

For CCPD/WCC  
April 1983

"Alone in a leaking boat ...": The World Economic System In Retreat

Things fall apart; the centre cannot hold  
Mere anarchy is loosed upon the world.

- W. B. Yeats, 'The Second Coming'

The increasing social and political strains associated  
with high unemployment are creating pressures for a  
relaxation of the restrictive, anti-inflationary  
policies ... a very worrisome development ...

- IMF, Annual Report 1982

Adapt yourselves no longer to the pattern of this  
present world, but let your minds be remade and  
your whole nature thus transformed.

- 'Romans', 12:2

#### The Attainment of Zero Growth

The early 1970s saw the rise of intellectual and personal commitment to restraining economic growth. Partly this was based on prudent stewardship of limited resources; partly on a belief that much growth was the cause and consequence of the crassest form of self justifying materialism. In this form the quest for stable state economics was seen as compatible with concentrating resources on "basic human needs" and 'allowing' (the paternalism was there) poor nations to grow a bit so long as they did not make the mistake of seeking to emulate the living standards of the industrial North. There was of course a more overtly 'what we have we hold' strand which clearly sought to preserve the welfare of the rich and powerful nationally and internationally by cutting off both growth and redistribution but a proper concern for public relations led its rather blurring its bottom line (vide the Club of Rome and the Sierra Club). The emphasis was, for most stationary economic state partisans, on downgrading consumerist materialism, weakening the dominance of economic powers and principalities, increasing social and economic justice and participation through giving primacy to sustainability.

By the end of the 1980s the world economic system had 'achieved' approximately zero growth overall (slightly more on an absolute, slightly less on a per human being basis) and use of some scarce resources (notably petroleum) had actually declined. 'Leisure' time was greatly increased with a decline in average hours 'worked' - biased in favour of the poor (eg youth, minorities unemployed). The South and the poor of the North had come to see very fully that they could not achieve industrial middle class standards of consumption and were more concerned than ever with basic needs - food, water, health, shelter, clothing, education (or rather with their increasing absence).

However, the hopes that zero growth was the route to justice, participation or sustainability (and even the meaner vision that it would be comfortable for the initially well placed) had turned into a nightmare. Economic inequality had increased - as a result of the action of economic forces and of deliberate state policy to reduce protection of their victims.. Social and political tensions had increased - in the South to levels threatening the stability of almost all states whatever their stance on equity and participation. Whether more sustainable on material resource projections or not, the international and national economic systems looked significantly less sustainable (and less worth sustaining) on political, social and human welfare criteria.

Whatever its virtues as a consequence of changed values (and they are considerable) a non-growth economy prior to such changes has proven (as its critics warned) inconsistent with justice, participation or human sustainability. Zero growth as the result of failed growthmanship drifting into status quo defending of low growth targets has a bias to the poor indeed - a bias to making them pay the cost.

Clearly the steady state economy advocates did not cause the 1969-1981 movement to zero growth. Nor is their economic model the only one in evident disrepair today. Orthodox Keynesianism, the welfare state, monetarism, central and eastern European socialist planning, basic needs oriented programming, Brandt style common interest and New International Economic Order proposals for global structural change have fared no better. Whatever their future potential, whatever the apologia of their defenders, whatever the genuinely external causes, they are not in their present forms producing the goods or the jobs, the reduction of inequality or the growth of human welfare, the

practice of progress now or the vision of the future to be won each once seemed to offer.

"No worst there is none"?

The world economy (industrial capitalist, industrial socialist and Third World) is in the midst of its worst period since the 1930s. In retrospect the close of the 1960s marked the end of a quarter century of higher, more sustained, more stable, more broadly distributed (intra and internationally) growth of output and employment than had previously been recorded. Weaknesses and injustices there certainly were - especially in respect to poor countries and poor human beings - but 1930-45 and 1970-83 are in comparison substantially worse. The late 1960s US payments deficit, the 1972 grain price shock, the 1974 raw material price explosion (not just oil) were the hammer blows that broke an already shaky structure beyond repair. The brief recoveries of 1976-78 were interruptions in decline not changes in trend let alone structural changes to a new era of expansion.

The nature of the costs of a decade of economic unsuccess are clear. In the North the 1983 actual output will be about 25% lower than if 1960s trends had been sustainable and unemployment will be of the order of 10% versus 4 to 5%. That order of loss is not speedily reversible. Capacity is being destroyed - not simply idled. Productive capacity scrapping extends beyond mills (whether in textiles or steel or automobiles or shipbuilding or chemicals), to whole national industrial sectors, to urban and regional communities and to millions of people with no likelihood of ever again working in the craft or skill or industry they knew.

In the North at least, this is not - or not yet - a rerun of the 1930s. First, economic management has limited production falls (and therefore unemployment) somewhat. Second, inadequate as they may often be, safeguards in terms of income transfers (the welfare state if one prefers) have both kept demand up enough to prevent wholesale bankruptcies and limited the numbers of people subject to extreme physical deprivation (compared to the 1930s even if not to the 1960s).

But there has been a parallel erosion - of belief, of vision, of self confidence, of humanity - which threatens even the current degree of damage limitation. This is symbolized by the steady growth of 'acceptable' (now often termed inevitable) levels of unemployment from 3% to 10% in the USA and several North European countries; the faith in privatisation as a

retreat from failed economic management to market forces utilized by the private sector, the acceptance (or active promotion) of cuts in (or dismantling of) the welfare state as unsustainable precisely because so many more people need to call on its minimum resource transfer provisions. The advocates of "there is no alternative" really do not offer a way forward but a way to bottom out and halt decline. But much of it is a way that would erode the economic management powers of states and the safety nets for many individuals which have, to date, limited the damage to national economic activity and human welfare from the decade old depression.

"Wider still and wider ..."

Over 1945-1970 the world economy became much more integrated - however unequally and inequitably. International trade and finance became much more central and all economies much more subject to shocks in any part of the system. But by 1981 international trade had achieved zero growth and declined absolutely in 1982 with 1983 prospects little, if any, better. For most Third World countries the unit purchasing power of their exports had fallen over 40% between 1972 and 1981.

With low domestic market growth, high unemployment and stagnant world trade, protectionism (thought in the 1970s to be a dying anachronism in the North) has reemerged. While the formal structures of relatively free trade survive, the reality is increasingly different. Restrictions on the most vulnerable (the low income developing countries) have broadened to face the newly industrializing countries, the European periphery and now are on a course for setting off major USA-EEC-Japan trade wars.

For much of the 1970s Third World growth rates - of output and of imports though not of exports - held up fairly well. This lessened damage to their economies and people. It also limited decline in the North by providing a dynamic source of demand. That safety net (to the South, the North and the system) began to fray in 1979 and broke in 1982. It was based on Northern bank lending to Southern countries at unprecedented levels. It has foundered on the sustained recession with low export growth and high interest rates leading to near defaults (actually defaults redesignated as rescheduling) and a rising panic about overexposure. The international commercial bank system can no longer prop up Northern trade and Southern output expansion; it itself is a case for propping.

Over 1980-83 the Southern economies output in real terms will have risen about 2% and their populations 8%. In the poorest the changes are more like minus 3% and 9%. In 1981 Latin America and Southern Europe showed negative output per capita growth for the first time since the 1930s. In 1983 the President of the Asian Development Bank said that while the recession had been late in hitting the economies of his member states it was now nearly killing them.

In the South, there are no safety nets and little margin for economic management. Falls in output per human being and rises in the numbers without productive employment do not mean falling back on unemployment relief or the loss of amenities, but bring millions to the bare margin of survival and tens of millions to abject deprivation. Cuts in state spending (even if concentration is on preserving basic services which is by no means the most normal case) mean less and poorer provision of education, health and water at higher user fees, less food subsidies and employment promotion based on pushing down real wages and grower prices.

Here too there is a narrowing of vision - from a New International Economic Order to North-South talks, from basic human needs for all by 2000 to averting mass starvation and the reversal of falling death rates, from "catching up with the North" to preventing falls in real income per person. In many cases these narrowed goals seem infinitely less attainable now than the broader ones did a decade, or even half a decade ago.

"Light at the end of the tunnel"?

Economists have a notorious tendency to overestimate how much the future will resemble the fairly recent past. Until the 1980s the most common implicit projection was return to the 1960s. Now it is for a continuation of 1979-82 with a bottoming out sometime.

That may be too optimistic. As noted four forces - Northern defensive economic management and welfare (or ill fare limitation) states, Southern import and production growth and rapid banking system expansion of credit - which have limited the depth of the depression to date are weakening or totally spent. Decline - especially if there is a major shock - may perfectly well accelerate out of control. The human cost of that should be evident.

On the other hand, 1983 does seem likely to turn out better than initial projections. Real global output per human being may decline only 1% (3% in the South) instead of over 2%. This may mark a bottoming out with recovery to 2 to 3% overall growth in the industrial economies (capitalist and socialist as a group); a rate at least slightly above that of population. What are the implications of that in human terms?

The answer may not quite be "naught for your comfort" but it is rather close. Such growth rates would lead to negligible employment growth (negative in the case of the UK according to a recent National Economic Development Council study). Therefore, they spell out a rising path for unemployment. As they would also do little to reduce government fiscal strain, they would not reverse the erosion of transfer payments to the growing numbers of unemployed and aged.

For the South the answer is even grimmer. Such growth would not restore world trade growth to levels adequate to halt their worsening terms of trade, allow rapid export volume expansion or restore their ability to borrow. Except for a fortunate few that type of "recovery" in the North spells continued declines in ability to import and continued negative to negligible growth in real output per person. For their poor it means extreme deprivation, more malnutrition and ill health, earlier death from specific diseases or cumulative malaise.

"A bias toward the poor ..."

At first glance it would appear that the depression seriously worsens the absolute and relative situation of the poor. Redistribution, historically, has been least difficult to secure out of growth; 'what we have we hold' has been the dominant philosophy during hard times.

However, there are, especially in respect to the Third World, not only neo-conservative but neo-liberal and neo-marxian arguments to the contrary. The first is that the state is more authoritarian and inegalitarian than the market and less able to generate growth; therefore, the economically powerless will benefit most from unleashing it. The last is, in its extreme forms, the old argument that "worse is better". The existing states and systems are inegalitarian, unjust, dependent capitalist and shaky. Continued crisis will weaken them, raise proletarian consciousness and usher

in the revolution. The neo-liberal position is that the neo-colonial system built up over 1945-70 was basically unsustainable and in any event benefitted only narrow elites in the South. To seek to preserve it would, objectively, hasten erosion of welfare states in the North and give just enough strength to Southern authoritarian regimes to survive without broadening their popular bases.

The problem with these arguments is not that their characterisation of Third World states as a group does not have substantial elements of truth in it, albeit it is reductionist in failing to recognise substantial diversity within and among states. It is that quite clearly the depression is not having any general result of leading to successful popular revolutions or broadening of the bases of previously authoritarian regimes. States seeking to defend previous basic needs oriented strategies - eg Tanzania - or in which such approaches are in dubious battle with neo-conservativeism - eg Zambia and Sri Lanka - are among the most affected and the least able to sustain either their strategic aims or their existing breadth of participation and support.

Judging the tree by its fruit, the depression has a bias toward the poor - toward making them pay for it. In the North the aged and unemployed bear a disproportionate share of the burden; still employed wage earners are not radically worse off. In the South the limited gains in respect to nutrition, literacy, infant mortality and - in some cases - justice and participation are being eroded; often with a decade's hard won development wiped out in a year or two. Conceivably this is a way to create revolutions but: the present human cost is high; the success of the revolutions is most uncertain in the narrowest political terms and the gains in terms of justice and participation by no means assured by the political success of a revolution. Worse is rarely better for actual poor human beings and this depression does not appear to be an exception.

"What is to be done" - and why?

From a Christian perspective the answers to these questions are relatively easy at two different levels: that of principle and that of stop-gap amelioration of damage. Clearly the worsening of the position (political, self image, self determination as well as material) of poor people, poor communities and poor societies/countries must be halted and reversed. Equally

clearly the worst immediate impact of the depression on particular human beings and groups of human beings must be reduced.

But those two guideposts do not carry one very far. Opposition to unleashing market forces on the weak combined with soup kitchens to ensure they do not starve is not nothing but it is not enough. The action - unless it leads to something more basic - becomes putting a poultice on a wound rapidly festering toward systemic blood poisoning. The opposition - unless converted into support for action with some credible chance of reversing the basic changes against the poor - is in constant danger of becoming Pharasaic or even amounting to a washing of hands.

The Gospel is not a system for elaborating political economic strategy and policy - as opposed to providing normative standards by which to judge their goals and fruits. Unanimity on the least bad or most partially good political economically plausible approach is not likely. However, at present the problem is rather different - all of the political economic options look deeply flawed and doubtful of success; those stressing justice, participation and human sustainability at least as much as the others. The most sensitive and able political economists - whether politicians, civil servants, managers or intellectuals - are much surer of constraints than possibilities, weaknesses than strengths, what will not work than what will. While Christians as individuals have a duty to involve themselves in seeking to resolve that impasse, churches are not very plausible forums nor theology a very likely technical discipline for much of the dialogue and operational restructuring needed.

However, Christian concern can go beyond opposition to impoverishment and soup kitchens:

- a. a dialogue leading to action to end the depression is a priority because without it justice, participation and sustainability cannot be approached more nearly;
- b. guides for (constraints on) and criteria for judging some basic aspects of proposals can be articulated from a commitment to the poor and to self definition and self determination of human communities from household to national levels;
- c. even if the structural changes needed are hard to identify those which are "not needed" can usually be marked down and opposed in some detail;



- d. many interim proposals - defensive or partial but serviceable for the poor and going further than soup kitchens - are on offer and require selective examination and support not as roads to the New Jerusalem but as means to reduce burdens.

There is a need to recreate a vision of the struggle for human development and to participate in shaping its values and a parallel need to struggle against courses of action clearly inimical to justice, participation and sustainability. At the same time there is a duty to judge what limited, interim steps would help limit the burdens of poverty and the retreat from justice and participation which have built up so rapidly since 1978. To damn these - eg the work of the Brandt Commission - as imperfect without considering whether they are on balance positive and what the actual alternatives are runs the risk of confusing human endeavour and divine justice (by which the former always falls short). It also - when practiced by churches and Christians who are not themselves exploited, oppressed and excluded - is in danger of willing martyrdom for others to avoid compromise by oneself.

#### What of UNCTAD Belgrade?

The implications of the present context in terms of attitudes and action by churches and Christian organisations and by Christians within other bodies are not easy to spell out simply and operationally. Most of the issues at UNCTAD have very real technical and practical aspects not soluble simply by recourse to ultimate normative goals. Many are tediously complex and confusing for the non-specialist. There can be no major systemic breakthroughs at Belgrade; whatever victories (for economic recovery globally or nationally or for economic justice inter and intra nationally) are attained will be in skirmishes, many of them defensive.

There is thus a real temptation to say that UNCTAD Belgrade is not really important from a Christian perspective and to pass on to debating political economic issues and values for Vancouver. Understandable as this would be, it would probably also be a mistake:

- a. Belgrade does matter because if it fails totally to produce results, UNCTAD - the least bad governmental forum for development dialogue - is likely to become moribund;

- b. halting the mean narrowing of vision and breaking out of dated formulations (including NIEO as now formulated which still proposes to restructure the dead system of the 1960s rather than structure the existing New International Economic Disorder) is a precondition for future strategic and structural action and UNCTAD is the least implausible 1983 forum to begin such a revival of serious dialogue;
- c. a number of limited actions - on food security, on measures to support the "least developed", on landlocked developing countries, on poor country participation in commodity processing and international trading, on making compensatory (off-setting) finance to limit the impact of global trade shocks less inadequate and restrictive - may be attainable and would both limit damage and, less clearly, help rebuild belief in the possibility of agreed, effective forward progress.

This suggests that churches' and Christian action groups' roles might include:

- a. promoting reflection and dialogue among their members on issues like those raised in this paper both generally and in relation to UNCTAD Belgrade;
- b. urge governments to approach dialogue on broad issues at Belgrade with freedom from pre-commitments to old tactical stances and a commitment to seeking ways to identify elements of a "Common Concern" in and commitment to reinaugurated development and to a revived world economy as an instrument to that end;
- c. and call on them to approach specific practical measures - eg in respect to the least developed, the landlocked, compensatory finance, practical aspects of the commodity programme beyond the Common Fund proper - with a view to identifying what can be done and of making at least some positive commitments and resource allocations to demonstrate the continued value of common effort and the continued viability of dialogue and negotiation.

Possible Appended Further Readings

- A. The three volumes of "an ecumenical approach to economics" series
- B. Brandt Commission - "Programme for Survival"  
"Common Concern"  
(I may have title of the 1983 volume wrong as I do not have it to hand.)
- C. World Bank - World Development Report 1982;  
Accelerated Development in Sub-Saharan Africa: An  
Agenda for Action
- D. IMF - Annual Report 1982
- E. UNCTAD - Trade and Development Report 1982
- F. Society for International Development - Beyond Brandt: Menace and Hope (1980)
- G. Institute for Development Studies (Sussex)  
- Accelerated Development in Sub-Saharan Africa: What  
Agendas for Action? (Bulletin, 14-1, 1983, C. Allison  
and R. H. Green, editors)
- H. R. H. Green - "Things Fall Apart: the world economy in the 1980s",  
Third World Quarterly, Jan. 1983.