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I.D.E.P. SEMINAR FOR UNIVERSITY TEACHERS 

NOTE 

By Professor G. LEDUC 

On the Topic of Discussion 

OWNERSHIP AND MANAGEMENT OF RESOURCES IN AFRICA

N.B.- Professor Gaston G. LEDUC, who is extremely sorry not to be able to participate in the discussions of the seminar organized by the A.I.E.D.P. for professors of African universities from 31 August to 4 September 1964 on the general topic "The Choice of an Approach to Economic Development in Africa", has drawn up the following brief note on the particular subject that the head of the seminar had asked him to deal with at Dakar. He hopes that the ideas set forth below will be of some utility in introducing a profitable discussion and apologizes once again for being unable to attend.

I.- In the programme drawn up by the organizers of the seminar this particular subject is sub-divided into two parts, namely:

(a) Ownership of resources according to institutions - public, semi-public and private; definition of their respective roles and delimitation of their fields of activities;

(b) Means of promoting development: taxes and incentives (direct incentives (prices) and indirect incentives (other than prices)).

It seems therefore quite reasonable to adhere to this division. However, it will be indispensable at the outset to define what is to be meant by "resources" and to break these down into general categories in relation to the needs of the analysis.

II.- What is to be meant by "resources"?

From the general context it is clear that the resources meant are those furnished by the natural environment and those which result from productive activities and that, not being consumed immediately, can be incorporated as constituent parts (inputs) in the subsequent process of production. The second category applies to the notion of "capital goods", in the broadest sense of the term, i.e. durable and non-durable goods (or again, in roughly the same sense, fixed capital and circulating capital, understood in a non-monetary acceptation).
Thus, as we see it, human resources (labour force, in the broadest sense), like monetary assets in the strict sense, lie outside the scope of the analysis, since they are not subject to ownership. The administration of money raises a number of problems which must be dealt with separately, although the manner in which the management of monetary goods is conducted may be far from being irrelevant to the nature and efficiency of the administration of "real" resources (as opposed to monetary assets). We have on this last subject, just completed a general study (with particular reference to the African national economies) which we hope to be able to place at the disposal of the participants in the seminar.

III.- The general categories of "real resources" which may be included as constituent parts of processes of development must therefore, in our opinion, be the following:

1. **Soil (land)**, in the broadest sense of the word, including rivers, natural forests, mountain masses, etc.
2. **Subsoil resources**, distinguished according to their nature (fuels or non-fuels); solid and liquid resources, etc.
3. **Wild or domestic animals**.
4. **Capital goods** resulting from a previous productive activity: roads, irrigation and drainage ditches, various installations, engineering works, etc. It may be desirable to classify in a separate category all factors relating to:
5. **Buildings**, distinguishing them according to their use: dwellings or business management, production purposes, e.g. agriculture, industry, commerce, etc.

IV.- Each of these categories calls for special remarks regarding the systems of ownership under which they may come.

At the outset, however, everything depends on the basic choice made by the public authorities of each of the sovereign nations with respect to the economic system itself in the framework of which development is to be planned. In a collectivist system the field of application of public (or in any case community) types of ownership will obviously be much larger than in a system based, at least in principle, on free enterprise and market operations. Without ruling
out the existence of types of public (or quasi-public) property, at least for certain categories of goods, the latter system presupposes the existence of considerable private property (individual, family or company property), together with the possibility of hereditary transmission (subject to the existence of taxes on the property inherited).

This is no doubt the place to make a brief survey of the practical implications of what is now usually termed the various "African roads of socialism". Where exactly will these roads lead as regards the nature, substance and fields of application of the various systems of ownership? It falls to the competent authorities to decide.

V.- Returning to each of the categories listed under point III above we may in passing mention the main questions that should be discussed in this connection. We shall therefore begin with the soil.

What should the ownership and management systems (for the two do not necessarily go hand in hand) with respect to land? It should be recalled that in many African countries traditional types of collective, family (in the more or less broad sense of the word) and community ownership (and also of management) exist. Should they be maintained, abolished or improved? Some of these systems may have a religious character: is their maintenance compatible with the demands of development?

A special problem may arise from the existence of foreign-owned property, which may or may not have been acquired during a colonial or quasi-colonial phase of history. Should the fact that a country becomes politically independent be considered as grounds for calling into question the legitimate nature of such property? If so, how should the "process of de-colonialization" be carried into practice? Should such property be expropriated or not, with or without compensation? And what systems of management should be substituted for the former system? It may be pointed out here that the "nationalization" of land does not necessarily mean that the State takes over agricultural undertakings, contrary to what is too often mistakenly believed.

It might be thought that, in a general discussion of the systems of ownership (and also of management) considered to be the best from
the standpoint of the requirements of development, the most appropriate solutions may not satisfy other national or social concerns. Arbitration may prove to be inevitable. The role of the economist is not to formulate settlements himself but to supply the public authorities with data calculated to help them in their decisions.

It is from this point of view, we believe, that the possible application of an "agrarian reform" designed to replace a system of large private holdings by one of small or medium-sized private holdings or, again, by one of collective holdings, with or without community management, should be studied. In this respect the possibilities of co-operative solutions should not be minimized. Such solutions have been substituted in certain countries (Algeria in particular) for former capitalist methods of self-management. It may be possible already, despite the lack of sufficient perspective, to draw some interesting conclusions from such experiments. In any case, very careful observation is called for.

In other cases (Office du Niger, Guezireh Scheme of the Sudan), the setting up of certain African peasant systems on land previously prepared for development at the expense of the public authorities dates back to a period prior to political independence.

The results have, according to the case, varied widely (they clearly appear to have been better along the Nile than along the Niger). It would be interesting to know how the situation, in the new political context of the various countries concerned, has evolved.

Lastly, we should mention the frequently great importance of questions related to that of determining the system of ownership and management of land properly so called, namely: the development of forestry resources, which it is absolutely essential to conduct in a rational manner if this basic wealth of Africa is to be safeguarded and developed; and the utilization of water resources even in countries where, owing to abundant rainfall, concerns of conservation do not appear to be particularly pressing. Abundance, however, is not synonymous with regularity. In a continent which in its turn is experiencing a swift demographic growth the rational use of water is most certainly destined to acquire increasing importance.
VI.- Subsoil resources raise particular problems, as concerns both their ownership and their management.

We shall not dwell here on a subject which comes under comparative mining legislation as well as under the policy of utilizing national resources that are exhausted as fast as they are extracted from the earth. It is quite logical that such lodes should be considered public property, even if the occupiers of the land where they are located should be entitled to certain rights. It is no less logical that prospecting be entrusted either to private undertakings or to joint State-private bodies. Various solutions may also be envisaged as regards extraction: the main point is that the State should make a definite profit, calculated to enable it to finance both further research and investments for general development (this at times is called "sowing oil"; but then manganese, copper, phosphates, even iron and so on, can also be "sowed"). Also, the question of transporting these mineral products to manufacturing centres and shipping ports should be mentioned. Who is to build the railways or lay the pipe lines? To whom shall it fall to operate them? What shall the taxation policy and the toll duties be? Shall the State profit by this? Under what conditions?

VII.- The category of animal resources does not seem to us to raise any particularly complicated problems. For so-called wild animals the question of course arises in many African countries of the preservation and conservation of a natural patrimony mistakenly thought at times to be inexhaustible. With respect to domestic livestock, the entire question of breeding arises, linked itself with that of the existence or planning of pasture-land, habits of nomadism or semi-nomadism, certain more or less irrational tracts like that of "contemplative stock-breeding" (generally considered as a factor that checks economic growth).

VIII.- Resources derived from a previous productive activity (capital goods) will generally be subject to ownership and management systems adapted to the particular purposes for which they are intended. Those meant for collective use (roads, rivers, railways, ports, large dams, etc.) will come under public ownership, while their management
may be, according to the case, either public or private or, better still, planned according to a joint State-private scheme whereby the public authorities are entitled to exercise general control.

Particular mention should be made of special systems peculiar to the production and distribution of **electric energy**. The two sectors moreover do not necessarily call for identical solutions: production may be public and distribution private. The reverse however, would be more difficult to conceive. It should be recalled in this connection that the cheap kilowatt is one of the essential factors of rapid and prolonged development. Even so it is necessary that the expenses of production (and distribution) be covered.

IX.- As regards **buildings**, a distinction must be made between buildings intended for **private dwellings** and others. For the first private ownership (both individual and collective) must apparently be the rule. However, when there is a serious housing crisis, one of the means of solving it may be to entrust public (State, provincial and especially municipal) organizations with undertaking building programmes with a view to selling or simply renting living quarters. The practices followed in the various countries of Africa differ widely and it appears that a somewhat detailed comparative study would be welcome. The experience of **real estate companies** in French-speaking Africa may be mentioned in particular. Some of these companies have been extremely successful. Others have run up against difficulties which they have endeavoured, with varying degrees of success, to overcome. Here again a comprehensive study would be useful.

X.- Point (b) mentioned in the opening paragraph does not, we believe, need to be developed at length. It is enough to mention the different methods which are used or could be recommended for encouraging a more complete and rational utilization of the productive resources available (again, we are not here concerned with the labour force, and all factors relating to capital formation itself, i.e. problems of stimuli, of building up savings and of investments likewise fall outside the field of analysis of our discussions).
The fact that incentives come into play here presupposes that the resources to be managed will continue to be privately owned, both individually and jointly (companies). It is desirable that owners or holders of such resources should put them to uses more consistent with the requirements of the economic development pursued, whether or not it is the subject of general planning or programming. The target to attain is, in short, a sort of "permanent full employment" of available resources, that is to say, no resources which by their nature are fit to serve the cause of economic growth should in principle remain sterile, idle or unemployed. It is significant that a French writer, Mr. Gabriel ARDANT, could write an entire book on the subject "The Fallow Land of the World". Efforts to remedy this situation indeed constitute one of the chief aspects of development policy.

XI. - What means can be employed by this policy to achieve its ends?

Most often taxation is quite rightly cited. Indeed taxation always necessarily exerts an influence on economic activity. Through adequate tax planning it is therefore quite possible to contribute to a more efficient and complete utilization of soil and subsoil resources. The opinion of finance experts has never varied on this point.

But there are other means available to policy makers. Special mention should be made of the rational use of credit, particularly in respect of agricultural development, as we have had occasion to show in a general survey devoted to an analysis of the role of credit in agricultural development planning. And what is true for agriculture is also true for industry (particularly in its initial stages) as well as for housing and building, in the broadest sense.

The general programme that has served as a guide for this analysis also makes mention of "incentives", distinguishing between those that operate through prices (so-called direct incentives) and those that do not have to do with prices (indirect incentives).

Generally speaking, the latter appear better suited to the demands of a rationally planned economy, because prices themselves are merely a result, a manifestation of a certain state of supply and demand of the goods or services concerned. None the less it may
at times prove useful to bring influence to bear on prices themselves, whenever it is considered that advantages can be drawn from a price elasticity of particularly pronounced supply (which presupposes precisely available but incompletely utilized, indeed wholly untapped, resources).

Indirect incentives include all steps that tend to encourage a more complete utilization of resources, through influencing supply as much as through influencing demand.

In the first case, it is necessary to understand all factors that may contribute to more thorough development, from planning the environment in which the productive activity (the factor that creates external markets) is carried on, to educational activities themselves, in the broadest sense of the term.

In the second case, it is a question of all factors that may contribute to extending outlets, from stimulating needs and consumption among potential buyers, whose solvency itself must be constantly improved, to creating sales facilities on both the home and the foreign markets (the usual method in this case being to encourage exports).