DEVELOPMENT: THE STATE OF THE WORLD AT THE BEGINNING OF THE THIRD DEVELOPMENT DECADE

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I. A CRITICAL ANALYSIS OF THE OBJECTIVE OF DEVELOPMENT DECADES

THE central purpose of this paper is to review critically the progress of the first two development decades and to examine whether concrete results have been obtained towards the achievement of the U.N. Charter goals and the objectives of the first and second development decades.

In Section I, the objective of the first development decade will be critically examined. The extent of abject poverty, unemployment, underemployment, and lack of self-reliance in the developing countries of Africa, Asia, and Latin America will be analyzed in Section II. Section III will discuss the current problems of foreign aid and military expenditures in the world. The existing order of global capitalism has produced a condition of global apartheid and hence cannot be supported. The moral responsibility for a new international economic order is stated in Section IV.

Article 55 of the U.N. Charter states, "The United Nations shall promote higher standards of living, full employment and conditions of economic development, and also promote solutions of international economic problems as well as foster international cooperation."

It is in the desire for achieving the above goals that the United Nations officially designated the 1960s as the first development decade. The second development decade began in 1971 as a follow-up to the first decade. Now we are due for the U.N. General Assembly to adopt another ten-year international development strategy for the 1980s.

According to the U.N. General Assembly resolution 1710 (XVI), the objective of the first development decade was to "accelerate progress towards self-sustaining growth of the economy of the individual nations and their social advancement so as to obtain in each under-developed country a substantial increase in the rate of growth, with each country setting its own target, taking as the objective a minimum rate of growth of aggregate national income of 5 per cent at the end of the Decade. . . ."

Although the General Assembly in its resolution did refer specifically to social advancement, it laid down a precise quantitative target only for the increase in aggregate income. Social advancement is not synonymous with increasing aggregate income. It ought to cover income distribution, employment opportunities, the adaptability of the society to the innovation and its self-reliance. The definition of social advancement which ignores them and concentrates solely on growth is thus wholly misleading primarily for the following reasons.

First, the rate of growth of aggregate national income may not indicate any improvement in the standard of living of the majority of the population. In the typical developing countries of Africa, Asia, and Latin America, the richest 5 per cent get 20 per cent of GNP and hence it is quite possible that despite the rapid growth in GNP, the poorest 20 per cent of the population in many countries are often not getting any better off, indeed in some countries are getting poorer.

There is little evidence of any automatic "trickle-down" of the benefits of economic growth to the poor. For example, real GNP in Brazil doubled between the period 1967–74, reflecting an average growth rate of 10 per cent per year. The Gini coefficients (which are aggregate inequality measures and can vary between zero—a case of perfect equality—to one—perfect inequality) of inequalities in Brazil households increased from 0.60 in 1960 to 0.64 in 1970 [4, p. 26].

Mexico also achieved significant economic growth during the last two decades. The Gini coefficients of inequalities in Mexican households increased from 0.53 in 1963 to 0.58 in 1975. The income share of the poorest 40 per cent there declined from 11.1 per cent in 1963 to 10.5 per cent in 1969, while the income share of the richest 10 per cent increased from 49.9 to 51.0 per cent during the same period [7, p. 212].

Secondly, one of the basic objectives of social advancement should be to maximize employment opportunities. In most poor countries, a large reserve army of unemployed labor keeps wages down to a bare subsistence rate. If workers begin to organize for higher wages, domestic capitalists and transnational corporations (TNC) may counter by replacing labor with machinery. Ostensibly this is done in the name of technical change, but it has the effect of creating more unemployment, and increasing exploitation of the workers. Since the postwar growth in most poor countries has been based on capital-intensive technology, it has seriously limited the growth of jobs and employment opportunities.

TNCs more often than not deem it preferable to extend the existing production technology of the developed countries into the poor countries (even though they have limited supplies of capital and a surplus of labor in most cases) than to incur the costs of evolving completely new, untried, and perhaps "risky" technology which might be more appropriate to the local conditions of these poor countries. Moreover, in some developing countries, unnecessarily high capital-intensive technology may be the result of market distortion by the host governments when they exempt imported capital goods from duty, by granting favorable tax treatment on fixed investments carried out by TNCs. The maintenance of highly overvalued exchange rates and a monetary policy of keeping rates of interests substantially low encourage the capitalists to use technologies that are more capital-intensive than they would if exchange values and interests rates were at their real market levels. This bias is further aggravated by setting statutory minimum wages above the free market rate. In the circumstances, there may be the tendency of the capitalists to think that the capital is more controllable and more predictable than the behavior of employees, their unions, and the industrial tribunals.

Thirdly, the rate of growth in GNP tells us very little about the content of growth. Although the GNP is an impartial measure of both the production of cars and that of rice, it shows a bias in favor of luxury goods which are highly priced. Thus a country may enjoy high growth because of a rapid increase in production of high cost luxury goods while leaving masses of its people in abject misery. Even though the rich may constitute only a small proportion of the population, they control a very disproportionately large share of national resources of land, capital, and technology. Their dominant purchasing power in the market can bias towards manufactured luxury goods even while the masses are barely subsisting. Hence raising aggregate incomes alone is insufficient in view of the lack of information of the consumption patterns of the poor and availability of essential goods and services.

Lastly, the emphasis on GNP leads many social scientists to follow a "blaming the victim" approach in the sense that they would put the blame on the so-called population explosion in the Third World. Population growth cancels out all the efforts deployed by the developed countries to make a better world. McNamara, the president of the World Bank, tells us, "Short of thermonuclear war itself, it [population growth] is the gravest issue the world faces over the decades immediately ahead. Indeed, in many ways rampant population growth is an even more dangerous and subtle threat to the world than thermonuclear war, for it is intrinsically less subject to rational safeguards, and less amenable to organized control" [10, p. 3].

This brand of "neo-Malthusianism" should be rejected lock, stock, and barrel with reference to underdevelopment. It is about time the privileged ones stop blaming the Third World for having too many people to register any increase in GNP per capita. The myth of overpopulation causing underdevelopment is used even by distinguished economists such as Cooper.

> Close contact with former colonial powers, and more generally economic contact with Western countries, has left the former colonies and other dependencies economically better off than they would otherwise be. Moreover, [according to Cooper] in those instances in which living standards seem to have declined, it is usually due to rapid population growth that has worsened the land/man ratio to the point at which subsistence agriculture becomes more difficult. . . . Who is responsible for the poverty that results from a larger but healthier population? . . . And when population growth is the culprit, will reparation help? [5]

I wish to pose the following questions.

(1) Can anyone seriously explain the relative poverty of the American-Indians in North America and the aborigines in Australia either in terms of overpopulation or a "worsened land/man ratio to the point at which subsistence agriculture becomes much more difficult"?

(2) If the past colonial rule were so beneficial, were the American forefathers

very stupid in trying to get rid of the British imperialism in the eighteenth century?

The truth is that the imperialists had extracted the largest possible gains from the places of their penetrations and removed tremendous wealth from the countries of Africa, Asia, and Latin America. The transfers of wealth from the colonies came largely into the hands of capitalists who could use it for investment purposes. The resultant boost to Western Europe's economic development from this colonial contribution to its capital accumulation can hardly be exaggerated. The colonies found their development forcibly shunted its normal course, distorted and crippled to suit the purposes of imperialism.

It is true that imperialism would not have succeeded without the help of local "collaborative elites." Since the Second World War, it has been possible to achieve the smooth transference of power from external colonial control to internal domination, preserving intact all the pre-independence relations in trade and investment in many developing countries. This has been possible with the help of local "collaborative elites," who have entered into a subordinate relationship with foreign capital. Consequently, a relationship of domination and dependency between the rich and poor has been maintained in the post-independence economic relations.

Zero population efforts by the World Bank and the "collaborative elites" should be viewed as attempts to justify their incompetence in delivering economic development. Any overemphasis on population control is nothing but a manifestation of the fears of the rich in the face of a possible radical challenge to the existing international and national order by the poor who are its first victims.

The existing order is based on global capitalism (i.e., unrestricted free enterprise) with selective manipulation by the national governments to maintain some privileges. It has produced lopsided economic growth for a few countries and underdevelopment for many countries in the Third World. It has exacerbated the gap between the rich and poor countries through such devices as: (1) unequal exchange; (2) high tariff and other restrictions against the exports of the developing countries; (3) TNC domination in foreign investment and technology; and (4) distribution of the major share of the new international liquidity (via dollar balances, special drawing rights, and fold revaluation) by the International Monetary Fund (IMF).[1]

II. EXISTENCE OF ABJECT POVERTY, UNEMPLOYMENT, AND LACK OF SELF-RELIANCE

The extent of human suffering under the existing order is reported by McNamara, "...1.2 billion do not have access to safe drinking water or to a public health facility. 700 million are seriously malnourished. 550 million are unable to read or write. 250 million living in urban areas do not have adequate shelter" [11, p. 11].

The greatest tragedy of two development decades is that the levels of absolute

[1] I have tried to explain the mechanisms of exploitation in the following two, [2] and [3].

TABLE I

POPULATION OF THE POOR, THE SERIOUSLY POOR, AND THE DESTITUTE BY REGION, 1972

(Million)

Region	Poor*	Seriously Poor†	Destitutes	Total
Asia	1,048(88)	853(71)	499(42)	1,196(100)
Africa	296(86)	239(69)	134(39)	345(100)
Latin America and Caribbean	274(65)	118(43)	73(27)	374(100)

Source: [20].
Note: Figures in parentheses are percentages.
* Including the seriously poor and the destitutes.
† Including the destitutes.

TABLE II

UNEMPLOYMENT AND UNDEREMPLOYMENT BY REGION, 1975

(%)

Region	Unemployment			Underemployment		
	Rural	Urban	Total	Rural	Urban	Total
Asia	3.2	6.9	3.9	39.5	23.2	36.4
Africa	6.2	10.8	7.1	41.0	25.1	37.9
Latin America	2.8	6.5	5.1	39.4	22.8	28.9

Source: [20].

poverty, unemployment, and underemployment in the Third World remains unacceptably high. Table I shows the problem of global poverty estimated on the basis of the standard of living of an unemployed person in France and the United Kingdom.

Socialist developing countries have been excluded in Table I. Inclusion of these countries would no doubt increase the number of the poor. Peter Richards [20] comparison of 1963 and 1972 shows that the absolute number of people below each poverty line has increased during the period. Both the International Food Policy Research Institute [12] and Reutinger and Selowsky studies [19] also conclude that the absolute number of persons with inadequate food intake has almost certainly increased since 1960. The latter study, using a method that takes intracountry distribution explicitly into account, has estimated that from 0.9 to 1.1 billion people received less than the recommended daily calorie intake in 1965, and that this figure was likely to have increased to 1.4 billion by 1975.

According to the International Labour Organisation, there are now 450 million people (40 per cent of the labor force) either unemployed or underemployed in the developing countries. Table II shows the percentage rates of unemployment and underemployment in developing countries in 1975.

Rates for unemployment in Table II do not appear excessively high, especially for the total economy. However, in the absence of unemployment compensation, the poor cannot afford to be openly unemployed. Therefore, in most poor countries, the problem expresses itself more as underemployment—persons unable to

TABLE III

PAYMENTS BALANCE ON CURRENT ACCOUNT, 1973–80

(U.S.$ billion)

	1973	1974	1975	1976	1977	1978	1979	1980
Industrial countries	19.3	−11.6	17.9	−0.5	−4.1	33.4	−9.8	−50
OPEC	6.6	67.8	35.0	40.0	31.9	5.0	68.4	115
NOEDC	−11.5	−36.9	−45.9	−32.9	−28.6	−35.8	−52.9	−70

Source: IMF, *Finance and Development,* September 1980, p. 7, Table 1.

earn a living for themselves and their families either by working too few hours or in low productivity jobs—than as open unemployment.

Hence, while unemployment rates in Table II are always higher in urban areas than for the entire economy, underemployment rates are invariably less in urban centers than for the entire country.

Economic development theories that held sway during the fifties and sixties have lost their credibility in the light of mounting poverty and underemployment in the Third World. The view that prevailed then was that the "trickle-down" mechanism would solve the poverty, unemployment, and income distribution problems if only growth were fast enough. The average per capita income of the developing countries grew at over 3 per cent during the last two decades and never has so many countries achieved so much economic growth in history. One can say that the mythical "trickle-down" effect has not taken place in most countries. Highly concentrated and unequal growth has been observed and there has been no tendency for growth to spread in many developing countries. The share of income received by the poorest 20 per cent in developing countries has declined from 4.5 to 4.1 in most recent estimates (see Appendix Table I).

The historical evidence suggests that it simply may not be possible to grow first and then to solve the problems of poverty, underemployment, and unequal distribution, because the structure and pattern of growth may largely fix the patterns of employment and distribution levels. If greater equality of incomes is to be achieved, redistribution of resources both within and between countries should be tackled as a first priority by land reform, mass education, and large transfer of resources from the rich to the poor.

Most non-oil-exporting developing countries (NOEDC) have not yet been able to achieve self-reliance. Self-reliance means that any country's requirements will be met from within to the maximum possible extent. Imports to that country should be limited to what it cannot produce within its frontiers, or finds it uneconomic to do so in terms of comparative advantage and what it is able to pay for from its export earnings. Thus, self-reliance and a persistence balance of payments gap cannot go together. Table III shows the failure of the NOEDC to achieve self-reliance. It is also evident that the oil-exporting developing countries are no longer suffering from any deficits from their international economic relationship.

According to the IMF study [13], total external debt of all developing coun-

TABLE IV

TOTAL EXTERNAL DEBT OF DEVELOPING COUNTRIES, END OF 1979

	(U.S.$ billion)
Medium-term and long-term debt of 143 developing countries and territories as reported by OECD	391.0
Short-term debt	85.0
Use of the Fund credit	8.3
Arrears	5.1
Total	489.4
Of which:	
Medium-term and long-term debt of 94 developing countries*	359.5
Medium-term and long-term debt of 87 non-oil developing countries*	299.0

Sources: Compiled from International Bank for Reconstruction and Development, *World Debt Tables;* OECD, Development Assistance Committee, *Development Co-operation*; and IMF, staff estimates.

* Not including outstanding use of credit or arrears to IMF.

tries—including medium, long, and short-term debt, use of the fund credit, and debt arrears—is estimated to have totaled about U.S.$490 billion at the end of 1979 (see Table IV). The study states, "This deterioration was characterized by an increase in the average nominal interest rate and a shortening the average maturity of new loans. . . the increasing importance of financial flows from private sources, which typically have higher interest rates and shorter maturities, resulted in an overall deterioration in the terms of external debt."

Table V clearly shows that the medium-term and long-term debt of eighty-seven developing countries have experienced a fourfold increase over the period 1972–79 and the service payments on the debt increased more than fivefold over the same period. It is a particular problem of economic self-reliance and independence for many NOEDC.

The higher cost of oil imports has constituted a major component of the deterioration in the current account deficits of the NOEDC since 1973 increased prices of manufactured goods from developed countries, however, has also made a significant contribution to the higher import bill and outstanding debt. Resolution 2626 (XXV) for the second development decade had stipulated that particular attention should be paid, "to secure stable, remunerative and equitable prices with a view to increasing foreign exchange earnings from exports of primary products from the developing countries."

Throughout much of the Third World, in fact, export earnings from primary products have violently fluctuated in the last decade and have fallen sharply in the past year—with prices of coffee, cocoa, sugar, rubber, copper, lead, tin, and jute all experiencing declines. Bela Balassa [1] has correctly pointed out that the existing tariff structure discriminates against higher levels of processing and production, thus encouraging the developing countries to produce and export only primary products.

Protection has remained one of the major obstacles to expansion and diversification of exports from developing countries. According to UNCTAD [22], tariffs facing developing countries in developed markets are, on average, about

TABLE V

DEBT OF EIGHTY-SEVEN NON-OIL DEVELOPING COUNTRIES, 1972–79

(U.S.$ billion)

	1972	1973	1974	1975	1976	1977	1978	1979†	Average Rate or Change (%)
Total medium-term and long-term debt:									
Debt outstanding*	75.9	91.4	113.5	140.1	173.0	204.1	254.9	299.0	21.6
Official creditors	40.0	46.7	55.3	64.9	75.9	90.5	107.6	118.8	16.8
Private creditors	35.9	44.7	68.2	75.2	97.1	113.6	147.3	108.2	25.9
Debt service	10.0	13.3	16.7	19.4	23.8	28.7	39.7	50.7	26.1
Official creditors	3.0	3.7	4.0	4.9	5.4	6.5	7.9	10.2	19.1
Private creditors	7.0	9.6	12.7	14.5	18.4	22.2	31.8	40.5	28.5
Public debt:‡									
Debt outstanding*	60.5	73.1	91.3	112.4	135.0	166.5	208.2	239.4	21.7
Disbursements (A)	12.0	16.8	22.6	29.2	33.2	39.5	53.6	58.1	25.3
Amortization (B)	4.6	6.3	6.8	7.7	8.8	12.2	19.1	24.0	26.6
Net flow (A)−(B): (C)	7.4	10.5	15.8	21.5	24.4	27.3	34.5	34.1	24.4
Interest payments (D)	2.1	3.0	3.7	4.9	5.7	7.2	10.0	13.4	30.3
Net resource transfer (C)−(D)	5.3	7.5	12.1	16.6	18.7	20.1	24.5	20.7	21.5
Debt service (B)+(D)	6.7	9.3	10.5	12.6	14.5	19.4	29.1	37.4	27.8

Source: Same as Table IV.
* End of year.
† Preliminary figures.
‡ Public and publicly guaranteed debt.

50 per cent higher than those levied on imports from other developed countries. Kathryn Morton [18] has reported that, in 1969, developed countries imposed non-tariff measures on 28 per cent of all imports from developing countries, as compared with 11 per cent on imports from other developed countries.

The international strategy for the second development decade devoted considerable attention to the issue of tariffs and non-tariff barriers.

> Developed countries will not, ordinarily, raise existing tariff or non-tariff barriers to imports from developing countries, nor establish new tariff or non-tariff barriers or any discriminatory measures, where such action has the effect of rendering less favourable the conditions of access to the markets of manufactured and semi-manufactured products of export interest to developing countries.

Since 1976 there has been a marked increase in protectionism in the developed countries in the forms of cartel-like sharing agreements, "voluntary" export restraints, countervailing duties, government aid to domestic industries to sustain levels of production above those warranted by demand, and a whole spectrum of non-tariff measures. It seems, in fact, that as soon as a product of developing countries becomes competitive on world markets, it faces the hostility of developed countries. Thus, paradoxically, instead of receiving the preferential treatment which has been stipulated in various resolutions of the second development decade, the developing countries are continuously receiving especially discriminatory treatment.

Australia, Canada, Norway, Sweden, and the United States have imposed new quotas to limit developing country exports of textiles and clothing since 1976. While the Multi-Fiber Arrangement calls for the increase of the quota level by not lower than 6 per cent per annum, the European Community has, nevertheless, granted the quota increase for its major suppliers between 0.5 to 4.0 per cent. Moreover, the European Community and the United States have introduced special protective measures regarding steel which pose serious difficulties for the developing countries now emerging as exporters.

The priority status of industrialization in developing countries was stated at the second general conference of the United Nations Industrial Development Organization (UNIDO) in Lima, 1975. That conference concluded that the share of the developing countries in world industrial production should be 25 per cent at the end of the century, compared with the present 7 per cent. The UNIDO target can never be achieved if the recent protectionist tendencies are not checked by the international community.

III. AIDS AND MILITARY EXPENDITURES IN THE WORLD

The second development decade also suggested that there should be an increase in foreign aid.

> Each economically-advanced country will progressively increase its official development assistance to the developing countries, and will exert its best efforts to reach

a minimum net amount of 0.7 per cent of its gross national product at market prices by the middle of the decade.[2]

Only Denmark, the Netherlands, Norway, and Sweden have reached the target. Overall the ODA/GNP for all developed capitalist countries fell from 0.49 per cent in 1965 to 0.36 per cent in 1975 and finally to 0.34 per cent in 1980. Both the Organization of Arab Petroleum Exporting Countries (OAPEC) and OPEC also decreased their ODA as percentages of GNP from 4.99 in 1975 to 2.43 in 1979 and from 2.71 in 1975 to 1.28 in 1979 respectively.

The Soviet ODA/GNP ratio hardly reaches 0.05 per cent—a far cry from the 0.7 per cent goal. Its stand on issues relating to foreign aid is reproduced below:

> There can be no basis whatsoever for making on the Soviet Union and other socialist states the demands that the developing countries are making on the developed capitalist states, including the demand for the mandatory transfer to developing countries of a fixed share of gross national product in the form of economic aid.
>
> In the first place, these states bear no responsibility for the economic backwardness of the developing countries, which they inherited from their colonial past.
>
> Second, they have never practised and do not practise the economic exploitation of any countries whatsoever.
>
> Third,. . .the Soviet Union's possibilities for providing economic aid are not unlimited. The Soviet state, needless to say, has to be concerned for the well-being of its own people. [6, p. 7]

So much for the universal brotherhood under socialism.

The use of development funds released through disarmament was proposed in the international strategy for the second development decade. Progress towards general and complete disarmament was recommended to release substantial and additional resources for the purpose of economic and social development, in particular that of developing countries.

World military spending reached U.S.$480 billion in 1978 exceeding outlays in public education, health, and foreign aid, according to the U.S. Arms Control and Disarmament Agency. The report, which analyzed the military budgets of 145 countries, observed that 28 developed countries accounted for U.S.$370 billion. Spending by North Atlantic Treaty Organization (NATO) and Warsaw Pact countries was roughly equal and accounted for 75 per cent of the overall figure of U.S.$480 billion.

The reasons for such huge arms spending is easy to understand. Fear and greed are institutionalized at a global level and arms spendings are necessary for the maintenance of the international status quo. The most sophisticated weapons, chemical and biological weapons are necessary to maintain the present privileged positions.

One of the most persistent myths is that defence spending is good for the economy. Recent studies indicate that economic growth in the United States has waned as defence spending has expanded. American manufacturers have

[2] Resolution 2626 [XXV], October 24, 1970.

been losing efficiency and competitiveness in world markets because of diversion of talent, research effort, and capital to the defence establishment. Arms spending as an economic stimulant is wasteful and inefficient. As a job creator, it is among the least effective kinds of government spending because the armament industry is capital-intensive with high technology. Hence the higher the military spending, the lower the growth in productivity and employment. For every billion dollars transferred from military industry to civilian jobs, 14,000 more jobs would be created in the civilian industries and 30,000 more jobs in the case of teachers, police, and firemen.[3]

The World Bank estimated in 1974 that it would take U.S.$125 billion invested over a ten-year period (1975–84) to satisfy the basic needs of all humankind: food and nutrition, U.S.$42 billion; education, U.S.$25 billion; rural and urban water supply, U.S.$28 billion; housing and transport in the urban areas, U.S.$24 billion; and population and health programs, U.S.$6 billion. Hence, only U.S.$12.5 billion would be needed annually to create decent human communities capable of satisfying their basic needs. In the circumstances, if only a fraction of the money, manpower, and research presently devoted to arms spending were diverted to development, the poor countries would be able to meet their basic needs.

In the discussions on the international strategy for the coming new development decade of the 1980s, the World Bank has been arguing that social indicators such as nutrition, access to clean water and sanitation, housing, health, and literacy should be considered as the best indicators of development because they would satisfy the basic needs of humanity.

The concept of basic need crops up whenever the survival of a privileged class is threatened as a result of the fear of a revolt by the "wretched of the earth." In the nineteenth century, the ruling classes were concerned to define the basic needs or "subsistence" of the working class and now in the latter part of the twentieth century the World Bank is trying to discover those of the Third World.

There is no questioning the need to eradicate illiteracy and to attain minimum standards of calorie intake in order to correct serious deficiencies in the diet of the poor in the developing countries. There is no ignoring the social objective of reducing the child mortality rate and prolonging the life expectancy at birth. However, the basic needs ideology should not be used as an excuse for silencing the claims of poor countries for the establishment of a new order, that is, a restructuring of domestic and international economic relations. If supporting basic needs is advanced as an alternative to the development needs for a new order, the objectives of economic development and self-reliance will suffer. The amount of resource transfer from the developed to developing countries to satisfy the basic needs is substantially less than the amount needed to establish the institutional changes that would be necessary to free them from dependency upon

[3] A British study *Defence Group* (London: Quarter Books, 1977) also finds that "military spending is not an efficient device for job creation. Every billion dollars spent on education creates about 30,000 more jobs than the same amount spent on defence. Similar ratios apply to housing, health care, mass transit and other public services" (quoted in *Development Forum,* March 1979, p. 14).

the developed countries. An aid advocacy to satisfy the requirements of the basic needs concept alone is considered a continuation of the old existing order of domination and dependence between unequal partners. Hence, one cannot support any attempt on the part of the World Bank to divert the attention of the international community to alternative approaches to development such as the basic needs approach.

IV. MORAL RESPONSIBILITY FOR A BETTER WORLD

The existing old order has produced a situation of global apartheid and hence the microcosm of all the global problems could be found in South Africa, where the white population have progressed through exploiting the nonwhites, who suffer from acute poverty, unemployment, and lack of self-reliance. All the laws and policies there make the rich whites richer and the poor blacks get relatively poorer. Exactly the same thing has happened under the present global economic system. The developed countries with 30.6 per cent of world population have 85.2 per cent of world gross domestic product, while the developing countries with 69.4 per cent of world population have 14.8 per cent of world GDP [16]. According to the World Bank's 1978 annual data, while the top 13 per cent of the global population enjoyed nearly 60 per cent of world income, the lowest 48 per cent had to share less than 5 per cent.

Similarly in South Africa where 19 per cent of the population are whites, who have about 57 per cent of South Africa's national income, the poorest 40 per cent there have 6.2 per cent of its national income [14]. The poorest 30 per cent of humanity have 3 per cent of world income. The average North American directly and indirectly consumes five times as much grain, land, fertilizer, and water as any in India, Nigeria, and Colombia. As Todaro [21] correctly observes, "...consumption of energy fuels (fossil-oil and coal, nuclear and hydroelectric) by the average American in 1976 was 25 times the average Brazilian, 60 times the average Indian, 191 times the average Nigerian, and 351 times the average Ethiopian consumption level!"

The World Bank and the international community should be more concerned with the unnecessary and costly wastage of many scarce and nonrenewable resources by the developed countries than its doctrine of so-called population explosion in the Third World.

The monopolization of control over the international monetary system and financial arrangements is another feature of the continuation of external control over the economies of the developing countries. The IMF and the World Bank reflect the political-economic balance of the 1940s. One of the founders of these institutions, Keynes, made the following statement, "I conceive of the management and the effective voting power as being permanently Anglo-American" [17].

The United States had 28 per cent of the voting rights in the IMF and an effective veto power over any changes in the quotas. Consequently, the IMF has never in its history taken a significant decision contrary to the desires of the United States. 65 per cent of the total voting power in the World Bank belongs to the developed countries. A proposal of New International Economic Order (NIEO) suggests that all efforts should be made for more effective participation by the developing countries in the decision-making processes in the IMF and the World Bank through the establishment of a more equitable pattern of voting rights. It also supports the establishment of a link between Special Drawing Rights (SDR) and additional development financing for the developing countries. The bulk of SDR would be made available to the developing countries which would then proceed to use it in paying for imports of equipment from developed countries. In the end, SDR would accrue to developed countries and satisfy their needs for reserves. Higher export earnings of the developing countries, along with an increase in their liquidity, would widen their capacity to import goods necessary both to build up their economies and to improve the standard of living of their people.

As Pope John Paul II observes,

> There are in today's world too many situations of injustice. Injustice reigns when some nations accumulate riches and live in abundance while other nations cannot offer the majority of people their basic necessities. Injustice reigns when within the same society some groups hold most of the wealth and power while large strata of the population cannot decently provide for the livelihood of their families even through long hours of backbreaking labour in factories or in the fields. Injustice reigns when the laws of economic growth and ever greater profit determine social relations, leaving in poverty and destitution those that have only the work of their hands to offer.[4]

The issue of social justice also arises when the developed countries have taken deliberate steps to check or delay the progress of the poorer countries, as by placing restrictions on their exports.

The ultimate objective of development must be to bring about sustained improvement in the well-being of the poor by reducing their poverty and unemployment levels. Moreover, if undue privileges, extremes of wealth, and social injustices persist, then development fails in its essential purpose.

The question of "justice" has been challenged by Johnson, "There is nothing morally commanding about a presumed obligation of taxpayers and consumers in countries whose average citizen is well off to surrender resources to the governments and ruling elites of countries whose average citizen is poor—especially if the latter's poverty is maintained and increased by the policies of his government towards him" [15].

I would suggest that redistribution of wealth from rich to poor countries would make the world as a whole better off, that is, would enlarge global total utility. In an illuminating essay on "collective responsibility," Antoine[5] explains that

> . . .individuals, groups and nations which, even by ethical means, have secured for themselves an advantageous, strong and prosperous position in the world, and by

[4] *Address to Diplomatic Corps,* February 18, 1981.

[5] Quoted in [8].

so doing have impeded (even if it is only indirectly because goods available on this planet are limited) the economic development or the social promotion of other individuals or other peoples, are responsible to the latter for their deprivation and they ought to remedy it, by making use of the very possibilities which their better position confers on them...and obligation injustice can exist as a consequence of our acts even when no fault of injustice has been committed.

The other part of Johnson's attack is based on his advocacy of "laissez-faire" or unrestricted free enterprise. The existing order of global capitalism has championed the cause of efficiency through competition. It neglects the fact that no such benefits accrue to anyone unless the person has something with which to compete in the free enterprise. Otherwise the person becomes a marginal one outside the mainstream of economic activities. In the circumstances, increasing the command of the poor people over land, capital, and skills is thus a prior condition for achieving economic development and hence a more equal distribution of income is justified not only for moral reasons and social justice but also for purely economic reasons.

The proverbial "invisible hand" of competition under unrestricted free enterprise invariably leads to the establishment of private monopoly. What is true of the domestic market applies, of course, to the global capitalist market. The domination of market forces at the international level has led to the establishment of monopolistic/oligopolistic structures. For more than two hundred years the global capitalism has followed the doctrine of unrestricted free enterprise. The result has been the creation of a condition of global apartheid. In the circumstances, the role of the government is to make resources and opportunities available to increase the productivity of the poor on a permanent basis. Otherwise, the rich makes the market bend to their own will and equality of opportunity cannot automatically be ensured. The problems of underdevelopment can be solved only by further extension of government responsibilities for management of national and international economic relations.

The World Bank's way of describing the achievements of the global economy during the first and second development decades is reproduced in Appendix Table I. It will be evident that achievements fell far short of their targets. The failure is not due to population explosion. It is the structural consequence of an economic order that is oriented towards the domination of a few over the majority, internationally as well as nationally.

The international development strategies, despite all the efforts of the past two decades, have failed to close the gap in per capita incomes between developed and developing countries. The average per capita income in low-income countries in 1950 amounted to only one-twenty-third of the average per capita income of the industrialized countries (see Appendix Table I). That ratio fell to one-thirty-ninth by 1980. For the large majority of developing countries the gap would never be closed. Under the existing order, the international imbalances of wealth will certainly get worse. Since mass poverty and underemployment are both degrading and destabilizing, their eradication is no longer a matter of charity, but security against a Third World War.

The Brandt Report [9] is correct in recommending global taxation by way of levies on international trade, or military expenditure or arms exports, on energy consumption, on the mining of sea bed minerals, and a World Development Fund with universal membership and fully shared management and control.

CONCLUSION

In conclusion, I wish to state the following. To ensure accelerated development two basic conditions are necessary, first, a new domestic order, and second, fundamental changes in the existing international order. Accelerated development leading to a substantial reduction of the gap between the rich and poor can only be achieved through a combination of both these conditions.

A global relationship based on equal partnership is likely to result in a positive gain for all. Higher export earnings of the developing countries will increase their external purchasing power to import goods and services necessary both to build up their economy and to improve the standards of living of their people. Any increase in their imports from developed countries will stimulate the growth of the latter. Hence a NIEO might eventually result in positive gains for both developed and developing countries. On the other hand, the persistence with the existing order will lead to an increase in confrontation between and within the developed and developing countries. All countries are likely to be losers in such a situation.

A NIEO, by itself, is no guarantee that the governments of the developing countries would use their power to satisfy the basic needs of their poor. One can never overemphasize the point that the developing countries must put their own houses in order, and apply their own human resources to the solution of their problems of poverty, unemployment, and unequal distribution of income. In the circumstances, the demand for a NIEO must be simultaneously a demand for a new domestic order.

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APPENDIX TABLE I

SELECTED INDICATORS OF DEVELOPMENT

	Year	Low Income Countries	Middle Income Countries	Developing Countries	Industrialized Countries	Capital Surplus Oil Countries	Centrally Planned Countries
Population (millions)	1980	1,348	916		673	64	1,386
Population[a] (%)	1950–60	1.9	2.4	2.2	1.2	2.4[d]	1.9
	1960–70	2.5	2.5	2.4	1.0	2.6[e]	1.7
	1970–80	2.3	2.5		0.7	2.9[f]	1.3
GNP per person (1980 U.S.$)	1950	164	625		3,841		
	1960	174	802		5,197		
	1980	245	1,521		9,684		
GNP[a] (per person per cent)	1950–60	0.6	2.5	2.7	3.1	2.6	
	1960–70	1.6	3.6	3.4	4.0	5.1	5.8
	1970–80	0.9	3.11	3.2[g]	2.4	4.3[g]	5.6[g]
Inflation[a, b] (%)	1960–70	3.0	3.1		4.2	1.2	
	1970–78	10.6	13.1		9.4	22.2	
Agriculture[a, b] (%)	1960–70	2.5	3.4		1.2		
	1970–78	2.0	3.1		1.0	5.2	
Industry[a, b] (%)	1960–70	6.1	7.8		6.1		
	1970–78	4.5	7.1		3.4	4.0	
Manufacturing[a, b] (%)	1960–70	6.6	7.6		6.2		
	1970–78	4.2	6.8		3.3	16.1	
Energy consumption per capita[c] (kg of coal equivalent)	1960	93	395	260.8	4,462	404	1,347
	1970	142	697	396.3	6,599	489	1,709
	1978	161	903	506.9[h]	7,060	1,620	2,117
Average national savings rate (%)	1960	11.4	18.3	16.8	23.3	22.8	
	1970	13.8	20.2	19.0	25.0	21.0	
	1977	17.0	20.8	20.0	22.2	24.1	
Exports[a, b] (%)	1960–70	5.0	5.5		8.7	9.5	
	1970–78	−0.8	5.2		5.7	−1.2	

APPENDIX TABLE I (Continued)

	Year	Low Income Countries	Middle Income Countries	Developing Countries	Industrialized Countries	Capital Surplus Oil Countries	Centrally Planned Countries
Imports[a, b] (%)	1960–70	5.0	6.8		9.4	11.1	
	1970–78	3.2	5.8		5.1	21.1	
Terms of trade[b]	1960	98	93		99	107	
	1970	100	100		100	100	
	1978	98	90		95	393	
Life expectancy at birth[c]	1960	42	54		69		58
	1970	45					
	1978	50	61		74		70
Child death rate (aged 1–4)	1960	30	18		1		10
	1978	20	10		1		1
Population per physician[c]	1960	28,292	4,095		831		742
	1970	24,702	3,446		738		537
	1977	12,823	2,825		639		514
Population with access to safe water[c] (%)	1970	13.7	46				
		25.8[f]	53.5[f]				
Calorie supply per capita[c] (%)	1960	89.1	96		125.6		
	1970	91.7	100.6		127.2		126.7
		92.5[f]	104.9[f]		128.2[f]		135.8[f]
Labor in agriculture (%)	1960	77.8	55.6		21.4		43.6
	1970	72.8	46.2		12.8		29.3
		68.7[f]	41.6[f]		9.2[f]		22.7[f]
Labor in industry (%)	1960	6.6	14.8		38.7		28.6
	1970	7.8	18.0		40.2		36.4
		9.3[f]	20.8[f]		40.6[f]		43.0[f]
Adult literacy rate (%)	1960	22.6	44.0		96.9		
	1970	31.0	56.2		98.3		
		36.7[f]	63.2[f]		98.7[f]		

APPENDIX TABLE I (Continued)

	Year	Low Income Countries	Middle Income Countries	Developing Countries	Industrialized Countries	Capital Surplus Oil Countries	Centrally Planned Countries
Female school enrollment ratio:							
Primary	1960	23.0	60.5		104.8		100
	1970	37.3	73.1		104.6		101.4
		48.7[f]	81.2[f]		103.5[f]		99.3[f]
Secondary	1960	1.6	7.7		53.2		36.8
	1970	5.9	17.0		68.3		67.2
		8.2[f]	26.2[f]		33.8[f]		74.6[f]
Income received by lowest 20 per cent (%)	1960			4.5	4.3		
	1970			4.9	6.2		
				4.1[f]	5.1[f]		
Income received by highest 5 per cent (%)	1960			24.6	19.2		
	1970			29.4	14.0		
				19.4[f]			

Source: World Bank, *World Development Report, 1980* (Washington, D.C., 1980).
Note: All growth rates are in real terms and were computed by using the least square method. Thirty-eight low-income developing countries with a per capita income of less than U.S.$360. Five capital-surplus oil-exporting countries, twelve centrally planned economies, and eighteen industrialized countries.

[a] Average annual growth rate.
[b] Median value of summary measures for groups of countries.
[c] Weighted average of summary measures for groups of countries.
[d] For 1960.
[e] For 1970.
[f] For more recent estimate.
[g] For 1970–77.
[h] For 1977.