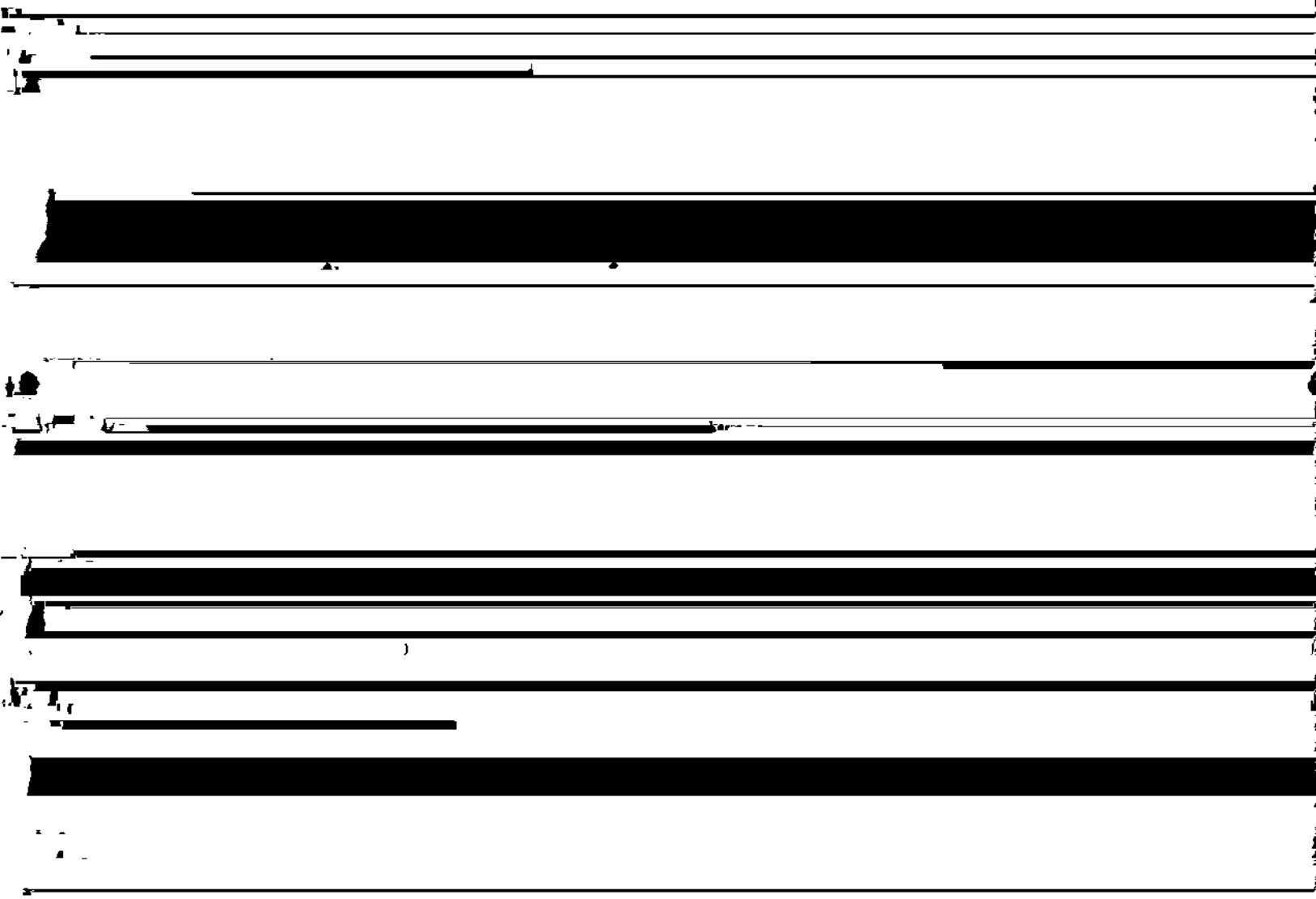




**PROCEEDINGS OF THE  
WORLD POPULATION CONFERENCE, 1954**

**Rome, 21 August - 10 September 1954**



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THE RELATIONSHIP BETWEEN POPULATION GROWTH, CAPITAL FORMATION  
AND EMPLOYMENT OPPORTUNITIES IN UNDER-DEVELOPED COUNTRIES

Raul Prebisch <sup>1/</sup>

1. On this occasion I shall refer particularly to economic development in Latin America. The problem of development has essentially two main aspects:

firstly, the absorption of the rapid growth in population and, secondly, the low productivity of labour.

Latin America as a whole has the highest rate of demographic growth in

millions; the recent annual rate of increase has been 2.2 per cent, or 3.7

population is still employed in primary production, mainly agriculture, while in Argentina, basically an agricultural country, this proportion barely amounts

late colonization the absence of the dense population that for centuries has

possibilities, also shows a similar contrast on a large scale. The consequent

necessity for internal migration is a factor which further complicates the

problem of immigration from overseas.

3. With regard to the relatively sparsely populated countries with land

available for settlement it might be assumed that the

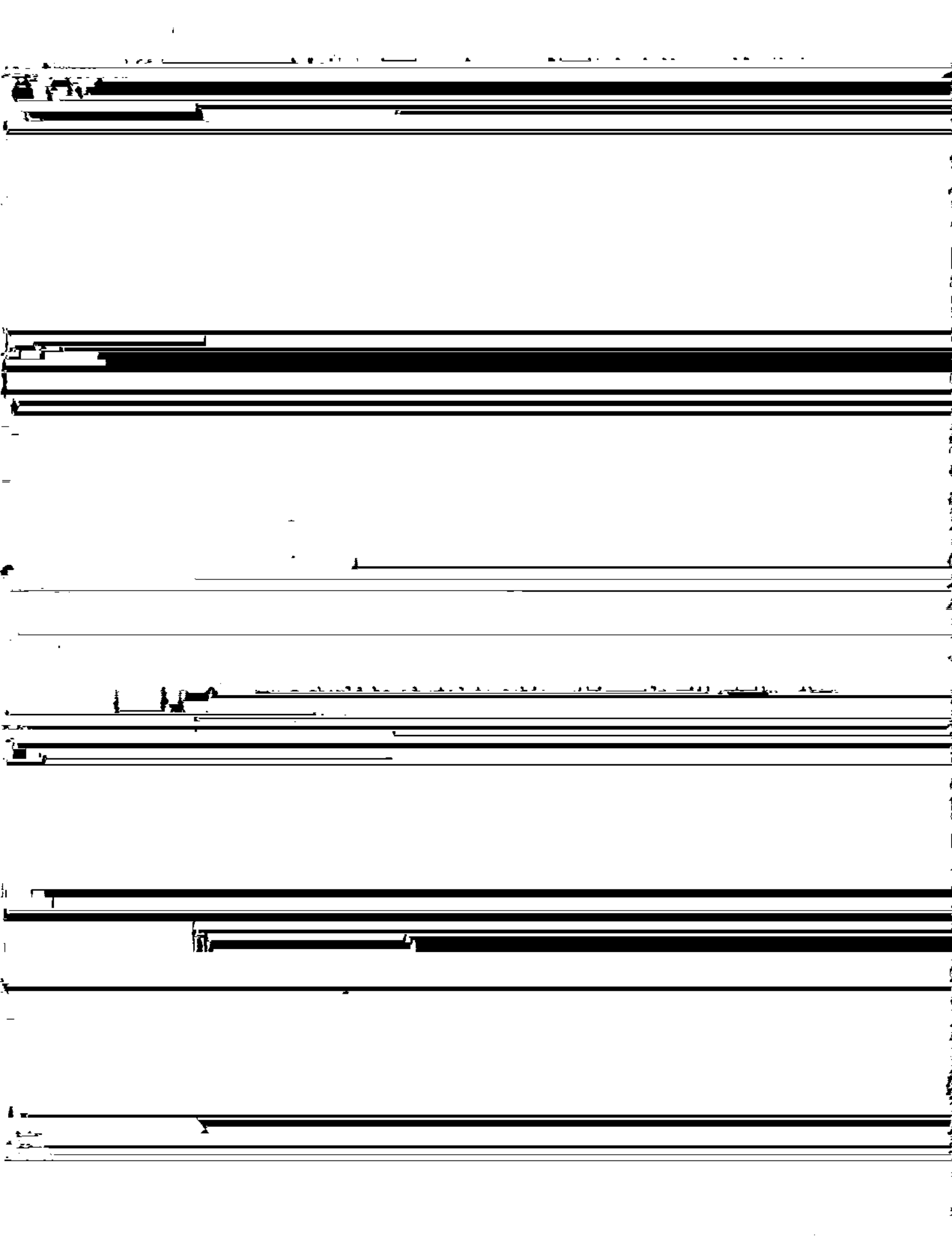
4. The stage in which Latin American growth was directed almost exclusively towards the overseas market has now come to an end. This does not imply that

full utilization is being made of every opportunity for increasing exports, nor that grave errors are not sometimes committed in wasting such opportunities. But, even in the best cases, the shift of the active population from primary production to industry and services is an inevitable feature of development.

rate of 4.9 per cent in the gross product of Latin America as a whole.

This growth is exceptional and has been influenced by temporary factors

whose recurrence appears improbable. The principal element was the improvement in the terms of trade, following the serious deterioration during the thirties. Approximately one fifth of the overall rise in the gross product is due to this factor and if its influence is eliminated the rate of in-





20 per cent would be necessary,<sup>7/</sup> which is equivalent to a net rate of 13.3 per cent. In order to understand its significance, it is necessary to recall that, during the years of the most favourable terms of trade, investment reached a maximum gross coefficient of 18 per cent for Latin America as a whole.

Of that net coefficient of 13.3 per cent, approximately 4.4 per cent

and the remaining 8.9 per cent would be required to increase productivity and





11. Previous migratory experience is no longer applicable under present circumstances. Until the world crisis, large migratory masses poured into certain Latin American countries and immediately found work without any need for an investment plan. Such countries developed rapidly due to the strong impetus of their exports which showed a steady and strong rate of expansion while

there was an abundant inflow of foreign capital to stimulate this type of development which was complementary to the European economy and subordinate

such an interest rate of growth is reached as a 4 1 per cent increase in the

U. S. DEPARTMENT OF COMMERCE, BUREAU OF ECONOMIC ANALYSIS, WASHINGTON, D. C. 20540

dollars in twenty-five years. At present the United States worker has a capital of 8,000 dollars, while at the end of the period it will have increased to 13,200 dollars, if the historical cumulative rate of growth continues. Even under the most favorable of the hypotheses which today seems at all

this problem has not received all the attention it deserves. 12/

13. The nature of this paper only permits a very general outline to be

tion in the process of economic growth. Naturally, the accumulation of capital is only one requisite, although a fundamental one. Nevertheless, it does not necessarily follow that Latin America will be able to expand during the next twenty-five years at the proposed rate even if the requisite capital is available. There are other formidable obstacles to be overcome, such as the proper utilization of the land, the training of the labour force and the preparation of experts. In the last instance, an accelerated rate of development will not be a spontaneous phenomenon but will largely be

STATISTICAL APPENDIX

Table 1

LATIN AMERICA: POPULATION, GROSS PRODUCT, OUTPUT  
AND AVAILABLE CAPITAL, 1940 - 53

	1940	1953	Annual rates of change 1940-53 (percentage)
Total population (millions)	125.0	166.9	2.2
Active population (millions)	44.3	58.3	2.1
Percentage of active population to total population	35.0	35.0	-

Effect of the terms of trade in  
relation to 1953 (millions of  
dollars at 1950 prices)

-2,100.0

-

-

Effect of the terms of trade in  
relation to 1953 (per centage  
of the gross product)

-9.4

-

-

Table 2

IMPORTS AND DOMESTIC OUTPUT OF CAPITAL GOODS, 1940 - 1953

	1940	1953	1940-53 (annual rates of exchange)	1940 (percentages of gross product)	1953
Gross investment	2,774	5,954	6.0	12.4	14.3



Table 3

UNITED STATES DEPARTMENT OF COMMERCE BUREAU OF ECONOMIC ANALYSIS

## PRODUCTIVITY BY SECTORS OF ACTIVITY, 1940 - 1953

	Active population		Gross product		Gross product per active person	
	1940	1953	1940	1953	1940	1953
	(millions of persons)		(millions of dollars at 1950 prices)		(dollars at 1950 prices)	
Agriculture and livestock	27.5	33.9	5,995	10,284	216	303
Mining	0.4	0.6	674	1,680	1,511	2,800
Industry and construction	6.0	9.6	5,491	10,639	916	1,108
Transport and public utility services	1.3	1.9	1,559	2,903	1,165	1,528
Trade, government and other services	9.0	12.3	8,708	16,071	966	1,307
Total	44.3	58.3	22,387	41,577	505	713
	<u>(percentage of each sector in the total) (all activities = 100)</u>					
Agriculture and livestock	62.1	58.1	26.6	24.7	42.8	42.5

Raul Prebisch <sup>1/</sup>

Summary

This paper discusses the rate of economic growth in Latin America and the absorption of population increase. The assimilation of technical progress and

Rapports entre l'accroissement de population, la formation de capital

Raul Prebisch<sup>1/</sup>

Résumé. Dans ce document, l'auteur analyse le rythme de l'expansion économique de l'Amérique latine ainsi que l'absorption de l'accroissement de la population

L'assimilation du progrès technique et les transferts de population active du secteur primaire et des autres branches d'activité à faible productivité vers

<sup>1/</sup> L'Inde et les pays en développement sont étudiés en tant que systèmes essentiels de la région.