RECOVERY AND ADJUSTMENT FOR ALL: OR CONTINUING COMMON CRISIS?

By Reginald Herbold Green

> This failure to understand the enormous economic potential of less wealthy developing countries both as markets and as suppliers is compounded by two further misconceptions. The first is to see existing economic and financial arrangements as essentially healthy and adequate ... The next misconception is to pin the blame for the world's economic malaise on OPEC ....
>
> Edward Heath, 1981[1]

> We too often forget that even today the depth of human suffering is immense. Every two seconds of this year a child will die of hunger or disease.
>
> Willy Brandt, Common Crisis, 1983[2]

> Now, against a backdrop of global economic recession, the outlook for all less-developed nations - but especially for the sub-Saharan region - is grim.
>
> World Bank, Accelerated Development, 1981[3]

> ....Fragments of our lost kingdom ...
> Here the stone images
> Are raised, here they receive
> The supplication of a dead man's hand
> Under the twinkle of a fading star.
>
> \- T. S. Eliot, The Hollow Men

Recovery For All: The Case and The Doubts

The 1979-82 recession is over. The 1969-82 low growth decade is past. A new golden age like 1945-69 is about to dawn on the world economy. That is the basic thrust of the Williamsburg Summit and of the 1983 World Bank and IMF reports - admittedly in somewhat more subdued and qualified terms - and even more of the publicists of neo-liberalism as exemplified by the present USA and UK administrations.

There certainly is a case for this set of contentions. The USA has returned to significant growth and 5% growth in 1984 seems likely. The UK has ended its 1979-82 negative growth. In Western Europe recovery seems to be taking hold, e.g. 2.3 to 3% 1984 projections for Federal Germany. Debt problems have remained manageable so far as the international banking system is concerned: no defaults, limited writeoffs, slow retrieval of past commitments to second and third world borrowers is claimed to be in sight. International trade has in 1983 not repeated its 1982 volume decline (the first since the end of the Second World War). Major open outbreaks of protectionism have been averted.

Admittedly the recovery is, so this case goes, not yet general. Some ldc's - notably the "four small tigers", Taiwan, South Korea, Singapore, Hong Kong[4] - do appear to be entering into recovery but most remain in recession. However, as OECD recovery continues and global trade expands there will be opportunity for them to benefit too, if.... If they follow the inflation choking, government budget (or at least government borrowing) cutting, privatisation strategy espoused by the IMF, UK, USA - and less full bloodedly by the World Bank - for universal consumption and if they increase inducements to foreign private investment. Then there will be exports, credit and growth for all well managed economies.

Fortunately, or unfortunately, this case has severe limits on what it is likely to deliver in its own terms and also a set of assumptions which seem, at the least, highly optimistic.

Recovery from the depressed levels of 1982 - with an average under-utilisation of capital stock of at least 25% and unemployment of labour of 10% for developed market economies as a group - is one thing; generalised, sustained 3 to 4% growth is quite another. The 1983 recovery is, to date, weaker than that of 1976-78 and, on the face of it, has no greater life expectancy. Further, even at 3 to 4%, it seems most unlikely either to reduce unemployment significantly or to restore basic industries to anything approaching capacity operation, e.g. for the first 10 months, 1983 steel output in the industrial market economies and third world is below 1982, recovery or no recovery.[5] Thus neither optimism about the duration of the present recovery nor any claims that it is general globally, sectorally or in relation to unemployment and low income groups have any real empirical basis.

That raises some doubts as to how effective a stimulus to world trade recovery will be - especially if limited in duration and never very dramatic as to percentage growth. The new protectionism - with up to half of global trade covered by non-tariff restrictions usually disguised as agreements - is not likely to be rolled back while unemployment and unused plant capacity remain high, e.g. the rising clamour for full scale protectionism of a type likely to trigger a protectionist trade war by US steel companies.[6] This is a rather serious drawback in terms of the US-UK-IMF-IBRD approach since that treats renewed growth of world trade as a central driving force for sustained growth.

The banking system's safety hinges on the rate of sustained trade growth and particularly that of third (and second) world exports. (Or alternatively on banks' willingness and ability to increase exposure sharply.) The new protectionism, the sluggish first world recovery and the very limited third world signs of recovery at the least pose some question markets and at worst are close to the ghosts of the Kredit Anstalt and the 1929-32 international banking collapses knocking at the door.

The South can hardly apply the IMF-USA-UK prescription as now written and contribute to a growth of world trade. Its export prospects are not good either on primary products or - with a handful of exceptions - on manufactures. High interest rates and reduction of bank exposure will, therefore, be plausible only if one assumes adjustment by contraction not growth. Even if normatively acceptable, this approach is not necessarily either socially, politically or technically [7] feasible.

"Rage, rage against the dying of the light..."

The cost of the recessison has already been high - particularly for poor people and most particularly for poor people in poor countries. Whatever ones views on the virtues of zero growth in moderately affluent societies it is a recipe for continued inequality and suffering in poor ones. If it is argued that redistribution from North to South could combine zero growth with meeting basic human needs, the practical answer is that the South would be certifiably insane to count on the North doing any such a thing and that growing unemployment and poverty in the North are hardly likely to increase the practicability of global redistribution to the poor in North or South. In fairness advocates of zero growth do not, by and large, propose that it be acheived by failed growth-manship.

The first Brandt Report, Programme For Survival[8] etches the nature and extent of absolute poverty clearly. Since then the situation has worsened. The economic data are numbing - and hard to visualise in human terms. Recent ILO Basic Needs studies on Zambia and Tanzania and UNICEF's State of the World's Children Report 1983[9] are perhaps more effective in that respect. Two quite poor countries (Zambia, Tanzania[10]) that over the 1960's and early 1970's had achieved rising life expectancies, falling infant and child mortality, sharply improved health and education systems plus access to pure water, increased average nutritional standards, rising real wages and - at least in the case of Tanzania - rising real peasant incomes and declines in intra urban, intra rural and urban-rural inequality, have been brought to the verge of disintegration. Whatever view one takes of the defects in domestic policy, the vertiginous decline in their terms of trade combined, especially in the case of Tanzania, with 1973-1983 declines in real aid per capita are at the base of the "turnaround". In both cases real per capita consumption has declined at least 30% since the mid-1970's and the quality of basic social services - especially health and access to pure water - has declined so greatly that their serviceability is clearly called into question.

UNICEF[11] relates these and similar data from North and South to one of the most vulnerable groups - children. The basic data on morbidity, mortality and nutrition do not need much imagination to convert to pictures of actual and potential suffering and death. There is an appalling danger of widespread reversal of the trend fall in infant and child mortality, partly because resources have become scarcer in general and partly because social services (and usually social services for the poor in particular) have faced disproportionate real cuts in resource availability.

The availability of such data and their relative lack of influence on public policy illustrate one of the major costs of the recession - the decline in human compassion and vision. In the North the "acceptable" rate of unemployment (now seen as "necessary" or even as functionally useful) has moved from a 2% - 4% range in the 1960's to 8% - 10%. At the same time safety nets for the poor - including the newly unemployed and the never employed school leavers - have been cut.[12] "Absolute poverty eradication" and "basic human needs" are no longer operational slogans or objectives even at the World Bank, much less for most industrial economies either nationally or globally. "Redistribution with growth" has perished as a strategy along with growth. In the South as well "what we have we hold" and "each for himself and the devil take the hindmost" have gained strength as organizing principles among a majority of social groups, sub-classes and states. Voices advocating combining practical routes toward recovery with lesser inequality have not merely not been influential, they have not had a serious hearing, vide the Brandt Report to cite only the best known.[13]

1970-82 and 1979-82: The Road Behind

The 1979-82 depression was marked by the worst overall performance of the world economy since the early 1930's. However, it would be unrealistic to view it out of context as marking a sudden break from a basically satisfactory economic trend.[14]

1945-59 was a most unusual period in terms of global economic history. For a quarter century there was sustained expansion of world output and trade - with spurts and slowdowns but with no sustained lags. Over that period the recipe of reducing trade barriers and fostering international trade, using the US dollar as the basic international reserve asset, operating a fixed exchange rate systsem with fairly infrequent devaluations, using limited IMF finance to meet temporary payment crises, increasing real resource transfers to poor countries via bilateral and multilateral aid bodies and - for the less poor - export credits and bank loans and using Keynesian fiscal policies to prevent depressions or long lasting recessions worked. It is perfectly true that gains were unequally divided even among industrial economies and for many Third World economies were negligible. However, in retrospect the first post World War II quarter century increasingly appears to have been a Golden Age.

The undermining of the system began in the 1960's. The rate of growth of concessional transfers to Third World countries declined. The sustained use of Keynesian policies to limit recessions and unemployment created a set of expectations favourabale to inflation. Perhaps most critical, the need for additional international reserves to provide the liquidity for sustained trade expansion could only be supplied by sustained US external deficits while the dollar was a fully acceptable reserved asset only so long as it was seen to be safely backed by gold and immune from fluctuations in value compared to other currencies. Never permanently reconcileable, these two requirements clashed violently when the USA radically increased its external deficit by seeking to finance the Viet Nam war, increased anti-poverty spending and sustained foreign investment at the same time.

In the early 1970's the dollar went off the gold standard. The industrial economies entered into booms at the same time leading to mutually reinforcing inflationary pressures. Crop failures - particularly in the USSR - sharply boosted world grain prices. The 1973-74 oil price increases were the culminataion in this series of shocks which brought an end to the Golden Age. 1974-75 were recession years globally and in the North and depression years for many Southern economies.

However, over 1974-75 international economic policy - and that of major industrial economies - sought to limit recession in length and depth and to restore growth. Domestic budgetary deficits, commercial bank recycling of funds and increased low ocnditionality International Monetary Fund facilities all played significant roles. 1976-78 were years comparable to the 1960's in growth of output and trade albeit with higher inflation rates and a lack of confidence in the stability of the international financial system which had not achieved any substitute for the stable convertible dollar/fixed exchange rate model.

Whether the 1979-80 oil price increases were the cause or the occasion for industrial economy (and IMF) economic policy reversals is not self evident. Reversals there were toward placing reduction of inflation before maintenance of output and employment and defence of external balance before continued pursuit of expanding global trade (a fairly natural consequence of growing unemployment). The rise of monetarism as a fashionable economic orthodoxy and the election of US and British governments committed to reversal of Keynesianism and of welfare state trends (and not committed to continued Third World development and economic expansion) postdate the beginning of the 1979-82 depression but almost certainly contributed to its length and severity.[16]

This is particularly true of the policies of the Reagan administration. Its initial packagae of cutting basic government expenditure and the parallel Federal Reserve policy of tight money clearly led to immediate economic contraction and rising unemployment with a lagged result of lowering inflation. Combined with rather tepid opposition to the onward creep of the new protectionism and fervent opposition to low conditionality finance for Third World economies, this policy has played a substantial role in throttling down developing economy ouput and import growth which was a mitigating factor during the 1974-75 recession and a buoyant one during the 1976-78 recovery.

The more recent claimed successes of the Reagan administration's economic strategy are highly ambiguous. The decline in unemployment and the resurgence of growth in the USA are the result of massive budget deficits which represent an unintended reversion to (rather incautious) Keynesian demand stimulation as a result of failed "supply side" tax cutting and raising military spending. To limit the deficit, programmes to assist the poor - whether to survive or to stand again on their own feet - have been cut nationally and internationally.

To counteract the inflationary pressure inherent in huge fiscal deficits and a decline in net saving from 17% of national product in 1979 to about 14% in 1982[17] has required a monetary policy leading to high real interest rates and a massive inflow of foreign funds. One set of direct consequences has been to overvalue the dollar discouraging exports and encouraging imports leading to a growing US trade deficit requiring more external borrowing (and/ or foreign buying up of US companies) to cover the trade gap and thereby creating another necessity for high interest rates.

The high US real interest rates have had the effect of forcing up world interest rate levels with severe contractionary (or recovery delaying and limiting) effects in Europe and disastrous balance of payments and forced contractionary 'adjustment' results for many Third World borrowers. For example, Brazil has largely avoided an overvalued currency, usually maintained a trade surplus but been pitched into an unmanageable external deficit and a consequential forced domestic contraction dominantly by the increase of interest rates on its external debt.[18]

The US trade deficit, in itself, does tend to stimulate recovery in Europe but, in addition to the negative impact of high interest rates, it has - together with continued depression in many heavy and other older industries - unleashed protectionist forces which have interacted with those of Europe and Japan to make a trade war a real possibility and a 'mutual' trade barrier raising among industrial nations almost inevitable[19] This is exacerbated by the desparate need of Third World economies to raise exports and to cut imports - both of which increase pressures for subsidizing European exports and raising barriers to entry of Third World products into European markets.

Further the apparent stablility of a large USA trade deficit countered (as well as partly caused) by an overvalued exchange rate and high interest rates to draw in foreign borrowing and investment is - quite apart from the risks it poses to domestic growth[20] - desparately unstable. If lenders perceive the USA as a chronic debtor with a structural trade deficit they will abandon the dollar expecting it to sink relative to other currencies. If enough act on that prediction it will become self fulfilling and higher real interest rates (especially with a continued huge deficit on government and on trade account) may merely reinforce this negative image and cause a panic flight from the dollar, the consequences of which both for world economic growth (and especially that of the USA) and the viability of the overstretched global financial system would be very severe indeed.[21]

It would, therefore, be quite unreasonable to cite the economic policies of the Reagan administration as the basic cause of the 1970-1982 period of low average growth or even as the initial causes of the 1979-82 depression. However, they have contributed to lengthening and deepening the depression and to the extent that (largely through their utter failure on the fiscal balance front) they have fuelled the 1983 recovery they have done so in ways which limit the breadth of that recovery outside the USA and render it radically unstable.

The North: Prospects for 1984 and After

Growth of Gross Domestic Product in industrial market economies in 1983 has been about 2% and in 1984 will be in the 2.75 to 3.25% range. The IMF, World Bank, OECD and UNCTAD[22] are in rough agreement on that. Somewhat ominously UNCTAD, whose recent track record on projections is both best (least bad) and gloomiest is again the least optimistic. In short for a recovery after a severe depression the projected growth rates are low.

The IMF projections[23] show distinct inequalities within the North (more acurately North-west) with the USA and Canada at 4.5 - 4.75%, Japan at 3.5% and Western Europe at about 2%. These all represent improvements on 1982 (which showed negative growth in the USA, Canada and several Western European economies) and 1983 but remain at or below population growth in several European cases. These disparities raise doubts as to how general and how sustainable the recovery will be. If it is to be fuelled by very rapid North American growth and rising North American trade deficits there are severe limitations on US ability or willingness to borrow without limit as to time or amounts.

The real divergence of estimates is on the longevity and stability of the recovery. UNCTAD sees a 2.9% potential medium term growth rate, possibly up to 3.5% during recovery and a lower - or erratic - probable actual rate around 2.4%.[24] The World Bank[25] picks 3.7% as its "central" rate through 1990 but admits to the possibility of a 2.5% actual and hopes 5.0% might be attainable. Except for the last these are all well below the 1960-73 actual growth rate and some are barely above the 1973-80 2.5% record. All are better than 1980-82's disastrous 0.4% but as that is the worst average since the early 1930's such a comparison offers scant cause for optimism. As most analysis suggests that 3% sustained growth (more during recoveries from recessions) is needed to hold unemployment constant, most of these rates certainly offer no prospect of return to anything approaching full employment even if that is taken to mean 5% unemployment.

Trade is, to date, lagging growth in the partial recovery. After a trend 6% real growth over 1945-73 (higher than GDP growth and, at least for industrial economies, at least one of the cylinders of growth), it grew erratically in the 1970's, basically stagnated in 1980 and 1981 and fell 2% in 1982. For 1983, ominously, the volume apparently change little, i.e. remained at levels first achieved in 1979.[26] Almost all of the sustained recovery projections assume a dynamic role for world trade. The World Bank[27] and the IMF[28] make quite clear that increased protectionism would probably snuff out recovery. GATT[29] sees prices as so distorted internationally and the foundations of the trade system over which it presides as so eroded as to require major new initiatives to avoid both increased protectionism/decreased trade and blocked debtor exports/debt crises.

A further question mark over sustained recovery are historically record real interest rates (nominal rates less inflation) which are about 4% for short and 8% for long term money. These levels are a major contributing factor to third world balance of payments problems (the dominant cause in several cases including Brazil) and a major deterrent to investment using borrowed funds in both North and South. They appear largely attributable to the incredible fiscal laxity of the Reagan Administration which presides over a budgetary gap which an IMF Mission to a Third World country would instantly characterize as the grossest of mismanagement. The fiscal laxity is consistent with falling inflation only with very high real interst rates (and unemployment) and a large balance of payments deficit. The impact on the availability and cost of capital to other economies and to their ability to operate reasonable (say 1 - 2% real or around the historic trend) interest rates is severe.

The South: Prospects or Portents

For the South short term prospects are very uneven. GDP growth in 1983 seems likely to average 3% with a near 5% rate in Asia offsetting the third negative outturn in a row for Latin America.[30] Outside Asia for a majority of countries real GDP per capita has fallen since 1979 - dramatically in several cases.

1984 prospects are probably for a small improvement - including perhaps zero or 1% growth in Latin America - if world trade picks up and there is no further tightening of IMF/Commercial Bank lending. 1985-1990 prospects - on the World Bank's central projection[31] - are at or above 5% for all regions and classes except the least developed and Sub-Saharan Africa where 3.5% is projected or approximately no change in GDP per capita over the period following falls of 15 - 25% per capita over 1979-85. UNCTAD estimates are distinctly more pessimistic.[32]

These projections assume[33] rapid growth of Third World exports, reversal or at least no increase in protectionism against their manufactured goods, some improvement in terms of trade for primary products,[34] a near fourfold nominal increase in developing country external debt (including concessional finance growth at the same rate) and three to fourfold increases in <u>net</u> commercial bank lending to and foreign long term investment in developing ocuntries. Taken separately each of these parameters seems at best a 50-50 possibility. Taking them as six assumptions with a probability of .5 each gives an (admittedly crude) overall probability of 2% that the rates are attainable. The low growth scenario - which appears much more likely to be the actual one on current data even assuming sustained North growth averaging 3% - yields rates of growth averaging 4.7% for all developing countries but well under 3% for Sub-Saharan Africa and least developed countries and barely above population growth for Latin America. It is - if anything - more dependent on increasing access to external finance, a result radically at variance with present and forseeable future commercial bank efforts to reuce exposure.

The external finance issue is crucial as is the level of real interest rates. Measured against the prices of developing economy exports the latter averaged over 10% during 1980-1983. Net bank lending to developing countries declined sharply in 1982 and further in 1983. Even in the case of larger lenders - e.g. the Bank itself and the Commonwealth Development Corporation[35] - there has been very little increase in real disbursements partly because borrowers cannot raise the complementary domestic resources because of the recession and partly because of the level of interest rates. Concessional finance - e.g. IDA - in real, let alone real per capita, terms has declined and the Bank's continued projections for its rapid doubling seem to confuse advocacy with the probable course of events.[36]

Toward a Debt Crisis?

These projections are hardly reassuring. They do not suggest that recovery in the North is stable and especially not that South sharing in global recovery is certain. However, they may be too optimistic. The emergency debt management operations of 1982-83 have not created a stable base for managing developing country external debt either from the point of view of lenders or of borrowers.

The public projections of bankers are reassuring - as they must be to avoid precipitating a crisis. But they assume at least 3% real North growth, sharp falls in real interest rates and stability or recovery in the terms of trade for primary products. The more perceptive statements make quite clear that these are conditions for avoiding crisis - a rerun of 1979-82 real interest rates, terms of trade and limited export growth would cause very much less manageable conditions.[37]

The problem is compounded by the fact that data on problematic short term credit - especially arrears on credits from manufacturers and merchants - is very incomplete and not included in most world debt tables. For a significant number of developing countries it exceeds one year's exports. For half of Sub-Saharan African IMF members arrears are believed by the Fund to be substantial - and attempts at rescheduling and/or Fund programme negotiation usually show shaky short term bank lines of credit and commercial arrears to be far larger than anyone realised.

The private views of bankers and those of bank linked analysts are gloomier.[38] They see a need for a minimum of \$20-30 and probably a level of \$50-60 billion[39] of annual <u>net</u> lending to developing countries to the end of the decade (the latter roughly consistent with the Bank's main projection). They are not willing to lend at those rates, especially unless and until, South export growth and real interest rate falls increase their confidence that the new debt can be serviced. Between 1981 and 1983 net private medium and long term lending to developing countries with current account deficits fell from \$36.5 billion to \$20.9 billion and is projected to remain static in 1984.[40] They are aware that under these circumstances a random shock or a misjudged rescheduling (juggling?) act or a micro-successful cut and run by smaller banks could trigger a series of <u>de facto</u> defaults which could not be papered over.

The other risk - again one of which bankers are well aware and will admit to in private - is that developing countries will be pushed so hard that they will either be forced to default or will view it as advantageous to do so.

Debt service ratios to exports for all developing countries reached 20% in 1982 while in 1983 debt service plus remitted profits averaged nearly 30% of exports for debtor developing countries.[41] In other words over one dollar in four earned by exports was not available to purchase imports but had to go to service foreign debt and equity. For countries whose imports have already been forced below the levels needed to sustain reasonable levels of capacity utilisation and maintenance (including major ones like Brazil and Mexico as well as smaller ones like most of those in Sub-Saharan Africa) this burden is unlikely to be economically sustainable and even more unlikely to be politically acceptable for an indefinite period. For many countries - including former prime borrowers like the Ivory Coast - they are over 35%.[42] Even for countries like Tanzania which never had substantial access to commercial credit, assuming paying off arrears over five years and meeting current supplier credit, Bank, Fund and official debt obligations can yield debt service to export ratios well over 50%. For the most heavily indebted with a high proportion of short maturity loans the ratio is over 100%. In the 1960's 10% was thought a prudent level and even in the 1970's anything above 15% tended to be seen as risky.

Stabilisation programmes which concentrate - or are seen to concentrate - on raising exports to meet debt while cutting imports, domestic output and public services for the indefinite future[43] are likely to trigger far more energetic responses of major debtors - singly and, more ominously, jointly - than the very mild Latin American mutterings of late 1983 and early in 1984.[44] If interest plus principal repayments exceed new credit extended and the price of that new credit is unending austerity, then even on very conservative criteria there is a case for debt repudiation. Even more there is a likelihood of overwhelming pressure to do so from a broad spectrum of sub-classes including externally indebted domestic capitalists.

The "success" of the Mexican rescheduling and rescue[45] may seem to belie this picture. But Mexico could cut imports 40% in 1982 without major structural damage because it had raised them 80% in the two previous years. Even in that case social and political stability are at grave risk unless 1984 shows some growth and the balance of the decade rates averaging above population growth.

Brazil is more typical. It cannot cut imports further without disastrous results on exports as well as domestic production. It can achieve a large trade surplus but not one adequate even to pay interest at current rates. The revised 1983-84 stabilisation programme has been pushed through the political process only with grave difficulty. And it is probably inadequate to cope with 1984 and 1985 gross borrowing requirements. Further pressure - and continued nil growth - will precipitate a crisis.[46] Reversal from the apertura toward a pluralist, moderately democratic state to a national security state might be possible and suppress resistance to austerity, but it would be unpopular enough and - more to the point - generate disruptions enough to cause failure to meet export and external balance targets. The continuation of apertura would require increasingly nationalist, neo-populist resistance to creditors which would be likely to trigger a de facto default or even a formal repudiation. The senior banker who remarked that he and his colleagues were pressing Brazil so hard they were likely to break the government and then where would they be was pointing to a very real possibility, as the recent campaigning by the Vice President for the ruling party's presidential nomination underlines.[47]

Certainly a rerun of the 1930's consequences of a global credit collapse is still unlikely. The North would seek to bail its banks out to the extent necessary to prevent domestic collapse into depression and would probably succeed. That is cold comfort - negative North growth rates and full fledged South depression would ensue. The ghost of the Kredit Anstalt is knocking at the door.

Or as the Financial Times put it:[48]

> it would be a mistake to conlude from this agreeable (Brazilian) quadrille that the whole epic has now reached a happy ending. (Lenders and borrowers) have so far succeeded in buying time... It is doubtful, however, whether the present arrangements have bought enough time for all the countries concerned or can be used to buy much more in the future.

From 'Stabilisation' to What? 'Sustainable Growth' or 'Common Crisis'?

The evidence that the present recovery is weak and uneven is fairly clear. Even more critical questions are: First, whether the recovery is likely to continue and to become 'sustainable growth'; Second - to the extent that this is in doubt - whether the IMF-USA orthodoxy on adjustment (perhaps best styled 'recovery by contraction') and the related World Bank structural adjustment othodoxy are likely to decrease or increase the risk of an aborted recovery.

There are several serious questions about the viability of the recovery some general and some with specific relevance to the Third World or its "least developed" and other "low" and "lower middle" income members.[49] The first is the probable consequences of low growth rates of world trade. There appears to be near unanimity that recovery cannot be sustained without significant increases in world trade[50] nor the depression in many developing countries ended without sharp growth of their exports.[51]

Edward Brau of the Exchange and Trade Relations Department of the IMF recently stressed that import reductions in the developing countries are not a solution; that getting their economies back on a growth path is critical to their ability to repay their debts and that to do so they must both increase exports and have access to additional financing.[52] In practice the present reality for many ldc's is the inverse of Mr. Brau's posited requirements. The results are desparate attempts to develop compensation trade[53] and to hammer unwelcome imports into developed economy markets on terms described by the latter as dumping.[54]

The results are declines or very slow growth in the exports of all but a handful of ldc's resulting in a drag on global and industrial economy trade expansion. Conversely:[55]

> In the industrial world, meanwhile resentment is growing about the borrowing countries' sometimes ruthless efforts to boost exports and cut imports into compliance with targets agreed by the IMF.

The second negative factor is high real interest rates. As noted above these deter enterprise investment generally and are used to prop up very unstable US external account and government deficit positions. For Third World countries they have meant a sharp rise in debt service ratios and a significant reduction in import capacity. Both a creation of productive capacity side and on that of achieving external balance consistent with growth in both imports and exports the present rates and the probability of their continuing are very negative influences. There is no real probability of their declining significantly and staying down until both the US budget deficit and the degree of overvaluation of the dollar are significantly reduced.

From the low growth of trade and heavy debt service burden comes the very real risk of involuntary or willed open default by a significant number of Latin American, Asian, Central European and African countries. The dangers this would entail have already been sketched above.

A vicious circle of low growth in trade, rising protectionism, high government deficits and high interest rates seems to be a very real danger. This is most immediately true for developing countries but because they are the markets for a quarter of capitalist industrial economy exports, stagnation or curtailment of import levels by them will tend to create the same vicious circle in the industrial economies. It is not surprising that both business and labour delegates to a recent OECD meeting expressed grave fears that the 1979-82 depression would re-emerge as early as 1986-88.[56]

How do the international economic policy prescriptions peddled and acted on (at least for others) by the Reagan administration increase or alleviate these threats to sustained recovery? Because the US - along with Federal Germany, the Netherlands and, less consistently or extremely, the UK - has given its full backing to the International Monetary Fund "stabilisation" model earlier styled 'recovery by contraction' it is helpful to look at that model in these terms as well as the partially complementary and partly divergent "structural adjustment" model of the World Bank.

To date root and branch criticism of these models has been dismissed as either apocalyptic or unrealistic, while detailed critiques seeking reforms within the IMF and World Bank's existing parameters are either treated as basically supportive[57] or dismissed as being about quite secondary matters[58] - neither of which is necessarily a correct perception.

The IMF stabilisation model is fairly well known. It starts from the premise that serious imbalance comes from recent (or in extreme cases prolonged) excessive increases in demand and can be redressed by contraction of demand with cuts concentrated on comsumption in the short run allowing sustained investment (from domestic savings and increased external investment or loans) to restore sustainable growth in the medium or long term. It is a model which is largely monetarist (in the broad sense) and sees prices (and therefore both devaluation and trade liberalisation) as crucial to (indeed almost adequate for) economic management.

This model suffers from certain defects which are more acute in the South and in prolonged recessions:[59]

1. contraction of import capacity is as common a cause of imbalance as overexpansion of demand. Falls in real export earnings and rises in debt service costs have caught earned import capacity in a vice precisely as finance to cover deficits become less available;

2. to treat imbalance resulting from the impact of global recession on national import capacity by imposing further demand cuts seems somewhat perverse and hardly conducive to global recovery;[60] a point which the IMF endorses at global level but does not follow in determing its country programmes and therefore its actual

provision of finance;

3. indeed to view restored global trade growth as the engine of recovery - as the IMF increasingly does[61] and to prescribe import cuts as a standard part of programmes involving over forty countries appears to be to fall into a fallacy of composition (or decomposition);

4. with substantially less than full employment globally (and in most IMF clients) and with clients' imports constrained by exports plus net borrowing (or aid) it is not clear that unselective trade liberalisation by developing countries increases world trade or production but fairly clear that it is likely to decrease domestic production;

5. devaluations - especially large, "shock" devaluations as prescribed by the IMF - have at least as much capacity for increasing inflation and ending with the same relative prices and income distribution as before at new price levels which cancel the devaluation's effective exchange rate results[62] (and block the expected result of increasing exports) unless the economy is fairly flexible in production and/or products 'released' by contraction of domestic demand are actually exportable. In many developing country neither condition is met so that large devaluations tend to lead to the need for more devaluations rather than to the achievement of greater external balance through enhanced exports;

6. even in cases of initial success, IMF programmes seem to have a record of curing symptoms rather than structural problems, i.e. their suppression of demand is not backed by increases in supply and when austerity is relaxed, the same imbalances re-emerge;

7. because of the excess demand assumption as to causation of imbalance, IMF programmes are both relatively short (structural adjustment in a developing country, especially in a context of global recession can rarely be achieved in three years) and usually pay no more than lip service to supply expansion.

In fairness to the IMF, several of its major members - notably the USA and Federal Germany - take rather more rigid positions in favour of its model than it does. In an increasing number of cases it has recognized that import capacity expansion is a necessary starting point for stabilisaton. However, major modifications of the model to meet this criticism and more especially those relating to increased emphasis on supply enhancement and longer programmes (say up to five years of drawings plus three years grace and five repayment) would require expansion of Fund resources on a scale substantially above the current quota increases and Western European/Saudi borrowing and/or greater commercial bank willingness to respond to IMF programmes by substantial net new lending. These problems are exacerbated where - as in the least developed countries and many other Sub-Saharan African ones - the IMF is more a lender of first (or only) than of last resort.

Perhaps a more telling criticism is the IMF's recent record - especially in Africa. On its own assessment of 28 programmes more than half failed to meet their targets.[63] In only 5 of 23 countries was the growth target met and in only 11 of 23 the trade balance target. In most cases the programmes did not run their full course with the commonest cause being breaking of the government borrowing ceiling.[64]

The World Bank's structural adjustment model is significantly different from - and in principle complementary to - the Fund's stabilisation one. The assumed complementarity leads to Bank insistence on an IMF programme as a precondition for a structural adjustment programme and the divergence to a certain incompatability between the Fund's stress on demand contraction and macro monetary targets and the Bank's on supply enhancement and sectoral and micro (as well as macro) real, institutional and relative price targets.

Because the Bank does act on a distinctly less homogenous view of the world, its model is less easy to characterize briefly. Three main strands - stressed in the 1981 Accelerated Development for Sub-Saharan Africa - An Agenda for Action[65] and the 1982 and 1983 World Development Reports[66] are:

a. reducing price distortion as a sovereign remedy for all economic ills;

b. increasing outward orientation and static comparative advantage even if this means emphasizing products with poor growth of demand and terms of trade prospects;

c. reduction of the scope of the public sector plus (a shift in emphasis over 1981-83) more efficient management of public policy and public enterprises;

d. low emphasis on equity, distribution and basic services questions partly on a production comes first and partly on a neo-trickle down basis.

The Accelerated Development variant has run into a blizzard (or perhaps sandstorm) of criticism.[67] In general the critics do not deny the importance of most of the Bank's points - primary export big pushes and an apparent ambivalence on concern with food self sufficiency are exceptions. At a case by case level few would deny the need for improved public sector efficiency (including some reduction in activities attempted) or the need to manage prices better albeit many find the Bank's approach to both subjects both simplistic and ultimately ideological. But they query whether the report really is an agenda for action, whether it has not glossed over issues at least as important as the ones it stresses and whether it really has a coherent set of priorities as opposed to a rather simplistic set of stereotyped or semi stereotyped programmes derived from general first principles and backed by somewhat random examples.

The Bank's 1983 emphasis on price distortion is in danger of falling under the same type of criticism. First, arguably many of the distortions are the result of (rather than the cause of) crises. Second, the correlation with GDP growth is not particularly high. Third, the rankings are both on an unsophisticated basis and open to very considerable argument especiallly in respect to some of the countries - e.g. Malawi[68] - which receive very low price distortion ratings.

The Bank does appear to have considered and acted on some criticisms more than the Fund - how far is hard to say as the Bank almost never openly admits to error and is quite capable of putting a gloss on policy statements reverses what they were formerly understood to mean. It clearly has upgraded food self sufficiency, accepted improved public sector efficiency as a more generally attainable goal than massive privatisation, become much more sceptical on primary product export led growth and - perhaps - admitted that efficient import substitution is as adequate a strategy (or strategic component) as outward orientation (which seems to be viewed as by definition efficient).[69]

However, at times Bank flexibility becomes incoherence. It lauds Brazils breakthrough to manufactured exports[70] and even its long preparation by rather ad hoc protectionism responding to particular private enterprise pressures[71] and South Korea's[72] detailed interventionism down to product and enterprise level. Neither seems to square very well with its general policy prescriptions and the approval of Brazil's handling of import substitution and domestic economic integration as the Bank describes it is clearly open to very sharp criticism from neo-classical, pragmatic and Marxian perspectives.

Even more serious, the Bank - like the Fund - does not have the resources to cover the added cost to countries of implementing fullscale structural adjustment programmes without collapsing in the process. This is in one sense not its fault - neither the constrictions on IDA resources nor the very sluggish growth in bilateral availabilities is the Bank's wish. But, to take the Sub-Saharan African region, to propose policies to 40 odd countries when the resources to back serious structural adjustment programmes will cover perhaps 10 has a certain element of irresponsibility about it. What if 20 set out to follow policies viable only with Bank and Bank mobilised support?

The Bank model might produce structural adjustment in the Third World conducive to sustainable recovery if:

a. substantial increases in official and private capital transfers at relatively low real interest rates were provided;

b. industrial economies reversed their trend toward protectionism and increased their openness to developing economy (including Newly Industrialising Economy, i.e. NIC) exports;

c. the IMF in practice favoured country programmes based on supply expansion as well as demand control and targeted on increases in both imports and exports, increased the volume of its own resources to back such programmes markedly and leaned on bilateral aid agencies and commercial lenders to provide increased finance until the trade recovery process had become firmly rooted.

Unfortunately none of these conditions seems, at present, likely to be met. The greatest single obstacle to their attainment is the present US administration. It backs the most restrictionist elements in the Bank and Fund models, limits Fund quota and IDA pledge levels below what other industrial economies see as appropriate and combines verbal advocacy of free trade with steady erosion of access to US markets for the exports of developing and industrialized economies.

Toward An Alternative Recovery And Development Strategy

The costs of the 1979-82 depression are well known - and to some extent or level at least as evident to men and women in the street or factory or on the farm as to academicians or journalists or political decision takers. Despite 'brave' words, it is clear that the present recovery is weak, uneven and by no means certain to be sustained. A hard look at the global political economic models which now dominate global economic policy - those of the present US administration, the IMF and the World Bank - suggests that they are in significant respects more likely to prevent than further the transmission of recovery to the Third World and more generally are hardly well adapted at operational level to achieving the increased trade and capital resource transfer expansion they posit as necessary for sustained global ecoomic growth. The combination of these factors strongly suggests that strategic alternatives should be explored - at the least for ensuring consolidation of recovery and structural adjustment consistent with renewed development.[73]

In fact alternatives have been explored. The most coherent and comprehensive presentations are those of the Brandt Commission - Programme For Survival[74] - and of the Commonwealth Secretariat's Helleiner Commission - Towards A New Bretton Woods.[76] All are the product of commissions of eminent individuals drawn from the worlds of politics, business and academia as well as from developed and developing countries. None is a radical document - except by comparison with the present orthodox consolidation and adjustment models which seem to have found scant favour with commission members. Each has an avowed special concern with developing economies because they are the weakest, the hardest hit by the 1979-82 depression and thus the weakest links in sustaining recovery in an economically interdependent world. In addition the Brandt reports overtly and Helleiner report less explicitly, but perhaps no less firmly, do see development and economic advance of poor people as moral imperatives.

The proposals of Common Crisis and Towards A New Bretton Woods (which may be somewhat unfortunately titled[77]) are primarily focussed on winning out of recession and sustaining recovery rather than to broader and deeper systemic restructuring. Very few of their proposals would require new institutional fora - substantial, but hardly revolutionary, changes within existing ones would serve. From these and other studies a draft alternative strategy which should in principle be negotiable, practicable if negotiated and more productive than the present ones can relatively easily be drawn up.

Trade expansion must receive more than lip service and the new protectionism more than rhetorical denunication. In particular discrimination against exports of developing countries including NICs should be ended and, at least for the vast majority of ldc's, preferences given my Northern economies.

For this to be acceptable, safeguards which were genuinely non-discriminatory, related to serious harm caused by imports, time limited and non-renewable and subject to some impartial adjudication or arbitration process are needed. For the process to be better managed and negotiated, it would be desirable for the General Agreement on Trade and Tariffs (intellectually conservative and widely perceived as a "rich man's club") and the United Nations Conference on Trade and Development's trade functions (widely seen as an "unrealistic forum all talk and no action") to be merged.

The IMF's role as the linchpin of the international monetary system requires strengthening (e.g. by issues of SDRs increasing that assets share in reserves) and by altering its stance to a more supply enhancement (as opposed to demand reduction), realistic (as to social, political and human costs and benefits) contextually (as to country) and flexibly (as to ways and instruments for proceeding toward agreed targets over practicable time periods) oriented one. The number of technical and operational proposals for achieving this are myriad - the problem is securing agreement to any basic change. To carry out this enlarged and altered role the IMF would need substantially (probably 50 to 100% in the short term) increased resources.

In respect to the World Bank more IDA funding (at say $16 billion not $9 for the forthcoming period) is probably the first priority and a greater willingness to explore alternative priorities and instruments and to admit its own past errors the second. For most bilateral aid agencies roughly similar checklists apply.

Commercial finance needs to be available at lower real interest rates (which almost certainly requires radically lower US budgetary and trade deficits) and for debtor Third World countries in amounts and with repayment schedules that allow consolidation of their economic base, restoration of growth and - thereby - ability to service existing and new debt.

Debt burdens need to be viewed jointly with trade and access to new funds. The greater the latter two, the less the need to reduce the former by formal or de facto (e.g. lowering interest and stretching repayment) writeoffs. But partial writeoffs in some cases are needed if the countries are to recover and if the lenders are to recover anything.[78]

Food - and the abolition of hunger - require more coherent national food and hunger strategies (especially but not only in ldc's - hunger in the USA and dumped sugar and beef exports from EEC are hardly examples of policies to be recommended). It also requires substantially greater selective support from industrial economies in respect to food, production inputs and knowledge development. Closely related is a need to reprioretize aid toward poverty reduction and toward averting economic disintegration (a very real possibility in at least a score of African economies).

While development of South-South links is basically a South issue, it can be facilitated by Northern cooperation, e.g. technical assistance and financial support to specific regional initiatives.

Last but by no means least is re-establishing agreed rules of the game (e.g. in GATT where the industrial economies have largely eroded the old code of conduct as it pertained to ldc's and are now turning on each other) and more effective joint management of the international economy. To be acceptable the rules must be negotiated by bodies in which the South is represented[79] and the management must be, and be seen to be, responsible and accessible to all members of the global economic system.

This list is evidently both condensed and global. In operation it would need articulation to meet the needs of specific groups of countries - e.g. low income - and indeed specific states. However, that step logically follows agreement that serious negotiation of an alternative strategy is on the global economic agenda - an agreement which does not now exist.

"Not with a bang but with a whimper"?

The crucial requirement today at global level is not to devise proposals which would reduce the risks inherent in present dominant models and trends while leading to more sustainable recovery and development. There are almost too many already.

Nor is it primarily to have them seen as made by sober, serious people. Neither Willy Brandt nor Professor Helleiner, Jeremy Morse nor Philip Ndegwa, Edward Heath nor Amir Jamal is perceived as a 'wild man'. They are respectable and -on the whole - respected practising politicians, bankers and academicians, by and large very much men of affairs and not of ivory towers.

The problem is to get a serious hearing for these proposals from Northern decision takers. Otherwise - to paraphrase T. S. Eliot - this is the way the dialogue ends, not with a bang but with a whimper. There seem to be five main reasons for this failure:

1. uncertainty in the North as to what has hit them leading to a negative risk avoidance strategy of rejecting untried or new proposals, a factor reinforced by 1983's partial recovery which leads pragmatic as well as ideological conservatives to share the small child's wish "to keep tight hold of nurse for fear of something worse";

2. the substitution of dogma for pragmatic economic strategy in the United States and - to a lesser extent - the United Kingdom:

3. the rise of the new anti-welfarism (whether jubilantly proclaimed or sadly accepted) domestically within the North;

4. the fact that Northern interdependence means that no approach not backed by at least two out of EEC, Japan and the United States

and to some extent acquiesced in by the third is likely to prove practicable;

5. the absence of any broad body of informed public opinion on global economic issues and strategies.

Does this mean accepting the argument that:[80]

> The hard fact is that industrialised countries will only become interested...when the costs of hanging on to the present crumbling system become too high...we will have to wait until unemployment rises above the toleration threshold, or the Third World debt crisis becomes unmanageable.

There is a strong case for not doing so. Worse is better approaches have a high immediate human cost and a rather uncertain probability of achieving the better. True, the economic collapses of the late 1920's and 1930's did lead to Bretton Woods and a quarter century of relatively stable economic growth which - whatever its limitations - was better than any earlier documented quarter century. But what lay in between?

At least four strategic elements are required:

1. continued presentation of reasoned cases for alternatives to as many Northern decision takers as possible;

2. avoidance - or at least reduction - of factional disputes among the advocates of substantial change. The desertion of half the Brandt Report's natural constituency under banners of "no

reformism, a new order now" and "don't mix morality with economic interest" seriously weakened its impact;

3. building up broadly based development and global economic education. It is no accident that Scandinavia and the Netherlands which are the most active countries on the development education front are among those with the greatest decision taker willingness to consider alternatives and criticise present dominant models and to do so with confidence that such action is, on balance, likely to have a positive political payoff. Since most Northern governments show little sign of movement in this direction, the burden would seem initially to fall on voluntary bodies;

4. use the educational effort to secure commitment to alternatives (and to pressing that commitment on political decision takers) by existing mass organisation, e.g. trade unions, churches, minority group organisations, not simply by rather small specialist development groups. This is by no means impossible, many of these groups do accept that global economic policy and developemnt alternatives at least of the nature of major reforms are needed. What is usually lacking is a sense that such changes are of substantial significance to their own membership - until "common interest" is perceived in that way, the commitments will be of low priority in posing (or pressing) priorities to decision takers. These are groups which do influence Northern decision takers - at least to the extent of getting a serious hearing.[81]

"We Who Are Only Undefeated Because We Have Gone On Trying"

The strategy and tactics of achieving an alternative appraoch to international economic consolidation, adjustment, recovery and sustained development are neither trivial nor a minor appendix to the strategy and tactics of the alternative approach. Nor are they necessarily best analysed, let alone implemented, by international political economy specialists.[82]

Failure to recognise those facts has hampered much campaigning for strategic alternatives. It is cruel, but fair, to say that there have been repeated tendencies to act as if Joshua before the walls of Jericho or Saint Paul on the Damascas Road could be seen as the role models for the campaigners and their targets.

Four thematic tags may illustrate key elements for orgnisational and process building strategy.[83] "Freedom is the right understanding of necessity" - it is both critical to show the necessity of change and to demonstrate that what is proposed is within the limits of the possible. "Who makes two blades of grain to grow where only one grew before deserves well..." - it is critical to relate to concrete objective correlatives which can be seen as meeting the basic human needs of actual persons (especially those one seeks to organize). "In the long run we are all dead" - practical political mobilisation must seek to deliver results reasonably speedily not concentrate on eschatological ideals and ignore that survival and consolidation are preconditions for adjustment and development. "What is to be done?" - on the basis of necessity, priority concrete requirements and a process of partial successes what action (and organisation) programme strategy and tactics makes good sense?

How it is possible to act on the themes is contextual. Organising possibilities and necessities in particular national and group contexts vary just as much as the impact of the 1979-82 depression or the concrete actions necessary to consolidate and recover. The USA is neither Sweden nor Tanzania. The State of Washington is not Washington D.C. Trade unions are not churches and neither is a single theme, middle class, intellectual action group.

To be effective organisation toward "recovery for all" needs to embody six characteristics:

1. inclusiveness - i.e. going beyond specialists and specialized organisations to encompass a diversity of people and of organisations who come to see international political economic relations as one of the concerns important to themselves because it is linked to their other (and often to them more basic) concerns;

2. breadth - i.e. making clear that "adjustment" and "recovery" are not asceptic, isolated intellectual abstractions but have immediate, living ocnnections with other issues, e.g. unemployment, peace, justice;

3. Immediacy - i.e. demonstrating that there are particular policy, action and relation changes which can (and should) be achieved immediately in the context of crisis/weak recovery not deferred for 'better days' because putting them off is likely to ensure that the 'better days' do not materialize;

4. <u>Process orientation</u> - i.e. putting the particular in a broader context both in starting from persons' and organisations' actual present concerns and consciousnesses and in recognising that while "even the longest journey starts with the first step" the direction of that first step matters and depends on some insight into where the journey is intended to lead;

5. <u>Practical</u> - i.e. organising to achieve changes in actions, relationships and attitudes and, therefore, using a range of tactics from lobbying in corridors of power through broad organisation pressure (e.g. electoral?) for structural changes to direct ngo action:

6. <u>Both idealistic and pragmatic</u> - ie.e. remembering that it is not by any means true that what is normatively justifiable must be against ones own interests (nor vice versa) and that all organisations (and individuals) are limited, imperfect and in part bounded by the necessity of protecting their own interests.

Elements in elaborating an organisational and action programme flow from the foregoing concerns and are likely to be at several levels. Employment (including relating increased employment in production for export to actual adjustment to meet the needs of those whose employment is lost as a result of structural changes including imports); coherent fiscal (tighter? via tax reform?) and monetary (less restrictive?) policy and practice; peace (the direct cost of military spending - the fiscal and monetary implications - the interaction between militarism and economic viability/development); poverty (moral and practical economic causes, consequences); hunger (production, distribution, broader consequences aspects); Third World development or stagnation/ disintegration (feedback to North in terms of recovery prospects and military/peace issues as well as normative concerns) are all examples of topics which are likely to deserve significant attention.

Each topic needs to be seen in the context of the concerns of a broad range of individuals and organisations grouping people. These include unions, churches, labour and Christian action groups (not by any means identical to the preceeding categories), minority group organisations (including women and youth bodies), politcal parties, single theme bodies focussed on other topics (e.g. peace), single theme international economic reform/development/ Third World organisations. How and why "recovery for all" is immediate and important to and for them varies significantly. The problem for organisation and mobilisation is identifying that how and why and assisting the organisation and its members to identify it for themselves.

In doing so it is critical not to hide, nor encourage others to hide, tensions, costs and conflicts of interest. "Recovery for all" cannot be costless. The problems of ex-steelworkers and ex-steel centred communities whether in Ohio or Lorraine are real and deserve as serious attention as those of present and potential Zimbabwean steelworkers and their town of Redcliffe. The necessity is to seek to resolve conflicts in ways which broaden support for and the payoff from "recovery for all" rather than narrowing backing and eroding gains. Real alternatives for Ohioans and Lorrainers are an example of the former route while both dumping them on their own scrapheaps and beating back Zimbabwe steel with disciminatory quotas/duties are examples of the latter.

Organising coalitions to achieve basic change is - like most other worthwhile endeavours - not an easy, speedy or certain process. But it is the way basic changes are usually achieved (whether within, or by radically altering, existing institutions and power relationships). Immediate partial successes are important to survival of the process (and in the case of "recovery for all" for the survial of the recovery and - quite literally - of the lives of many human beings) and are usually attainable, but until broader and deeper change is achieved they will remain very partial and - even more critical - at high risk of reversal.

In the immediate context whatever else the first Brandt Commission report had wrong one of its conclusions is both true and, because true, poses an imperative reason for going on with the effort:

> The search for solutions is not an act of benevolence but a condition of mutual survival. We believe it is dramatically urgent today to start taking practical steps.

Notes

1. "One Year After Brandt", Britain on Brandt, IDS (Sussex) Bulletin, 12-2, April 1981, p.4.
2. Pan, London, 1983, pp 9-10.
3. Washington DC, 1981, pp 3-4.
4. See eg "4 Superstars of Region Expect Strong Recovery", International Herald Tribune, 22-X1-83.
5. International Iron and Steel Institute, Brussels, November, 1983.
6. See eg "US Steelmakers Act Over Imports", IHT,loc cit.
7. In a number of countries - especially in Sub-Saharan Africa - in which exports are under 50% of imports and imports are already below levels needed to maintain capital stock, achive plausible utilisation rates or sustain export prpoduction and transport, further demand and import cutting would seem to fall not into the 'stabilisation' but 'alms for oblivion' category.
8. North-South: A Programme For Survival, Pan, London, 1980.
9. UNICEF, New York, 1983.
10. ILO/JASPA, Basic Needs In An Economy Under Pressure, Addis Ababa, 1981 and Basic Needs In Danger, Addis Ababa, 1983.
11. op cit and March 1984 Special Issue of World Development.
12. See eg R. Pear "Rapid Rise in Poverty is Reported in the US", IHT, 25-26/II/84; J. M. Markham, "West Europe Making New Cuts in Social Programmes", IHT, 22-II-84.
13. cf R.Jolly and S.Joekes (editors), Britain on Brandt, op cit.
14. See for example the first Brandt Report, Programme For Survival, Pan, London 1980 for a fuller account of the weakening of the world economy as it appeared to the Report's authors and secretariat over 1977-79 before the full impact of the depression was felt. See also L. Silk "After the 'Golden Age': Some Economic Lessons", IHT, 18-I-84.
15. For a brief, but fuller, discussion see R. H. Green and H. W. Singer "Toward a Rational and Equitable New International Economic Order", World Development, 3(8), 1975.
16. For divergent interpretations see the articles in Britain on Brandt, op cit and L. Silk, op cit.
17. UNCTAD, Trade and Development, op cit, p.26 and passim for a discussion of the impact of these policies on the world economy.
18. Data are from International Financial Statistics, IMF, varous issues albeit the IMF would not fully share this interpretation. See also D. Seers, S. Griffith-Jones and C. Harvey (editors), Imported Inflation, forthcoming, for a fuller analysis both of the Brazilian case and of the impact of high real interest rates on developing economy external balance, growth (or contraction) and rates of inflation.
19. See, e.g. "EEC Ministers Assail Protectionism in U.S.", IHT, 22-II-84; B. Khindaria, "U.S., EC Aim to Cool Trade Disputes", ibid, 27-II-84; UNCTAD Trade and Development, op cit, Chapters I and II, passim. See also "Orderly retreat from free trade", FT, 1-III-84, a title which is very revealing as to how the freetrade advocate Financial Times perceives the present context and trend if it sees orderly (vs disorderly) retreat as a half victory.
20. Perhaps the most persuasive critic on this front is Chairman of the Council of Economic Advisors Martin Feldstein. See, e.g. S. Fleming, "Feldstein withdraws growth projection on present fiscal policy", FT,

19-I-84; "Unreal $ value distorting world recovery: Feldstein", Financial Gazette (Harare), 10-II-84.

21. This process of erosion of confidence and downward drift in dollar values - despite predictions of rising US interest rates - may already have begun. See, e.g. C. Millham, "Dollar stays in reverse", FT, 27-II-84.
22. 1983 Annual Reports, IMF, World Bank, OECD, Washington DC, Paris, 1983; UNCTAD, The current world economic crisis and perspective, for the 1980s, TD/272, Belgrade, June 1983 and Trade And Development Report, 1983, United Nations, New York, 1983; IMF, World Economic Outlook, Washington DC, 1983; World Bank, World Development Report 1983, Washington DC, 1983.
23. WEO, op cit.
24. UNCTAD, op cit.
25. WDR 83,op cit, p.7-39, esp. 27,39.
26. General Agreement on Trade and Tariffs (GATT), Annual Review, Geneva, 1983.
27. WDR 83, op cit, loc cit.
28. Annual Report, op cit.
29. GATT, op cit.
30. WEO, op cit,
31. WDR 83, op cit, p.39
32. UNCTAD, Trade and Development, op cit, pp.11,31,119-20.
33. WDR 83, op cit, pp. 27-36
34. ibid, pp. 9-13 and Figure 3.3, p.32
35. Annual Report, 1983 (Bank) and J. Madeley, "CDC money hedache", Gemini News Service, London, November, 1983.
36. eg WDR 1983, op cit, pp 33-34.
37. eg R. O'Brien, "Assessing the odds on survival after debt", South, November 1983, pp. 66-67.
38. Among the latter the Group of 30 (headed by J. Witteveen and including C.McMahon, A.Solomon, A.Lamfalussy, H. Wallich) report summarised in Financial Times, (London), 6-X-82.
39. L.Curry, "Bankers'gloom", South, November 1983, p.68.
40. UNCTAD, Trade and Development, op cit, p.18.
41. WDR 83, op cit, p.21.
42. Background paper, to African Centre For Monetary Studies/Central Bank of Tunisia Seminar on External Debt Problems of African Countries in the 1980s, Tunis, September 1983.
43. For such a reading see T. Hayter, "A banking nightmare that haunts the poor relation", Guardian,14-X-83.
44. See D. Hemlock, "David and Goliath", South, November 1983, p. 71; "'Ease loan terms' plan to West", Times, 7-X-83; "US Wary on Latin American debt", Guardian, 7-X-83, "Venezuela Challenges the IMF 'Goliath'", FT, 10-X-83; "A dialogue on Foreign debt", FT, 21-II-84.
45. See eg M.Rose "Paying the price", South, November 1983, p.18; "Bottomless debt", Economist, 11-X11-82, p.11; "The IMF And Latin America", ibid, pp.19-25. "Latin America: The breaking of a continent", op cit, 30-1V-83, pp.17-30; "World esteem, but can Mexico afford the price", Times, 9-1X-83.
46. Economist, op cit; "Brazil debt agreement undermined as central bank chief quits, Times, 3-X-83; "For Brazil It's Grow Or Blow", IHT, 21-X-83; "Brazil Pay Plan Is Modified After Defeat In House", IHT, 22-X-83; "The Snowball Syndrome" and B.Kucinski, "The Beacon Flickers", South, November 1983, pp. 16-18.
47. "IMF terms 'will prevent Brazil debt repayment'", FT, 27-II-84.

48. "Act Two of the Debt Drama", 24-X1-83.
49. "Least developed" is a United Nations definition for countries with (at the time it was adopted over a decade ago) very low incomes, literacy rates and shares of manufacturing in GDP. "Low income" (GDP under $400 per capita) and "lower middle income" (GDP $401-100 per capita) are World Bank statistical categories.
50. For example at the Financial Times 24-I-84 Washington Conference "beyond the debt crisis: new directions in world trade" where Henry Wallich of the Federal Reserve, Under-secretary of Commerce Lionel Olmer and Edward Brau of the IMF all stressed this as the key requirement for sustained recovery.
51. See, e.g. Bank officials' commentary on the occasion of the release of the latest edition of its World Debt Tables - H. Rowen, "Steps to Boost Exports Of Poor Nations Urged", IHT, 23-II-84 and UNCTAD, Trade and Development, op cit, Chapters I, II.
52. At FT conference cited at note 50 - reported in Fincancial Gazette, Harare, 3-II-84.
53. See, e.g. A. Gowers "Beleagured Third World leads the barter boom", FT, 28-II-84 and the volume it summarizes, Business Trend Analysts, The World of Countertrade, Mintel Publications, London 1984.
54. See, e.g. "Brazil Tried to Persuade the U.S. To Drop Penalty Duties on Steel", IHT, 22-II-84.
55. "Act Two of the Debt Drama", FT, op cit.
56. Reported in Herald, (Harare), 8-II-84, "'Recession may repeat itself'" quoting Curt Nicolin of Sweden on the employer and David Basnett of the UK on the labour side.
57. eg the World Bank's paper "Sub-Saharan Africa - The World Bank's Agenda For Action' Revisited" by S.Please and K.Y.Amoaka presented at the March 1983, Society For International Development (Kenya Charter), Symposium on Development Options For Africa in the 1980's and Beyond.
58. eg the general IMF response to the cumulatively very fundamental criticisms expressed at the 1982 Institute for International Economics Conference on IMF Conditionality (IMF Conditionality, John Williamson (editor), IIE, Washington, 1983).
59. For a fuller rendition of most of them from varied perspectives see IMF Conditionality, op cit.
60. cf Towards a New Bretton Woods, op.cit, paras 4.47, 4.48.
61. See eg "Why GATT and IMF are getting together", Financial Times, 27-V-83 and recent IMF Annual Reports, passim and IMF, "Adoption of Appropriate Policies Results in Successful Ajustment", IMF Survey, 6-II-84.
62. See eg Lord Kaldor, "Devaluing the myth", South, October 1983.
63. IMF Survey, 22-V111-83.
64. An extreme case is Kenya - see T.Killick in IMF Conditionality, op cit and M.F. Hurtada, "... Even in an ideal setting", South, op cit.
65. op cit.
66. op cit.
67. cf eg C.Allison and R.H.Green (editors), accelerated development in sub-Saharan Africa: What Agenda, For Action, IDS (Sussex) Bulletin, 14-1, January 1983; J. Carlsson (editor), Recession In Africa, Scandinavian Institute of African Studies, Uppsala, 1983; P.Ndegwa, "Accelerated Development in Sub-Saharan Africa: A Review Article" in P.Ndeqwa, L.P.Mureithi and R.H.Green, Development Options For Africa In The 1980s and Beyond, OUP, Nairobi, 1984 (publication pending).
68. Malawi's rating flatly ignores gross wage and smallholder price

distortion (downward) and massive de facto subsidisation of and favoured access to capital for plantations - facts of which Bank personnel dealing with Malawi are, since 1982 at least, well aware.

69. cf eg Please and Amoako, op cit, and WDR 1982 and 1983, passium.
70. WDR 1982, p.29.
71. WDR 1983, p.69.
72. ibid, p.68.
73. This is not an argument for or against more basic "New International Economic Order" lines. First, there is more likely to be agreement on alternative consolidation and adjustment strategies than on more basic restructuring and to lose the former by concentrating on the latter would be a high loss approach. Second, the actual NIED proposals are articulated in the context of redistributing economic gains and power within the parameters of the 1945-69 Golden Age. As these no longer exist a far more thorough overhaul of NIED strategic goals and modalities is needed to make it relevant to 1984-2004 than has been done to date. Third, one major element of basic restructuring - increased South-South economic relations is far more a Southern than a global issue (and one on which more is being achieved than is sometimes realized of UNCTAD, Trade and Development, op cit, Part II).
74. op cit.
75. Pan, London, 1983.
76. Commonwealth Secretariat, London, 1983.
77. Its specific proposals are all practicable within existing institutional frameworks if the necessary political consensus is reached and impossible outside them if it is not. Its vaguer proposals for longer term reform would seem perfectly suitable for a recreated "Morse Commission" (the unlucky representative committee of IMF Governors whose proposed reforms were largely swept away by the 1973-74 crisis) rather than a global conference on the Bretton Woods model. The title unfortunately polarizes opinion rather unhelpfully causing one body of analysts and decision takers to reject the short term proposals they might otherwise find acceptable and another to overlook them in focusing on the title as a talismenic target.
78. For a fuller dicussion see S. Griffith-Jones and R. H. Green, African External Debt and Development, UNCTAD for the African Centre for Monetary Studies, 1984 (forthcoming) Section C, Chapters 6 and 7.
79. This need not mean global ministerial maxi-conferences. Indeed those are far more useful to ratify decisions already agreed than to carry out detailed negotiations. Smaller, specialist groups are demonstrably more effective at the latter.
80. M.Westlake, "Castles in the air", South, November 1983, p. 69.
81. In the United Kingdom it is fairly clear that the government is concerned about church views on development far more than about those of "development lobby" organisations or (for somewhat different reasons) trade unions. It is also time the churches - at least at leadership level but also in synods and assemblies - have become perceptively more concerned with development and global economy issues and to give them somewhat more priority over the past five years.
82. In respect to organisation in the North this is doubtless particularly true of political economic analysts whose outlook and experience is shaped by a quarter century working in and for the South - e.g. the present author.
83. The authors are respectively Marx, the Old Testament, Keynes and Lenin

albeit the particular sources are for this purpose secondary to the themes encapsulated in them.