

They include:

1. An inflow of capital into the LDCs which may be instrumental both in raising the productivity of labor and in allowing a larger labor force to be employed. If the real wages earned by the workers in new enterprises exceed their former wages (typically agricultural), the host country will gain economically and benefit socially.
2. A contribution to the less-developed countries' foreign exchange resources.
3. A further financial benefit in the establishment of a new tax-paying enterprise. These benefits in the various forms of local taxation often constitute a sizeable proportion of the country's revenues.
4. A transfer of modern technology including managerial and technical skills. The subsidiary company in the LDC has at its command the technological and managerial innovations of the parent company or its affiliates.
5. The training of local labor in new skills and knowledge.
6. The establishment of a higher degree of efficiency in production. The hypothetical alternative--a local public project--would not be subject to exacting standards of performance dictated to the private company by competition.
7. The creation of ancillary service industries.

In sum, capital accumulation at an adequate rate within the LDCs is the key to the increased production necessary to improvement of LDC living standards. Such a process requires stimulation, for the natural tendency is for capital to flow away from less-developed areas.

The Importance of Keeping Questions Open

Development, and especially the problem of capital formation, have been subject to much debate, theorizing, and discussion. One gain has been the recognition that this field of study is enormously complex, and that no ready solutions are available. The phenomenon of newly independent but underdeveloped nations--juxtaposed to other nations with advanced, industrial economies--is itself new to our time and past experiences with development