

SOME ALTERNATIVES TO DEVELOPMENTS ; LESSONS FOR LIBYA *

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There was once a mission to an underdeveloped country which found a lack of resources and a great deal of poverty. The people in that country said, "What do you recommend we do for economic development ?" The answer was : "You should find oil !" Libya has already followed this advice with such success that even the people in the oil business are almost embarrassed by the wealth that they have found. This creates not only an interesting challenge of how to develop with riches, but also proves that capital is not necessarily the most important factor in development. Capital alone is not worthless, but it certainly does not solve all of the problems — it merely solves one part of the problem and it even creates some others. Fortunately, the problems are the comparatively happy ones of riches. Nevertheless, unless their existence is realized, oil could turn out in the long run not to be a blessing to a country like Libya.

Another lesson learned over the years in economic development work is that underdeveloped countries have an enormous diversity. The range of problems is much greater than was once realized. At one time it was thought that the problem was a common one of lack of resources or lack of capital, usually with a surplus of labor. By applying the scarce element in larger quantities, it was thought that the

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problem would be solved easily. Libya is finding that the problem is not easy to solve. This fact emphasizes once more the importance of learning from the experience of others, and particularly from their negative experience. I think that much more has been learned about what will not work in economic development than what will work, because there are many more things which can lead to trouble and disaster than there are things which can lead to success.

I have entitled my talk "Some Alternatives to Development," because I do not regard economic development as inevitable. In fact, many countries by their policies are ensuring that they will have very little development, or that their development will be disappointing and unsatisfactory in relation to their needs. I may, therefore, be able to give some frank observations about some lessons of economic development which I have learned in other countries and which I think may have some meaning for Libya at this stage. My objective is to be slightly controversial in an attempt to generate a greater interchange of ideas. How much meaning my comments will have for Libya depends on an interpretation by others who have more knowledge than I about the local scene.

Dangers of Industrialization

It may seem strange for someone who has spent much of his life in industrial development work as I have done, to suggest that perhaps one of the greatest dangers in underdeveloped countries is too much industrial development of the wrong kind at the wrong time. While my experiences in Libya are very limited, it seems to me that one of the greatest traps that this country could fall into would be to spend hundreds of millions of dollars quickly in starting new industries. The world is full of salesmen who would be very happy to sell factories which could be started with great speeches and publicity. In the beginning it would look like wonderful progress, but in a few years the reality of the situation would become evident. Libya would find that most of the industries would be uneconomic, that most would require

continuous subsidy, and that they would fail for a variety of reasons.

The most common reason why industrial development turns out to be a disappointment in developing countries is that the market is usually too small for most types of production. As technology has advanced in the world, the scale of economy in most industries has grown very fast and has become very large. A small country of one or two million people, or even ten or twenty million, finds it very difficult to produce most things economically. Naturally, there are some products which have a local market by their very nature, and they may be logical candidates for this country. In fact, I am surprised that there is not a more substantial garment industry established in Libya. Some other things are imported which could be made locally. Building supplies are a logical possibility for manufacturing on a large scale. But when one finally gets down to numbers, a population of less than two million, even with the present gross national product of Libya, does not make many industries economic, which means that if Libya has them, then they will have to be subsidized. It is not just a matter of paying subsidy — serious though that may be in a diversion of wealth and resources from other uses — but it means that the consumers will be exploited by these new industries by having to pay high prices for what at the beginning, at least, may well be low quality products. Monopoly situations will also develop because the market frequently is not big enough for more than one factory producing each product. It will also be found that the consumer who today has a choice of goods from all over the world, will end up with a choice of goods from only one factory. This situation will be very unsatisfactory economically and probably politically in the long run. It will lead to dissatisfaction and resentment, and there will be animosity developed towards the owners of these factories who will be accused of exploiting the public, which in some cases they will be doing.

I have seen this pattern on many occasions in Latin America where the chief enemies of development in the country are the new industrialists. They have established a monopoly situation, making high profits

and selling inferior goods. The public sooner or later comes to resent this situation, and will turn on them politically. This is one of the by-products of the wrong kind of industrial development.

Another feature which has to be kept in mind is that industrial development does not create many jobs. If the objective is to employ more people productively, then industrialization may not be the best way to do it. I think of the experience of Puerto Rico. Their access to the U.S. market has enabled them to create one of the most successful industrial development programs in the entire world. They have had over one thousand factories established in a country with about the same population as Libya. But, they have not, by this process, reduced their rate of unemployment. Only migration and a start on birth control has helped to solve this problem; it has not been industrial development that has improved their economic position in the sense of providing jobs.

Another thing which should be kept in mind is that the creation of a few, big, successful industries based on natural resources such as oil, will not in themselves create a basis for industrial development. Some years ago as a consultant, I was asked to advise the American state of West Virginia on their economic and industrial development prospects. They had been very successful in attracting large industries using electric power, because they had huge resources of very low cost coal. Extremely large electro-chemical and electro-metalurgical industries were established adjacent to the coal mines. The idea became common in West Virginia that once big primary industries were successfully established, it would be very easy to attract the secondary and tertiary types of industry, producing consumers' goods. They thought that having big aluminium factories, they would then have factories producing goods made from aluminium. It took only about one month's research to determine beyond any doubt that they were not having any success in attracting secondary industries, and that they would not have any success. In fact, the greater their success in attracting the big basic industries, the less likely it was that actually they would attract

industries. The reason was very simple. The big electro-chemical and electro-metalurgical industry, just like the oil industry, use very few people. They are capital-intensive industries. Therefore, what they are interested in is continuous production. Whether the wage level is high or low does not really matter, because labor cost is a very small part of their total costs. Thus, such industries are always very willing to give wage increases to its workers or anything else to prevent a strike. But, wages, in effect, prevent the establishment of labor — intensive industries which must have low labor costs.

This, I predict, will be the experience in Libya. The success in establishing the huge Esso liquified petroleum factory, which is said to be the biggest of its kind in the world, will tend to create a level of wages in the country and an expectation of wages which cannot be afforded by most secondary industries. The level which the government can afford to pay for its employees will also be high and this will further discourage secondary industries. Admittedly, civil servants do not work in secondary industry. But once you have established a level of wages in a country, you cannot have a second group of workers receiving wages of one-quarter of that amount ; they will not accept it. This fact will discourage a broad industrial development.

Another factor is that in the kind of a situation where the government has a huge amount of money, where there are few entrepreneurs, and where there is very little private capital, the most obvious type of industrialization which can occur is state industrial development. It has only taken my work in dozens of different countries, for me to observe that a successful government manufacturing industry is a very rare thing in this world. I do not know how much progress Communist countries have made in establishing successful and efficient government-owned factories, but certainly in the rest of the world, I would suggest that not more than five per cent of the government industries operate with even reasonable levels of efficiency. There are many reasons for such inefficiency : decisions made on political grounds, placing of political friends in positions of importance, giving employment to

people on the basis of political support, placing factories in poor locations for political reasons, and so forth. These things happen with government industries ; they rarely happen with private industry. In Libya's situation, only the government has the capital to start the industries, and this is a dangerous process which generally results in very inefficient industries.

I might add that I came to this conclusion somewhat reluctantly, because in an advanced country such as my own, the situation is slightly different. Canada has an abundance of technical and management skills, and there is a tradition in the government of things being handled quite efficiently. As a result, Canada does not have quite the same distortion in government industries as I later discovered in other less developed countries.

It would be very easy for Libya to establish 100 or 200 industrial establishments. It could be done within two years with the money which is now available. Libya could cut off the import of foreign goods, and force the people to buy Libyan — made products. But I think that it would be a great tragedy if this were to happen.

In a way, Libya is proving the elementary economic principle that each country should do what it can do best with the greatest economic advantage. In most countries where I worked I have emphasized the importance of developing export industries ; things which can be manufactured in the country and exported competitively. Recently I discussed a consulting proposal with the Government of Peru which would be aimed at this exact purpose of identifying ten or twenty types of products which could be manufactured in the country for export. It will be difficult to find the products, develop the industries, and make them competitive. But Libyans have stumbled upon one of the world's most successful export products. There is a growing world-wide market for petroleum and it is a product in which Libya has an advantage when compared to most of its competitors. Thus, Libya has not had the long and difficult process of developing exports which Japan has built its success upon.

With these words of warning, I do not want to leave the impression that Libya has no opportunities for industrial development ; I am sure that Libya has many opportunities. But they have to be very selectively chosen and entered upon only after *very* careful and objective economic and technical analysis. It is much more important for Libya to analyze the situation very carefully than it is for a country like India which lacks foreign exchange and has such a huge surplus of labor. India's labor is virtually idle, and anything which it can produce is an economic gain for the country. Anything which can save or earn a little foreign exchange is of great benefit for India. A country in that position has no choice but to industrialize, even though some of its industry may be inefficient. When the market is as large as it is in India, then the prospects for industrialization are good. But in Libya, the situation has to be viewed with much greater selectivity, because most things will be uneconomic and only a few things will be profitable enough to justify manufacturing locally. Thus, while some industries will be important for Libya, they cannot be chosen carelessly. An industrial development program for Libya should be based upon much more research and analysis than in most countries. When this is done, I am sure there will still be some opportunities that will be amply justified and well worth the investment of capital and the training of labor even though it is a long and difficult process.

Alternatives to Industrialization

One alternative to industrialization is the development of service industries. In the modern world, service industries have come to assume a much more important role in terms of employment of people. In the United States today, only sixteen per cent of the labor force works in manufacturing, and the percentage is continually declining. The service trades on the other hand, are growing rapidly. This is one way to measure economic development. In a country such as Libya where the basic problem of foreign exchange has been solved it may be possible to bypass much of the manufacturing stage of economic development which is long and difficult, and move directly into the training

and employment of labor for service industries where in the long run there are better opportunities to employ a larger number of people more productively.

A second alternative to industrialization is the field of agricultural development. The visit I took into the Gebel Akdar was very educational, because it illustrated that there is a great opportunity not developed yet for agricultural expansion. I saw a few isolated examples of citrus fruit farming, the development of poultry raising and the growth of trees, which indicates that moisture is present. At the same time, I saw indications that enormous quantities of water are wastefully flowing to the sea every year and I think that it is fairly obvious that a large scale and a well designed water conservation program could make the whole area between Benghazi and Derna a paradise of agricultural productivity. Dams and reservoirs in the mountains for control of water flow, the use of adequate fertilizers, and other modern techniques would be beneficial. But when I saw NASA's collection of expensive machinery near El Marj, I was rather disturbed, because it made me wonder whether the first emphasis should be on development other than agricultural mechanization.

I would like to describe a model agricultural project in Mexico which may have some meaning for Libya. This project includes a valley which has several thousand hectares of land and about five hundred peasants who are growing corn according to the traditional methods of cultivation. By using oxen ; no fertilizers, insecticides, or herbicides ; and the old types of seed they get about one to one-and-a-half tons of corn per hectare per year. In the experimental project, various plots have been planted with corn using the best type of seeds, large quantities of the right kinds of fertilizer, insecticides to kill the insects, and herbicides to kill the weeds. In the first year of this experiment the peasant obtained an average yield of greater than five tons per hectare using the traditional methods of cultivation without mechanization. They have also found that by using better varieties of corn, they can reduce the growing season so that two crops can be

cultivated each year. It is perfectly evident that even at the present price of corn, the farmers income will be increased from five to ten times just by using these modern methods without mechanization and with very little capital. This particular project was based upon the idea that to modernize peasant agriculture it is necessary to inject not only capital but also modern science and technology quickly and on a large scale. In this manner, the results can readily be seen for their educational impact. The plan is to establish a commercial corporation which will be owned jointly by the farmers of the valley and the foreign companies which have the technical know-how. After paying the farmers the same price as they are presently getting for their corn — giving them five to ten times their original gross income — the profits which remain are to be divided equally between the foreign investors and the local farmers. But after a period of about fifteen years, some of the foreign-owned shares will be turned over to the farmers. By the end of thirty years, the foreigners will be gone and the farmers will own and run the entire corporation. This project has received strong support from the Mexican government, and it will be a model for similar projects in other parts of the country. Something like this Mexican experiment may have a potential for Libya and other parts of the Arab world as a means for combining the best of foreign technology and the local farmer who has the incentive to improve his well-being once he has seen the possibilities. Naturally, he will be suspicious until he has seen the evidence that it will work.

In this whole field of agriculture, I think the modern approach which will be productive is to use what is called the "systems approach." In agriculture, technical assistance has traditionally been fragmented. You have an expert in soils, you have an expert in seeds, you have an expert in agronomy, you have an expert in processing, and so on. You may have five or ten experts each working in a country, but usually their work is not closely related. I believe a more productive approach to agricultural modernization would be to use systems analysis whereby as a team five or ten experts will study one product. The soils expert will analyze the soils to determine what can be done to change the soils

if necessary. The fertilizer expert will determine what kind of fertilizer will be the most productive given the conditions of the area. The expert on seeds will know or develop the kinds of seeds which fit the situation. The expert on cultivation will know what kind of harvesting method, cultivation, and machinery which is necessary. The processing expert will know how to handle the ultimate processing of the crop. All of these requirements must be integrated and treated as a common problem rather than a fragmented one. In this way, better results can be obtained.

The Bureaucratic Alternative

Another alternative to development is bureaucracy. In most developing countries, the economic activity which grows the fastest is not industry, manufacturing, or agriculture, but government. There seems to be a talent throughout the underdeveloped world to multiply government employment out of all proportion and reason. As a result we see developed a *new parasitic class*. This term does not mean that the individual is to blame, but too often his objective in getting an education is merely to get a government job. Many times an individual who is educated at great expense to the general public gets a government job and then just sits and does practically nothing. This is particularly true in India, many other parts of Asia, and much of Africa. When I visited Beida and saw the huge development of office buildings and housing, I could not help but feel very disturbed that perhaps Libya is committing the same mistake. The multiplication of officials, regulations, and controls can absorb an enormous amount of capital, effort and wealth yet produce nothing. I was also made to wonder about that possibility when I found that Libya has much tighter controls on visas and entry than most other countries. In addition, I am very surprised to notice that Libya has a very tight foreign exchange control system. Of the sixty-five other countries I have visited, I have not seen one which has less reason for foreign exchange control. This country has huge and rapidly growing foreign exchange reserves, and I cannot think of the purpose and benefits of these exchange controls. I am afraid

that what can happen is that the growth of administration, controls, and regulations will be the form which development takes in this country unless people are very conscious of the need to prevent it and to channel the resources into more productive fields.

The Consumption Alternative

It seems to me that an amazingly high percentage of the resources of Libya are being devoted to forms of consumption rather than development. I would regard consumption as being a third type of alternative to development. I know that much of Libya's attempt to develop goes under the heading of "infrastructure". But there is a danger that this fine-sounding word can conceal much expenditure which does not really create infrastructure but is really consumption. I am not against a country having good roads or the people having good housing, but these at a certain stage of development are a form of consumption. I have never in my travels seen a country with such a great emphasis on the construction of roads and buildings. Such construction is necessary, but it can become an end in itself, and it can become an alternative to things which would be more productive for the development of the country. I would rather see poor roads and the construction of water reservoirs so that agriculture could be developed. It is fine to see so many new school buildings. Nevertheless, most do not appear to be used yet, and it may be that the increase in the number of buildings has far outpaced the education of new teachers. If this is so, then the emphasis of investment must be reversed.

There is also a great danger in any developing country that much of its capital will be wasted away in the building of monuments. I lived for two years in Burma, which is a wonderful country. But they had a custom there which is called "pagoda building." They build golden temples, and they put their wealth in a very conspicuous form on these places of worship. They feel that they gain great merit by building these expensive evidences of their wealth and their religious faithfulness. But it would have been much better in Burma had they put their

money into the training of teachers and into achieving better productivity in agriculture. Every developing country has this problem of how extravagant its monuments should be. The answer is one of emphasis, and, to me it is an unhappy thing to see monuments in a country as an alternative to development.

The whole trend which I see as a danger to a country which has suddenly become rich is that everyone will become dependent on the government, because the government is the primary source and distributor of wealth. People's objectives in such situations will be to work for the government. They will lose whatever enterprise they had because there is no point in making something with their hands, establishing a workshop, or working hard to develop some crops in the field when it is easier to take a job with the government. This means that the people and their spirit can be ruined by the very wealth which they are enjoying. Such a situation can occur if governmental operations become a consumption item. The crucial question then is will success spoil Libya? There is a real danger that success can spoil Libya by making its citizens incapable of making the changes required for viable development.

The Nationalistic Alternative

A fourth alternative to development which exists throughout the world is nationalism and the things which go with it. I have observed that one of the big barriers to development is a nationalism which leads to the development of uneconomic industries, isolation from world markets, and attempts to create economic self-sufficiency whatever the costs. Argentina is a case which illustrates how extreme nationalism can be detrimental. Argentina is potentially one of the richest countries in the world as it has good agriculture, an educated population, and many opportunities. Thirty years ago, Argentina had a large gross national product than Canada. Today its GNP is less than one-third of that of Canada. These two countries are very similar in climate, people, and resources. But in Argentina the nationalistic feeling that a proud nation should produce what it needs to consume led them through false

thinking to develop thousands of industrial plants producing at two to three times world costs. They felt that it was a loss of dignity to continue exporting meat, wheat, and other agricultural products to the world while importing manufactured goods. Yet the alternative resulted in two thousand dollar automobiles being produced at a cost of six or seven thousand dollar and twenty-one motor vehicle companies as compared to four in the United States. This process led from one stage to another, gradually becoming more illogical all the time. It became so entrenched politically that even today the country has not regained its economic sense.

Argentina is an extreme example, but it can happen in any country. I have seen small countries trying the same process of building walls around themselves instead of realizing that the trend of the world is towards international economic relations which benefit all countries. It would be a particular tragedy if Libya, now a major world trading nation, turned its back on the enormous advantages of trade. Basically, trade comes down to one of the most elementary principles of economics that the greatest gains are achieved through comparative advantage. Libya is one of the best and cheapest producers of one of the most valuable products in the world. By maintaining a free and open economy, Libya can benefit from the cheapest and best products of the entire world. The whole world can be Libya's factory instead of a few little workshops which produce inefficiently.

I also wonder if Libya might not well follow in the footsteps of Kuwait and recognize that one of the best hedges against the distant day when oil will become depleted is a foreign investment portfolio policy. Investors of developed countries are continually told that they should invest internationally and that they should regard and try to make the world a real common market. Libya is somewhat in this position. Perhaps one of the greatest economic development opportunities for this country is to search the world for the best investment opportunities. If Libya recognizes that profitable investment, whenever that may be, is the best protection, then may be investments would

be made in Europe, North America, Australia or elsewhere. Perhaps twenty million pounds invested in Canada or Australia may do more to protect the future of Libya and Libyans than the same amount put into a factory in Benghazi.

Another opportunity which Libya should keep open is to maximize the coming and going of people. My visit is an illustration that some Libyans already believe in this principle. But it is something which can be vastly expanded. With the resources which the country now has, it would be possible to enable hundreds, may be thousands, of Libyans each year to go abroad on specific missions to study and learn. When I think of projects put in the wrong places, projects that are badly managed, projects which are too small or too big for the market, and projects which have other faults, it seems that the first thing to do when contemplating a new industry in Libya is to send a mission to wherever a similar project has been established or attempted so as to discover what problems can be expected. As a rule people in these other countries will openly tell their experiences. There is little secrecy in this world and really very little secrecy in business or industry. Most people are delighted to tell you what they did wrong if you approach them in a friendly way.

If Libya were to support a selective tour of three or six months, say of University graduates, to visit Egypt, Italy, England, United States or other countries so as to see different industries and problems in the developing world, then an enormous amount would be learned. They would come back much wiser and perhaps less optimistic about some things. Such a program would be one of the best investments in developing wisdom about prospects for the country.

Another field which should be kept open is the area of migration. I do not know when Libya is going to have a serious population problem. It may be a long time before Libya's situation approaches that of Egypt. But eventually it is coming. No nation can allow its population to increase at the rate of three percent per year indefinitely, especially a nation with limited resources. The time is certainly going

to come when the survival of Libya, just as any country, is going to depend upon a control or limitation of population growth. This may come partly through birth control, and it may partly come through migration.

I was very interested to recently hear that many people are now migrating from Egypt, even to Canada. I view this as a very healthy development in terms of a better distribution of the world's people and economic opportunities. Frequently it is much better to move the people than it is to try to move the capital and to establish industry in uneconomic locations. It might be much better at some point for ten thousand or one hundred thousand Libyans to move to Canada than for an attempt to be made to develop industries in Libya which lack the market or materials which are necessary. The more a country can do to establish and open up the right kind of international opportunities for its people, the better will be its economic growth, world development and the opportunities for individual betterment.

Another opportunity for Libya is to try to develop reciprocal relations with a complementary nation. It has become fashionable to look upon colonialism as being a very evil thing, and of course in many ways it was. But colonialism also had very definite economic advantage such as the interchange of people and capital between complementary economies. Today, the idea of increased relations between complementary nations is popular. For example, Canada is a country in the north, basically with quite a cold climate. In the Carribean, the islands produce tropical products. In a economic sense, they are in a very complementary relationship to Canada. Thus there is now quite a bit of interest in establishing free trade relations and free immigration relations between Canada and the Carribean. Such an association could be enormously beneficial to both parties. Possibly, Libya should consider establishing some type of linkage with a country which is completely different from Libya in climate, people, and resources. Switzerland or Sweden would fall into this category.

There are also the opportunities which come from regionalism.

One of the positive things learned about development is the great advantage of regional development. In particular, the European Common Market has more than anything else been responsible for the great economic advancement of Europe during the last ten years. But such regional co-operation is not limited to developed areas. About ten years ago, five small poor Central American countries, which produce similar products, began to work on the common market idea. They now have completely free trade between the countries. This cooperation has had an almost magic effect on their development. There is now much more foreign investment coming into the area, because, with an expanded market of ten or twelve million people, many more industries are now economically sound. The result has been a major economic boom in Central America which will continue for some time.

The Central American experience makes me wonder whether enough attention has been given to the possibilities of an Arab Common Market or a common market in the Maghreb countries. It is true that there is a competitive nature to these economies, but the very fact that you could combine many more people in the market would make many more industries economic. It may be that out of the thousands of products made in the world only a few dozen would be economic to make in Libya today. But I venture to suggest that if Libya could have a common market even with four countries then ten times as many products could be economically produced and some perhaps even exported. In this field, Libya has an opportunity to give some leadership, because the country with the money is in a wonderful position to give leadership. In the beginning, Libya's most beneficial role may be to act as the banker for the area. If Libya were to establish more open relations with her neighbors, then Libya might find good investments in those countries and reciprocally, Libya could open markets to those new and expanding industries. Such regional cooperation would be of benefit to both Libya and the other countries.

The Importance of People

Economic development is not something which can be imposed on

a country or region merely because suddenly capital is available. If economists have learned anything about development in the past fifteen years it is that it is basically a human problem which cannot be solved just with money or foreign aid. It is something which involves the development of motivations and attitudes which, in turn, require a breaking of the old traditions and customs. This does not mean that transforming the old society requires violence although sometimes this may be the only way. But the transformation must be achieved in one manner or another, because the old conservative societies of Asia, Africa, and Latin America are not developmental societies. The progress which they can have while preserving their old attitudes is bound to be limited.

How does one develop motivation in a traditional society? The basic answer, of course, is education. There is no doubt that the university and the school constitute the two most revolutionary institutions in the world today — far more revolutionary than the Communist Party or any other political groups. Education is changing peoples attitudes and opening their eyes to new opportunities and approaches.

Nevertheless, there are still great obstacles to the development of education. In many countries the whole process of development is perverted by the strength of the military groups. The military frequently views itself as a new elite because they are better educated and are more organized than anybody else. In many developing countries we have seen the military groups use their strength to steal the fruits of development for their own selfish advantage. Often the military becomes a conservative force attempting to hold back progress. In some countries they become a revolutionary force, but even in those countries what one notices is that the military people who start out as revolutionaries very quickly become the prisoners of their own conservatism and their own ignorance about economic development. Military academies do not train people to become administrators or developers. While there may be times when the military in a developing region may preserve order and carry the country along until something better can

be developed, many times the military administration establishes a new elite which constitutes a barrier to any type of development.

Another thing which I have noticed in places like Nigeria is that political freedom which is necessary for open thought can very easily lead to powerful and often corrupt elites amongst the political aristocracy. Such a state of affairs was reached in Nigeria that the politicians were overthrown, and many of them were killed. This upheaval was quick punishment for the politician's part in diverting the capital of the country into personal channels. Such a diversion constitutes another type of alternative to development.

The creation of a development situation requires a good deal of openness, encouragement of mobility, and law and order in a society. I am not one who regards the trend towards urbanization as particularly evil or harmful. It has bad features, of course. But at the same time, it has development features, because the people who become mobile and move from a poor rural area to the city are immediately exposed to forces of modernization and education which are the keys to development. Unless urbanization occurs it will be much harder to take education and modernization to the rural society.

Conclusions :

It is a revelation to see a poor country which has suddenly become wealthy and which has thus solved the one great problem of capital for development. But at the same time I have fears and doubts about Libya's future even though I have no concrete answers. I think Libya is in a very dangerous and critical moment in its long history. If the development problems are handled wisely, then the country can become a model for the world of how to use capital effectively and quickly for development. May be one can say that what oil does for Libya is to buy time. We do not know exactly how much time, but certainly it is time which cannot be wasted by uneconomic investments or measures which will stand in the future as barriers or alternatives to sound economic development.