Survival, Development and the Report of the Brandt Commission*

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Three Levels of Argument

In assessing the Brandt Report, it is useful to distinguish three aspects or levels of argument within it. At the most specific level, the Report contains a set of recommendations for action, a *programme*[1]. This suggested programme of action is related to the second level of argument, which may be termed the *framework for action*. Unlike the actual recommendations, this does not appear in the Report as a set of explicit propositions, but is rather to be inferred and pieced together from various statements within it. I use the phrase to describe the general tone or character of the various proposals which the Commission has made, which in turn is associated with a particular view of economic and political processes and choices. Finally, both specific recommendations and the framework in which they are placed are linked to the Commission's *vision* of the international political and economic system, and of the current predicament of mankind.

Now although these three aspects or levels of argument are closely inter-connected in the thinking of the Commission, as also in the text of the Report, it is convenient to consider them separately. The argument that follows has a distinctly but unavoidably negative cast, since it is with reference to these broader and more general aspects that the Report seems to me most open to criticism, and indeed to a whole range of damaging objections.

Such a view of the Brandt Report is clearly at variance with the general public reaction to it. In Britain, at any rate, the reaction has been very largely enthusiastic, while it is precisely the broader aspects of the Report, its diagnosis and general approach, which have been most warmly acclaimed. A good specimen of this attitude of mind is to be found in the leading article on the Report which appeared, just after its publication, in *The Times* of London. Here it was suggested that:

> *as a description of the problems that face us, and a warning of what would happen if we fail to respond, the report can hardly be faulted. It ought to become one of the basic documents of the decade.*[2]

The main single contention of this review is that such judgements are seriously, even absurdly, in error. The Brandt Report is very far from providing an authoritative treatment of the current situation and problems of international society. On the contrary, the perception of events and relationships that is embodied in it is at best open to question, and at worst so distorted that the argument of the Report becomes unreal to the point of fantasy.

THE VISION

In the very first sentence of its Report, the Brandt Commission states that *the crisis through which international relations and the world economy are now passing presents great dangers, and they appear to be growing more serious* [page 30]. At later stages in the Report, it is suggested that *the 1980s could witness even greater catastrophes than the 1930s* [page 47] and that *at the beginning of the 1980s the world community faces much greater dangers than at any time since the Second World War* [page 267].

Predicament of Mankind

The principal dangers to humanity, which between them are thought to present a threat to human survival, arise in three ways, which the Commission perceives as connected: i) from war, and from various forms of conflict and violence associated with international rivalries and tensions; ii) from a threat to the biological environment; and iii) from that malfunctioning of the world economy, which has now become so serious that some form of breakdown is possible. All these are familiar and well-recognised subjects, on which a vast amount has been said and written, and which some people might consider to be only loosely and incidentally connected with the issues of poverty and economic development which were the Brandt Commission's particular concern. The main distinctive feature of the Commission's vision consists of a strongly-held belief that this connection is not incidental but extremely close and intimate. After its initial reference, just quoted, to the crisis in international relations and the world economy, the Report goes on to say:

> *We believe that the gap which separates rich and poor countries—a gap so wide that at the extremes people seem to live in different worlds—has not been sufficiently recognised as a major factor in this crisis* [page 30].

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[1] Of the first 16 chapters. 12 conclude with a concise statement of recommendations: the final 17th chapter is headed 'A Programme of Priorities', and sketches out under eight headings a set of 'tasks for the 80s and 90s', together with a shorter-term 'emergency programme' for the period 1980-85: while Annexe 1 of the Report draws all this material together into a self-contained 'summary of recommendations'.

[2] *The Times*. London. 13 February 1980.

Shortly afterwards, in the same opening chapter, it is argued that the world, like individual societies,

> *can become stronger by becoming a just and humane society. If it fails in this, it will move towards its own destruction* [page 33].

What is the nature of the supposed connection between these two sets of issues, and what are the changes within the international system which can be clearly seen to be desirable when this connection is recognised? The Commission's perception of the relationships involved can be summarised in the following three propositions:

a) each of the three sources of danger listed above—namely war, environmental damage, and economic malfunctioning—is associated with, and made more acute by, the existence of poverty in the developing countries and of inequality between the rich countries and the poor ones. Hence they should be conceived as a single related set of problems, which can best be dealt with through a concerted set of measures directed towards these underlying causal factors;

b) the key to raising the living standards of the poorest people in the world, and to reducing the extent of inequality among independent states, is to be found in a fundamental reform of the international economic system, which at present operates in such a way as to frustrate and impede the process of development in poor countries;

c) in economic affairs especially, there is a much greater degree of mutual interest between rich and poor countries than is generally realised. Fundamental reforms in the present international system hold out the possibility of substantial gains to both sides in the North-South dialogue, through greater shared prosperity as well as a higher measure of security.

Each of these three propositions will be considered in turn. In connection with the first, separate attention will be given to each of the three identified sources of danger to the human race.

War, Poverty, and Economic Inequality between States

Chapter 7 of the Brandt Report is concerned with disarmament and development, but very little is said in it about the alleged connection between poverty, inequality and the threat of war. At one point it is stated that *much of the insecurity in the world is connected with the divisions between rich and poor countries—grave injustice and mass starvation causing additional instability* [page 124]. No argument or evidence, however, is provided for this assertion, nor for the view put forward by Willy Brandt in his introduction that *North-South relations should be seen for what they are, a historic dimension for the active pursuit of peace* [page 15]. In fact, the notion that international security is mainly or even significantly threatened by *the division between rich and poor countries* is hard to reconcile with some obvious facts to which the Brandt Report makes no reference.

As a general point, one may note that war has been a continuing and endemic state of affairs throughout human history, so that any serious attempt to understand it must take account of this fact. Indeed, as the Australian historian, Geoffrey Blainey, has remarked, in an interesting recent study, to endeavour to establish a theory of war as such may be too one-sided and restrictive an approach, since the condition of peace is no less in need of explanation than that of war[3]. Nevertheless, while war has always been with us, the condition of extreme inequality between rich states and poor states has arisen only quite recently in history; and it is only in the past thirty years or so that is has been perceived as an issue of international concern. Hence the general proposition that such inequalities have in the past been a leading cause of instability and conflict cannot be seriously maintained.

It could instead be argued that international inequality is a recent but important *additional* cause of tension between states, which has in fact operated over the past thirty years, and which moreover is likely to become increasingly significant in the future. This in fact appears to be the Brandt Commission's view. Neither strand of this hypothesis, however, is supported by the evidence. As to what has actually happened in the period since World War II, it is sufficient to consider the main types and instances of international conflict that have arisen within it. Such a list might include the two major multi-nation wars, in Korea and Vietnam; the recurrent though brief outbreaks of war between Israel and its neighbouring Arab states, and between India and Pakistan; the various civil wars and disturbances which have impinged on the international scene, as for example in Greece, Nigeria, the Lebanon and Angola; some chronic territorial and jurisdictional disputes, such as those between Greece and Turkey over Cyprus and the Aegean, Argentina and Chile, or Ethiopia and Somalia; and as topical cases, the violence which is currently to be found in Afghanistan, Eritrea, Kampuchea, and the Western Sahara. All of these disputes can be explained with reference to national, ideological or other divisive factors of a kind long familiar in history, while in some cases they have also been connected with the broader chronic division between East and West, between the member countries of the North Atlantic Treaty Organisation (NATO) and the members of the Warsaw Pact. While in some

[3] Geoffrey Blainey, *The Causes of War*, 2nd ed, Melbourne, Sun Books, 1977.

of these cases economic factors were no doubt involved. it is difficult to trace in any one of them the smallest sign that considerations either of mass poverty or of international economic inequality have played an initiating or aggravating part.

As to the future. one would expect that poverty would become less rather than more important as a potential cause of hostility and tension. for the simple reason that the *proportion* of the world's population which is living in absolute poverty has been declining over the past three decades. and can reasonably be expected to decline still further. It is conceivable that economic inequality between states. as distinct from poverty within them, might become increasingly a source of friction: but to suggest that it is likely to become dominant. when in the past it has been a negligible factor and when the main perennial causes of international tension are still very much in evidence. seems to me an unconvincing line of speculation.

One final element remains in the Commission's argument that the risk of war is increasing for reasons connected with the international economic system and the relations between the rich countries and the developing world. The Report asserts that

> *North-South relations are . . . crucial, not least over energy and mineral supplies. which could be the cause of serious conflict if not brought within a framework of international agreement* [page 75].

Although this is a possible argument. it is a good deal less cogent than the Report implies. for two reasons. First. disputes over *energy and mineral supplies* have not in the past been one of the main causes of international conflict. while in recent episodes of violence. including those listed above. they have been a factor of zero or negligible importance. Secondly. any future disagreements over such issues would not necessarily take place between North and South. since some of the main producers and exporters of minerals are Northern countries. while some of the countries which are heavily dependent on imports of such materials are in the South.

From all this it appears that the Commission's confident but unsupported assertion. that peace and security are closely and increasingly linked to poverty and international economic differences. is largely without foundation.

Environment

At one point in the Report. a reference is made to the *mounting destruction of the earth's capacity to support life* [page 79]. Again. no evidence is given for this interpretation of events and trends. nor is it apparent that the expert knowledge made available to the Commission—from its own membership. from the well-qualified team of economists on its Secretariat, or from the list of 'Eminent Persons' [given on pages 297-8] who were specifically invited to give evidence to it—could have provided an adequate basis for such a dramatic and unqualified form of words. It may be that here the Commission is taking an unduly alarmist view of an admittedly very uncertain future.

In the case of environmental problems. however. the Commission is on firmer ground than in the case of war. when it tries to demonstrate a connection between these problems and the issue of economic development. It rightly draws attention to a long-term connection which is almost certainly important: and it refers also to a more immediate link which may likewise be significant. though it appears to be less clearly established. In the longer term. the connecting link is the prospective rate of growth of world population: the Report argues that

> *continued rapid population growth in the next century could make the world unmanageable: but that growth can only be forestalled if action is taken to combat poverty in this century* [page 75].

The second and more immediate connection is said to arise because

> *the biological environment . . . is threatened with destruction in many countries as a direct result of poverty* [page 75].

Although no specific instances of this are given. it seems right to draw attention to the environmental dangers which may arise from extreme poverty.

While. however. these connections exist. their significance should not be overstated. It is worth noting that each of them is associated with only one aspect of the Commission's concerns. namely absolute poverty. since it is not suggested that there is a similar link between environmental risks and international inequalities. Moreover. and as the Commission shows itself well aware. a threat to the biological environment may arise from many sources other than poverty and population growth. For both these reasons. but more especially for the second. it is arguable that issues relating to the environment ought for the most part to be considered separately and in their own right. rather than as an aspect of economic development or of the relations between rich and poor countries. Here again the Brandt Report has overstated the extent to which world problems are to be identified with the issues that may arise between North and South.

Current Performance of the World Economy

The Brandt Commission takes an extremely gloomy view of the present world economic scene. This pessimism has two aspects. one chronic and the other acute. The chronic aspect is that which is summarised above as proposition b). namely a belief that the existing system holds back the economic development of the poor countries. This supposed effect has been in operation ever since the establishment of the system. at the end of World War II.

The acute aspect takes the form of a conviction that because of more recent developments. over the past ten years or so. the international economy is now in grave trouble. Thus the Report states that

> *fundamental changes are essential. whether in trade. finance. energy or in other fields. if we are to avoid a serious breakdown of the world economy in the decades of the eighties and the nineties . . .* [page 31].[4]

Here again. a possibly alarmist view is put forward without qualification and with no hint that a different assessment of future prospects could be made.[5]

The pessimism. however. is qualified and conditional. The Commission believes that the risk of breakdown or collapse would be averted if agreement were reached between North and South on the necessary 'fundamental changes'. as embodied in the programme of action which is set out in the Report. This view of the situation is linked with propositions a) and c) above. Thus once again the predicament of the world is defined with reference to the relations between these two groups of countries. while remedial measures are seen as consisting of new collaborative agreements between them. At the same time. both North and South are perceived as having a strong mutual interest in the proposed programme of action. for the simple reason that each would benefit if the threat to stability were removed. Moreover. this same set of reforms would also deal with the chronic problem. by doing away with the various constraints which the existing system is thought to place on the developing countries. It is convenient to look at this chronic aspect first.

Poor Countries and the International Economic Order

The Commission accepts quite uncritically the idea that the international economy in its present form *has contributed to frustrating the ambitions of the South for development* [page 127]. In the Report. the principal statement of this view is to be found in the opening chapter. and is worth quoting at some length. After describing in summary terms the present extent of inequality between North and South. the text continues as follows:

> *Behind these differences lies the fundamental inequality of economic strength. It is not just that the North is so much richer than the South. Over 90 per cent of the world's manufacturing industry is in the North. Most patents and new technology are the property of multinational corporations of the North, which conduct a large share of world investment and world trade in raw materials and manufactures. Because of this economic power northern countries dominate the international economic system—its rules and regulations. and its international institutions of trade, money and finance.* **Some developing countries have swum against this tide, taking the opportunities which exist and overcoming many obstacles; but most of them find the currents too strong for them** [page 32. emphasis added].

The exact significance of this passage is far from clear. The notion. however. that the poor countries have been struggling with limited success against powerful adverse force has definite implications. of a kind which can be roughly checked against the evidence of recent history.

If the notion were correct. one would expect to find that the economic performance of the developing countries over the past thirty years or so had two outstanding features. First. the differences between the various national economies would not be great. since all of them would have been subject to the same dominating external influence. Secondly. since this influence was strongly unfavourable it would follow that the general average level of performance would remain low. both in absolute terms and in relation to the richer countries.

As is well known. though not acknowledged in the Report. actual post-World War II developments have presented a wholly different picture. Rates of growth both in output and in output per head have varied very considerably among the developing countries. while the average levels for the period. around which this wide dispersion can be observed. have been quite remarkably high. In terms of total output. the rate of growth for the developing countries actually exceeded that for the OECD countries as a group. even though this latter average was itself much higher than had been attained in any previous period of history. In terms of output per head the comparison is of course less favourable to the South. On average. its rate of growth in this respect was probably rather less than

[4] Similarly. the following diagnosis is later made: *We face . . . not merely one. but several crises: the crisis of relentless inflation and increasing energy costs. the crisis of dwindling energy availability. the crisis resulting from mounting financial requirements. and the crisis posed by constraints on world trade and on the growth of export earnings to meet increased debt service commitments. Taken together. they threaten the whole structure of our political. industrial and financial institutions. unless we move urgently and adequately to deal with the basic causes* [page 239].

[5] For example. in *World Development Report. 1979.* World Bank. Washington.

that of the North: and since in general the poorer developing countries grew more slowly than the rest of the group. the gap between the richest and the poorest countries of the world continued to widen. But this average rate of growth in output per head for the South as a whole was far higher than had ever been achieved in the past. possibly over three times as high.[6] Moreover. in the period since 1973. in which most of the OECD group have found it much harder than before to maintain satisfactory levels and rates of growth of economic activity. the rapid expansion of the South has up to now been far better sustained.

These striking and wholly unforeseen developments are not brought out in the Brandt Report. In the first chapter we are told that:

> *in the two and a half decades following the Second World War the world economy was transformed... the industrialised world experienced economic growth and an expansion in trade without parallel in history, which contributed to growth in some parts of the Third World* |page 38|.

One might describe this as a somewhat stylised version of history. In two later passages |pages 171 and 203| partial and incidental reference is made to economic growth in the South, but not in a way which brings out the salient facts—indeed. in the second of these references it is implied, quite misleadingly, that the rate of growth of output in the post-World War II period was higher in the North than in the South.

In this respect. therefore. the Commission's description of the working of the international system does not accord with the facts. More generally. it can be said that the Report over-estimates the importance of external as opposed to internal factors in relation to the economic development of countries and groups of countries. even though it concedes |page 127| that *changes in the international system alone will not suffice.* Moreover. the way in which external influences operate is perceived in surprisingly simple-minded terms. The Commission seems to believe that countries become rich in large part through the exercise of 'economic power'. and stay poor because they have failed to acquire this not very clearly defined attribute. Hence. it argues that an essential item of reform is *change in the uses of economic power in the world* |pages 64-5|. *so as to modify the numerous ways in which economic and even military strength confers on countries. organisations and corporations in the North the ability to manage the world economy to a considerable degree in its own favour* |page 65|. The nature and *modus operandi* of this power. and the possible value of the benefits which it confers. are left obscure.

The extent to which prosperity in the modern world derives from power. though debatable and difficult to estimate. is probably very restricted. Suppose that we consider first the growth of output per head. as distinct from the absolute level attained. Over the past thirty years, as has been seen. most countries have participated in a process of extremely rapid growth. and for almost all of them the growth in their output has been the main influence on the way in which levels of real income have changed. To try to explain the growth of output and output per head with reference to the exercise of economic power would be an unrewarding if not ridiculous task. Is it for instance in such terms that one could hope to account for the respective post-World War II economic performances of Britain and Japan? Within the developing world. does economic power in any way help to explain the amazingly high sustained rates of expansion in southern Europe. or in Hong Kong. South Korea. Singapore and Taiwan? In these and other cases it is obvious that a quite different explanatory system is required. Nor is the position different if we consider the level of real income. rather than its current rate of increase. since most rich countries are rich because of past increases in production per head over a long period. Furthermore. the most prosperous states within the North are not necessarily the most powerful: is it through the exercise of 'economic strength' that Sweden and Switzerland have become possibly the two richest industrial countries?

To make sense of the idea that economic power may partly determine prosperity. it is necessary to turn from quantities to prices. Presumably the main potential use of such power in the modern world is to enable a state—or some of its citizens—to affect the prices of goods which enter into international trade. thus improving its terms of trade at the expense of others. and altering the distribution of world consumption. But. apart from the important—but also highly untypical—case of petroleum. it is not clear that action of this kind has had any significant and lasting effects on the levels of real income attained by any state or group of states in recent decades. The Brandt Commission simply assumes. as others have done. that the North *must* have made substantial gains of this kind. because of its alleged *ability to manage the world economy in its favour*. and because *the way markets operate... is presently to its advantage* |page 76|. This extremely questionable view of events and relationships. which many economists would regard as grossly misleading. is put forward as though it were an obvious and accepted truth.

[6] As was observed in a book published in 1977: *almost certainly. the past 25 years in the ldcs |developing countries| have seen more growth in output per person than the previous 20 centuries.* Michael Lipton. *Why Poor People Stay Poor.* London. Temple Smith. 1977. p 29.

The Commission's whole approach to the process of economic change. and to the ways in which this process may be affected by the nature of the international economic system. is in fact naively political. In this picture of the world. what chiefly influences the material well-being of countries is not what they produce. nor how their productive potential may change over time, but their supposed bargaining power in relation to other countries. Rich countries are strong: strong countries are in a good bargaining position: therefore the economic prospects of the poor countries are always and necessarily clouded—at any rate unless deliberate international action is taken to redress the balance of economic power. This primitive vision of history and of economic relations is so firmly entrenched in the thinking of the Commission that. as was noted above. the well-established evidence of the economic progress made by many poor countries is set aside: in George Orwell's useful term. it has become an 'unfact': All this makes depressing reading. the more so since it comes from such a distinguished. widely representative and influential group of people.

Mutual Interests of North and South

A whole chapter of the Report is devoted to the subject of mutual interests, since the Commission believes that these have been insufficiently recognised. The theme is a promising one and a number of good points are made in the chapter. Nevertheless, the two main distinctive elements in the Report's discussion of mutual interests are both in my view open to question. One of these, which concerns the benefits to all from an agreed international energy strategy, will be considered below. The second, which has attracted a good deal of public comment, is presented as a means to restoring the health of the world economy.

The general idea is summarised as follows in the first chapter of the Report:

> *we believe that a large-scale transfer of resources to the South can make a major impact on growth in both the South and the North and help to revive the flagging world economy* [page 36].

This has been widely interpreted by readers of the Report to mean that larger aid flows would provide a beneficial stimulus to demand in the rich countries. because they would give rise to an increase in exports to the recipients. Such an interpretation is consistent with the sentence just quoted. and also with some passages in the latter part of the Report. as for example where reference is made to *the coexistence of the great needs in the South and the under-used capacity in the North* [page 238]. In this form. the idea is similar to that developed by Roy Jenkins. the President of the Commission of the European Community. in his lecture to the Overseas Development Institute in 1979. In this he referred to *the continuing reality of Keynesianism on a world scale. even if it has lost some of its national relevance.* and to the possibility that *the developed world is unable to start growing again until demand is increased in the developing world.*[7]

This argument, however. is open to an obvious and damaging objection. which perhaps surprisingly—but also creditably—is both stated and endorsed in a different section of the Brandt Report itself. The Report refers in Chapter 3 [pages 67-8] to the case which has been developed for 'pump-priming the world economy' through aid transfers. and then continues:

> *critics have questioned the validity of this argument.* **Why should northern governments, hesitant to stimulate their own economies in a period of stagnation, find more virtue in a process of stimulation which operates via the developing countries?** [emphasis added].

To this extremely pertinent question the Report goes on to provide two answers. First. larger aid flows would contribute to world stability by helping the process of recycling oil surpluses. Secondly. the higher exports to the South would be accompanied by higher imports from it, so that there would be no serious inflationary effects: the North would gain. *not* from an increase in exports associated with a larger trade surplus. but from 'balanced trade expansion'.

This second argument. however. is not consistent with the notion of 'international Keynesianism', except in a highly qualified form. Precisely because a 'balanced trade expansion' would have only a limited effect on the level of demand in the rich countries. its effects on output and employment would likewise be restricted. The agreeable vision of matching Southern needs and Northern excess capacity is no longer tenable. since with a balanced expansion the reduction in excess capacity in the export industries of the North would be largely offset by an increase in excess capacity in the industries producing the goods displaced by the higher imports from the South.

Thus the Commission appears to speak with two voices on this issue. On the one hand. it suggests in certain passages of the Report that larger flows of aid to poor countries could be the means to securing economic expansion in the rich countries. through the agency of higher exports. At the same time.it offers an alternative analysis of the effects of an increase in aid. which though less open to objection is also more modest in its claims. Not surprisingly. it is the first of

[7] Roy Jenkins. 'Europe and the Developing World'. *ODI Review.* London. no 1. 1979. p 6.

these arguments—the idea of matching the South's need for more goods to the North's need for more jobs—which has captured public attention since the publication of the Report. Here again. the impression is created that a problem which does not directly involve the economic relations between rich and poor countries—in this case. the largely internal problem of 'stagflation' in the North—can best be handled in the context of these relations. But the impression is misleading. for reasons which are actually to be found within the Brandt Report itself.

FRAMEWORK FOR ACTION

Underlying the various specific proposals made by the Brandt Commission is a set of related beliefs about the working of the political and economic system. These are implied rather than stated in the Report itself: they are too much taken for granted to be made the subject of explicit reference. In my view. however. they are more open to question than the Commission supposes. It is convenient to consider them under four headings. These are: the faith in regulation: the mistrust of markets. together with the failure to recognise their potential scope and uses: the neglect of uncertainty: and the belief in the existence of known 'solutions'. The arguments under each heading are not fully separate. but interconnected and mutually reinforcing.

Faith in Regulation

Inevitably. the recommendations in the Commission's programme of action are addressed to governments. and to the international agencies which they control. Often these recommendations would require agreement and collaboration between states and their governments. and this international aspect of reform is a consistent theme of the Report:

> *more and more local problems can only be solved* [*sic*] *through international solutions* . . . [page 33].

For a number of reasons. some of which have been touched on above. it might be argued that the Commission has over-emphasised the need for action at the global rather than the national level. Domestic policies. however. are by no means neglected. and Chapter 8 of the Report in particular is largely concerned with the various measures which the Commission believes should be adopted within the developing countries. The different levels of action are seen as related parts of a consistent set of reforms.

Within the recommendations. one of the themes which can be detected is a belief in the desirability and efficacy of administrative regulations to be drawn up by governments. acting either jointly or severally. and to be enforced either by them or by the international agencies which they control. Such administrative mechanisms are often designed as a substitute for market processes. and to adopt or recommend them implies two distinct forms of judgement. In the first place. it entails the view that market processes in themselves will produce results which are unsatisfactory. so that some form of guidance. control or supplementary action is needed. Secondly. administrative devices are judged to be a superior means of control to measures which are designed to influence or establish prices. and thus to improve the working of market forces rather than to supersede them.

Both these strands of thought are evident in the work of the Brandt Commission. though neither is developed in a systematic way. As to the effects of market processes. it has been noted already that the Report accepts uncritically the dubious idea that markets at present work to the advantage of the rich countries. and are therefore a source of inequality and injustice. This idea is given more general expression in the opening chapter of the Report. where it is laid down. though without argument or evidence. that . . . *economic forces left entirely to themselves tend to produce growing inequality* [page 32]. Soon after this assertion. the principle is stated that

> . . . *fundamental structural changes must be made in the markets in which developing countries are suppliers— of commodities. of manufactures. of labour—and in which they are customers—for capital and technology* [page 32].

As to the ways in which market processes may need to be improved or supplanted altogether. a principal theme of the Report is the necessity for collaborative action by 'the world community' to shape a new international order. This order is seen as . . . *a continuously changing process in which forethought and negotiation operate constantly to establish an overall balance between its elements. whether individual or collective* [page 268]. Such a conception of the future strongly implies a belief that the sphere of high-level administrative action ought to be extended.

Admittedly, it cannot be said of the Report that it neglects the possibility of making markets work more effectively. Thus in Chapter 8 it is suggested that in developing countries *sound economic management may . . . call for the reform of the price system to better reflect the real costs of resources* [page 133]—though the point is made incidentally and in passing. and is not treated. as it could well have been. as a major theme of the chapter or even of the whole Report. Again. some of the recommendations on trade. such as those relating to safeguard measures against imports. would make for freer markets and less discrimination. The proposed measures to stabilise commodity prices and export earnings could likewise be thought of, in part at least, as an attempt to improve the working and the results of commodity markets, which would still continue in operation. At the same time, there are certain areas of policy in which administrative mechanisms are specifically recommended, and where the use of prices is either implicitly or explicitly rejected, because of what seems to be an optimistic view of the practicability and effects on regulation.

The two main instances of this are *industry* and *energy*. In industry, much is made of the need for more effective regulation of transnational corporations; developing countries are urged to *pursue more selective policies in admitting foreign investments* [page 191]; and a future is anticipated where these countries

> *... should be in a better position, where appropriate, to unpackage the 'technology-investment package', separating out the components of investment, technology, management and marketing, and importing only what they need* [*sic*]... [page 191].

All this shows a robust faith in the capacity of official committees to make complex choices with a large discretionary element and takes no account of the possibility that more decentralised criteria and methods might be used. Again, neither the recommendation [page 186] that *fair labour standards should be internationally agreed in order to prevent unfair competition and to* **facilitate trade liberalisation** [emphasis added!], nor again the implicit endorsement [page 230] of the Lima target for industrialisation in the developing world, are consistent with the Commission's already-quoted acceptance of the principle that prices should reflect the cost of real resources used.

It is in energy, however, that the Report is most in favour of regulatory systems embodied in international agreements. It advocates *nothing less than a global strategy for energy* [page 160], involving *exceptional measures of international collaboration* [page 161]. This international strategy would form part of the Commission's suggested 'Emergency Programme' for the first half of the 1980s. It would take the form of a 'global agreement', in which oil exporting countries would guarantee supplies, major oil consumers would commit themselves to agreed targets for energy use, oil prices would become more stable and predictable, the security and real returns of oil producers' investments would be guaranteed, and a major concerted investment programme would be undertaken in exploration for oil and natural gas in developing countries and in the development of renewable energy sources.

All this seems highly optimistic, not to say unreal. It is not clear how price levels could be determined, nor how targets and 'guarantees' could be adequately defined. More important, it is still less apparent how any country, whether exporter or importer, borrower or investor, could be held to an agreement when either internal or external circumstances altered—as for example when a change of government took place. Moreover, the proposal takes no account of the danger that when governments go out of their way to become involved in international energy transactions, the likelihood of friction between them may be increased: a good recent example is the decision by the United States Department of Energy in 1978 to disallow an agreement by an American utility to buy Mexican natural gas, on the grounds that the price was too high.

Mistrust and Non-recognition of Market Modes

In part, the Commission's belief in the virtues of regulation arises from an active mistrust or scepticism about the likely effects of allowing markets to work. This is particularly evident in the case of energy, where it is argued that *the market incentives and supply patterns for current oil production do not create an orderly framework for equilibrating supply and demand* [page 165]. At the same time, it is clear that at various points in the Report the idea of using markets is not so much consciously rejected, as in the instance just quoted, but rather is simply not perceived as a genuine possibility.

This can be seen most clearly in the frequent references that are made to 'needs' or 'requirements' on the part of countries. This implies the view that up to a certain point what is used or consumed can be regarded as 'essential'—another revealing term—while beyond that point there is a marked change in the value of consumption, as the domain of the 'non-essential' is entered. This way of thinking is quite alien to the conception of economic choice which underlies the case for using market modes of allocation, and which is stated in terms of possible substitution at the margin. In this latter view of choice, there are no needs to be met regardless of cost, and to think in terms of a sharp transition from essential to non-essential is meaningless. How economic agents rate alternative situations can be judged only from the way they react to changes in incomes and prices: there is no way in which 'needs' can be independently determined, and to state issues in this form is to reduce unnecessarily, and probably with damaging effects, the range of choices that is in principle open.

In this connection, it is interesting to note that the concept of 'needs' makes its most frequent appearance in the Brandt Report in the chapter on energy. Here the passage which departs furthest from an economist's conception of how choices should be looked at—an entirely unwitting departure, in all probability—is actually quoted from the Energy Commission of the former Commission on International Economic Cooperation. This body

> . . . *recommended that. in periods of reduced oil supplies. the most vulnerable developing countries* **should be given priority to allow them to meet essential requirements** . . . [page 170. emphasis added].

Various similar references. however. can be found in relation to topics other than energy. Thus on page 228 the Commission refers (quoting in this case a United Nations Conference on Trade and Development [UNCTAD] document) to *the aggregate needs of all the least developed countries for external capital.* and on page 175 to the *trading needs* of the developing countries.

In all these cases the implication is the same: that there is a sharp change in the slope of the relevant schedule which relates quantities used to utility derived. a change which occurs at the point where a transition from 'essential' to 'non-essential' is made: and that this point can be accurately determined by observation. In so far as situations are perceived and problems are formulated in this way. there is no scope for thinking in terms of market modes. and the regulatory approach. without necessarily being consciously approved as such. moves into the resulting vacuum.

Neglect of Uncertainty

As with many other observers of the world scene. the Commission's partiality for national and international regulatory action is partly the outcome of a high degree of confidence that the future either is or can be made reasonably predictable and hence controllable. Here again the chapter on energy provides an illustration. Although. as just noted. the Commission believes that 'market incentives and supply patterns' in oil 'do not create an orderly framework for equilibrating supply and demand'. it is tacitly assumed that a global strategy for energy could do so. Such a strategy is further recommended because *orderly and predictable price changes are important to facilitate a smooth development of the world economy* [page 171]. Again it is taken for granted that the strategy can ensure this orderliness and predictability.

A similar optimism can be found in other sections of the Report. Thus it is argued in relation to mineral development that *once exploration has been completed and the extent of a deposit is known. it will become much simpler for host country governments to reach equitable and stable contracts with foreign companies* . . . [page 157]—as though the extent of a deposit *were* actually known at this stage. and as though the prospective earning power even of a known deposit could not be radically altered as a result of unforeseen price movements. Again. it is argued that in recent years exchange rates. under the influence of speculative capital flows. have been driven *far beyond levels which can be related to real economic adjustment needs* [page 207]—as though these 'needs' could be accurately assessed before the event.

A similar confidence is revealed in the way that the Commission puts forward its proposals for improving the working of particular markets within the international system. In three important areas—namely primary commodities. energy. and exchange rates—it is suggested that official action should be taken to stabilise prices around their trend values. For commodities. the idea is that prices should be stabilised 'at remunerative levels' through international agreements. In energy. the goal is that prices should 'reflect long-term scarcities'. while changes should be 'orderly and predictable'. For exchange rates. *increased stability . . . should be sought through domestic discipline and coordination of appropriate national policies* [page 219].

Now all these are familiar and widely-supported proposals. and to make them is not in itself a sign of excessive faith that the future can be foreseen. It implies no more than a belief that the official agencies concerned can make a better job of prediction than others could. It is. however. important to recognise that this belief is very much open to question: it ought not to be assumed unreflectingly that official intervention to moderate short-term fluctuations. and to keep prices in line with long-run trends. will necessarily be successful: and much of past experience in these matters is far from reassuring. If in fact official agencies cannot foresee the course of events any better that other market operators. then intervention may actually increase the extent of instability. and the world might be better off if the attempt to manage commodity prices. energy prices and exchange rates were abandoned. Despite a welcome reference [page 148] to *the difficulties of securing effective stabilization arrangements* in commodities. the Brandt Report takes too little account of this possibility. Its treatment of these issues gives the impression. which here again is a misleading one. that if governments are sufficiently determined to stabilise these prices they will necessarily succeed in doing so.

Belief in Known 'Solutions'

The Commission's tendency to underrate the extent of uncertainty is in my view a particular aspect of a wider and rather disturbing attitude. This consists of a belief that the extremely complex problems of the international system are for the most part well understood. In the Report. the clearest symptoms of this attitude are to be found in the frequent references that are made to problems being 'solved'. or having 'solutions'. The most revealing single passage of this kind occurs near the beginning of the final chapter. After summarising once again the present human predicament as the Commission perceives it, the Report continues:

> *What limits our response to this challenge, on which the destiny of mankind depends?* **Not primarily the technical solutions, which are largely already familiar,** *but the non-existence of a clear and generalised awareness of the realities and dangers and the absence of political will to face up to them and take corrective action* [page 267-8, emphasis added].

This diagnosis seems to me quite extraordinarily naive, for two distinct reasons. First, it is evident that the process of economic and social change, as also the working of the international system, are not at all well understood: they remain highly obscure and uncertain and hence a constant source of both controversy and surprise. Partly for this reason, the idea that there exists a body of known and agreed measures which would constitute 'corrective action' is illusory. Secondly, it is a profound mistake to suppose that the issues of social and economic life are such that it makes sense to think in terms of 'solutions' to them, as though they were like the entries in a crossword puzzle, for which there can be found a recognised, uniquely correct, and permanently valid set of responses. It is easy to understand how this form of words can find its way into a document such as the Brandt Report, which is designed to convey an urgent message, and which is rightly concerned to make its points as simply and clearly as possible. Nonetheless, the reference to 'solutions' is depressing evidence that the problem has been approached in a frame of mind which is inappropriate to it.

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