STATE INTERVENTION, ECONOMIC PLANNING AND IMPORT-SUBSTITUTING INDUSTRIALISATION : THE EXPERIENCE OF THE LESS DEVELOPED COUNTRIES

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Our examination of the import substituting industrialisation (ISI) does not support the assertion that there has been 'too much' intervention by the state. On the contrary, the achievement of a balanced and integrated industrial sector will require a commitment to economic planning and direct government intervention not yet found in the vast majority of LDC's. The loss of momentum characteristic of "market-based" ISI suggests that it is essentially a self-terminating process and thus have to be transcended by a qualitatively different strategy. For a planned industrial strategy, three areas are identified as of critical importance-the relationship between industrial and agricultural development, the export of manufactured goods and the establishment of indigenous capital goods industries. The type of strategy suggested would require as a necessary —but not sufficient— precondition for its effective implementation, radical political change within the LDC itself.

I. Introduction

The post-World War II industrialisation of the less developed countries (LDCs) represents an impressive achievement. From opposite ends of the ideological spectrum, Warren (1980) has referred to its "sustained momentum over a period longer than any previously recorded" (Warren, 1980 : 243) and Hughes (1980) has noted :

> "The past three decades of industrialization in developing countries have created a second industrial revolution that is transforming the world economy... Apart from a handful of oil-rich countries, the most rapidly

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> growing developing countries have been those that, without neglecting other sectors, have achieved the most efficient and rapid growth in manufacturing industries. While some developing countries have benefitted from the ownership of rich raw material resources, industrialization has had a much greater impact on their style and standard of living."
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> (Hughes, 1980: 12)

The views of what industrialisation could or should achieve have varied significantly over the past thirty years. Its early advocates saw industrialisation as a means of "catching up" with the developed capitalist economies or as emulating the experience of the rapidly growing socialist economies. Industrialisation would, it was argued, create extensive employment opportunities, alleviate or remove the balance of payments constraint, ensure the transfer to, and the anchorage and assimilation of modern technology within, the LDC, and more generally, break the chains of dependence inherited from the colonial period and match political independence with economic independence.

Import substituting industrialisation (ISI) seemed an obvious way of achieving these objectives and one that was consistent with the interests of specific groups or classes within the LDC. Consequently, it has been the dominant strategy of industrialisation followed by the majority of LDCs in the post-World Ward II period. However, despite its achievements, the widespread disillusion with ISI, characteristic of the late 1980s-early 1970s, had led to a radical re-appraisal of its actual and potential role in both the industrialisation effort in particular and economic development in general.

For many dependency/structuralist writers, ISI is no longer seen as a solution to the problems of economic backwardness and under-development but has become part of the problem itself (see, for example, Leys, 1977). From the neo-classical perspective, the excessively high protectionism associated with ISI has imposed unacceptably high costs on the industrialising economy and the inefficient allocation of resources has acted as a constraint on longer-term growth and development. Neoclassical economists advocate the promotion rather than the protection of domestic industry (see, for example, Little et aL, 1970) and point to the apparent success of the export-led industrialisers (especially Taiwan, South Korea, Hong Kong and Singapore) as evidence of the need for an "outward" orientation to the development effort.

These broader issues are beyond the scope of this essay. We are concerned here with a selective review of some aspects of the experience of ISI and in particular with the examination of the relationships that exist between a number of salient features of that experience and the scope and nature of state intervention in the industrialisation process. Our examination of this question does not support the neo-classical assertion that there has been "too much" intervention by the state. On the contrary, we argue that the achievement of a balanced and integrated industrial sector will require a commitment to economic planning and direct government intervention in the process of industrialisation not yet found in the vast majority of LDCs. The following section of the paper thus presents a brief review of the scale and nature of state intervention in the industrialisation process.

To avoid confusion, the concept of ISI that we are considering in this paper is what we may call "market-based" ISI. That is, it is a strategy of industrialisation based on the domestic production of manufactured goods previously imported which takes as given the existing distribution of income and its associated features (high demand for non-essential consumer durables and personal services by middle and upper income groups; depressed demand for essential, mass consumption goods), and is heavily dependent on a variety of foreign inputs (product specifications, production technology, etc.). These are the features of ISI as the strategy has in practice been implemented in the great majority of LDCs. Clearly, as we shall argue in the final section of this paper, it is quite possible to conceive of IS industries which do not suffer from such characteristics and ISI will undoubtedly remain an essential element in the kind of alternative industrialisation strategy that we briefly outline in that section.

II. Intervention and Planning in Less Developed Countries

The process of import-substituting industrialisation (ISI) has partly been a product of, and has been accompanied by, massive and widespread government intervention in the economies of the majority of the LDCs. State intervention has taken a number of forms and has manifested itself in various ways in different LDCs, but broadly we can distinguish between the following types of intervention.

1. The creation of public enterprises for the production of goods and services. A variety of economic, political and historical factors underlie this form of state intervention, involving the ownership or control of both "natural" monopolies (public utilities) and the "commanding heights" of the economy (steel, fertilizers, petro-chemicals). Public enterprises in the manufacturing sector are of importance in a number of LDCs including Turkey, India, Brazil and the Republic of Korea.

2. State intervention through direct industrial controls which are administrative in nature; examples include industrial licensing and price controls.

3. Policies which have a direct bearing on the expansion of industrial capacity and output and which work through the market (for example, tax remissions or low rates of profits taxation on 'pioneer' enterprises, accelerated depreciation allowances, liberal and subsidised credit provision through state agencies, subsidisation of industrial inputs, etc.).

4. As a sub-set of (1) - (3), but of sufficient importance in themselves to merit separate mention, there are policies that exert their influence through the channel of external trade· these consist of both direct controls (quotas and other quantitative restrictions) and policies that work through their effect on prices (tariffs, subsidies, multiple exchange rate systems, etc.). The establishment of state trading organisations can also have a significant influence on both the volume and direction of external trade.

5. Economic planning; planning is virtually universally accepted in LDCs as the principal means for achieving faster

economic growth and broader developmental objectives. However, the definition of "planning", and its scope, content and effective implementation vary widely in the Third World. Planning can be used to correct defects in the market mechanism to allow the market to allocate resources more "efficiently", or it can be used to by-pass or eliminate the market, with the government actively and directly controlling the movements of the economy through a centralised decision-making process; these two cases approximate what have been called the two polar types of planning (Turner and Collis, 1977: 13) - the "French type" indicative planning system operating in a "state-guided, market directed and largely private enterprise economy" and the "Soviet type" "state-administered, centrally directed socialist economy."

Todaro (1971, Chap. 1) has distinguished between planning in capitalist economies where the "instruments of policy are **active but indirect...** active to the extent that they push the economy in a desired direction... indirect in the sense that they are intended merely to create favourable conditions in which private decision makers will be influenced to behave in a manner conducive to the continuous realization of stable economic growth" and planning in "mixed" economies which allegedly involves a mixture of "capitalist inducement and collectivist control" (Todaro, 1971: 3-4).

However, these are not mutually exclusive categories. Even though there is massive state intervention in these economies, the LDCs that have pursued the strategy of market-based ISI are essentially capitalist economies insofar as the means of production and distribution are largely privately owned and the market remains the main allocator of economic resources. Although, as we noted above, we recognise that the elements of planning and state intervention in general vary widely between different LDCs, such planning as there has been has worked through the market and has not attempted to replace it.

Our argument therefore is that even though we accept that the state is playing a major role in the development process and is intervening extensively and in a variety of ways, nevertheless planning in LDCs has been largely indicative in character. Furthermore, the experience of planning has been very mixed and, to quote Killick (1976 : 162-163), "the practice of planning has generally failed to bring many of the benefits expected from it".

Killick (1976 : 164) summarises the reasons generally advanced to explain the poor planning performance of the LDCs :

1. deficiencies in the plans themselves (over - ambitious, inappropriately specified macro-models, etcJ;
2. inadequate resources (incomplete and unreliable data; too few economists, etc.);
3. unanticipated dislocations to domestic economic activity (adverse movements in the terms of trade; unplanned changes in the private sector);
4. institutional weaknesses (inappropriate location of planning agency in the machinery of government; innappropriate institutional structures; communication failures, etc.);
5. failings on the part of the administrative civil service (excessive bureaucracy; resistance to innovation; personal rivalries, etc.).

For the above reasons alone, perhaps a majority of development economists would agree with Roemer and Stern (1981: 8) when they conclude that:

> "... there remains a prima facie case to utilise the market mechanism as much as possible and to reserve for direct government management only those activities whose characteristics make private implementation infeasible or disadvantageous."

However, as Killick correctly argues, we must enter the realm of politics for a fuller understanding as to why planning has in general failed and his conclusions are worth quoting :

> "... it seems that a behavioural view of politics and decision-making in developing countries conflicts at almost every point with the largely implicit "rational actor" model of politics adopted by proponents of development planning... Governments will not have clear and stable objectives, but the resolution and avoidance of social conflicts and the maintenance of their own

> authority are likely to be among their main preoccupations, with a consequential demotion of the development objective. The fragmentation of power ,the implementation gap, and the large uncertainties surrounding many decisions seriously devalue the notion of optimization : the uncertainties and the fact of political instability also make for shorter time horizons than would be compatible with medium-term planning... The role-orientation of politicians cannot be taken for granted; nor are we entitled to assume that planning is, or could be, used to assert social values over market imperfections. The intention here is not to assert a monolithic model of politics in low-income countries in direct opposition to the planner's model; merely to suggest that the points made... are large parts of the scene of which we ought to take note."
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> (Killick, 1976 : 177)

Undoubtedly, Killick's conclusions are valid for the great majority of LDCs but they do not give us a complete answer. What we in fact need is a theory of the post-colonial state before we can understand fully the real factors which motivate and direct all forms of state intervention in LDCs. It is, of course, true that, at one level of analysis, there has been "too much" state intervention in LDCs. In addition, intervention has often been ad hoc, arbitrary and irrational and governments have pursued, simultaneously, conflicting objectives via incompatible policies. There is much truth in the neo-classical critique of the consequences of market-based ISI. In many LDCs, the industrial sector is highly protected, inefficient, monopolistic or oligopolistic in structure, over-diversified and with substantial excess capacity and unable to generate directly significant employment opportunities.

However, the policies that have produced such results are not merely motivated by ignorance, perversity, corruption or sheer stupidity, motivations which presumably underlie the neo-classical policy prescriptions for less intervention, lower and rationalised tariff structures, the promotion rather than the protection of industry, etc. (for the elaboration of the neo-classical case, see Little et aL, 1970) . · We need to ask why such policies have been pursued, what or whose interests are being served by these measures and what is the nature and composition of the post-colonial state in contemporary LDCs?

Although it has been subjected to much criticism, Alavi's concept of the post-colonial state (Alavi, 1972; for criticisms see Saul, 1974; Leys, 1976; Ziemann & Lanzendôrfer, 1977), which is not the instrument of a single class but rather can pursue an autonomous economic role, and mediates between the interests of foreign capital (the metropolitan bourgeoisie), domestic capital (the indigenous bourgeoisie) and the landed classes, is highly suggestive. Within such an analytical framework, we can begin to understand why imports of certain goods have been so severely restricted and why subsidies and incentives to both foreign and local capital have been so generous. We can also begin to examine the relationships between foreign capital and the LDC government on the one hand and the relationships between different sections of national capital and foreign capital and the state on the other.

Our argument therefore is that, in order to understand more completely the experience of ISI, we must adopt an analytical framework very different from that adopted by the neo-classical school. Once it is recognised that state intervention in general, and economic planning in particular although apparently haphazard and irrational, have in fact been, in many cases, the logical response to a particular balance of class forces or group interests, that is, have been of benefit to particular groups or classes within the LDC, we can explain much that was previously inexplicable. In particular, our evaluation of ISI may well lead us to the conclusion that it has produced the results that it has, not because of "too much" state intervention, but because that intervention was of the "wrong kind" and was directed towards objectives inconsistent with the generally accepted normative definition of economic development.

In the rest of this paper, we examine three aspects of the experience of ISI within this broad analytical framework - ISI and the distribution of income; ISI and the balance of payments and ISI and industrial structure. The implications for longer-run growth and development are also briefly considered.

III. Import-Substituting Industrialisation and the Distribution of Income

The process and pattern of ISI is influenced by, and in turn influences, the distribution of income in the LDC. Clearly, both the level of **per capita** income and the distribution of that income between different groups or classes will influence the types, the amounts and the characteristics of goods and services that are demanded in, and under ISI, increasingly produced within the LDC.

Typically ISI will initially involve the production of both necessary, mass consumption goods (for example, cigarettes, shoes, textiles and clothing, beer and soft drinks, etc.) and a range of less essential commodities (for example, cosmetics, chewing gum, etc.). Given that the distribution of income in most LDCs is highly unequal, the demand for mass consumption goods is depressed and does not grow rapidly. As the incomes of the middle and upper income groups grow, however, partly as a result of the redistributive mechanisms at work under ISI (from agriculture to industry, and within industry, from labour to capital), their demand will more than proportionately shift towards the purchase of increasingly sophisticated, advanced technology, durable consumer goods, and personal services. The latter, by definition, are labour intensive but durable consumer goods in general are likely to require the use of capital intensive production technologies, with only limited scope for significant factor substitution, perhaps in peripheral operations (storage, handling, etc.). Given that, in general, the process of ISI in LDCs has been one of "import reproduction" or "replication" (the domestic product is an exact replica of the good previously imported), Frances Stewart's argument (Stewart, 1972 : 111) that "to produce identical physical products only one method may be possible" leads to the conclusion that it is the choice of product that in many cases will determine the production technologies selected. At the macroeconomic level, the distribution of income, by its influence on the composition of market demand, will be an important determinant of the overall capital/labour ratio in the manufacturing sector.

Three general points can be made relating to the above discussion. Firstly, the role of the transnational corporation (TNC) is obviously of prime importance in the process of import reproduction. It is the TNC, via the direct foreign investment package, that will produce the good domestically, or it is the TNC that will licence its technology, or make available (at a price) its brand names, trade marks, etc., to local producers. Foreign capital has been closely involved in the ISI process and has been influential in determining the nature and characteristics of that process. In particular, the creation or transfer of tastes by the TNC is of prime importance. (For a case study, see Langdon (1975).)

Secondly, tariff structures emerge which are consistent with both the desire of governments to promote the domestic production of consumer goods previously imported and with patterns of market demand as influenced by income distribution. Thus, tariff structures, both nominal and effective, favour the domestic production of consumer goods and effectively discriminate against the domestic production of intermediate and capital goods. This not only gives rise to the "perverse" result that what are often the least essential imports are given the greatest incentives for domestic production but it also aggravates the tendency towards what has been called (Felix, 1964) the "premature widening" of the productive structure (the production of sophisticated, high income durable consumer goods), rather than the development of backward linkages towards intermediate and capital goods industries, the third point that we wish to draw attention to.

In the early stages of industrialisation, ISI is an obvious strategy to follow. Domestic markets can be easily protected, common sense would seem to indicate that it is easier to "save" foreign exchange through ISI than to "earn" foreign exchange through the export of manufactured goods and there is undoubtedly a strong psychological appeal in demonstrating an ability to make something for oneself, rather than continuing to depend on imports. In addition, it could be argued that the

ISI strategy obviated the need for "planning" insofar as the market for the substituted goods already existed thus determining both the types and the quantities of the goods to be produced domestically. We return to some of these factors, and examine their longer-term implications, below.

But the criteria adopted under the IS strategy tell us nothing about the suitability of the product for domestic production. It is not necessarily the case that products that do not enter the country (or only enter in small amounts) do not merit investment, nor conversely, that certain products that are imported in large amounts should be replaced by domestic production. Clearly there is a need for a full project appraisal, taking into account, inter **alia,** the factor endowments and development objectives of the LDC, the engineering and technological characteristics and demands of the project in question, etc. However, even assuming that such additional criteria are incorporated into the project appraisal, and accepting that in so doing, we are moving away from a pure import substitution model of industrialisation, the problem of income distribution remains.

What we wish to emphasise here is that governments pursuing the strategy of market-based ISI, as implemented in the majority of LDCs, have taken the distribution of income, and the associated patterns of market demand, as given and have proceeded to encourage industrialisation on that basis. However, rapid, sustained and broadly based economic development might require very different distributional profiles and consumption and production structures. Industrialisation, which should be expected to change radically economic and social structures, has in many cases simply re-inforced those structures and has failed to achieve many of its objectives. Clearly, different income distributions will generate very different patterns of development (a point developed in Colman and Nixson, 1978, Chap. 3) and thus a necessary (but not, it must be emphasised, a sufficient) condition for the achievement of normatively defined development goals is that the government of the LDC creates the "right" distributional profile.

The fact that very few LDCs have seriously attempted to alter distributional structures is indicative of the fact that economic and political power are closely associated with one another and that ruling groups or elites will not in general pursue policies inimical to their interests or those of their supporters. Market-based ISI is thus a rational strategy to pursue insofar as it is consistent with, and promotes the interests of, certain groups or classes within the LDC even though, as we shall argue below, in the longer run it is subject to a number of serious constraints and deficiencies.

IV. Import-Substituting Industrialisation and the Balance of Payments

This issue has been discussed in detail elsewhere (Colman and Nixson, 1978, Chap. 8; Kirkpatrick and Nixson, 1982), and only the bare outlines of the arguments will be presented here before we relate it to the general issue of planning.

Contrary to the expectations of its early advocates, there is no convincing empirical evidence available which suggests that market-based ISI, as implemented in the majority of LDCs, actually saves foreign exchange and thus alleviates the balance of payments constraint. A number of explanations have been advanced to attempt to explain this apparently perverse result of ISI, and they have variously focused on :

1. the changing import structure under the ISI regime and the likely existence of a minimum limit below which the import ratio cannot fall (Robock, 1970);

2. the income-creating effects of ISI which together with a high marginal propensity to import, are likely to lead to a situation where the imports stimulated by growing national income create demands for foreign exchange greater than the amount of foreign exchange saved by the domestic production of goods previously imported (Leff and Netto, 1966) ;

3. the import intensity (or import content) of different import substituting activities;

4. the outflow of income and capital associated with the activities of TNCs associated with ISI;

5. the redistribution of income that typically occurs during ISI (see above) which allegedly favours groups or sectors with a high marginal propensity to import (or consume domestically produced, import-intensive products);

6. the general bias against exporting (over-valued exchange rates, highly protected domestic markets, the neglect of the traditional export sectors, especially the agricultural sector, lack of incentives for exports, etc.) which the IS regime induces;

7. the very high and differentiated tariff structures which in some cases (and under certain assumptions) can generate such levels of inefficiency that IS activities actually cost the economy foreign exchange (that is, less foreign exchange would be expended if the final product itself were imported, rather than the attempt made to produce it domestically).

For the purposes of this paper, points 3- 6 are of particular interest. Point 3 relates to the characteristics of the goods produced under ISI and there is empirical evidence that shows that whereas basic industrial consumer goods (clothing, furniture, footwear, etc.) have an import content of less than 5 %, other goods (for example, electrical consumer durables) have an import content of about 30 % (ILO, 1970). Point 5 re-inforced the arguments presented above concerning the impact of the distribution of income on the nature and characteristics of the process of ISI, and we have already referred (albeit briefly) to the importance of foreign capital in the industrialisation effort (Point 4).

Point 6 refers us back to our general point that the choice of activities or sectors to be established or encouraged under an ISI regime has been essentially unplanned, based as it has been on the play of market forces constrained by a particular economic/institution structure. In general, IS industries have not been subjected to exhaustive economic evaluation and almost by definition, they have not been expected to export manufactured goods (at least not initially). Yet if it is the case that ISI cannot in the longer run alleviate the balance of payments constraint, the earning of additional foreign exchange through exports becomes crucial. (Capital imports will, of course, cover a current account deficit and massive international borrowing and the encouragement of direct foreign investment have been features of both ISI and export-led industrialisation strategies, for example, Brazil, Mexico, South Korea, but a discussion of these issues is beyond the scope of this paper.) Obviously, no-one can force foreigners to buy one's exports but if the experience of, for example, South Korea is anything to go by, the export of manufactured goods requires extensive but highly selective government intervention if it is to be successful. It is very unlikely that on its own the laisser faire, free trade model will achieve a great deal in this respect. We return to this issue in the final section of this paper.

V. Import-Substituting Industrialisation and the Structure of the Industrial Sector

Overlapping both the balance of payments impact of ISI and the nature and characteristics of the industrial sector that emerges during the process of ISI is the question of the sequential nature of the substitution process.

One aspect of the experience of ISI which we have already briefly touched upon refers to the apparent difficulty of moving from the stage of consumer goods substitution to that of intermediate, investment goods (machines that make consumer or intermediate goods) and capital goods (machines that make other machines) substitution. As consumer goods imports are substituted for by domestic production, the composition of imports changes with intermediate and investment goods, raw materials and fuels, etc., replacing consumer goods in the import structure (non-durable consumer goods imports-foodstuffs-may well increase if agricultural development is neglected or retarded by physical or natural factors or as a result of inappropriate policies). In principle, imports of intermediate and investment goods can in turn be substituted for by domestic production, via the importation of capital goods that will lead to the establishment of domestic industries producing investment and intermediate goods and permitting the exploitation of locally available raw materials. Eventually, a domestic capital goods industry may be established. IS opportunities will only become "exhausted" when the economy is actually importing only those items that it does not itself possess (for example, oil) and cannot realistically expect to produce for itself (for example, advanced technology jet fighter planes).

In reality, such a smooth sequence of substitution is extremely difficult to achieve. The demands placed upon the LDC in terms of financial requirements, technical sophistication, organisational needs, dependence on foreign inputs of all kinds, etc., are likely to increase significantly as the substitution process moves from consumer to intermediate and investment and ultimately to capital goods. It is also not certain that TNCs will be prepared to participate in, or co-operate with, this sequential development.

It is because of these difficulties that many writers (for example, Merhav (1969)) have argued that the process of ISI creates a bias against the establishment of a capital goods sector and thus creates an unbalanced, incomplete industrial sector (because strategic intermediate and capital goods industries are not present). If the ISI process does in fact "get stuck" at the stage of consumer goods substitution, a number of important consequences follow:

1. markets must be found for the output of the IS industries; in the absence of exports, the response to this problem has typically been to encourage or at least not to hinder the redistribution of income in favour of the middle and upper income groups to increase their purchasing power, and, as in Brazil for example, the extension of credit facilities to lower income groups to permit them to purchase consumer durables ;
2. the rate of growth of the capacity to import will act once again as a constraint on the rate of economic growth;
3. the absence or "underdevelopment" of an indigenous capital goods sector will reduce the possibilities for "appropriate" and indigenous technological development, a point emphasised by Frances Stewart (1976), and will limit the development of linkages with other sectors of the economy;

4. at a more general level, the longer run possibilities for sustained growth and development are jeopardised by the problems associated with moving from one stage of substitution to another; the various explanations that have **been** advanced to explain this loss of momentum have **been** discussed in detail elsewhere (Colman and Nixson, 1978, Chap. 8; Kirkpatriek and Nixson, 1982); for our purposes it is sufficient to note that market-based ISI is essentially a self-terminating process which means that as a strategy of industrialisation it must be transcended by a different strategy which, although still containing important elements of ISI, is nevertheless qualitatively different from the model of market-based ISI; we return to this point in our final section.

For the reasons given above, and others (for example, the risks **and** uncertainty attached to such ventures), the free and spontaneous interplay of market forces **on their own** (what we have referred to as market-based ISI) is unlikely to achieve the transition from one stage of the substitution process to another as efficiently or as rapidly as the LDC government may consider desirable. A number of LDCs have, of course, established intermediate, investment and even capital goods sectors (for example, Brazil, Mexico, India, Argentina), but it would appear from the experience of such countries, that direct government participation, in one form or another, is a necessary precondition for the establishment of those industries. Although this kind of participation exists under the market-based ISI model, it nevertheless assumes crucial importance in the so-called "post-ISI" model of industrial development.

VI. Unresolved Issues and Alternative Strategies

Two important, but as yet unresolved issues, arise from the above discussion, relating to the allegedly self-terminating nature of the market-based ISI process and the relationship between ISI and subsequent industrialisation strategies.

We argued in Section V that there was a great deal of evidence which suggested that, in the longer run, the loss of momentum characteristic of market-based ISI meant that it was essentially a self-terminating process and thus had to be transcended by a qualitatively different strategy. Much of the evidence for the various "stagnationist" theories comes from an examination of the Brazilian experience of ISI, and recent years have witnessed a radical re-evaluation of that experience. A number of authors (Palma, 1978; Tavares and Serra, 1973; Bacha, 1977; Malan and Bonelli, 1977) have argued that the earlier stagnationist theorists ignored or did not properly appreciate the cyclical pattern characteristic of capitalist development. (However, these authors rely heavily on purely empirical observations and do not develop a convincing theory of the Brazilian cycle. In addition, it is not clear, given the present state of our knowledge, if other capitalist LDCs pursuing ISI are also prone to such cyclical phenomena.) If it were the case that the crisis experienced by Brazil in the early to mid-1960s was in fact a short-run cyclical phenomenon rather than a longer run "failure" of the ISI process itself, much of the criticisms of ISI would, to say the least, be misplaced.

It is our contention, however, that there is no real inconsistency between this explanation and some versions of the stagnationist thesis. Cyclical fluctuations around the longer run trend line of economic growth are not separate from the policies pursued by the LDC government, and the interaction between internal and external factors must be included in any explanation of the cyclical nature of capitalist development (Malan and Bonelli, 1977). Cyclical and stagnationist factors could interact with one another in a manner which would both deepen the cyclical downswing and lengthen the period of stagnation.

The "post-ISI" strategy in Brazil was no less "market-based" than the pre - 1964 ISI, with government intervention in the economy (directed at, among other things, deepening the industrial structure and promoting the export of manufactured goods) playing a strategic role. ISI has continued to be an important element in the post-1967 Brazilian industrialisation effort (Weisskoff, 1980), but the overall strategy has been sufficiently different from the market-based ISI model to allow us to argue that the latter strategy did in fact break down and consequently had to be replaced by a qualitatively different one.

A second unresolved issue relates to the question as to whether ISI should be seen as a necessary precondition to export-led industrialisation. Bienefeld (1981) has recently argued that :

> "... the import substitution versus export promotion debate is not a debate about alternatives, but about the transition from the former to the latter which should determine the optimal form of import substitution and the appropriate timing of the transition. In short, import substitution appears as one necessary condition for attaining the manufacturing capability from which a NIC (newly industrialising country) strategy could be launched."
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> (Bienefeld, 1981: 89)

The evidence, however, is not quite so unambigous as this quotation would seem to suggest. Clearly, the adoption of a system of incentives aimed at the promotion of manufactured goods exports will, to a greater or lesser extent, positively affect the country's export performance, and on a priori grounds, it could be argued that the less deeply a counry is "locked in" to an ISI strategy, the more easily will the transition to export-led growth be achieved.

But the argument that it is necessary to have a well-established industrial structure before significant manufactured exports can be developed is not supported by experience. Much will depend upon the particular exporting activities that are being promoted and, equally importantly, the role of foreign capital in developing and exploiting those opportunities. Generalisations based on the experience of a limited number of countries are not particularly useful in attempting to assess these issues, but it can be stated with some certainty that we cannot justify a strategy of market-based ISI merely on the grounds that it is a necessary precondition for the subsequent export of manufactured goods. Some IS activities may be justifiable on these grounds, but this presupposes the careful selection of IS activities which, as we have argued above, is not a characteristic feature of market-based ISI.

The question of selection leads us to our final point. It is clearly tautological to state that a planned strategy of industrialisation would give rise to an industrial sector very different in terms of both composition and structure to that which has emerged under the market-based ISI strategy. Nevertheless, it is useful to speculate on what the major components of such a planned strategy should be, although such speculation should not be seen as a blueprint to be adopted by all LDCs, irrespective of their specific economic circumstances and stage of development. It is also important to emphasise that although this paper has tended to concentrate on the demand side of the question of planning industrial development, the issues relating to the supply side are equally important - planning must ensure that the supplies of goods and services are adequate to meet the demands, both intermediate and final, generated by the accelerated development efort.

Three areas are identified as strategic-the relationship between industrial and agricultural development, the export of manufactured goods and the establishment of indigenous capital goods industries, perhaps on a regional basis - and we comment briefly on each issue in turn.

A typical feature of ISI has been its isolation from other sectors of the economy, especially the agricultural sector/Indeed, it is argued by many (by Little et al. (1970) , for example) that industrial development has been at the expense of the agricultural sector because of adverse movements in the latter sector's internal terms of trade vis-a-vis manufactured goods. In the majority of LDCs, however, industrial development cannot be separated from, or pursued at the expense of, agricultural development. The rural areas can in principle provide mass markets for both intermediate and final manufactured goods, and in turn provide the inputs for agro-based industries which often have good export prospects.

A planned industrial strategy cannot ignore the earning of foreign exchange through the continued exploitation of existing, and the development of new, export opportunities. Assuming autarkic development to be neither feasible nor desirable, even a strategy of planned industrial development will place heavy demands on the external sector, via demands for a variety of foreign inputs - capital goods, transport equipment, fuels, technology, expertise of all kinds, etc. Attempts must thus be made to select at least some industries with a significant export potential, both with respect to other LDCs and the developed capitalist and socialist economies. The role of foreign capital in opening up access to new markets in the developed capitalist economies and the role of regional integration in the creation of markets between the LDCs themselves need to be carefully evaluated.

The third area concerns the establishment of domestic capital goods industries without which, as we argued above (following Stewart (1976)), an indigenous technological base is not likely to develop. ISI will continue to play a vital role in the industrialisation process as increasingly complex and sophisticated intermediate, investment and capital goods imports are replaced by domestic production. Once again the role of foreign capital and the potential for regional co-operation in the establishment of such industries, will need detailed investigation.

It has not been our intention in this paper to discuss planning methodologies or selection criteria. Our objective has been to establish a general case for the planning of industrial development on the assumption that industrialisation remains a primary objective of economic development. As we argued in Section II, however, planning cannot be divorced from its political context. The type of industrialisation strategy sketched out above would require as a necessary precondition for its effective implementation, radical political change within the LDC itself. Such change would not, of course, be a sufficient condition to ensure the adoption of the type of proposals that we have outlined, but without it, the creation of an economic and political environment within which effective planning was feasible might well prove to be an impossible task.

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Ö Z E T

DEVLET MÜDAHALESİ, İKTİSADİ PLANLAMA VE İTHAL İKAMECİ SANAYİLEŞME: AZ GELİŞMİŞ ÜLKELERİN DENEYİMİ

Bu yazıda ithal ikameci sanayileşme (İİS) deneyiminin başlıca özellikleri ile, sanayileşme sürecinde devlet müdahalesinin kapsam ve niteliği arasındaki ilişkiler araştırılmaktadır.

Az gelişmiş ülkeler (AGÜ)'deki devlet müdahaleleri, şu kategoriler altında toplanabilir: (1) Mal ve hizmet üretimi için kamu teşebbüslerinin oluşturulması, (2) Doğrudan idari kontrollar, (3) Sınai kapasitenin oluşturulması ile doğrudan ilişkili ve piyasa mekanizması aracılığı ile çalışan politikalar, (4) Dış ticaret kanalı ile etkiyen politıkalar-kontrollar, ya da fiyat mekanizması ile etkiyenler ve (5) İktisadi planlama.

İktisadi planlamanın tanımı, kapsamı, içeriği ve uygulaması, Üçüncü Dünya'da çok değişik görünümler alır. Planlama, AGÜ'de genel olarak yol gösterici nitelikte olmuş ve uygulamadan beklenen yararların pek çoğu sağlanamamıştır. Bu başarısızlığın nedenlerini kavramak için, olayın siyasal boyutu incelenmelidir. AGÜ'de devlet müdahalesine yol açan gerçek faktörleri tümüyle açıklamak için, özellikle sömürgecilik-sonrası aşamanın devleti'ne ilişkin bir teoriye ihtiyaç duyulmaktadır.

Piyasaya dayanan (market-based) bir ÎÎS'ye yöneltilen neoklasik eleştirilerin haklı yanları çoktur, ne var ki çoğu kez akıl dışı bulunan bu politikaların cehalet, rüşvetçilik, vb. nedenlerle değil, sınıfsal güçlerin ve grup çıkarlarının özel bir dengesi ile oluştuğu düşünülürse, açıklanamıyan pek çok olay açıklanabilir duruma gelir. Yazarın değerlendirmesi, ÎÎS'nin ulaştığı ve olumsuz olarak nitelenen sonuçlara, devletin aşırı müdahalesi dolayısiyle değil, bu müdahalelerin genel kabul gören ekonomik gelişme normları ile uyumsuz amaçlara yönelmesi dolayısiyle varıldığıdır.

Yazının daha sonraki kısımlarında İİS deneyiminin üç ayrı yönü irdelenmektedir :

1. İİS ve gelir bölüşümü: AGÜ'de İİS süreci, çoğu kez, ithal mallarının benzerlerinin üretimi biçiminde olmuş, gelir bölüşümü (talep yapısını etkileyerek) imalat sanayiindeki sermaye/hasıla oranını makro düzeyde belirlemiştir. Bu süreçte çok uluslu şirketlerin, yurtiçi üretimin geliştirilmesi ile ilgili hükümet tercihlerinin ve geriye doğru bağlantı etkisinin işlememesi, buna karşılık üretim yapısında zamansız bir genişleme sağlanmasının önemli rolleri vardır. Burada vurgulanmak istenen, piyasaya dayanan İİS stratejisi izleyen hükümetlerin gelir bölüşümü ve bununla birleşik olarak ortaya çıkan talep yapısını çoğunlukla veri olarak almaları ve sanayileşmeyi bu temel üzerinde teşvik etmeleridir.

2. İİS ve ödemeler dengesi: AGÜ'in pek çoğunda uygulanan İİS, beklenenlerin aksine, döviz tasarrufu sağlamamakta ve ödemeler dengesi darboğazını gidermemektedir. Söz konusu olguyu açıklamak için ileri sürülen

görüşlerin bu yazı açısından temel önemde olanları, (i) farklı ithal ikamesi faaliyetlerinin ithal gereklerinin de farklı oluşu, (ii) İİS sürecine katılan çok uluslu şirketlerin faaliyetiyle oluşan gelir ve sermaye transferleri, (iiiî İİS sürecinde tipik olarak karşılaşılan ve yüksek ithalât eğilimli grup ve sektörleri destekleyen gelir yeniden-bölüşümü, (iv) İİS rejiminin ihracat aleyhine işlemesidir. (Bu son noktada serbest ticaret modelinin de fazla bir şey başarması olası değildir).

3. İİS ve sanayi sektörünün yapısı: İİS'nin düzenli bir dönüşüm geçirerek nihai aşamada yurtiçinde bir sermaye malları sanayiinin oluşması güçtür. Brezilya, Meksika, Hindistan ve Arjantin gibi ülkelerin deneyimlerinden elde edilen sonuçlar, şu ya da bu biçimde doğrudan hükümet katılması olmadan anılan sanayiin kurulamadığını göstermektedir. Bu tür katılma, İİS'de de var olmakla birlikte, İİS sonrası sanayileşme modeli için kritik önem taşır. Piyasaya dayanan İİS'nin atılım gücünü yitirmesi, bu sürecin aslında kendi kendini tüketen bir süreç olduğunu, İİS'nin bazı özelliklerini taşısa da nitel olarak İİS'den farklı bir süreçle aşılması gerektiğini düşündürmektedir.

Planlı bir sanayileşme stratejisinin piyasaya dayanan İİS stratejisinin şekillendirdiği sınai yapı ve bileşimden çok farklı sonuçlar vereceğini ileri sürmek, totolojiktir. Planlı bir stratejinin üç temel unsuru tanımlanabilir: (i) tarımsal ve sınai gelişme arasındaki ilişki, (ii) imalât sanayii ürünleri ihracatı ve (iii) muhtemelen yöresel bazda olmak üzere, yerel sermaye mallan sanayilerinin kurulması. Böyle bir stratejinin bir AGÜ'de etkin bir biçimde uygulanabilmesi için gerek, ama yeter olma3ran şart, ülke içinde köklü siyasal değişmedir.