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# Failures in the Strategy against Poverty

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*Despite the considerable work done by international and national agencies in transferring technical skills and resources to less developed countries, inequality of wealth and income has increased. The author discusses the causes of dissatisfaction where expectations have been raised and of disillusion where steady progress or development has not been achieved. The author's suggestions as to the economic and political reasons for this disappointment and the changes in strategy which are now required are put forth in this article.*

## I. Introduction

After three decades of often devoted and certainly unrelenting work by international and national agencies in transferring technical skills and resources to the less developed countries, there is little doubt that inequality of wealth and income, both internationally and (especially within the Third World<sup>1</sup> domestically, has increased and is still increasing. The evolution of Mr. Robert MacNamara's strategies for greater equality, which have been so striking<sup>2</sup>, has as yet had no visible results. It is undeniable that the poorest, especially in the poorest countries, have suffered an absolute decline in their standards of living<sup>3</sup>. President Reagan's choice of his collaborators augurs ill for the future.

At the same time, expectations have been raised, especially among the numerically small new elites – i.e. those who were able to secure an education and to live a life corresponding to the level of productivity of the former metropolitan and other industrialized countries – the realization of which would require a very substantial “leap forward” in the poorer areas. For this there is at the moment little hope. Consequently

there has been a growing dissatisfaction and unrest on the one hand and disillusion on the other. After the great (and hardly justified) hopes of having conquered poverty in the highly industrialized countries, and of at least laying the foundations for steady progress in the rest of the world, there is now dismay and bitterness.

The change in the optimistic ambience in the field of development could not have come at a worse moment. There is not only a grave moral and intellectual crisis in policy-making in the rich areas, but also the full employment and prosperity which have characterized the postwar period have abruptly ended, accompanied by a reassertion of monetarist doctrines by the Treasuries and Central Banks of the economically strongest countries. The mass unemployment which haunted the inter-war period has returned and shows no sign of abating. Standards of living, which had been steadily increasing (and far faster, moreover, than at any time before), fell in 1974-75, and in most countries the downturn has not been convincingly reversed. The fact that this reversal has been the result of economic mismanagement reminiscent of that in the period 1929-33, rather than of the oil price crisis, will not make effective action by the rich countries any easier. The obstacles in the way of effective intervention and the provision of significant aid have been made the greater by the political and social developments in the poorer areas of the world - and not only in those which have achieved liberation from colonial rule since the war.

In this paper I shall discuss the political and economic reasons for this disappointment and outline the change in strategy which might be helpful in overcoming the unexpected difficulties which now obstruct progress.

## II.

In retrospect, liberation from colonial rule, however welcome, could hardly have taken place under less auspicious circumstances from the point of view of promoting balanced development and the attainment of social and economic justice. World War II had produced an accelerating reversal in the attitudes of the metropolitan powers toward their colonies. There had, of course, been unrest before the war, even apart from India, with its highly developed independence movement under Gandhi and Nehru. The Gold Coast cocoa strike, or the disturbances in the Caribbean were forebodings of what was to come. But the policies of the metropolitan powers confronted with these manifestations were either totally negative or amounted at most to a series of reluctant and belated concessions. There was no thought of ameliorative economic intervention.

Developments after World War II were fundamentally different in at least two ways. On the one hand, the will of the metropolitan powers to retain their colonies by force gradually declined - partly because of the realization of the increasing cost of keeping them, and partly because of

post-war exhaustion and the loss of confidence in the "white man's burden", the moral repugnance against imperialism. On the other hand, with this change in morals and morale came an increasing conviction that the metropolitan powers would have to contribute to the economic development and social services of their colonies, with the recognition that political domination was no longer essential or even profitable from an economic viewpoint<sup>4</sup>. Mr. Harold MacMillan's wind of change blew even more violently through the corridors of power in London, Paris, Washington and Brussels than in Africa or Asia.

The change was abrupt, especially after the Suez imbroglio. Its abruptness had very far-reaching, and, in my opinion, unfavourable consequences. Before World War II, the metropolitan powers took no interest in the planned development of their colonies. They held the ring for private enterprise, with a definite and effective bias in favour of their own nationals. With the exception of India and, for very different reasons, some of the southern Mediterranean countries, education – essential for progress – was not developed. There were no institutions of higher education, and secondary education was mostly unsatisfactory<sup>5</sup>.

Such education as there was remained inaccessible to the vast majority of people in the rural areas living in poverty, illness and, in most parts of the world, exposed to exploitation by landlords or chiefs, merchants and moneylenders (some of whom were immigrants from other countries or regions).

Such higher education as was provided was mainly, if not entirely, confined to small elites and mostly imparted in the metropolitan countries themselves, where they would acquire skills and training almost totally divorced from the needs of their home countries<sup>6</sup>. They also tended to acquire life-styles and expectations even more out of keeping with their home environments. Nothing could have been better calculated to entrench the divide between governors and governed.

World War II not only shattered the confidence of the metropolitan powers, but also evoked a desire on the part of influential *do-gooders* such as Sir Andrew Cohen, to share with their colonies (at least to a modest degree) the best that a metropolitan power could offer. The French so-called *Constantine* Plan for Algeria in 1958<sup>7</sup> and the reports on the establishment of universities in the East and West African British colonies are examples of this fundamental change<sup>8</sup>. They were certainly well-meant; but they implicitly assumed the continuation of colonial rule against which, in the end, all territories rebelled. At the same time the immense cost which these projects required gravely prejudiced educational and social policy after independence had been achieved.

The final emancipation of the colonies (again apart from the Indian sub-continent), however, came too late to prevent some of these schemes being carried out. Universities and hospitals sprang up, from Sri Lanka to the Caribbean, from Kampala to Khartoum, Ibadan and Lagos. Lavish expenditures were undertaken and a standard and style of higher education adopted resembling rather more the Ivy League and Oxbridge than the Land Grant Colleges and "Redbrick" universities.

Even where these institutions were funded by the metropolitan countries they entailed a disproportionate claim on the current resources available to the colonies soon to emerge as independent countries. Moreover, the syllabuses of these institutions were based on completely irrelevant Western curricula. As a result of this emphasis on "excellence", only a very small minority could "benefit" from the education so lavishly provided. At the same time efforts were made to recruit civil servants, military officers and other professionals from among the indigenous population. This could not decently be done in the new atmosphere except on the basis of equality.

A grave consequence of this policy was the rapid development of an indigenous middle-class, with the result that the inequalities which had existed between the expatriate elite and the rest of the community were perpetuated, since salaries and fringe-benefits had to be paid to the indigenous professional classes corresponding to those of metropolitan expatriates. Yet the latter's income levels had been supported by the much higher level of general productivity at home than that prevailing in colonial areas, together with additional incentives to compensate for the social inconvenience and physical (medical) risk which they had to endure in some (e.g., tropical) areas.

In the colonial period, moreover, the absence of modern welfare institutions, the strict non-intervention of the State, required only a very sparse bureaucracy to conduct affairs. This changed abruptly with independence and the burden of the government cadres lay heavily on the rural areas, as did the rapidly increasing middle-class. Moreover, the inequality of income distribution did not even bring with it potentially mitigating indirect benefits of high savings being devoted to productive investment.

The example of the USSR, and perhaps even more of Japan, in the latter half of the 1950s and in the 1960s, has powerfully influenced conventional opinion in favour of industrialization as the spearhead of development policy. This led to a policy of import substitution and to a serious neglect of the problems of the rural sector. Until very recently, moreover, the fundamental strategy of economic development tended to be based on the hypothesis that the pace of industrialization was in some sense dependent on aid and/or the extent to which resources could be extracted from agriculture. Agricultural development, however, in most poor countries of the world has been notoriously sluggish, a sluggishness which has been held to explain the lack of success in most less developed areas of the world in approaching self-sustained growth, embracing the whole economy and not merely the small foreign enclaves.

It was inevitable that the first phase of industrialization for domestic use should have been concentrated on import substitution and especially on light industry or consumers' goods. The fact that exports were limited and that most countries suffered from a chronic shortage of foreign exchange was a powerful stimulus to this development. Contrary to neo-classical assumptions, growth rates increased. Unfortu-

nately, the defective operational framework of agriculture, which limited the growth of domestic purchasing power and markets, acted as a powerful brake on potential expansion. Moreover, the pattern of colonial settlement, especially at the turn of the century, and of independence after World War II, resulted in the breaking-up of continents into small states incapable of being selfsupporting. Thus, import replacement has been unable to provide a sufficiently wide front for effective industrialization. Nor, as already mentioned, were adequate savings available for domestic investment, despite the gross inequality in the distribution of income and wealth in the less developed areas. In many cases such savings as there were found their way into foreign tax or financial havens or, almost as barren, were squandered on luxury building or in the acquisition of land. The FAO enquiries (1957-1961) on Mediterranean and African development laid special emphasis on the need to reform traditional agriculture as the first priority, if economic balance and social equality were to be promoted. They also stressed the fact that in the absence of a thriving agricultural sector the first impetus to industrial development would not be selfsustaining. These enquiries had little or no influence on policy, since they were confronted by the strongest resistance from the new (and also of the old, traditional) vested interests. Recently, however, this resistance against rural development has been overcome and both governments - among them the British - and the World Bank have laid increasing stress on rural development and education as a first priority. (It should be noted, however, that the really successful Third World countries have followed a totally different policy of strong industrial development. Of these only Japan, Taiwan and Israel initiated land reform (the last in a very specific way).)

### III.

Unfortunately, this change in attitude has not as yet produced the preconditions for success. For a short period the "miracle seeds" encouraged hopes that the problem of hunger, indeed of poverty, could be solved mechanically by the application of new "inputs". Indeed there is little doubt that in large areas of the world these seeds have promoted a domestic increase in total production. Some authors, however, amongst whom the great agricultural economist, the late Wolf Ladejinsky, was prominent, warned that careful strategic planning would be needed if the Green Revolution was not to turn into a social evil<sup>9</sup>. Total production and, even more, farm surpluses, might indeed increase. But this might be accompanied by increased unemployment resulting from the introduction of labour-saving machinery, increased misery due to increasing population pressure on the already overcrowded land, thus aggravating inequality as land revenues and prices boom and the kulaks and landowners dispossess debtors or displace tenants.

The crisis caused by the abrupt increase in the price of crude oil only

worsened an already difficult situation for the poorer countries. Until 1971 or 1972 the terms of trade for the primary producers were highly unfavourable. One of the more recent means of dealing with this problem has been a proposed Common Fund to finance the stabilization of 18 "core" commodity and "other" product prices. In a submission to the first UNCTAD conference<sup>10</sup> I argued that the stabilization of most primary commodity prices would not contribute cost effectively to the solution of world poverty. This conclusion is very much strengthened by the reflection that improvements in the terms of trade will not bring help to the most hard-pressed countries in proportion to their need, and that the financial burden involved in such a fund will not fall equitably on the various potential contributing countries. Developing countries with large exportable cash crop sectors are not necessarily the poorest. In addition, not all primary-producing countries are poor; some – such as the United States and the old dominions – are the richest in the world. If measures to improve the terms of trade for primary products are taken indiscriminately, it is very likely that it will be the less needy countries which will benefit most<sup>11</sup>.

Worse still, within the developing countries it will be the landowners and the richer peasants who will benefit. They alone will have cash crop surpluses available. Exclusive concentration on stabilizing primary-product prices, which in fact is likely to increase them *as an average* over time, is unlikely to prove as effective, either economically or sociologically, in improving their living standards and in mitigating existing inequalities in the poor countries, as would an effort to stimulate their viable and balanced agricultural and industrial development with the help of aid.

These proposals seem to be based on a superficial view of the complex sociological problems involved in the unequal relationship between primary and manufacturing production. The inability of the primary producer to "capture", by price increases (or at least by the maintenance of prices), a fair share of the fruits of improved productive methods (or extension of production) is not due merely to the fact that manufacturing is monopolistic or oligopolistic while primary production is not. In the first place, cash crops primarily for export are, in a number of poor primary-producing countries, notably in Asia and Africa, the main generators of money income. This means not only that, in the main, these commodities must find an outlet abroad, but also that no analogy can be drawn between them and the oligopolistic price-determination of manufactured goods. For the latter, the home market is the determinant one. In their case, therefore, increases in price resulting from cost-push pressures also increase income and *ipso facto*, provide markets at the higher prices needed to pay higher wages.

Cash crops for export being the main, and often the sole, generators of money income, are usually also by far the most attractive crops for those who can grow them. The minifundia, on the contrary, are forced to go in for subsistence farming and would not be able to benefit from commodity agreements. This is especially the case in areas of feudal tenure

where certain cash crops (meat, wheat and coffee in South America; wheat and olives in the Mediterranean) represent the safest way of enabling the landlord to extract the maximum income from the sharecropping peasant or serf. This has fatal consequences for the relative bargaining strength of primary producers. They have neither the technical know-how nor the social incentive to shift their productive activity, and thus obtain better prices for their exports. Two important conclusions follow. The first is that it is unrealistic to expect any reversal in the unfavourable trend in the terms of trade for primary producers without a change in the social framework of the producing countries concerned; and, secondly, that this change is much more likely to be stimulated under the impact of well-planned aid programmes offering alternative employment to rural labour – e.g., in infrastructure such as access roads, small dams and irrigation canals<sup>12</sup> – than by commodity schemes or even by the liberalization of trade in manufactures.

Trade, and especially an induced improvement in the terms of trade, is no alternative to a well-conceived programme of aid combined with internal reform. In the absence of such a change, its effects would probably be reaped by beneficiaries who are richer or at least less poor and who – if past experience is at all valid – would not contribute optimally to the final development of the poorer countries. “Well conceived aid is better than trade” would be a more truthful statement than the reverse, even if it would be foolish to press the point too far.

The stimulation of trade as against aid has the further drawback in that it is not necessarily connected with the creation of conditions favourable to development. A large part of the gain on previous occasions, when primary product prices moved in favour of producers, was dissipated in luxury spending. The poor benefited relatively little, and an increase in investment sufficient to start a cumulative improvement did not take place. No doubt aid has often been used, especially in Asia and Latin America, for the propping up of tottering feudal élites, and has enriched people who did not contribute in any way to the development of their country. Nevertheless, it stands to reason that purposive aid planned for whole sub-continental regions rather than (small) individual countries, channelled into strategic projects, well worked-out and administered partly through administrators and other experts from abroad, might be a better method of overcoming resistance to self-sustaining expansion.

#### IV.

Given the great cultural, technical and environmental (including population and natural resources) differences between developing countries, I do not believe that development models of ubiquitous validity can be constructed. Nor is it plausible to assume that rapid success can be achieved by the application of “packages” in some pre-

selected and identical sequence, as recommended by Professor Adelman<sup>13</sup>. Nonetheless, Professor Adelman's view that a "package" is needed is, in my opinion, entirely correct. Intensive research has confirmed the hypothesis that output per unit of land on small farms (and per total factor input) tends to be higher in the long run than that on larger ones. The technical advantages enjoyed by the latter are offset or more than offset by the fact that the former use more labour-intensive crops and modes of cultivation, by working a larger proportion of their land (i.e. leaving less of it fallow)<sup>14</sup>. Thus while *in the longer run* land reform would bring economic advantages, it would also help to eliminate the inequalities and inequities of income and wealth distribution in the less developed countries. Unfortunately this is easier said than done. The obstacles in the way of effective action are both political and economic. The political problem is that egalitarian measures, especially land reform, represent a revolutionary attack on the strongest entrenched vested interests. Hardly any country has succeeded in effectively reforming land tenure with the exception of Japan and Taiwan. The former carried out its reform under US occupation, under the leadership of the late Wolf Ladejinsky, the latter under American influence, on which the Chinese Nationalists totally depended. Otherwise, Israel alone stands out as a successful example, where, on the initiative of the Settlement Department of the Jewish Agency guided by Raanan Weitz, hundreds of thousands of slum-dwellers were transformed into efficient members of cooperatives. Beside these, other efforts have been disappointing. Limitations on the size of holdings have been circumvented by distributing land between members of the (extended) family, or by more overt cheating. The perpetual indebtedness of the peasant and (in most countries) the increasing pressure of population on the land, give the *ci-devant* landowner, the merchant and moneylender a firm hold over the smallholder and landless labourer. If the tenant or labourer cannot be displaced by direct action or devious manipulation, his debt is extracted by onerous labour obligations. There are areas where the increased intensity of production tilted the balance in favour of the smallholder and labourer, but these are exceptional; and even in such areas it was the skilled, the better situated who benefited. With increasing mechanization they are on the wane.

But even if the political obstacles against land redistribution could be removed, very acute problems arise in the present socio-economic framework of most less developed countries. Land reform would, in all probability, entail a fall, possibly a considerable fall, in the surplus available to the towns, because the redistribution of land would entail a sharp rise in rural subsistence consumption. Nor is it certain that, *after the land reform had taken place*, current methods of production could continue to yield the higher income per hectare of the land transferred. Only a very intensive specialized education could offset the consequences of the transfer of land from skilled hands capable of making use of modern methods of production, to the lower-income landless labourer or smallholder.

The new strategy against poverty thus needs to be based on the acceptance of the fact that not only will powerful private vested interests oppose (perhaps not openly) programmes entailing greater equality, but that measures must be taken which will relieve the cut in the surplus available for the urban areas.

## V.

Much the most fundamental requirement in any attack on poverty is the recognition of the fact that a transfer of resources or of technical know-how represents a political act. On the one hand it can be used or abused in promoting the foreign political – and ideological – aims of the donor or contributing country. It was this aspect which, following the revelations in the USA (and to a lesser extent France), caused a violent reaction against bilateral aid. On the other hand, political commitment has very often increased the resources made available bilaterally to erstwhile dependencies beyond that which they would have been in the absence of these considerations. Moreover, the political involvement implicit in bilateral aid makes for greater independence in administration than do either automatic arrangements (such as commodity stabilisation schemes)<sup>15</sup>, or aid channelled through multilateral agencies whose Directors-General depend for reappointment on the approval of “recipient” governments now in an unshakeable majority in the UN. The exaction of certain minimum standards of behaviour<sup>16</sup> would not merely represent a victory for moral values, but would in most cases speed balanced development with the accent on equality. The present trend towards apolitical solutions seems to militate against the professed ideals and aims of the industrialized donor countries of the non-Soviet orbit.

The process of imperial decline seems to liberate, not constructive, but savagely destructive, forces which oppress the mass of the people rather more than had their former rulers (at any rate those with democratic institutions involving the restraining influence of Parliamentary sanction). In this context the passionate pleas of UN officials and others for a non-political, stringless, “leverage”-less, automatic allocation of aid contributions appear naive, indeed tragically ironic. How can such vital problems as the fate of nations be depoliticized? One thinks of the problem of Bangladesh or Angola or Uganda and the refugees in Asia and the Middle East. Surely the act of contributing aid is essentially a moral and political one.

The disillusionment was noticeable well before the brutal increase in the price of oil by the OPEC cartel created a completely new situation and further jeopardized aid disbursements by undermining the aid-giving capacity of the rich, while badly aggravating the need of the poor. This disillusionment is reflected in the vast number of commissions, committees, working parties, and workshops which in due course inundated the world with reports suggesting improvements in the planning and

execution of development programmes and projects<sup>17</sup>. It was obvious that fundamental changes were needed and that the poor nations were pressing hard at the only forum at which they could make felt the weight of their large numbers: the United Nations and its agencies.

In the second place, the elimination, or at least mitigation, of sudden changes in demand for primary products, caused principally by fluctuation in national income, would be the most important realistic contribution which the rich countries can make. As I have argued, this must not be regarded as an alternative to aid to the poorest. Thus, prices should be maintained at a level which (unlike the ill-famed EEC Common Agricultural Policy) does not produce steady surpluses beyond the creation of a buffer stock to guard against failure of supply. This will be politically exceedingly difficult.

The third requirement, therefore, is the resuscitation of food aid to offset the shortfall in agricultural surpluses available to the towns, due to a reform of land tenure. I have always regarded the idea – buttressed by political arguments – that self-sufficiency should be strived for by the poorest countries, even at the socio-political cost of winking at the sabotage of land reform for fear of a fall in food production, as totally absurd<sup>18</sup>, if for no other reason than that of the ever-present danger of shortages of even famines in countries with growing populations and stagnant or insufficiently expanding agricultural production.

(a) Such aid should be used in the first place (apart from the essential task of maintaining supplies to urban areas) for increasing the food-intake of the unemployed or severely under-employed population, who are grossly under-nourished. The conventional argument against such schemes is that they would act as a disincentive to the domestic production of food, and thus prolong “dependence” on the “rich” which would be politically unacceptable. In addition it is alleged that food aid would lead to cheating and malingering – just as the dole was (and is) said to do in the highly industrialized countries. I would put little weight on these arguments. Up to a point an increase in food intake is an investment in labour power: lack of adequate nourishment undermines work-capacity. Thus food aid, provided it is accompanied by public works which demand higher food intake, should not inhibit domestic food output. The latter could also be protected by fixing minimum prices for essential domestic food supplies.

(b) It could also be used through “linked” public works for underpinning the traditional sector’s transformation. This would entail a sharp repudiation of large-scale programmes so dear to governments, both contributing and recipient. Small hydro-works, the damming of wadis, or dry-ravines of water courses, the construction of secondary irrigation ditches, the construction of access roads to villages – all sorts of work which need collective support and action would be undertaken without forced collectivization.

The organization of mass education is a further essential need. Here a combination of conventional and non-conventional methods is a condition of success. Conventional education has expanded vastly since the

war but, as we have seen, most unequally and to a large extent irrelevantly to needs. It should be turned towards technical, vocational tasks. However, what are most urgently needed are widespread indoctrination courses on new technical knowledge in cultivation, strictly in tune with land-tenure reform. To achieve meaningful coverage there must be created first of all, a sufficient cadre of what the French call "moniteurs", that is elementary-school-level agricultural teachers or orderlies. Their first course must necessarily be short – using the dead season if any. It is the number of participants that counts primarily. The most intelligent, and those who show leadership capacity on returning to their villages, must then be recalled to follow-up courses of increasing intensity until, after attending three or four courses of increasing sophistication they should be accepted as agricultural graduates. In parallel, elementary schools should be organized in the closest relation to model farms to teach the young (but not too young) not merely literacy but agricultural knowledge<sup>19</sup>.

Once such cadres have been created, agricultural extension services would have to be organized in order to supply the reformed agricultural units with credit facilities, and through these with improved seeds, fertilizers and chemical crop preservatives (pesticides, etc.). This initiative might be used to foster the organization of cooperatives, but at the outset these should not be ambitious. We have had enough dreadful experience of cooperatives conniving with the powerful to increase rather than diminish the exploitation of the poorest.

Finally, agricultural development funds should be established relatively independent of governments, with the responsibility of channeling aid funds towards the poorest strata, while at the same time seeing that the supporting programme is faithfully set up.

## VI.

After more than 30 years of experience with technical and resource aid, the programme outlined here seems lacking in realism, indeed rather naive. Yet nothing less will do if the original aim of the United Nations and the World Bank is to be achieved. It is more than unfortunate that such international economic cooperation will now have to be carried out in a world economic ambience which is extremely unfavourable to economic cooperation and aid. Since 1974 the world has been confronted with an unrequitable international trade surplus in favour of the OPEC countries of some \$ 40 billion per annum. It is most unlikely, moreover, that the position will be seriously altered in the near future, while any attempt by OPEC countries to buy up the most profitable firms in the rest of the world would run into serious political obstacles. The cumulative balance, contrary to earlier optimistic calculation, will almost certainly reach \$ 400–500 billions excluding inter-bank deposit. One of the most potentially dangerous aspects of this situation is the volatility of these vast short-term balances. Any gossip

or suspicion might drive them from one financial centre to another. The startling changes between excessive optimism and profound defeatism which occurred in the last four or five years subjected even the strongest powers to undue strains. It is most unlikely that weaker centres which might come under suspicion will have sufficient foreign reserves to meet a determined speculative attack. The possibility of a collapse was made evident in 1972/3 and numerous efforts were made to adapt existing institutions – like the IMF and the BIS – and create new instruments – such as the proposed “safety net” – to be able to cope with, and therefore stifle, the emergence of the problems posed by the threat of a general liquidation. The IMF quotas have been enlarged by some 30 per cent. An International Fund for Agricultural Development (\$ 1 billion) has been set up. This plan as well as the Witteveen proposal to raise \$ 15 billion for long-term loans to the developing countries depends on a 50 per cent participation by the OPEC countries. A “safety net” of \$ 25 billion has been mooted, and the World Bank resources are to be replenished. These various initiatives show that each individually is insufficient to cope with the immense liquidity problem. It is doubtful, however, whether they will permit an orderly restoration of current balances of payment without causing mass unemployment, as the deficit countries shift the unrequitable OPEC surpluses from one to another, each in turn hoping to get into balance by cutting imports through deflationary measures.

Unfortunately the official world is still suffering the traumatic consequences of the inflation which started in the late 1960s and which deteriorated in the 1970s. This is clearly shown in the report of the so-called expert (MacCracken) committee of the OECD<sup>20</sup>. This report, however, only fleetingly mentions this central problem. Fearful of a revival of inflationary pressures, the committee hopes to secure international equilibrium and the harmonization of current balances by a more intelligent application of the mixture of policies which brought about the present *impasse* – in particular by trying to secure full employment and price stability, mainly by monetary targetry supplemented by demand management. However, they do not seem to accept the consequences, destructive of the stability of a mixed-economy system, of the bi-polar concentration of labour and management power which has gradually eroded the possibility of automatically achieving full employment with reasonably stable prices.

In the meantime the point at which the credit-worthiness of the weaker countries is undermined is getting nearer, the approach being accelerated by the continuing depression in the industrialized world. Without strong action, action which has never been and is at the moment not seriously contemplated, a crisis resembling 1931–33 might well overwhelm the non-Soviet orbit<sup>21</sup>.

## Summary

1. The outlook for the non-oil developing countries of the world has worsened considerably. This is partly due to the abrupt increase in OPEC oil prices and partly to the consequences on the OECD countries of that increase. The failure of the latter to harmonize their policies in regard to the financing of OPEC's unrequitable export surplus has been a gravely aggravating factor. As one country after another has eliminated its deficit by restrictive monetary and fiscal policies at the cost of increasing unemployment, the next ones had to follow suit.
2. With the decline of the capacity of the rich industrialized countries to aid development, the willingness to do so has also declined. The growth of oligarchy and autocracy in the Third World moreover, has weakened the moral obligation felt in the rich countries. It has become increasingly clear that a portion of aid – often a very considerable one – is not reaching those who need it most, but remains stuck in the rapidly growing middle-class urban areas.
3. In retrospect, the historical process of liberation from colonial domination has contributed to this failure, because the handing over of power in stages encouraged the emergence of a middle-class, demanding and obtaining incomes all but, if not wholly, identical to those of the expatriates whom they replaced. However, these latter were much less numerous, and their income levels were firmly based on the high productivity levels in the metropolitan countries. Thus an all but intolerable burden was placed on the inhabitants of the ex-colonies.
4. Rural development was one of the most neglected yet vitally important areas. Even lately, when the so-called "Green Revolution" concentrated attention and publicity on this field, its social and political consequences were largely disregarded. Yet it is clear that the stabilization of primary commodity prices would not contribute cost-effectively to the mitigation of world poverty: the landlords and "rich" peasants would benefit most.
5. Given the great cultural, technical and environmental (including population and natural resources) differences between the less developed areas, it is questionable whether a standard development model of general applicability can be constructed. Nor is it plausible to assume that rapid success can be achieved by the sequential application of "packages" of pre-selected and identical composition. Moreover the political obstacles against effective action (e.g., in land reform) are formidable and much neglected, especially by economic writers.
6. Effective initiatives – if these were possible – would moreover raise acute problems in the present socio-economic framework of most less developed countries. They would in particular cause a fall (at least temporarily) in the agricultural surpluses available to the urban areas and for export.

7. Much the most fundamental requirement in any attack on world poverty is the recognition of the fact that the transfer and effective absorption of aid in resources or techniques represent and demand political acts. The exaction of certain minimum standards of behaviour would not merely represent a victory for moral values, but would in most cases speed balanced development with the accent on equality. The present trend towards apolitical solutions seems to militate against the professed ideals and aims of the industrialized countries of the non-Soviet orbit. In this context the passionate pleas of UN officials and others for a non-political, stringless, "leverage"-less, automatic allocation of aid contributions appear naive, indeed tragically ironic.
8. The most important contribution that the developed countries can make to the trade of the developing countries is to maintain domestic demand and exports and lessen the drive for protectionism. It must be realized, however, that trade is not a substitute for aid, because it benefits the relatively richer strata of society in the less poor countries. It does not deal with the problem of the landless and the *minifundista*.
9. Once it is accepted that the problems of most developing countries, and rural poverty, cannot be solved without the reform of land tenure, steps must be taken to cope with the probable immediate shortfall of food output (although in the longer run the smaller units are likely to achieve a higher production than did the larger [pre-reform] farms). Thus the resuscitation of food aid is strongly indicated. The possible unfavourable impact on domestic food production needs to be mitigated. One possible way is to increase the food intake of the poor through linked public works, e.g., on access roads, small hydro-works, the damming of wadis, the construction of irrigation canals, etc.
10. The organization of mass rural technical education on novel lines, combining orthodox and new educational methods and providing a way to pass from the latter into the former, is essential.
11. Since 1973/74 the situation in the non-oil developing countries has been grossly worsened by the quintupling of oil prices. A cumulative balance of up to \$ 400-500 billion is likely to be built by the (Arab) OPEC countries of which a large part has fallen on to the poor countries whose debts have skyrocketed towards \$ 200 billion. Much of this - between \$ 75-90 billion - has been "recycled" by the *private* banking system, which has unwisely accepted the OPEC balances, and, by relending them to the Third World, guaranteed them.
12. The most urgent task is to build up an instrument in the hands of the international *official* or State or Central Banking system, the existence of which alone would stifle a possible repetition of the panic liquidation which transformed the depression of 1929-30 into the Great Depression of 1931-33, and was the immediate cause of Hitler's triumph and World War II. Unfortunately the total means

already provided for amount but to a fraction of what is needed. The failure to ratify the so-called "safety net" of \$ 25 billion left it to the Central Banks (and to the IMF, whose quotas are being increased by 30 per cent) to cope with the crisis. Regrettably the conditions attached to their help, as in the case of Britain, Italy, Egypt and some Latin American states, were such as to retard, if not stifle, world recovery.

13. The wave of monetarism – which however seems to be receding – has created a situation in which the recurrence of a destructive financial collapse is not to be excluded. It is to be hoped that the traumatic experience of world inflation will not prevent a change in attitude and the establishment of effective institutions betimes.

## Notes

- 1 i.e. the mainly primary producing countries, apart from OPEC and the sources of a few exceptionally situated commodities. These latter have now become a "Fourth World" with interests widely different from those of the Third World, though they have very astutely retained membership in the Third World grouping. See K. Griffin and A. Rahman Kahn, "Poverty in the Third World: ugly facts and fancy models", paper prepared for a workshop on the Analysis of Distributional Issues in Development Planning, Bellagio, 22–27 April 1977.
- 2 Addresses to the Board of Governors of the World Bank (Washington, D. C.: 1972/3 and 1974); also *Assault on World Poverty* (Washington: 1975) and H. B. Chenery *et al.*, *Redistribution with Growth* (Oxford: 1974). The Bank formed special organs of cooperation with FAO and UNESCO to speed development in agriculture and education.
- 3 The poorest countries have lately received a smaller portion of World Bank loans than before. Almost two-fifths of the lending went to seven countries, including one OPEC member.
- 4 The change in the attitude of France to Algerian independence was only an extreme case; the violent alternations in the evaluation of the strategic significance of Malta, another.
- 5 There were exceptions such as Achimota or St. Stephens College in Delhi. They provided an English public school-type education irrelevant to the needs of their countries.
- 6 Even the work of the agricultural institutes was concentrated on cash crops, with the result that their technically excellent results benefited the larger landlords and plantation firms.
- 7 See *The Economist* (June 1959).
- 8 See *Report of the Commission on Higher Education in the Colonies*, Cmd. 6647 (1945) and *Report of the Commission on Higher Education in West Africa*, Cmd. 6655 (1945).
- 9 Wolf Ladejinsky, "Green Revolution in Bihar and Punjab", republished by the Agricultural Development Council, New York (1976). See also K. Griffin, *The Political Economy of Agrarian Change* (London: 1974).
- 10 Paper submitted to the United Nations Conference of Trade and Development (Geneva: 1964) under the heading "Expansion of international trade and its significance for economic development", E/CONF 46/P/3 (contributed paper 3, 24 January 1964) reprinted in my book, *The Economics of Poverty*, Ch. 8, "Aid versus trade".
- 11 It is unfortunate that the Downing Street Summit of the large industrial countries in May that year seemed to have made no serious analysis of the sociological problems of the primary producers, nor of the order of magnitude of the aid needed to mitigate them. I analyse some of the important strategy declarations of the Downing Street

Summit in a postscript to this paper as they relate to a number of points made in this paper. Cf. also *The Economist* (30 April and 7 May 1977). The Venice conclave was if possible even more disappointing.

- 12 Cf. my book, *The Economics of Poverty* (2nd ed.), Chs. 5 and 8.
- 13 I. Adelman, "Development economics - a reassessment of goals", *American Economic Review*, Papers and Proceedings (May 1975), pp. 302-309.
- 14 See K. Griffin, *Land Concentration and Rural Poverty* (London: 1976).
- 15 One of the major beneficiaries of the coffee and tea price boom was Field Marshall President-for-Life Idi Amin Dada.
- 16 Such as those which President Carter imposed as a condition for US aid, excluding certain Latin American dictatorships.
- 17 Amongst which the so-called Pearson Report, *Partners in Development* (New York and London: 1969) and the Brant Report in 1980 were of outstanding importance. The follow-up was miserable.
- 18 See my 1960 and 1971 reports on India, reprinted in *The Economics of Poverty*, 1st ed., Ch. 18-20 and 2nd ed. Ch. 13.
- 19 Dr. Griffin and I, representing the FAO in Algiers recommended such a system in 1963/4 in an unpublished memorandum to the Director General of the FAO. It was not really implemented.
- 20 *Towards Full Employment and Price Stability* (Paris: 1977).
- 21 Mr. Jacques Polak, economic adviser to the IMF, has claimed that the OPEC oil surplus has not dramatically worsened the situation of the less developed countries. He obtains this rather surprising result by calculating what the deficits of the developing countries would have been in 1977, if one assumed that there had been no oil crisis, extrapolating the average balances of the pre-oil crisis years 1967-72, and adjusting them for subsequent inflation and growth. His figures suggest that the aggregate deficit of the poor non-oil exporters would have been only \$ 3 billions smaller now if there had been no growth in the OPEC surplus. This procedure is, of course, completely illicit. It assumes that, in the absence of the OPEC surplus, the industrialized countries themselves would have run a surplus of \$ 30 billions p. a. A surplus of such dimensions would have enabled expansionary policies to be followed in the industrialized world (apart from acting as a stimulus to demand). Moreover it is likely that aid would have increased faster than it did and that trade restrictions on the exports of the developing countries would not have been as severe as they have become (especially in textiles) in recent years. The IMF unfortunately has become totally dominated by a monetarist approach which neglects income reactions, concentrating on changes in the volume of money. This sort of analysis underlies the fatal policy of forcing one country after another to deflate, when the only result is the shifting of the deficit from one country to another. It is to be feared that the surplus toward which Britain is now tending will further aggravate the world outlook.