

that was the main factor leading to the recognition of the necessity of a reform in economic management and to the implementation of this reform.

In highly industrialized countries with a most advanced economy attention is focused today principally on structural transformation, environmental protection and regional development required by the restructuring of the world economy, on new individual and social demands for labour elicited by a higher living standard and better living conditions. In these countries the industrial development policy yields to integrating industrial policy.

Hungary's economy is facing a two-fold task: successfully to pursue industrial development policy and to implement integrating industrial policy. The point is that all the requirements that have come into the focus of attention in highly industrialized countries closely affect also the Hungarian economy. Hungarian industrial policy is to update industrial production, management and organization by raising industrial productivity and economic efficiency to meet social-political demands growing in Hungary and acquiring added importance in socialist society.

The three types of industrial policy - industrialization, industrial development and industrial integration - display a series of characteristic features. The policy of industrialization requires exceptionally high growth rates whereas the other two types need a balanced growth rate. In the phase of Hungary's industrialization, economic and social efficiency was not duly taken into account in technical development. Industrial development policy is characterized primarily by economic efficiency, integrating industrial development, by social efficiency. In these various historical phases of industrialization the intersectoral and international relations, management and organization acquired added importance. These traits, naturally, depend not only on historical development and on the stage of advancement of the given economy and industry but vary in many individual respects from country to country.

The level of economic advancement is one of the most important determinants of industrial policy. In developing countries the basic problem seems to be how to start the growth process and how to bring it up to a phase where it is automatically driven forwards, as is the case in developed countries. In this respect most theories suggested at the beginning

the solution of some bottleneck problem. Rosenstein and Rodan stressed the importance of ^{external} savings and the return to scale. Nurske's theory of "balanced growth" proposes to create a mutually complementary complex of investments on the basis of planning which will ensure continuous growth. On the other hand, Hirschmann's theory on "unbalanced growth" relied on the assumption that when investments are concentrated in a few branches, these can be accomplished with a high degree of efficiency, creating new investment demands in deliverers' and buyers' markets extending the undertakings to other fields again. Hence by creating bottlenecks we may also induce their liquidation. Similar considerations underlie Perroux's theory wishing to evolve "development poles". Akin to this - though without formulating the investment strategy - is Leibenstein's idea considering a critical minimum investment volume as necessary for launching and continuing growth.

Most of these theories grasp this or that condition, this or that element of complex correlations, failing to consider - as Myrdal says - the specific historico-social conditions of the developing countries and treating even their economic growth as a strongly oversimplified example. The demand for

better understanding the situation of the developing countries and for recommending development strategies has definitely increased interest in a deeper analysis of economic growth in develop^{ed}ing countries. Recent research has shed more light on the fact that the start of "modern economic growth" following the industrial revolution in Europe was conditioned by the coincidence and the interaction of a whole set of social, economic and political circumstances. Among these factors, in addition to the others, the acceleration of the acquisition of knowledge and the waning of the difference between "pure science" and technology played an important part. The recognition of the laws of nature was seen followed by their practical application and by a geographical spreading of the new knowledge. All this could only take place in interaction with fundamental social changes. Among the Hungarian research workers it was György Czukor who drew attention to the fact that historical analogies do not constitute a safe compass in the hands of developing countries.

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x/ The Strategy for Industrialization in Developing Countries. London, Hurst, C. and Co. 1974.

The main difference between the starting position of the developed capitalist countries and the present position of the developing countries is often seen in demographic conditions, i.e. in the fact that in those days the rate of population growth did not prevent the per capita national income from rising like the total national income. Beside the different family pattern of the European countries and the great possibilities of emigration this was mainly due to the fact that in Europe not only the birth rates were lower /owing to the family pattern/ but also the death rates began to diminish later. The developing countries, on the other hand, make use of the achievements of medical sciences resulting in an extremely rapid ~~rapid~~ growth of their population. Beside problems of employment this also involves growing food problems in the world.

Nor must it be forgotten that the economic conditions of growth have changed substantially. Technologies have become more complicated, and development has turned more capital-intensive, labour-absorbing and research-centered. The dimensions of economically efficient production are much greater, the productivity differences between plants have grown, the new enterprises entering the market have to face

such difficult tasks as securing and maintaining competitiveness. On account of external causes, the primitive accumulation of capital cannot be repeated in developing countries, the import of capital playing a smaller part than in countries that were industrialized in the second half of the last century /like Italy, Sweden, Canada, Australia, Argentina/. The international markets of commodities, capital and technologies are controlled by some big countries and monopolies, putting the developing countries into a position heavily dependent on these. The demographic conditions increase rather than elicit the difficulties of growth in developing countries.

Some

~~The~~ theories and theses evolved in socialist countries on the industrialization of developing countries were not exempt from simplifications either. This can also be explained by a mechanical application of historical analogies. This approach then yielded ~~to~~ to more differentiated analyses and assessments. A collection^{x/} of studies recently published by the Institute for World Economy and International Relations of the Soviet Academy of Sciences stresses that the application of historical analogies is made impossible by the fact that the economies of developing countries are heavily influenced by three new phenomena simultaneously:

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x/ Razvivayushchie strany: zakonemernosti,
tendentsii, perspektivy. Developing countries:
laws, tendencies and perspectives. /Edited by P.M.
Abakev and K.L. Maidanik /Moscow, Mysl 1974.
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- the growing forces of world socialism;
- the technico-scientific revolution and the crystallization of a new international division of labour;
- the strengthening of international monopolies and of other/^{new} forms of state-monopoly capitalism.

The creation of corresponding internal social and economic conditions and a purposeful accommodation to the new order of the international division of labour seem to constitute the fundamental question in the industrialization of the developing countries. Their industrial development policy shall have to concentrate, first of all, upon these two tasks.

The solution of both tasks requires a thorough analysis of the position and potentials of the individual countries. The experiences of other countries may permit to draw a few general lessons only. It seems important to take into account not only the competitive but also the complementary features of the relationship between agriculture and industry, between small-scale industry and manufacturing industry.

We must also realize that industrialization cannot be left entirely exposed to the automatic phenomena of the market more or less reflecting the comparative advantages but industrialization and industrial development strategy, policy and intervention are also necessary; it is also clear that we need an approach more differentiated than such global strategies as the development of the light and/or of the heavy industries; another necessity is to try to apply appropriate intermediate technologies instead of the poles of labour-intensive and capital-intensive technologies; and the closed, inward-looking industrial development will have to give way to an outward-looking one, at least ~~to~~ a certain extent.

Among the questions/and theses/ mentioned above the alternative of inward-looking and outward-looking industrial development is perhaps the most debated one. Earlier this alternative appeared as import-replacement versus export-orientation. As history shows the first period of industrialization in ~~most~~ ^{was characterized} ~~most~~ countries/ by protection of home production and by supporting import saving. Import saving should, in general, be interpreted in a relative and not in an absolute sense: the total import of the country usually increases also in this case,