The New International Economic Order—what's in it for the rich?*

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If the New Economic Order is to come about, however slowly and with whatever struggle, it must largely be built on negotiations based on mutual interests not shotgun demands. Some, particularly on the far Left, argue that the possibility of finding such areas of mutual interest in a still largely capitalist world economy is absolutely out of the question. Others argue that the world needs only to recognise its inter-dependence to see an essential unity of interests sufficient to justify major realignments which would be in the interests of all.

To me, both these positions are unrealistic and unhelpful. They seem at variance with many important examples of international economic change in the last few years and at variance with the facts of how most countries actually operate in the world arena. These polar positions are also enervating, in the sense that they sap the energies and interests of many persons who might otherwise be considering in a more serious and systematic way the mechanics of change—the basic question of how one can devise realistic strategies for effective change within the present chaotic world situation.

The need for widespread changes on the international front ought now to be obvious to everyone in the industrialized countries, as well as in the rest of the world. The vast majority in the rich countries have been hit personally in the last few years by a succession of economic difficulties: unemployment, inflation, shortages of oil, sugar and other supplies, several-fold increases in the prices of oil and oil products. All of these problems adding up to the worst recession since the Thirties, are only part of a general world economic crisis in which domestic problems have in part been internationally transmitted by a world economic system which is inflexible and unfair—and unable to eliminate their causes. The industrialized countries have much to gain simply from avoiding a repetition of these problems.

Though most people probably have some sense of the international aspects of these problems, few have any idea of the order of magnitude of the losses involved in world recession and thus the potential additional resources to be gained from avoiding it. In the OECD countries alone the loss of production in the last two years from not maintaining production at its 1963-73 trend rate of growth is of the order of 10 per cent to 12 per cent of world GNP, or about \$300-\$250 billion, roughly equivalent to the combined annual production of Britain and the 13 smallest developed countries. Add to this the human problems of a significant part of the estimated 15 million unemployed in the industrialized countries and another 300 million unemployed or underemployed in the Third World (ILO estimates, 1975), and one has some indication of the waste and inefficiency of the existing international economic order.

Of course, it would not be accurate to attribute all of this to failings of the international system. Clearly a good part of worldwide recession has been the result of measures to deal with inflation, itself fuelled by domestic cost-push pressures, the spiral of wage demands and the inadequacy of governments' incomes policies. But at the same time, one should not underestimate the international causes, especially the unprecendented repercussions on the balance of payments of the major industrialized countries of the 1974 increases in oil and wheat prices, which produced a challenge to the international trade and monetary system well beyond the capacities of the existing international institutions to accommodate.

The oil price increases alone added up to perhaps the biggest single and sudden shift in world income distribution which the world has ever seen —a shift of spending power to OPEC countries of about 2 per cent of world GNP, of which about $1\frac{1}{2}$ per cent came from the rich countries and something under $\frac{1}{2}$ per cent from the non-OPEC Third World. In the end, of course, much of this was only a *potential* shift in spending power, with the actual shifts in expenditure greatly reduced by recycling back to the rich countries many of the liquid funds, by price increases of industrial country exports, and by reductions in the quantity of oil exported as demand declined due to the switch to substitutes and the onset of world recession. Even so, the balance of payments deficits of a number of the industrialized countries and many Third World countries were of dimensions never seen before. Although the US and

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OPEC balance of payments greatly benefited, this did not ease the world adjustment problem nor affect the deflationary effects elsewhere. In the OPEC case a good part of the purchasing power was shifted to a few very rich relatively small small oil producers, with limited capacity to increase local demand (except for the bottomless pit of armaments). In the case of the US, the gain to the balance of payments did not prevent the US from embarking on deflationary policies as part of a strategy to curb inflation.

In part through subsequent changes in international monetary arangements, the world economy is beginning to recover. But one is left wondering how much of the recession was due to the sheer rapidity of the attempt to shift 2 per cent of world income from one group to another. Whatever the exact answer to this difficult question it is clear that the actual amount redistributed is far less than the loss from recession. A 10-12 per cent loss in world production over 1973 and 1974 is at least five or six times the maximum amount which might have been redistributed and a much greater multiple of the amount which actually was. Might there not have been easier and less costly ways to achieve the same result?

This essentially is the main argument for the developed countries taking much more seriously Third World demands for a New Economic Order. Orderly changes which ensure continuity of supplies, reasonably predictable prices, and the maintenance of full employment, are valuable economic gains worth paying for with concessions in other regards. It is in the rich countries interests to strike these bargains.

The avoidance of world recession should not be seen merely as a way of maintaining existing levels of rich country production and consumption for their own sake—let alone as a simple Keynesian argument for reflating the world economy following the previous patterns of production and consumption within each country. The argument is that *restructuring* of production-consumption patterns is desperately needed within rich and poor countries alike. In poor countries it is especially needed to give much greater priority to the provision of basic needs of all the population, in rich countries to shift the emphasis away from 'consumerism' and to develop a pattern of life and participation matched to the individual and social needs of materially well-off societies. Both approaches will require major changes in economic structure—internally as well as internationally. Development concerns us all.

These adjustments will however be that much easier if they can be undertaken in a period of expansion with declining levels of unemployment rather than in full recession. It is therefore desirable, perhaps even essential, to avoid recession *during the process* of international adjustment. In the present context, this leads to the argument for "restructuring out of recession". This implies, first, dealing with the present recession by an internationally co-ordinated approach. Secondly, it implies moving out of recession in ways which simultaneously involve other adjustments in the pattern of production which will begin to deal with the underlying injustices and gross inequalities of the present world order.

Internationally there will also need to be restructuring. The new economic order, if it is to mean anything at all, will not just be the old economic order on better terms, but a fundamental change in international economic patterns and relationships—to a much greater measure of planning and integration (nationally and internationally). This almost certainly should *not* mean some heavy handed approach to comprehensive world economic planning, even if this were politically feasible. Rather it suggests a fuller range of partial medium-run government to government agreements covering certain programmes of internal adjustments co-ordinated internationally in timing and coverage. Included might be, for instance, bilateral trade agreements, agreements for a phased run down of some industries in one country integrated with shifts of production in this area to another country and shifts of the labour force into other activities, co-ordinated approaches to technological development and transfers of industrial ownership.

All this will involve new approaches to internal economic development, within the rich countries as much as within the poor. And this, perhaps above all is where the rich countries have themselves most to gain. For the demands for a new international economic order coincide with a widespread sense of crisis within the rich countries themselves—an awareness of the need for rethinking fundamentally the approach to economic and political and social organization, of the need to consider what is produced and for what markets within the rich countries, to take account of environmental concerns and the quality of life. In my view these changes will not come in a blinding flash—but hopefully step by step advances can be made. If the Third World's demands for a NIEO move the rich countries nearer to this, the rich countries may have gained more than any concessions they may have to make.