly in Britain we have to face problems of digesting technological change, of absorbing people educated to seek for jobs that are not available, and of getting the co-operation of wage-earners who are understandably resentful at the inequalities, especially of status, that still remain. If we fail to solve these problems, Britain may well slide downhill, economically and politically, as countries do when they cannot face the formidable challenges of the twentieth century. At any rate we can still discuss the dangers.

In the world as a whole, the problems caused by these social strains are going to make the 1970's a period of even bigger political changes than the 1960's - and these changes are not by any means always going to be congenial to Western Europe. One can only too easily see how a chessboard pattern could emerge with some regimes acceptable to, and others rejected by, the industrial powers. This would ~~not~~ be a good basis <sup>perhaps not enough of a basis</sup> for international peace.