

# The role of government in economic development

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## **Historical trends:**

Many years ago, government's role in public affairs was very restricted in many countries due to that the triumphant philosophy about the state function was taken from the French sources and at less degree from the British Revolution.

The new political thoughts was a strong reaction against the omnipotent state controlled by the monarchy. So, the new comer philosophy made a clear cut between government's role and private's role in those states where those principles were taken as a guide for political and economic activities. Formally, this old division is still practiced in minor degree in those countries so-called Western World. At the beginning the government action was confined to the following areas: Justice Administration, Foreign Policy, Tax Collection, National Defense and Domestic Political Affairs. The collorary of the new thoughts was then and still is today "less government intervention" to allow a strong private initiative from those areas where the government action was practically banned.

These new political thoughts were of course together with its respective economic thesis... that of the "invisible hand" in the economy. The invisible hand was and is the cornerstone for a free market economy, where supply and demand by themselves might allocate resources in the economy. The impact and internalization of this thesis left practically to the private enterprises or private sector almost every thing concerned with human resources development, at that period of time. However, since that period, many truths are not truths any more, society has been changing and so does political thought. This change is due that a free market economy as it was concerned cannot cope very well with the complexities of problems that face the modern society without a strong government role.

This fact together with a high rate of unemployment, housing needs,, educational needs and the development of the planning society in Eastern Europe has allowed to the government's role make its come-back. Thus, as I have related in the previous paragraphs, the importance of the role of the government in the economy and society has been growing towards the years. At the time being, a few people discuss the right that a government has about the development of its human endowment. Today is very hard to find any activity where a government does not have anything

to do or say. So, those changes have permitted the development of big government's role in most of the fields where it used to be banned.

The critical question on the role of gover in economic development is *the extent to which government con shape or shaped by the society of which it is a part?*

To a generation deeply influenced by (Marx). Society, or rather basic economic and social change was the shaper and government very much a stricly determined product.

**As George Unwin put it:**

“The main feature of British history since the seventieth century has been the remoulehing of a state by a power ful society”.

But the political descendent of Marx have demonstrated in no uncert in a m anner that the state appropriately equipped with instrument of authority, in cluding terror, can go a long way in reshaping the surrounding society. And currenly government's in Asia and Africa in part influenced by the Soviet exampe are making a determined effort to put ther stagnant economies on the road to wher they call selfsustained growth.

**Two what extent are thy likely to be success ful...? and what instrument of authority will thy find it necessary to use...?**

It will be useful to distinguish there possible common areas of research in which the data to be examined are diffrently related.

**First**

Consider the changing role government over time within a relatively stable social structure and culture... Western Europe since the beginings of industrializa-tion to choose such an area and periode implies at least two things.

**It implies**

**1. On the one hand:**

That it is fruit ful to examine the similarities and interretationships among the countries that make up this culture as well as the special circumstances of a parti-cular country.

**2. On the other hand:**

It means that despite a continuous proceses of change over troughly two centuries it is still useful to think of this as development within substantially the same society.

**It we can accept these implications.**

It seems reasonable to demarcate this time period and this area as one in which it may be useful to examine comparatively the changing role of government in the society and in relation to economic develop so.

**It we look back to the begining of industrialization in the west particularly in England.**

We can early fail to be struck by smallness of the positive role played by government in the development process.

Apart from maintaining low and order adapting the legal framework to meet the condition of enterprise **and providing a minimum of social and economic overhead.**

**The main contribution of gover was to act out of the way.**

**In the United States**

Governments role was larger but the initiative did not came principally from the various state capitals but from private groups who needed publication to further their own economic interests or the interests of their areas, the prime nover of economic change was private enterprise.

**On the other countries** whire industrialization came later thun in England **the role of gover (the state) in economic development was much larger** Gersehenkron in an essay relatis an in creasing role of the state to the degree of backwardness found in the society in the which the growth process is being initiated.

**Backwardness can accentuate the role of gover in at test tive ways.**

1) By influencing the goals of the society... and

2) The motivations of its political leaders in ways that can be only realized by public action. Government can pay a role in the transfer of established technology and forms of organization that it could never played in their initiation this was truc in the later development of Western European countries and it has particular relevance in the currently underdeveloped world relative backwardness may certainly influence the character of development and the role played by government in its promotion, but within a common culture there are strong similarities as well as differences in this role.

Obviously there are large dissimilarities in the rates and character of development and in the response of governments within the area of Western European settlement, but the similarities of action and response are sufficiently important to justify a careful comparative study of the role of government in the developmental process within this culture.

**This question is...**

How does government react to the changing pattern of economic development is, what can government do to change and shape this process...? Troughout most of the area of Western European settlement during the period under consideration some type of parliamentary democracy has been prefered form of govern.

However that may be it is clear that **parliamentary democracy** is a system of govern that accentuates the interrelatendess of state and **society**, the society exerts it influence on governmental action through group pressures of various sorts and it is probably correct to say that the possibilities of governmental action to promote development has within **limits** imposed by the possibilities of compromising the divergent interests of politically power ful groups.

Still these **limits** may be fairly wide if the relevant groups recognize as they have tended to do in western society, that economic development is likely to benefit all groups though in different degrees.

These **limits** can perhaps be illustrated by the current controversy on the question **whether it would be possible for the U.S.A to raise its long term growth trend from 3 percent per annum to, say 5 percent.**

This would presumably require a large expansion of productivity in creating expenditures and direction of these expenditures. It is difficult to see how this could be done without an expansion of the public sector and a proliferation of controls on private actions quite unacceptable to politically powerful groups in the community.

It may be fruitful to distinguish the role of government in assisting an expansion of the supply of resources from its influence on the direction of resources use, and its participation in resource management.

Or again it may be useful to consider government activities in the public sector, in the private sector and in various mixed relationships that in western society, are becoming increasingly common.

**Second:** Let us consider the role of government in a society in process or drastic change... obviously societies are always in process, of change.

Marx has given us a model. But the marxian model tells us, that in reality the new society has already been shaped within the womb of the.

Although the role of the state during the period of "dictatorship of the proletariat" in bringing into being the institutions of the new society in classical marxism government in revolutionary, as well as evolutionary periods of history is very much **the shaped rather than the shaper** of the course of events.

In the Soviet Union and China the task of governments holding in **ferrous phrase** a "monopoly of violence" equipped with the well developed ideology and availing themselves of all the instruments of authority and error. The Soviet and Chinese examples at least raise the question.

Whether governments appropriately equipped with development aims and development ideology, able to draw on the technology of more advanced areas and not lacking in the instruments of authority may not go very far on restructuring their own societies.

Clearly these governments to be successful will have to command a measure of popular support and obviously sphere of action is limited by the characteristics of the society of which they are a part. And as the experience in a number of Southern Asian and Africa countries has already indicated.

Governments in these newly independent states are not likely to limit themselves very long to an observance of the trappings of democracy.

**Third:** Although the role of government in the process of development is largely shaped in the reciprocal relations of state and society there are no doubt elements in the physical environment that will influence that role.

It has, for example, been observed that the size of an economy, by various measures, is related to its degree of dependence on international trade. In the competition for export markets, government has some notable disadvantages compared to

private enterprise, as the example of Israel suggests. It may be that a high degree of dependence on foreign trade may not be compatible with an effective government control of the direction of resource use. The very sizable fraction of total investment that in various Latin-American countries falls in the public sector is influenced by these physical considerations.

To conclude the role of government and economic development, we repeat the statement with which this discussion began.

The critical question that must guide such an inquiry is the extent to which government can shape or is inevitably shaped, by the society of which it is a part.

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