

POPULATION and STANDARD OF LIVING IN EGYPT

EXTRACT

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Mr. Chairman, Ladies and Gentlemen,

I must begin by admitting that I am overawed by the very extent of my ambition in choosing such a title for my lecture. For the subject I propose to deal with to-night not only makes a wide sweep across economic studies necessary, but also makes a considerable encroachment on other fields inevitable. It is really a subject which lies in territory which is severally claimed by politicians, demographers, sociologists and even bureaucrats. When dealing with matters of this nature professional economists are not usually in a happy position. Having long realised how hopeless it is to try to wrench their territory from the scylla of the all powerful politician and the charybdis of the « know all » bureaucrat they have mostly retired to a world of abstractions where they are content with working happily and without interference from anybody on simplified models and highly unrealistic assumptions which may be put to good use some day when the world is safe for the ultra-rational homo-economicas who are motivated solely by the pursuit of self interest. They do, however, from time to time feel a strong urge to step back into the world of reality to seek their lost territory so jealously guarded by politicians and bureaucrats. This lecture is simply one of those hopeless incursions on lost territory.

To the professional economist the problem of the low standard of living in Egypt is essentially a question of factors of production and the efficiency of their utilisation. It is not

just a problem of too many people living on too small an area of land as some demographers have put it. The people of Egypt can enjoy a high standard of living if the factors of production at their disposal are quantitatively and qualitatively capable of producing enough goods and services to satisfy their basic needs and give them a reasonable standard of health and comfort. But before we go into the details of that let us first review some of the earlier attempts to tackle the problem. Most people who studied Egypt's great problem of a low standard of living proceeded along Malthusian lines and suggested what we may call Neo-Malthusian remedies. Some have even suggested purely procrustean remedies and would have a sizeable part of the population (30% in some estimates) lopped off by mass emigration to the Sudan, Iraq or even Abyssinia. While I appreciate the facts which led them to such drastic conclusions I do not profess to be in full agreement with them. It has been said of scientific investigations in the field of social science that the limitations imposed by the availability of data are often forgotten when generalisations are made. This is particularly true of many inquiries conducted on the population problem of Egypt. Investigators are usually so struck by the inordinate disproportionality between land and population that they are apt to overlook other factors which may not be so apparent or on which data may not be so readily available. While not disputing the fact that over the last fifty years the rate of increase of our population has been nearly five times as high as the rate of expansion of arable land, I am not prepared to accept it as incontrovertible evidence of gross overpopulation. Please do not misunderstand me. I am not denying the existence of some overpopulation but merely trying to point out the inadequacy of the approach based exclusively on the land-labour ratio. Not only is this method used to prove that Egypt is overpopulated but is also used to estimate the degree of such overpopulation. Professor Wendell Cleland an eminent demographer who has done admirable research work in this field relied mainly on this method in order to be able to tell us that the population of Egypt had passed the optimum level by some 25% to 30%. Writing in 1944 when the population figure stood at 16 1/2 million, he emphatically stated that Egypt had at least 4 1/2 million too many inhabitants who should be got rid of somehow. Needless to say,

the full blame for such state of affairs was put on the excessively high birth rate which was ascribed to a multiplicity of factors ranging all the way from religious beliefs to the existence of a direct inverse correlation between bright electric light and fertility; a bewildering theory alleged to have been developed by Italian savants and quoted from «Time Magazine» by Professor Cleland as applicable to village life in Egypt. Concentrating all the time on the land-labour ratio, Professor Cleland goes on to say that his aim was to see the population cut down by birth control and mass emigration to a level which allows the average peasant family to work 4 acres of land. The poverty of this land-labour approach to the problem of population and living standards is borne by the fact that none of the countries which enjoyed a steadily rising standard of living during the last century and a half either maintained or even tried to maintain a fixed relationship between population and agricultural resources. Although population rates of increase in many European countries far exceeded rates of agricultural expansion they have lately been gravely concerned about declining rates of increase which may in the distant future lead to a decline in population. The warning issued by Malthus one hundred and fifty years ago about the pressure of population on food resources was completely drowned by the din of the great machines of the Industrial Revolution which freed mankind from what Ricardo called the niggardliness of nature. Why should we reiterate such a warning when we are slowly breaking the fetters of a purely agricultural economy ? Why should not we build up, with patience and diligence, an industry worthy of the human and material resources of this country and its unique position between East and West ? I know I shall be taxed with drawing analogies from incomparable sets of circumstances but I shall try to point out that the numerous unfavourable factors are largely counterbalanced by favourable ones.

It is simple enough to say on paper «cut your population to suit your existing resources» but I find it equally simple to say «expand your resources to suit your population». I somehow find the latter proposition more practicable let alone more beneficial. In the first place it is infinitely easier to plan material

resources than to plan the most intimate aspect of human relationship. In the second place as the standard of living rises as a result of a more equitable distribution of wealth and a fuller utilisation of our resources the birth rate will automatically fall. This is not just a matter of speculation on conflicting hypothesis but a scientific fact which has been proved by many inquiries in differential fertility rates. In the third place non-agricultural resources must have been expanding during the last fifty years, otherwise we would have been doomed at present to a standard of living only 1/5 as high as it was fifty years ago. In the fourth place, labour is a factor of production and provided that its quality can be improved it should be able to find its own livelihood. Last but by no means least a country which is constantly threatened by an ever expanding hostile neighbour should be able to find better means of solving its economic problem than effecting a drastic cut in its population.

Having made it clear that I reject the approach based on relating population to arable land within the rigid boundaries of an agricultural economy I now proceed to list out the factors which cause the low productivity and the consequent low standard of living in Egypt in the hope of being able to explore possible courses of action. We may group such factors under the following headings :

1. The physical inadequacy of one or more factors of production either quantitatively or qualitatively.
2. The low degree of effective cooperation between factors due to their existence in unbalanced proportions or to distributional difficulties.
3. The inefficiency of their utilisation due to ignorance, apathy, bad organisation or a low technique of production.
4. Insufficient use of opportunities of international cooperation in the fields of foreign trade and capital investment.

With regard to the first factor of production, that is labour, our biggest problem is one of quality. Though overpopulated we haven't got enough skilled workers with sound enough training in mechanical methods to be relied upon in handling modern industrial machinery. Technical education in the prima-

ry and intermediate levels has for sometime been a black spot in our educational system. Its curricula and methods have been faulty and its message completely misunderstood. Instead of creating a class of skilled mechanics and craftsmen who would either set up small workshops on their own or be employed as skilled workers in factories, it has been turning out a group of gentlemen with super hypersensitivity to the wearing of an over-all or doing any kind of manual work which according to them should be done by people who had never been to school. In order to keep up appearances they seek work in Government Departments of a technical nature such as the Egyptian State Railways, The Telephone and Telegraph Administration or the Ministry of Communications not as technicians but as what we may call « clerks in technical offices ». A survey of officials in such Departments will reveal the existence of hundreds of so-called technicians who do nothing but clerical work. A few days ago a delegation of graduates from an intermediate industrial school visited my office and tried to enlist my support in order to gain admittance to the Faculty of Commerce! Everybody wants to go to the University and few are willing to accept what according to popular belief is the social degradation of being artisans and craftsmen. If this tendency goes on unchecked we shall soon become a nation of intellectuals who are forced to accept the Bhuddist philosophy of cutting down wants instead of creating means of satisfying them. Nothing short of a complete overhauling of our system of education can remedy this state of affairs. A change in social scales is also needed to give skilled manual workers the same sort of economic security and social esteem which they enjoy in other countries. It is pertinent to mention that the average skilled worker in England earns far more money than the average office worker and is by no means considered as socially inferior. Our industrial development can never be built on a sound basis before a radical change in social outlook takes place in this direction. Industry should take more interest in technical education not only as regards adaptation of methods and curricula to suit the needs of modern technique of production but also as regards financing. Here again I find it relevant to mention that forty English firms have lately contributed to the financing of chairs in the new department of engineering at Cambridge. This was a manifestation of the debt owed by indus-

try to scientific research and no doubt helped to strengthen the links between industry and education.

With regard to the second factor of production, that is natural resources, the problem of improving the quality of some of our barren tracts of land and intensifying the utilisation of our mineral resources should take the place of fretting over the quantitative shortage of arable land and the cries for birth control and emigration. One reads with immense satisfaction about the good work being done in the Western Desert by Point Four technical experts in collaboration with army authorities to create experimental ranches. The success of such work which is now considered a certainty will be the signal for private enterprise to follow suit. Private enterprise both Egyptian and foreign must be given every encouragement to turn part of Egypt's deserts into fields, orchards, and pastures. If we realise that large expanses of land cultivated by the Romans are now lying derelict we shall be more inclined to regard our problem as one of utilisation and not just irremediable shortage of land. The Sinai Peninsula is also a place where, labour, capital and entrepreneurial ability can work wonders. We learn from scientific expeditions which made geological surveys of the area that it offers prospects of both agricultural and industrial development. The reason why such development has not so far taken place is quite simple. Feudal landlords who were always well represented in the Governments of the old regime were not only disinterested in such development but actively opposed well worked out schemes and dismissed them as impracticable. Any increase in the area under cultivation on a large scale was bound to reduce the relative scarcity of land and decrease its value while putting a premium on the service of labour, hence the opposition of big landlords. Fortunately, Egypt in her New Era is not governed by selfish sectional interests but by people who put their country's interests above all other considerations. That is why one has faith now in development schemes which were made to look fantastic only a few months ago. With regard to the utilisation of the mineral resources of Sinai, the Red Sea Coast, Asswan and other areas of Egypt capital was too busy speculating on land values and cotton futures to seek gainful occupation in such fields of enterprise. This brings me to the third factor of production, that is ca-

pital. Does Egypt suffer from shortage of capital? If by capital we simply mean liquid funds seeking investment there is no apparent shortage. The ease with which companies have been promoted in the post-war era and the speed with which government loans have been covered bears testimony to the fact that capital has not been lacking. But the availability of liquid funds of an inconvertible currency can do little towards industrial development if local resources do not permit of such development. Assuming that the will to invest exists among Egyptian owners of capital, which is quite problematical, large scale investment will either cause an inflationary straining of local resources or a large balance of payments deficit if too much dependence is placed on the importation of fuel, machinery equipment and technical skill from abroad. If, however, foreign capital (and I refer particularly to American capital) participates in industrial development such problems will not arise. The problem of the effect on the balance of payments of remitting dividends earned by foreign capital in Egypt is infinitely easier owing on the one hand to its smaller magnitude and on the other hand to the fact that the increase in the national income resulting from a greater volume of investment will make such remittance possible. The investment of foreign capital in Egypt would either increase our exporting capacity or help produce goods previously imported from abroad. In both cases the favourable effect on the balance of payments will at least partly offset the loss due to remitting foreign dividends. The oft-repeated argument that foreign capital may have a stranglehold on our national economy if it were encouraged to flow freely into Egypt is quite false. What on earth can be the difference between importing foreign capital and importing foreign durable goods? Would it not be in our interests to encourage foreign capital to help produce in Egypt some of the goods we have been buying from abroad, thus providing employment for our workers and increasing our economic activity in general? The truth about this argument is that Egypt's bad experience of the days of the « Caisse de la Dette » which is closely associated with foreign borrowing has created a strong and indiscriminate aversion to foreign capital in the minds of many Egyptians. It is time we realised the difference between money borrowed from abroad to be squandered by an oriental despot and ca-

pital invited to participate in utilising our resources and building up our industry. I think we had better be employed in finding ways and means of coaxing foreign capital to come to Egypt than laying down rules and regulations for frightening it away from our country. Lest I should be accused of having given too much prominence to the question of encouraging a free flow of foreign capital without having given sufficient consideration to the possibilities of investing local capital in development schemes I am now going to consider a different aspect of the problem. Drawing a parallelism from my treatment of labour as a factor of production I shall call it the qualitative aspect of capital. We have seen that the abundance of labour in Egypt from the purely quantitative point of view did not prevent the shortage of labour of a certain quality. Similarly, the abundance of capital in Egypt — if this assumption be allowed — does not necessarily mean that it will flow into the appropriate channels. Egyptian capital may be available for investment in real estate but may not be attracted to such fields as oil prospecting, mining, iron and steel and other ventures which are absolutely necessary to sound industrial development. The problem of the uneven flow of capital in alternative fields or equal goodness is not peculiar to Egypt but is really universal. Owners of capital all over the world respond to invitations to invest in enterprises with which they are familiar far more readily than they do to similar invitations to invest in fields which appear to them as speculative and uncertain. Differences in national characteristics, temparements and experience account for such preferences. To the average Englishman investment in shipping, banking, insurance and retailing almost always appear as sound propositions. The average Swiss, being so familiar with hotel-keeping will not hesitate to invest his capital in such enterprise even in foreign countries. Belgian capitalists show a strong preference for electrical and engineering enterprise and so on. A survey of capital investment in Egypt over the last fifty years or so will definitely reveal that foreign capital follows its home patterns. There are also cases of countries which, though consistently exporting capital abroad on a very large scale, had to rely on foreign capital for certain development schemes. American capital participated in the construction of the London underground railway, although at that time British capital was flowing all over the world. It just

happened that the Americans had at the time more experience than the English in the utility and functioning of underground railways and could therefore show more enthusiasm towards investing their surplus capital in such schemes. Moreover, there are at present certain fields of investment which do not attract individual savers whatever their means, temperament, experience or nationality may be. Oil prospecting is a case in point. Although in its earlier stages, this industry attracted all sorts of enterprisers who fancied making a quick fortune, nowadays it can only rely on capital emanating from oil companies which are firmly established and who consider new prospecting no matter how uncertain as a normal course of development and a part of their general activity. Oil companies are known to have lost enormous capital in fruitless search for new supplies of oil without being deterred from embarking on new prospecting. Individual capital on the other hand, fights shy of such speculative ventures. To put it briefly capital specialises in certain fields just as much as labour does and it would be best to let foreign capital flow into those channels in which it has specialised and which will not for a long time to come attract Egyptian capital. The alteration of the obstructive article of the present company law which stipulates the allocation of 51% of the capital of joint stock companies to Egyptians would undoubtedly help remove the greatest obstacle in the way of a free influx of foreign capital into Egypt. Fortunately such an alteration is now imminent.

With regard to the fourth factor of production, that is entrepreneurial ability, here in Egypt we have neither quantity nor quality. I really believe that this is the biggest obstacle in the way of industrial development. Egypt's main production problem is not so much one of shortage of land or capital as one of shortage of entrepreneurs. This shortage is due in large measure to the type of paternal economy which has for some time been a characteristic of Egypt and which has turned the government into the biggest entrepreneur and made people expect it to do everything. I would like to say here and now, that governments will never replace individuals as entrepreneurs. The individual entrepreneur who has vision, imagination and enough courage to embark on risky enterprise is undoubtedly the most important factor of production. He is the driving force behind enterprise and may even be considered as the only positive and

creative factor of production. Land, labour and capital, all have to be harnessed into production by his will and determination to make a success of his enterprise. The fact that economists have until quite recently overlooked this factor and considered land, labour and capital as the only agents of production does not detract from its importance. The reason why they did not focus their attention on the entrepreneur as an independent factor is to be found in the fact that in the earlier stages of the industrial revolution his personality was almost indistinguishable from that of the capitalist. In most cases one person played the dual role of capitalist and entrepreneur and this incidentally caused a great confusion in economic thought between interest and profits. Nowadays with the growth of the size of the business unit and the splitting up of capital into small shares subscribed for by a large number of individual savers the personality of the entrepreneur stood out clearly as distinct from that of the capitalist. When capital migrates to a foreign country, however, it usually takes entrepreneurial ability with it. Few people would wish to invest their capital in a foreign country unless control of their funds was to be in the hands of someone they know and trust. This is perhaps the reason why I favour the encouragement of a free flow of foreign capital into Egypt. With foreign capital comes technical skill and above all entrepreneurial ability which I repeat is our scarcest factor. If we manage to solve the problem of shortage of entrepreneurs whether by a new orientation of our educational system or by easing paternal legislation which limits freedom of enterprise or by making better use of opportunities of international cooperation or by all these methods combined, we would have solved the problems of inefficient utilisation of our resources and wastage of other factors of production. For these are really entrepreneurial problems and not merely problems which can be solved by issuing rules and regulations or any amount of planning.

Mr. Chairman, Ladies and Gentlemen.

Countries are like living organisms in that they have to pass through certain stages of evolution before they reach maturity. This is particularly true of the various stages of economic development. It is true that some countries have been more fortunate than others in reaching economic maturity at a quicker

pace but on the whole they had to go through very much the same stages. Countries which can now afford to have comprehensive social security schemes, old age pensions and free medical treatment have been through stages of rugged individualism where the weak and unfortunate had to be ruthlessly weeded out and only the fittest allowed to survive. The order of the day, at that stage, was the increase in production and national wealth at all costs. Having built up their industrial greatness they could afford the luxury of issuing free gifts to the unfortunate members of their communities. Here in Egypt we recently embarked on a social security programme which could be ill-afforded and for which the people were not mentally prepared and which, in any case could do very little to raise the standard of living of the masses. It would be a very good thing indeed if this creature which was born in the wrong environment was cut out immediately instead of being allowed to die a natural death. There is no doubt that public funds could, at our present stage of economic development, be put to much better use.

Ladies and Gentlemen,

My analysis leads to the inevitable conclusion that Egypt's fate is bound up with industrial development, which could be accelerated by making better use of international cooperation in the field of capital investment. France, one of the four big powers, which is no doubt much richer and much more highly developed economically than Egypt, could not solve its economic problems, by depending exclusively on its own resources. Its factories its public utilities and its roads are being built or reconstructed by American capital. The same applies to Holland, Belgium, Italy and Western Germany. If we elect to take a different course we ought to know that it is not the one that leads to a higher standard of living. Our agricultural expansion is bound to be slow, and no effort of body or mind can make it keep pace with a population growing at a rate such as ours. Without altogether neglecting land reclamation projects which are always useful we must make an all out effort to increase industrial production. I know that many people suggested this course of action before but I find it worth repeating because the present time seems to provide a unique opportunity which must not be allowed to slip by. The Agricultural Reform Act which limited

ownership of land to 200 acres will release a good deal of capital which has so far been tied in speculation on land values. The closing down of the cotton futures market which I pleaded for, from this and other platforms last year, will also release substantial capital previously engaged in speculation on cotton prices. This capital must be encouraged by all possible means to seek gainful occupation in industry. Dispossessed landowners who are to be compensated for their property must somehow be made to realise that shares in new industrial companies would be a much better form of investment than government bonds bearing 3% interest and with restricted circulation and distant maturity. If some 200 million pounds worth of long term bonds which can only be sold to Egyptians are unleashed on a small security market such as ours, the extent of the resulting slump can hardly be foreseen. A little thought will show that such plethora of bonds coupled with a restricted demand will do everything short of dissipating their value. Industrial shares on the other hand would not only be backed by production but would also have a wider appeal owing to their greater variety and freer circulation. Since buyers of expropriated land are to pay the price over a period of thirty years which is the same period allowed for the amortisation of the compensation bonds, some six or seven million pounds will be paid annually to ex-landowners. Some method must be devised to direct this money, at least, into industrial channels in an attempt to form a healthy blend between Egyptian and foreign capital. A more ambitious scheme would be to persuade banks to finance the period of waiting by taking up the bonds of those landowners who are willing to acquire new industrial shares instead. I would suggest further that a team of United Nations or « point four » experts be invited to survey our industrial potentialities and submit concrete proposals as to the type of industry which could be set up immediately. This would not only ensure that industry develops along the right lines but would also inspire confidence and make new company promotion easier. In addition to that, development schemes which have been under consideration for a considerable time such as the utilisation of the rich iron deposits of the Asswan area, the Wadi-Rayan project, the Kattara Depression project for the production of hydro-electric power which have all been held up by the clogged government machine of the old

regime should be given a chance to see daylight. We must take the plunge in the field of industrialisation even if it is only a bolt in the blue, for the simple reason that it is the only alternative open to us. We can't just sit back and watch our standard of living being gradually lowered through our inactivity without doing anything about it. I readily concede the existence of numerous obstacles which stand in the way of industrial development but we must remember that all industrial countries had to overcome much more serious obstacles. Countries which now have the highest technique of production started their journey along the arduous road to industrial greatness very poorly equipped. It is not so long ago that water had to be removed from coalmines by means of buckets carried by women and children. Frequent flooding, explosions and appalling working conditions were part of the price of progress. In short it is not long since the most rudimentary methods were used in industry everywhere. We are much more fortunate in not having to travel along the same arduous road but along a road which has already been paved by the valuable experience of others. Let us turn our back to the Malthusian spectre and forge ahead along the road to industrial greatness.