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The creation of UNCTAD provides as good an illustration as could be wished for Keynes' dictum that 'the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else' [Keynes 1936:383]. For the creation of UNCTAD can clearly be attributed to what Keynes, in the same last chapter of the *General Theory* had described as the 'gradual encroachment of ideas'. The set of ideas which had 'gradually encroached' can be more immediately traced back to the 'Prebisch-Singer' thesis of economic forces working to the secular disadvantage of the poorer countries (identified as exporters of primary commodities) and to the advantage of the more advanced industrial countries (identified as exporters of manufactures) in international trade and investment, in the absence of specific countervailing policies and measures. This idea was subsequently broadened away from concentrating on terms of trade, at ECLA under Prebisch's guidance in the direction of a distinction between 'centre' and 'periphery' countries (laying foundations for 'dependency' theories) and by me in a 're-visit' in the direction of technological control (leading to the idea of 'inappropriate' technologies in developing countries with harmful employment and income distribution effects) [Singer 1975].

The empirical (statistical) studies on which the thesis of a secular decline in terms of trade for primary exporters was based were published as UN studies in 1948-49 and the analytical paradigm derived from them in Santiago and New York in 1949-50. Hence, the time lag until the first UNCTAD meeting in 1964 was about 15-16 years, confirming Keynes' qualification about the 'gradual encroachment of ideas' taking place 'not indeed, immediately but after a certain interval' [Keynes 1936:383] but less than the '25 or 30 years' which he assigned to the interval [Keynes 1936:384].

Interestingly enough, if we go back from 1964 for '25 or 30 years', we just about come back to 1936, the year when the *General Theory* was published. And indeed Hirschman has assigned to Keynes the basic move away from 'monoeconomics' (a belief in economic principles and policies right for all countries and in all circumstances) to 'duoeconomics' (a belief that circumstances alter cases — unemployment in Keynes' case) as the foundation of development economics [Hirschman:1982]. The distinction between exporters of primary and manufactured goods was clearly such a move from monoeconomics in international trade (most clearly expressed in the notion of the universality of comparative advantage) to duoeconomics. So were the subsequent distinctions between centre and periphery countries, and between technologically innovative and technologically dependent countries. At the same time, this set of ideas also led to a denial, or at least qualification, of the belief in 'mutual benefits', at least automatic benefits or 'trickle-down', which according to Hirschman is the other characteristic of mainstream development economics (Nurkse's 'engine of growth') [Hirschman 1982]. So Keynes' time-span of 25-30 years applies with amazing accuracy to the influence of his own break with monoeconomics in 1936 on the formation of UNCTAD I in 1964. UNCTAD is clearly based on the duoeconomic view that developing countries deserve special treatment, indeed their own organisation, and cannot be satisfied with the 'universalist' principles of the original GATT (since modified by Part IV, the Generalised System of Preferences etc).

The return to pre-war days and Keynes as an inspiration of UNCTAD is also supported by another thought: the 1948-50 period was not only the time of formulation of the Prebisch-Singer analysis; it was also the time of, first, the successful negotiation and then the collapse, through failure to ratify, of the International Trade Organisation (ITO). This meant that quite independently from the developing Prebisch-Singer thesis the need had been felt to create an organisation with a strong family resemblance to

UNCTAD. Moreover, the functions of the ITO in the field of commodity stabilisation bore a strong resemblance to the Integrated Commodities Programme and the Common Fund which were subsequently key UNCTAD activities. The ITO, as the third pillar of Bretton Woods in addition to the World Bank and IMF, was inspired and strongly supported by Keynes. Professor Kaldor [1983] has quite recently reminded us of Keynes' advocacy of buffer stocks in primary commodities in his 1938 *Economic Journal* article on 'The policy of government storage of foodstuffs and raw materials' [Keynes 1938]. During the war, Keynes prepared his proposals, not only for an International Clearing Union, but also for an Agency for International Commodity Control which would set up buffer stocks for all the main commodities — a proposal never properly acted upon. He was keenly interested in the possibility of commodity-based (rather than gold-based, dollar-based, sterling-based or SDR-based) international currency. It is clear that he thought the market mechanism could be improved upon not only in the macroeconomic sense of employment policy, but also in the micro sense of improving upon the operation of commodity markets.

Thus while the more immediate and more obvious source of ideas for UNCTAD may have been in 1948-50, the Prebisch-Singer thesis and failure of the ITO, the original source may be established further back in 1936-38, the Keynes of the *General Theory*, the 1938 *Economic Journal* article and International Commodity Control. The appeal of the Prebisch-Singer thesis may have been more direct since it requires minimal technical economics compared with the sophisticated arguments behind the Keynesian system; also the priority for shifts into industry (whether import substitution, export substitution, or domestic development of greater technological competence) had an almost instinctive appeal to the politicians and people of developing countries. (This is not put forward as an argument supporting the thesis — but nor should it be used as an argument against it.)

In spite of the subsequent broadening of the Prebisch-Singer thesis away from barter terms of trade and into questions of international hierarchy and of technology and other areas of dominance and dependence, the empirical (statistical) basis has continued to be debated. But the recent authoritative study by John Spraos [1983] has reaffirmed a qualified version of the thesis, shifting from barter terms of trade to 'Employment Corrected Double Factorial Terms of Trade' (ECDFTT). A shift from barter to factorial terms of trade was in any case implied in the broadening of the debate into hierarchy and technology, and a shift away from the characteristics of *commodities* to those of *countries* [Singer 1975]. The

identification of Idcs with primary commodities and Idcs with manufactures, valid in 1948-50, has now ceased to be valid (except for the least developed countries, and their situation today certainly does not contradict the pessimistic conclusions of Prebisch-Singer about their role in the international system). Another exception is the OPEC countries, but their case also confirms the view since they have done better by not relying upon international market forces.

The history of primary commodity prices during the last few years, under the impact of the 1980-82 recession, has further strengthened the empirical evidence for declining terms of trade and shown once again that the scales in the present system of international relations are weighted against primary producing countries. I have recently looked at the post-war statistical evidence again and found no reason to regret the projections of 1948-50 [Singer 1982]. The recent third edition of A. P. Thirlwall's textbook on *Growth and Development* states that 'The post-war evidence suggests that a decline [in terms of trade] set in in 1957 which, apart from the commodity price boom years 1971-74, has continued on a long-run downward trend' [Thirlwall 1983:352]. The *IMF Survey* of 5 April 1982 shows the price index of 30 primary products exported by developing countries (excluding gold and petroleum) to have deteriorated between 1957 and 1981 by 26 per cent in terms of the UN index of manufactured products exported by developed countries — and since then, of course, the deterioration has continued.

Although the critics have concentrated their fire on the alternative of import-substituting industrialisation, the Prebisch-Singer thesis in fact devoted much more attention to the need for international compensatory income transfer (soft aid) as a natural conclusion from the thesis. This concern has, of course, also continued to preoccupy UNCTAD. In this respect, the advocates of such international income transfers struck it lucky: the 'encroachment' of such ideas, in the field of multilateral soft aid was fairly rapid rather than 'gradual'. Although denounced in the McCarthy era, with the more liberal winds of the later 1950s and early 1960s the scene rapidly changed. In 1954, the PL 480 setting up the US food aid programme which acquired very large dimensions in the period up to 1969, proved to be the opening wedge for a variety of multilateral programmes (some of them based on erroneous links with food aid). It is not surprising that the breakthrough came with food aid, both because of the powerful farmers' support (without equivalent for financial aid) and because the aid could be presented as costless (getting rid of unwanted and burdensome food surpluses). This was quickly followed during 1959-63 by the creation of IDA, the soft aid arm of the World Bank, of the UNDP (or Special Fund as it was

originally called, indicating its link with the SUNFED proposal which tried to put IDA into the UN rather than the World Bank), and the UN World Food Programme. This liberal period which culminated in the election of Kennedy and his proclamation in the UN in 1961, the day after his inauguration, of the 1960s as the UN Development Decade (to be followed, with rapid loss of credibility, by two other 'decades'), saw also the establishment and fast development of the Regional Development Banks and, of course, of UNCTAD itself. These events are sketched in Singer [1982].

The critics often accuse Prebisch-Singer and UNCTAD of a bias in favour of import substitution and against export-led growth. There are two answers to this:

i) There is something to this criticism, but it is made with the benefit of hindsight. In 1948-50, it was difficult to foresee the growth of manufactured exports from ldc's which in fact began in earnest only in the mid-1960s. As late as 1960, 10 to 12 years after Prebisch-Singer and in the dawning days of UNCTAD, primary commodities still constituted 79 per cent of the total exports of low-income countries and 89 per cent of those of middle-income countries [World Bank 1983]. And even in 1980, these shares had only been reduced to 55 per cent and 63 per cent (and even for oil-importing middle-income countries they were still 46 per cent — only slightly less than manufactures). And who could have foreseen in 1948-50 the 25 'golden years' of the Bretton Woods system with their tremendous market opportunities for the simple manufactures of the NICs?

ii) The critics of import-substituting industrialisation, such as Ian Little et al for the OECD [Little 1970], Bela Balassa et al for the World Bank, [Balassa 1982] and Krueger-Bhagwati for the National Bureau of Economic Research [Bhagwati 1978] all tend to underestimate the degree to which a previous phase of import substitution is a necessary phase for subsequent, or even simultaneous, export-led growth. That is quite strongly my reading of Korean post-war history, and I find this confirmed by knowledgeable Korean economists (for example Sung San Park 1977) and the same is true for Brazil. The critics tend to argue that the shift from import-substitution to export orientation was the result of enlightenment and of bad experiences with import substitution. Yet the shift can equally be presented as a rational and natural sequential development in the progress of industrialisation. In any case, the 25 golden years are over; the Bretton Woods system collapsed in 1971-73. Export-led growth has since turned into debt-led growth, and who will now question that terms of trade of developing countries, after allowing for debt service, are highly unlikely to get back even to pre-1971 levels?

So UNCTAD, quite naturally, is now concerned both with the debt problem and also with ECDC — Economic Cooperation among Developing Countries — especially the expansion of South-South trade. The lack of South-South trade is the big 'black hole' in the present world trading system, and to fill this hole can only be to everybody's advantage, including the North. South-South trade can be described as import substitution on an extended scale, as 'collective self-reliance' or as 'extended nationalism' such as Dudley Seers [1983] in his posthumous book has advocated for Europe as well as other regions of the world. Equally, more South-South trade can also be presented as export orientation — so really the old paradigm of import substitution versus export orientation will gradually be superseded by ECDC, and also with both treated as sequential stages in the process of development, or indeed in the state of the world economy.

The close link of the history of UNCTAD with the world of ideas and paradigms has not been an unmixed blessing for UNCTAD. It may have been a blessing in that it gave UNCTAD an aura of intellectuality and consistency (of the kind which GATT lacked) and the support of the Third World. But it also gave UNCTAD the image of a 'talking shop' on the sidelines while the real action was with the World Bank, IMF, GATT, the regional banks, even the UNDP, UNICEF and WFP. Also it gave UNCTAD the image of a Third World secretariat, a voice of the Third World rather than a genuinely international organisation — but this handicap to the support of the West is also shared by other UN specialised agencies such as UNESCO, UNIDO and FAO. It is arguable whether this is not justified in view of the fact that the Third World includes most of the world's population and most of the world's countries; that in the original Bretton Woods set-up the Third World lacked a proper voice and proper representation; that the industrial countries have their OECD and COMECON; that the World Bank, IMF etc may be no more genuinely 'international' than UNCTAD. The 'Group' system, although designed to promote consensus, has in fact obstructed it; the groups tend to develop their *de facto* veto systems and to be controlled by their hardline members. A vicious circle has developed: the more UNCTAD has become the voice of the Third World, the more the North has withdrawn from it and the more UNCTAD has become a voice of claim and protest rather than an action agency. There is plenty of room here for an agenda of development for UNCTAD in the next 20 years towards greater effectiveness.

Since 1973, the Development Decade has become the Depression Decade and has seen a return to protectionism against ldc's exports. This has revived

the import-substitution case, given UNCTAD a new task in ECDC, and increased the case for commodity stabilisation and support. It has also shown the inability of GATT to prevent wide breaches of its constitution and purpose; nationalism has swept aside even the accepted internationalism of GATT. In some respects, GATT has been sitting on the sidelines as much as UNCTAD. The ITO, if it had been ratified, would have been both a GATT and an UNCTAD. But by the time UNCTAD was established the Western countries were determined that the 'autonomy' of GATT should be protected, yet the precise division of work between the two organisations has never been clearly defined. If it was hoped that this would happen by 'case law', this hope was not fulfilled. The lack of a clear relationship has led to 'continuing uncertainty' [Kaufmann 1968]. This is another part of the agenda for the future.

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