large as in 1953, an increase of about 13 percent per annum compounded. This is at current prices, and the annual rate of increase might be 1 or 2 percentage points less at constant prices.

In other words, the increase foreseen for 15 years was approximately realized in 5 years. As table II–1 shows, the strength of actual performance in relation to the projections was pervasive, extending to most product groups and geographic areas.

Structure of Wages in Less Developed Countries

One of the conditions for a continued rapid growth of the trade is that the structure of wages in less developed countries not be such as to nullify their comparative advantage in labor-intensive products. A few years ago Lloyd Reynolds suggested that "interindustry wage dispersion tends to reach a maximum some time during the early stages of industrialization and to diminish gradually after that point." [8] This is what one would expect under free-market conditions, assuming that skills are relatively short and unskilled labor abundant in newly developing countries, and that these disparities in supply are gradually overcome.

Recently, however, a growing literature indicates that interferences of one kind or another tend to narrow wage differentials between industries or occupations in many of the less developed countries and so to raise costs in their more labor-intensive manufacturing branches. Frequently the stress is placed on labor unions as the main force underlying the development of wages. Legal minimum wages may, however, be a more general and powerful influence on the level and structure of wages in less developed countries to a degree not matched in more developed countries. An authoritative analysis in the organ of the International Labour Office,[9] in discussing changes in wage differentials by skill in the less developed countries, attributes minimum-wage policies to widespread disapproval of the wage levels of unskilled workers that would otherwise obtain. But he adds that "if governments insist that unskilled wages should increase independently of the forces of demand for and supply of unskilled labor, there is a likelihood that unskilled wages may increase faster than skilled wages." The author then quotes an earlier article in the same review (1959), finding "an extreme uniformity of wage rates in Brazil" attributable to public intervention, particularly the minimum wage, and cites other evidence of a tendency for the skilled-unskilled wage differential to narrow in "many African countries" and "some Asian countries." "This," he explains, "is because legal minimum wages are relatively high in these countries and are raised from time to time irrespective of the underlying conditions." [10]

Several unfavorable economic consequences are associated with tendencies toward uniformity of wage rates irrespective of skills. One is the discouragement of effort by workers to acquire higher skills. Another is the inducement to entrepreneurs to adopt more capital-intensive methods of production than they otherwise would or to save on labor in other ways, thus inhibiting the growth of employment. A

[8] L. G. Reynolds and C. H. Taft, *The Evolution of Wage Structure,* New Haven, 1956, p. 356.

[9] "Wage Differentials in Developing Countries: A Survey of Findings," by Koji Taira, *International Labour Review,* March 1966, pp. 281–301.

[10] P. 287.