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ISSUED for Study by the General Assembly

From: Joint Staff Working Group in International Concerns (Functioning as an inter-unit staff task force assisting the Administrative Committee in its work of implementing the priority (AC-82-0848))

The General Board of the Christian Church (Disciples of Christ) voted in action GB-82-0746, "that the Task Force on International Concerns be authorized to begin preparation of a study Document on World Economic Issues which May Impinge Upon Peace With Justice for possible presentation to the 1985 General Assembly, with progress reports to be made annually to the General Board." Preparation of the requested study document has taken longer than was first anticipated. Annual reports of progress have been made. The Joint Staff Working Group on International Concerns presents the following Study Document entitled "Economic Systems: Their Impact on the Third World" for the General Board's consideration.

Economic Systems - Their Impact on the Third World

A Beginning Christian Study

Preface

The Nature and Purpose of a Study Paper

The General Assembly of the Christian Church (Disciples of Christ) has defined a study document as:

"— a study and analysis of a subject which involved ethical, moral or religious elements and on which it is deemed important that members of the Christian Church (Disciples of Christ) be more thoroughly informed as an aid to the formation of Christians' opinions and judgments, or on which the judgments of individuals or groups is desired." (General Assembly Special Rules of Procedure)

A study document is not a statement of the point of view of some individual or group. It should manifest openness and respect diversity. As the Assembly indicates, it must "— clearly and fairly set forth various points of view held by competent and sincere Christians."

We are grateful to Warren Copeland of Wittenburg, Ohio and Robert Fangmeier of Indianapolis, Indiana who wrote the first drafts of this study paper.

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Introduction

1) A study of international economics raises issues which are obviously related to achieving the goal of world peace. In authorizing the preparation of this document, the General Board of the Christian Church (Disciples of Christ) was implementing a conviction which had been stated by the General Assembly when the pursuit of peace with justice had been declared a priority of the church in 1981.

"The biblical imperative of peace, along with the justice that makes it possible, is at the heart of the Christian gospel...It is inextricably interwoven with hunger and human rights." (G.A. Resolution No. 8148)

2) The 1980 report of the Independent Commission on International Development Issues chaired by former West German Chancellor Willy Brandt puts the matter bluntly:

Our survival depends not only on military balance, but on global cooperation to ensure a sustainable biological environment, and sustainable prosperity based on equitable shared resources. Much of the insecurity in the world is connected with the divisions between rich and poor countries...If military expenditures can be controlled and some of the savings related to development, the world's security can be increased, and the mass of mankind currently excluded from a decent life can have a brighter future. (*North-South: A Programme for Survival*, The MIT Press, Cambridge, MA, 1982, p.b., pp. 124-125)

3) A concept of "common security" of nations must be reinforced by a concept of "people's security." True security for the people demands respect for human rights, including the right of self-determination, as well as social and economic justice for all within every nation and a political framework that would ensure it. The relationship was again underlined in the message from the Sixth Assembly of the World Council of Churches held in Vancouver, Canada in 1983:

"The peoples of the world stand in need of peace and justice. Peace is not just the absence of war. Peace cannot be built on the foundations of injustice. Peace requires a new international order based on justice for and within all nations, and respect for the God given humanity and dignity of every person. Peace is, as the Prophet Isaiah has taught us, the effect of righteousness. The ecumenical approach to peace and justice is based on the belief that without justice for all everywhere we shall never have peace anywhere..."

4) In this particular study document we will be considering the issues which Christians will raise about the differing economic systems of the world and particularly how those systems impact the economies of the Third World.* Users of this document are encouraged to explore the subject primarily from the viewpoint of the Christian faith. The approach is valid yet obviously different from that of a Wall Street banker or an economist of the International Monetary Fund.

*In this paper the term Third World will refer to countries with less technological/industrial development. First World countries are those more industrialized nations with market economies — United States, Canada, Western Europe, Japan. Second World are those centralized economies of the Soviet Union and Eastern Europe. However, it is important to recognize that there are wide differences between countries within each of the "worlds."

5) Our study document projects three models for study, particularly as they relate to the developing countries of the Third World. They are: free market capitalism, modified market capitalism, and centralized socialism with many pragmatic adaptations along the way. There is also a description of the "localist" approach to economic problems which is found within the other three systems.

6) The examination of actual economic systems is more important than the use of labels — capitalist, socialist. For example, in the small southern African nation of Angola the political rhetoric of the leadership is sternly and steadfastly Marxist. Yet they have a successful relationship with Chevron, Texaco and other western oil companies. Nearly all of their export earnings come from oil. When Angola has political troubles in Washington, it is the oil company representatives and men like banker David Rockefeller who are its chief defenders. This, despite the fact that current American foreign policy is clearly antagonistic toward Angola.

7) A central fact of the contemporary situation is that a global economy already exists. Developing countries, whatever economic label they wear, are dependent for project development and loans from funding sources outside of themselves. Nor does any economic system live in isolation from international politics and world trade. Virtually every nation's economy, for example, is affected by military spending. Some poorer nations spend proportionately more of their Gross National Product on armaments than do the super powers.

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8) The study paper begins with a brief consideration of some widely publicized efforts to address economic justice issues and with a recognition that economic problems are not limited to the developing countries.

9) It then suggests the affirmations which Christians will bring to the examination of any economic system. These come primarily from the scripture but also from the ethical stance which the Christian Church (Disciples of Christ) has taken from its beginnings.

10) This is followed by a description of three economic "models" — free market capitalism, modified market capitalism, a centralized socialism. In addition, there is a localist approach which is a possibility within each of the models.

11) Next come sections which discuss the issues of "Third World debt" and military expenditures. The paper concludes with a consideration of the implications of current world economic realities for the economy of the United States.*

*While the issues raised in this section have relevance to all developed countries, readers outside of the United States will need to make specific applications related to their own national economies.

12) The study paper is intended to encourage ongoing discussion among members of the Christian Church (Disciples of Christ). Economic issues affect the life of every person on the planet. As followers of the Christ who is Lord over all of life, we cannot avoid seeking the implications of that faith for the economic questions of our time.

The Current Situation

13) In 1986, after organizing a highly successful television spectacular which raised millions for Ethiopian hunger relief, the actress Sally Field stated: "The world will never be the same again."

14) Sally Field's enthusiasm and hope are understandable. The yearning to do something was also present that year as millions of people in Europe and North America joined in singing "We are the world; we are the children."

15) The excitement of the Live Aid concerts and the exuberant identification with the poor of the Third World may not be sustained when the enormity and complexity of the task of overcoming hunger becomes clear. Such enthusiasm, however, may begin to stimulate the concept that the well being of all people is interrelated.

16) A proposed solution to the problem of hunger, however, will also need to deal with our ephemeral and parochial moods toward this enduring problem. If significant progress cannot be made, there is a strong temptation to accept the problem as a fact of life and move on to another issue. And while we seek a solution for world hunger, we cannot ignore the plight of poor and the unemployed in the United States. When confronted with visible evidence of poverty in North America, do we turn away from African famine with the adage "charity begins at home"?

17) This "charity begins at home" thesis is a powerful one that speaks to deepseated national and international economic problems. The decline of America's smokestack industries is a painful example. Once proud highly paid auto and steel workers may believe they are unemployed due to competition from Japan or West Germany. Similarly, an American politician has an understanding audience when he states that we are producing more jobs but these jobs are in such Third World countries as South Korea, Taiwan, and Mexico.

18) As U.S. citizens listen to evidence that their jobs are being exported to Third World and other foreign nations, the mindset of the decades immediately following World War II is altered in a very fundamental way. From the 1950's through the 1960's our industrial and agricultural economies dominated the world scene. It was a period of prosperity and nearly full employment. It also was a time when we helped other people to help themselves. The U.S. Marshall Plan helped revive Europe. Technical assistance and economic aid programs ministered to the distressed and newly decolonized peoples of the Third World.

19) Beginning with the 1970's, however, our First World partners in Europe had again developed strong economies and joined the aid-giving nations. The Second World of the Soviet Union and Eastern Europe, largely through its own efforts, had also become a power on the world economic scene.

20) More important for the theme of this paper, however, was that by the 1980's we had two different views of the developing nations. Through one lens we saw poverty and need. Through the other lens

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we saw their consumer goods in our department stores and sensed that some of them were competing with us in international trade.

21) While many may agree that charity begins at home, they would also accept that it must not end there. In the spring of 1985, a TV documentary on the Ethiopian famine was watched by the children of some of New York City's poorest neighborhoods.

22) One child reacted for them all when he said, "I know what it's like not to have enough to eat, but I've never been hungry like that." These children raised thousands of dollars for Ethiopia's children through bake sales, variety shows, and giving up their own snacks.

23) If New York City's poor children began their TV education in innocence, they soon learned of the intractable and multifaceted nature of such great social problems as African famine. They saw a Congressman trying to deliver their gifts and facing the reality of impassable roads and a limited number of trucks. The children also watched and learned another sobering lesson. The people their gifts feed one day or one week would soon be hungry again.

24) What the children of New York and viewers across the nation learned was that their help through voluntary gifts did make a difference. Some people were fed; but they would have to be fed again. This would mean a continuing effort by voluntary groups such as their own.

25) But that is not enough. What is increasingly obvious is that for any long term solution, governments themselves as well as the other international voluntary (or non-governmental) programs and agencies must focus their attention on the ways to restructure both the national and the international economic order.

26) The troubles of U.S. family farms are another illustration of the changing international economic order. Farm foreclosures, bankruptcy, and loss of employment are traumatic for those intimately involved.

27) The John and Mary Doe family we see on TV is often a fourth or fifth generation of their family dedicated to farming. They are satisfied people who have a love affair with the land and the abundance of food it produces for Americans and millions of people around the world. They don't want to give it up.

28) But in 1985 the U.S. Department of Agriculture (USDA) reported that at least 214,000 farmers were unable to pay the previous year's debts. The farm crisis was so severe that both government and private agricultural related support systems were threatened.

29) But the shift of persons from the agricultural sector is not something new. The one time agrarian economy of colonial America now produces its abundance of crops with only three percent of its population employed in agriculture. While mechanization and chemical fertilizers and pesticides have caused per acre production to escalate, they have also greatly increased the cost of farming.

30) Increased farm productivity in the 1970's was related to what seemed to be an insatiable world appetite for America's farm products. By the early 1980's, however, overseas demand declined significantly. Some developing nations such as China and India had dramatically increased their production. The USDA reported that China had increased wheat production 60 percent since 1980 and that India was near self-sufficiency in cereals. The rest of the developing world also was increasing its ability to feed its own people. The most notable exceptions were found in the Sub-Saharan region of Africa. The situation was also affected when farm land in developing countries which had produced domestic food stuffs was now used for cash cropping, that is, raising only those crops which could be exported, and they were therefore in competition with U.S. agricultural exports. At the same time, the U.S. faced sturdy competition in the export market from traditional farm product exporters such as Canada, Australia, and Argentina.

31) Economist Lester Thurow illustrated the U.S. farm predicament when he observed that "Cargill, which used to be a big grain exporter and is now a big grain importer, pointed out that they could go to Argentina, buy wheat, put it on a ship, bring it to New Orleans, put it on a barge, bring it 1500 miles up the Mississippi-Missouri River, land it in Kansas City, and sell it for less than the production costs in Kansas." He observed that "If Kansas can't be competitive, nobody can in America."

32) What Thurow, the USDA, and the new farm bill enacted by the Congress in 1985 are saying is that market conditions have doomed thousands of family farmers. The 1985 farm bill provides billions of dollars to ease the transition but apparently the final result is assumed. The assumption is that farm production in the future increasingly will depend on fewer units. It will be a wrenching experience for the farmer as it has been for the worker whose job has been exported to South Korea, Singapore, or Mexico where low wage production prevails.

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33) The Third World in the 1980's and 1990's, as our farming review suggests, must be seen both as a competitor of First World countries as well as a recipient of economic aid and loans. Second World nations are also involved in economic relationships with the rest of the world. Though the Third World does include masses of the world's poor and hungry, it also includes islands of industrial and agricultural strength. For all nations and peoples, the present reality reveals a new set of complex interrelated economic realities. For Christians living in such a global economy, questions of justice and access to economic benefits must be of primary concern.

Christian Affirmations

34) In 1829 a founding father of the Christian Church (Disciples of Christ), Alexander Campbell, was elected a delegate to the convention to rewrite the constitution of the State of Virginia. Criticized by some of his contemporaries for turning away from spiritual matters, Campbell answered that he wanted to seek an end to slavery in Virginia.

35) Campbell led the fight against slavery at the convention against the state's great landholders and an array of political talents that included two former U.S. presidents, James Madison and James Monroe. The latter contended that abolition would court economic disaster and the convention adopted their position.

36) In opposing slavery and its economic justifications, Campbell laid the basis for a social gospel that would include human rights, economic justice, and opposition to war. However, the linkage between personal and social ethics was slow in evolving since most 19th century Disciples chose to stress personal salvation. Nevertheless, Campbell and a few others had planted the seed. Later generations of Disciples, often in the context of the ecumenical movement, fashioned studies and resolutions on economic justice that ranged from the rights of labor to organize to the rights of the unemployed.*

*The detailed history of the Disciples' struggle can be found in *Journey in Faith* by William E. Tucker and Lester D. McAllister and *The Development of Social Ideas Among the Disciples of Christ* by James A. Crain.

37) As a prelude to a study of different economic models, we propose four affirmations that Christians will apply in determining the validity of these systems. They can help us in our quest for a social and economic order that has a Christian dimension.

38) 1. The Judeo-Christian tradition emphasizes a special concern for the poor.

The Bible is replete with references which emphasize a concern for the poor. The Torah requires that "you shall open wide your hand...to the needy and the poor in the land." (Deuteronomy 15:11) The book of Psalms is filled with references to God's concern and our responsibility for the weak and powerless. (10:17-18; 15:5; 35:10) The prophets thunder against those who "trample the head of the poor into the dust of the earth." (Amos 2:7a) In Luke's gospel, Mary recalls the ancient song which in its original text is even more graphic. "He raises up the poor from the dust; he lifts the needy from the ash heap, to make them sit with princes and inherit a seat of honor." (Luke 1:46-56; 1 Samuel 2:8) At the beginning of his ministry, Jesus lifted up "preaching good news to the poor"; near the close of his ministry, he bluntly stated the terms for achieving eternal life. "I was hungry and you gave me food, I was thirsty and you gave me drink, I was a stranger and you welcomed me, I was naked and you clothed me, I was sick and you visited me, I was in prison and you came to me...As you did it unto one of the least of these,...you did it to me." (Matthew 25:35-36,40)

39) The early Church made treatment of the poor a measure of faithfulness and took pains within its own life to share with those in need. (Acts 2:44-45) The implication is clear. A Christian will require any economic system to give an account of how it will improve the lot of the poor.

40) 2. The Judeo-Christian tradition is one which emphasizes community.

The scriptures speak of the children of Israel and the people of God in the plural form, not the singular. The concept is most powerfully lifted up in Deuteronomy 26:5 ff, a passage sometimes called the Apostles Creed of the Old Testament. God's covenant is with the Jewish people, the Jewish nation. The term often used to describe the ideal for society was *shalom* which has the meaning of wholeness, and which emphasized that the inner peace of the individual requires a community at peace.

41) Jesus required of his first followers a change of heart in order to be the community which would continue the work of witnessing to God's kingdom through the centuries. (Mark 1:14-15) He defines community when He says, "You should love your neighbor as yourself," and in the familiar story of the good Samaritan. The early church adopted this tradition of community even to the point at times

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of practicing communal ownership. The tradition, if not always the practice, has continued in the concept that as the church we are one body.

42) The most apt description of the Judeo/Christian community is that of a family. Christ has broken down the wall of hostility, those who were far off have been brought near. (Ephesians 2:13-14) We have a kinship with all others.

43) This basic recognition that humans are communal beings means Christians will be critical of those aspects of an economic system marked by division and antagonism, unconcerned with the lives people share with one another.

44) 3. The Judeo/Christian tradition affirms the dignity of every human being.

The Bible is disturbingly specific about God's concern for each person and his/her human rights. The Old Testament's instruction was to treat the stranger and the sojourner as members of the family. The prophets railed against those who took advantage of others. "Seek justice," said Isaiah; "Let justice roll down like waters," proclaimed Amos; "Do justice" wrote Micah. That call for justice is inclusive. God has numbered the hairs on our head. The shepherd will not rest until the lost one is found. To be practiced by all, justice is to be extended to all. It is important that while charity is an admirable Christian practice, it is justice that requires us to feed the hungry and plead the case for the powerless.

45) Stated as a positive rule, all human beings deserve respect and are entitled to develop their full potential. This is the foundation on which all human rights are based. These include civil rights — freedom to speak, to associate, to publish, to vote, to travel. Equally important are economic rights — freedom from hunger, from poverty, from lack of medical care, from homelessness, from joblessness.

46) Our partner communion, the United Church of Christ, has stated:

"Human rights are universal demands. No person, no group, no society is excused from recognizing that other human beings must be treated justly and that societies must be ordered on the basis of freedom and equity."

("A Pronouncement on Human Rights," Twelfth General Synod of the United Church of Christ, 1979.)

47) 4. The Judeo/Christian tradition is realistic about the social order.

The Bible acknowledges the existence of human sin which in the biblical record appears immediately after the creation. This sin takes the form of idolatry, the elevating of our partial truths and values till they are treated as ultimate. Then, taking pride in our accomplishments and creations, we increase our idolatrous tendencies. This self-centeredness becomes more obvious and dangerous as it is practiced by groups. The larger the group, the greater the risk. Individuals tend to give up their integrity to follow the crowd.

48) The year of jubilee is a biblical symbol which suggests the need for "starting over again" because of the self-centeredness which is a part of all economic systems. Referred to by Jesus in his first public sermon at Nazareth (Luke 4:18-19), the year of jubilee is to be celebrated every 50 years. Property is to be restored to the original owners — whether or not they can pay for it! (Leviticus 25:8 ff)

49) Within the Judeo/Christian tradition, we are created as little lower than the angels yet with this capacity for self-centered idolatry. Thus what emerges from the biblical tradition is a view which recognizes the potential for both good and evil within human nature and within the social order we have created and which in turn shapes us. Therefore Christians will be critical of all economic systems and will join with others to take responsibility for their improvement.

Yardsticks for Economic Progress

50) Our perception of facts and our ideological perspectives on domestic and world economic systems will determine to a large degree the conclusions we reach about the benefits of a particular economic model.

51) One unavoidable yardstick for measuring the benefits and viability of an economic system in the modern world is the Gross National Product (GNP). GNP reflects the sum of goods and services produced in a particular commercial economy over some specified period of time.

52) In First World economies such as the United States and Canada, the validity of the GNP yardstick is enhanced because many goods and services are a part of the public commerce and subject to accurate and computerized tabulation. It should be emphasized, however, that only

those economic activities entering the world of accountable commerce are tabulated in arriving at GNP totals. Thus one major shortcoming is that the economic contribution of the homemaker or hospital volunteer, for example, does not appear in GNP figures.

53) In many Third World countries the term GNP represents only a partial accounting of economic events because computer monitoring is not available to tabulate the major part of commerce that occurs in local bazaars and market places.

54) The validity of the GNP as a measure of economic activity also may depend upon our economic or ethical perspective. One view insists that the important issue is whether the economy is growing faster than the population. Another emphasis is on distribution. Growth is necessary but the primary question is whether the larger supply of goods and services reaches those most in need. A third view argues that the GNP is invalid as a yardstick. In a mostly agrarian society, how much is grown and consumed by the poor farmers themselves without ever entering a market may be much more significant than how much appears in the GNP figures.

55) Employment/unemployment statistics offer another perspective for evaluating economic systems. In the United States unemployment statistics have remained about 7% for the last two decades. But a more penetrating view of joblessness will show that the unemployment percentage for minorities has remained twice that of whites.

56) The most commonly used measurement of U.S. unemployment does not report on those who have quit looking for jobs (usually estimated at 2% or more) or those who work part-time but would like full-time jobs. Similarly, while all economists acknowledge transitional unemployment as a worker moves from one job to another, they often disagree on what that figure is. Furthermore, the total amount of unemployment that is "normal and acceptable" has varied from one time period to another. Only a decade ago, most economists talked about a goal of 4% unemployment; now the figure of 7% to 8% is often used.

57) Viewing unemployment and GNP statistics, a think-tank such as the American Enterprise Institute (AEI) may measure the success of the U.S. economy in different terms than the General Assembly of the Christian Church. AEI may find comfort in the steady growth of the total economy and the creation of new jobs. The church, on the other hand, may stress the maldistribution of the goods and services and be positively alarmed at the exceptionally high unemployment rate of minority young people. These evaluations of the economy depend in part upon the ideological stance of the reviewers, that is upon the underlying set of assumptions and values that greatly affect our perspective on issues.

58) The acceptable rate of joblessness in the First World, it should be noted, is one of ideological perspective rather than the ability to accurately measure employment and unemployment. In many of the poorer countries of the Third World, however, the ability to measure the production of goods and services that are used to calculate the employment and unemployment statistics may be difficult to obtain, and therefore those figures that do appear may be misleading.

59) As we move now to a discussion of three economic models — freemarket capitalism, modified market capitalism, centralized socialism — we are aware that these are somewhat arbitrary divisions. A careful examination of almost any economic system will reveal that we actually live with economies which are a mixture of public and private involvements.

Systems of Market Capitalism

60) In classical capitalist theory, free market capitalism is illustrated by the simple story of four persons marooned on an island. For a time each person works alone in building a hut, gathering and cultivating food, making clothes, and fashioning tools.

61) After a few months each of the four discovers that he or she is better at some things than at others. As they talk they learn that talents and resources vary among them. One is a superb hunter and fisher, but cannot build huts very well. Another has figured out how to make good tools but is running short on clothes. It occurs to them that if each concentrates on what he or she does best and then they trade, all could end up better off.

62) Imbedded in this simple story is the basic theory of comparative advantage, the essential core for productive international economic relations according to capitalists. However, if the theory of comparative advantage is to work, two things must occur—specialization and volunteer exchange.

63) Capitalists argue that individuals, groups, regions, or nations ought to concentrate on those productive activities in which they have a comparative advantage. Notice that one does not even

have to be the best at some things. If the neighbor is a superb hunter and a good toolmaker, she still may be better off to trade with me even if the other is a poor hunter and only an average toolmaker. All that is necessary is for her to be able to receive enough more from hunting to pay for the tools she would have made during the time she was hunting. The basic point is that by each of them specializing, the total produced will be maximized.

64) Trading is inherent in the capitalist system of comparative advantage through specialization and voluntary exchange. All should prosper from the transactions so long as the trading is both voluntary and well informed. Most well-informed voluntary traders will seek to maximize their own interests.

65) If all persons pursue their comparative advantages and trade wisely, all can prosper from the resulting increase in total production. Since goods will be distributed according to the exchange value of what each produces, incentive for greater production results. Capitalists argue that it is the very process of specialization and trade which has fueled economic development in the past and which promises the same in the future.

Free Market Capitalism

66) The wonder of this system, according to free market capitalists, is that it needs so little guidance. It does require some legal structures to prevent coercion since exchange must be voluntary. These include the police function and a court system which guarantee that persons are not forced to enter into contracts against their will but which require them to follow through on contracts voluntarily made. It requires a free flow of information. Persons cannot be tricked into trading to their disadvantage. Otherwise authorities, and especially government, are not needed. Instead, free market capitalists suspect that most government intervention merely gets in the way of the free flow of trade.

67) For free market capitalists, the guiding policy goal for economic relations is the freest possible trade in both investment and goods. Inasmuch as governments get in the way of this free trade, they create inefficiency and hamper the fullest economic development for all concerned. For example, the most helpful thing the First World can do for the Third World is to open its markets to goods produced in poorer nations and to allow capital to flow to the Third World as dictated by the free market. The best policy for a Third World government is to place no obstacles in the way of capital or goods entering or leaving its borders and to assure investors as much as possible that it will not intervene in the market in the future.

68) Once governments are out of the way, comparative advantage and free exchange take over. If goods can be produced more cheaply in a poorer nation, taking all factors and risks into account, then investors will invest, creating jobs and income directly and through the general stimulus to the local economy. Although workers may make less than in the U.S., they must still be better off than before or they would not take the jobs. Meanwhile, consumers in the U.S. will reap the benefit of being able to purchase goods at a lower price and investors will get a good return. At the same time the U.S. economy will be freed to shift resources into other areas of production which promise greater rewards. For instance, some advocates of this free market approach say that we should permit Korea and Brazil to produce basic steel at a much lower price than we can, allowing us to concentrate on high technology steel and plastics.

The Experiment in Chile

69) In 1973 the Chilean military took control of the government from President Salvador Allende, a democratically elected Marxist. Along with this radical political change came almost as complete a change in economic policy. Control of economic policy was turned over to a group of economists committed to the free market theory. The result was the transformation of an economy which under Allende had been isolated from external competition and dominated by strong governmental leadership into one almost completely integrated into the world economy and marked by almost full reliance on the free market. This is probably the most significant experiment in applying free market theory to a Third World economy in recent years.

70) In the short run this experiment was aimed at bringing inflation under control and reducing the debt owed to domestic financial institutions. The primary means used to do this were to tighten up the amount of money circulating in the economy and to balance the government's budget through cuts in expenditures and tax increases. These controls were accompanied by policies which sought to eliminate most government involvement in the free market, especially concerning the direction of investment. At the same time, changes in the very structure of the economy were instituted. Government employment dropped about 20% between 1974 and 1978. Furthermore, the government sold off assets it previously owned to private owners, including manufacturing facilities, land, and financial institutions. By 1979, Chile had taken giant strides toward becoming a free market

economy typified by private ownership and regulated by comparative advantage and free exchange.

71) Judging the results more than ten years later is not easy. First of all, as is generally the case, the free market theory was not instituted in its pure form. Instead of letting the currency float up or down as the market dictated, the Chilean government pegged it at a set value. This kept the price of exports higher than would have been the case with a floating exchange rate. They also continued a minimum wage so wages did not fall as much as market forces might have dictated. The overall effect of these two exceptions from a free market point of view was to limit one source of their comparative advantage, lower wages. It is important to note that such economic decisions are never made in a vacuum. Political considerations almost always determine which economic policies are feasible. While in Chile, free market capitalism was tied to an authoritarian political system which has engaged in massive human rights abuses, such a linkage is not inevitable.

72) The Chilean economy did respond in ways that were expected. The good news was that inflation was down from 600 percent in 1973 to 39 percent in 1979. After a deep recession caused by the sudden shock of tight monetary and fiscal policy, the economy was growing well from 1977-79. By 1979 the national budget was in balance. Foreign investment had begun flowing in, leading in part to a tripling of new forms of exports between 1974 and 1979, all of which helped produce a surplus in their balance of payments (the difference between money earned from exports and that spent for imports).

73) These are precisely the kind of indicators which such watchdogs of the global economy as the International Monetary Fund look upon as economic strength. However, some other indicators lend support to critics of this free market approach. Economic growth was less between 1974 and 1979 than in recent history, probably because of slow economic growth world-wide, increased oil prices, and the effects of the anti-inflationary program. Unemployment rose significantly, in part because of cuts in government employment and in part because of the recession. The manufacturing sector of the economy, especially textiles and leather goods, declined, after having been protected previously from external competition. The export industries which grew tended to less processed materials such as paper products and tobacco. In the agricultural sector there was a significant shift from crops traditionally consumed domestically to cash crops for export.

74) Publicly owned businesses were sold off at prices favorable to the private buyers which led to a basic transfer of wealth and resources to wealthy industrial and financial groups. This, plus higher unemployment rates and cuts in social programs, transferred income and resources from the poor to the rich. Concurrently, various measures of the access of the general population to housing, health, and education all declined.

75) Supporters of the free market approach point to the positive changes to defend the policies adopted by the Chilean government. They feel the authors of these policies should have followed free market principles totally by eliminating the minimum wage and letting the currency float. Critics of the free market approach contend that a big price was paid in unemployment and lost economic growth. More fundamentally they question whether the changes in the structure of the economy from serving local consumers to producing goods for export and the great inequalities in the distribution of wealth and income will be compensated for by future economic growth.

76) One thing on which supporters and critics of the Chilean experiment can agree is that it made the Chilean economy much more integrated with the world economy. Thus, when the world economy went into a deep recession in 1981-82, Chile went with it. Copper, the dominant factor in the economy, experienced particular distress. Recovery has not fully arrived. Believers in free market capitalism are convinced that once recovery comes, Chile will reap the long-run benefits of its market-oriented reforms, especially if the last few distortions are eliminated. Whether recovery will also mitigate the problems to which critics point is yet to be seen.

Modified Market Capitalism*

*This model has been selected because it approximates the economy of the United States. Readers from other developed countries will need to make applications to their own national economies.

77) Many critics of the free market capitalist approach share its basic commitment to comparative advantage. However, they believe that the metaphor of four marooned individuals misrepresents the modern world economy. This metaphor suggests that all nations begin relatively equal and independent when Third World nations actually have several economic disadvantages. They lack the basic infrastructure such as roads, railroads, communication, water supply, education, housing, health services, and banking necessary to support the growth in manufacturing which has usually been the engine of economic growth in modern times. They ordinarily are unable to

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generate enough capital internally to buy the technology necessary to support such growth. As a result they often are disadvantaged competitors in international markets. They are not able to develop their comparative advantages and thus not really free to enter into or reject exchanges.

78) At the same time, poor nations are faced with massive human needs. Food and population are initial challenges for most Third World nations and remain the only concerns for many. Even when there are enough basic necessities for the people of a nation, they are seldom distributed equitably. As a result, some are left with too little to meet basic human needs. Often economic growth merely accentuates these inequities as those people involved in newly developing enterprises become relatively affluent. By exercising their new buying power they may in turn take resources away from people left out of new industries. Growth with equity, then, is the complicated and difficult goal of the modified market capitalists.

79) This approach is encouraged by the major international development institutions such as the World Bank and various United States agencies which focus on national governments as the key actors in the process of economic growth. Governments must direct resources so as to create the infrastructure of physical and human resources necessary to industrial development. For the sake of equity these governments also must try to meet the basic needs of the population until adequate development occurs. They also must see that the fruits of economic growth are shared equitably when it does occur. This means an immense amount of government planning and intervention in the free market, although most ownership remains in private hands. The final result sought, however, is an economy strong enough to compete on equal terms in the world market with returns to the nation's whole population. In other words, the goal is an economy with the capacity in practice to realize its comparative advantages.

80) Once a nation has a plan for economic development, the tools available for instituting that plan are many. Resources, especially land, can be redistributed. Investment can be directed into industries which seem promising. Assistance in the form of grants and loans directly from First World nations or through international organizations can help develop infrastructure or feed people until growth occurs. Private investment can be sought either for indigenous business or by introducing transnational corporations. Emphasis can be placed upon producing for export or for local markets, lessening the need to import goods.

81) Different emphases may be used in different industries. Trade policy can support these decisions by protecting industries producing for the local market from foreign competition while opening up those industries able to compete on the world scene. Domestic monetary and fiscal policy can be used to encourage savings or consumption, to redistribute wealth or to finance human services. The value of the currency can be allowed to float in the world currency exchanges or be set at a value intended to encourage or to discourage imports or exports.

82) Of course there are powerful interests who may be hurt by one or the other of these policies and will therefore fight those programs which they find objectionable. Thus a national government would have to be both intelligent and courageous in orchestrating all of these options if it is to succeed in producing growth with equity. International economic agencies obviously are not able to require such qualities in the governments with which they work.

The South Korean Model

83) South Korea is often pointed to as a successful example of this approach. When Korea was partitioned in 1945 at the close of World War II, the South got the worst of it economically. The North possessed most of the natural resources and heavy industry and essentially all of the electrical power. The South was largely agricultural, and had over half of the population, which was soon swelled even more by refugees from the North. It was blessed with the best farm land, some good ports, and some light manufacturing, although in 1945 production in the latter was one-fifth what it had been in 1940. The former occupiers, the Japanese, took with them both equipment and expertise. By 1945 food prices had increased a hundredfold. Only massive assistance from the new occupiers, primarily the United States, prevented disaster. U.S. direct assistance rose from \$6 million in 1945 to \$113 million in 1948 when South Korea gained political independence.

84) Soon, however, the worst legacy of partition intervened in recovery. The Korean War left South Korea a ravaged, subsistence economy. While its agricultural system, improved dramatically during Japanese occupation, could feed its people, it still was a nation with a dense population, few natural resources, and its industries in shambles. Yet some would argue that the war left South Korea with some less obvious assets. Land reform had taken place, in part because of the war. The war had brought a sort of leveling so that South Korea had less economic inequality than Japan and much less than the United States. The war effort helped to unify South Koreans and made them

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more willing to follow the lead of the government. The Confucian tradition reinforced this respect for authority. The other major contribution of the Confucian tradition was a heavy stress on education; the Korean population was nearly universally literate and unusually highly-educated for a poor nation.

85) The rest of the story is increasingly familiar to world consumers. From the end of the Korean War until 1962, economic growth was only moderate. Foreign assistance was essential to economic stability, supplementing local food supplies and underwriting projects in human resources (especially education) and in infrastructure. Government industrial policy stressed the development of indigenous production to serve domestic markets.

86) The first five-year plan, begun in 1962, brought a 7.8% annual increase in real GNP (Gross National Product adjusted for inflation). Subsequent five-year plans through 1982 were marked by real annual GNP growth rates of 10% and 11%. Even given a much larger economy and the worldwide recession of the early 80's, expectation is for an annual real growth rate of over 7% for the current five-year plan. Beginning in 1962, and accelerating thereafter, the stress in industrial policy shifted to producing for export.

87) What has brought all of this economic success? Certainly not a lack of government intervention. The government has been quick to move investment into areas where it thought growth was possible, to use trade policy to protect or expand industries, to subsidize growth industries and withdraw support from failing ones and to distribute the resulting growth. A relatively well-educated and hard-working labor force has been crucial. By and large, the government has welcomed foreign investment and technology while generally keeping managerial control in Korean hands. The absence of a traditionally-wealthy elite certainly has eliminated one typical block to greater equity.

88) While some inequalities have emerged with rapid growth, the Korean government has tried to distribute some of the new wealth to the agricultural sector. Most studies suggest that the status of farmers has improved somewhat as a result but their numbers have shrunk steadily. Critics also point out that working conditions and wages remain extremely low in the manufacturing sector. This may be true in part because truly independent labor unions do not exist. These economic changes have gone hand in hand with the denial of a broad range of human rights. Nevertheless, South Korea does stand out as a successful model of government directed economic growth within the capitalist framework and a relatively equitable distribution of income. The argument continues as to whether such economic "progress" was achieved because of ruthless authoritarian political control.

Centralized Socialism*

*The term "centralized socialism" has been chosen rather than "communism" in order to concentrate on the economic aspects of the model. While a number of countries with centralized socialist economies have also had authoritarian political structure, the model could also function under democratic control.

89) One alternative approach to self-development depends upon strong government leadership. In this century such centralized leadership has often come to power with the conviction that the entire structure of capitalism, national and international, is by its very nature corrupt. It was felt that the task of a new government is to replace that structure with one that restores power to the common people. Economically this usually involves nationalizing productive enterprises of significant size as well as planning the future direction of the economy in line with the needs of the people. Generally, this is accompanied by government social programs, the goal of which is to provide food, health care, education, and jobs to the entire population. Culturally, a shift in values from individual gain to participation in the community effort must accompany these changes in social structure.

90) The implications of this approach for strategies of development are many. Land is confiscated from wealthy landowners and distributed to the mass of farmers, often in the form of collective ownership. Government planners decide where savings and investment will occur. Obviously, assistance from capitalist nations is minimized although a little help from international agencies or friendly socialist nations may be welcomed. Transnational corporations generally are expelled and their assets nationalized. Trade usually continues, especially as a means of securing technology for domestic industries. However, care is taken to minimize dependency on trade and to eliminate any strings attached to the technology. Again, the basic purpose is to disconnect from the capitalist system and to become more self-reliant.

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The Chinese Experiment

91) China is the most important example but an extremely complex one. Since the Chinese revolution in 1949, the People's Republic of China has used different variations of this general approach. By 1949, when the communists came to power, the Chinese economy was in shambles. Disrupted by war, first civil and then with the Japanese and then civil again, China's agricultural production in 1949 was about two-thirds of its previous high, and its industrial production was also down. The immediate task was simply to get the economy on its feet. Most observers agree this was done quite effectively by 1952.

92) The period from 1952-57 was marked by a Soviet-style development strategy fueled in part by considerable assistance from the Soviet Union. It was characterized by an emphasis on heavy industry, a slight decline in the general standard of living as resources flowed to these industries, and rapid economic growth (around 8.8%). However, it also generated considerable concern in leader Mao Zedong and others that the masses in the countryside were being left behind.

93) Whether for this reason or international political ones, the link to the Soviets was broken, and China proceeded very much on her own. For Mao at least, proceeding on their own meant mobilizing the rural masses into communes for both agricultural and industrial purposes as the primary vehicle for development. Most observers consider this the unique contribution of the Chinese model, that a dual economy between industrial cities and backward countryside can be avoided by developing industries in the villages. A number of these observers also consider this experiment a failure, pointing out that economic downturns were associated with the periods of its most fervent advocacy.

94) The "Great Leap Forward" of 1958-60 was the equivalent of our great depression (GNP dropping from \$145 billion in 1959 to \$112 billion in 1961) and the "Cultural Revolution" of 1967-1968 also brought negative economic growth. Others agree these were periods of painful transition but point out that both were followed by solid growth, averaging 12% per year from 1961 through 1966 and 8.5% per year from 1969-1975.

95) Whatever the conclusion of this debate and despite these dramatic ups and downs in the growth of GNP, China's overall economic performance since 1952 has been quite good. While it lags behind Japan, South Korea, and Taiwan over the same years, it surpassed that of China before 1949 and of most other Third World nations since. Yet, it is not primarily these overall figures which impress China's admirers. In the process, China seems to have escaped many of the problems usually associated with Third World development. The fruits of development have been shared broadly throughout the populace, and production itself has been spread across the countryside. Hunger is now relatively unknown, population growth has slowed (because of draconian birth control policies), and basic medical care and education are nearly universally available. The lives of the average people have improved dramatically. At the same time, by conscious design, factories have been located throughout the countryside. As a result, the various regions of China are now able not only to feed themselves but also to produce most of the standard goods needed for local consumption. Self-development has been engendered at the national, regional, and even local level.

96) This emphasis upon self-development does not eliminate trade, the essential mechanism of economic growth in capitalist models. It does shape its character dramatically. China had a particularly bad history with trade before 1949, characterized by foreign plunder and internal corruption. The new regime was solid in its resolve to control those abuses. A single national trade organization was established and trade was clearly subordinated to national economic plans. Transactions which did not serve the needs of the national plan were ignored, arrangements undermining Chinese independence were rejected, and private investment was dismissed out of hand. Yet trade expanded during the recovery period, shifting dominantly to the Soviet Union and Eastern Europe when NATO and Japan instituted a strategic embargo. With the cooling of the Sino-Soviet relationship China shifted its trade back to the west and has since attempted to limit its dependence on any particular trading partners.

97) Critics of the Chinese development strategy argue that the goal of decentralized production prevents the greater efficiency possible from the economies of scale that could be used in centralized production. Regional self-development also flies in the face of the principle of specialization and comparative advantage even among the various regions within China. For instance, decentralization of the Chinese steel industry seems to have been extremely inefficient. Others contend that the emotional adherence to ideology has overridden rational incentives and even such simple steps as firing unproductive workers. Certainly those who try to trade with the Chinese find that their pursuit of their economic plans and commitment to self-development make them hard bargainers willing to walk away from transactions that do not meet their goals.

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98) There has been considerable debate within China about these very matters. Current Chinese leaders appear prepared to institute some new financial incentives, to allow plant managers to fire workers, and to trade more with the outside world. They have even invited transnational corporations to join them in cooperative projects. It is unlikely, however, that this constitutes a rejection of the basic principles of Chinese development which have been practiced since 1949. Indeed these moves may be possible precisely because China has already established itself as a relatively self-reliant national economy.

A Critique

99) The two capitalist models assume that transactions between rich nations and poor nations can be mutually beneficial. Modified market capitalism recognizes that some inequality exists between more and less developed nations which must be overcome if the poorer nation is to gain from the transaction. It assumes that intelligent and forceful policy can overcome these inequities enough for the poorer nation to use its comparative advantages for the good of all. However, some analyses consider this inequality a central and sinister characteristic of modern capitalism which cannot be overcome except by withdrawing from the capitalist system or destroying it completely.

100) By this account, once developed nations have essentially shifted from feudal agrarian societies into modern industrial ones, they naturally turn to other less developed regions for natural resources and cheap labor. As a result, the division between the capitalist elite and the workers typical of capitalist economies is replicated among nations. The resources, natural and human, of less developed areas are put to use to build the wealth of the dominant economic powers. The image is of an economic universe with relatively few capitalists sitting at the center drawing increasing power and wealth unto themselves by draining resources from the edges of this universe while returning as little wealth as possible.

101) In the contemporary context, this critique identifies the transnational corporation as the primary vehicle for this economic imperialism. Many of these corporations have financial assets greater than most Third World nations. When they enter a Third World economy, they dramatically shift it to producing for export. This makes the poorer nation increasingly dependent upon the market of the richer nation. These critics claim that this usually generates greater inequity within the poorer nation as those involved in the export industries become relatively wealthy, even if the wages are low by world standards. At the same time those left behind in the non-export economy may even end up worse off as consumer goods flow to the newly affluent.

102) A stark example of this dual economy effect occurs when land is shifted from the production of food for the local population into cash cropping by a large agribusiness corporation. Those employed in the cash cropping may become relatively well off while local farmers may be pushed from the land and end up starving. Yet those who gain much more than the local employees of the agribusiness firm are First World consumers and especially the wealthy elite who can own and operate the corporation.

103) According to this analysis the effects are felt politically also. Governments of affluent nations are dominated by the corporate elite, as are most established international agencies such as the World Bank and International Monetary Fund. Since the elites in the Third World are often involved in these enterprises, they frequently respond to the urgings of the corporate powers. Some simply see no other path to economic development for their nations. Those few Third World leaders who stand up to the transnationals find themselves in an intense struggle with the economic and political power of the corporate elite, reinforced at times by the domestic or international military forces seeking to defend corporate interests. They risk political defeat if not personal danger, as was true of the Marxist leader of Chile, Salvador Allende. Those leaders able to stand up to all of this pressure will find themselves totally isolated from the capitalist economic system as in the case of Castro and Cuba. The challenge is to find some way to break out of dependency without being destroyed. Thus the central purpose becomes self-development.

104) Critics of centralized socialism charge that government involvement often props up inefficient businesses, minimizes the comparative advantage of producing countries, and creates false wage and price structures. Centralized socialism does not give sufficient attention to economic efficiency.

105) Another of the most common critiques of centralized socialism is that in actual practice, it has not proven to be very successful. These critics would note that the Soviet Union, China, and Vietnam, among others, have all had to move their economies away from the pure theory of centralized socialism. Granting the substantial gains which some of the centralized socialist countries have made in providing basic human services, people eventually wish to be rewarded on the basis of their work, their productivity. It has also been claimed that a centralized bureaucratic control of business fails because it stifles initiative and creativity. Furthermore, workplace decisions are made at such a distance that accountability to the worker is lost.

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106) Some would argue that the nature of freedom is such that if removed from the marketplace, it will soon disappear from the political and religious arena. They would point to the authoritarian regimes of many socialist countries. Such a criticism is related to the Christian affirmation stated earlier in this paper which noted that since all economic systems are in need of reform, freedom to join with others in critiquing those systems is essential.

Localist Self-development

107) The localist self-development approach to economic welfare is derived from the conviction that both national and international institutions are inherently problematic. As distinct from our three previously described economic models, the localist approach cannot be found as the economic system of any nation but as an experiment within existing economies. Whether operating within a capitalist or socialist structure, local self-development seeks to maximize democratic control and diminish dependence on outsiders.

108) It is an important option to consider in that non-governmental agencies including churches claim that the most successful experiments in development in the Third World use some form of the localist approach.

109) Localist self-developers recognize the reality of the existing dominant economic order. However, through locally controlled cooperatives and people's organizations, they seek to direct financing and technology in their local area so as to meet as many as possible of the needs of the people for food, clothing, housing, education, and medical care. In North America such "localism" exists chiefly in consumer and agricultural cooperatives.

110) An illustration of localist self-development is the Mondragon experience in the Basque country of northern Spain. It is a movement of consumer, banking, and producer cooperatives. This localist experiment began when a Roman Catholic priest helped five high school graduates to purchase a shop where they made heating stoves.

111) Eventually the Mondragon cooperators opened up other factories to manufacture butane-fired cookers, lawn mowers, washing machines, and a wide variety of other products. "By the end of the 1970's, there existed in the province a modern cooperative system of technical education, 70 factories with a work force of 15,000 cooperators (workers), and a credit bank with 93 branches and 300,000 deposit accounts." (They had discovered that Spanish law permitted cooperatively owned banks to offer 1/2% higher interest on deposits!) (*Mondragon: An Economic Analysis*, Henk Thomas and Chris Logan, 1983)

112) The significance of the enterprise is that it is self-financed, self-managed, and democratically controlled by the workers who own the companies and control the management. The ancient Basque culture and language have produced a proudly homogeneous people. The same cohesive forces result in an intense loyalty to their own self-managed democratic enterprises. They nonetheless engage in active trading throughout Spain, all of Europe, and many other foreign countries.

113) Since under Spanish law the Mondragon workers are considered self-employed, they have had to finance unemployment insurance through their people's banks. They have provided for retirement pensions in the same manner.

114) Mondragon cooperatives vary in size from 50 to 500 employees, with the smaller enterprises producing more efficiently than the larger ones. They do not see themselves as competitors of giant national or multinational corporations but as a sensible option for people in a local area who want to control their own economic destiny through democratic means of self-financing and self-management.

International Finance and Third World Debt

115) The Bretton Woods Conference in 1944 created the international financial institutions which continue to shape many of the economic relationships between the First and Third World countries. The best known of these are the International Bank for Reconstruction and Development (popularly known as the World Bank) and the International Monetary Fund (IMF).

116) The World Bank makes long term loans for development. As a general policy, it lends money only for the cost of material, equipment, and services obtained from the funding nations. The Bank pays the money directly to the supplier, usually in the developed countries.

117) The IMF was originally intended to augment the World Bank's activities by functioning as a short-term lender in cases where a country was having a temporary balance-of-payment or cash

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flow problem. As time went on it became apparent that the poorer nations were having chronic rather than temporary cash flow problems. As this situation reached crisis proportions, IMF's mission shifted to one of mainly monitoring the credit-worthiness of petitioning borrower nations.

118) Since a weighted system of voting based on member contributions governs policy decisions, the wealthier developed countries are the effective policy makers when decisions are made about loans to or credit-worthiness of the poorer countries.

119) The scope of the Third World debt crisis in the 1980's is seen in the aggregate external debt of \$1 trillion. Many of these nations cannot pay the interest on their debt let alone the principal. The crisis for First World banks and international lending institutions is that these nations might default, thus endangering the world banking system. The crisis for these poor nations is that they would receive no further badly needed loans and would face major economic disruptions. The developing nations have a continuing need for capital and the banks need repayment of their money or at least a promise to repay it in the future. (A few economists argue that if the Third World nations reneged on debt repayment, they would be forced into self-sufficiency which would ultimately be to their benefit.)

120) How was it possible for the developing countries to accumulate a \$1 trillion debt? Economists have a variety of explanations, none universally accepted. One explanation relates to sharp increases in grain and oil prices. In 1972 the Soviet Union purchased the entire U.S. grain surplus, and grain prices trebled. In 1973 the Organization of Petroleum Exporting Countries raised the price of oil eightfold and thereafter deposited most of the profits in commercial banks in the developed world. The banks loaned this money at commercial interest rates to Third World borrowers needing funds to purchase this more and more expensive grain and oil.

121) Oil prices doubled again in 1979 and many borrowers were forced to refinance their loans borrowing more money at escalating interest rates. The debt problem was compounded in 1979 when a world recession caused the prices of Third World export commodities to fall sharply. The net effect of higher prices for oil and lower prices for their own export commodities was the reduced ability of many developing countries to meet their increasingly burdensome debt payment out of export earnings.

122) IMF's policy in these circumstances has been to make new loans to these developing countries only if they agree to reduce domestic expenditures and increase exports. The dependent status of the developing countries usually requires them to accept IMF's terms even though it means reducing social services and subsidies to the poor, many of whom live in an economic environment where malnutrition and sometimes starvation are constant facts of life.

123) The first of our Christian assumptions does seem to conflict with the accepted guidelines of IMF in its role as the arbiter of credit worthiness. IMF insists on terms which translate into lower living standards for people who are already desperately poor. The claim is that such belt-tightening is necessary because international financial institutions and First World bankers are not likely to make new loans unless there is some reasonable prospect of recovering older loans. IMF's rationale for its austerity program is that a write-off of billions of dollars in uncollectable bad debts would have two closely related consequences: new loans would not be made to defaulting nations, and the First World economy would be seriously affected.

124) One response to the IMF austerity proposals is to counsel a flexible approach for the poorest countries such as those in Africa below the Sahara. Such an approach could call for longer payment periods, lower interest rates, and modifications of IMF adjustment requirements that exacerbate the already straitened circumstances of the poor. In some cases where the loan is owed to a government, some think such debts should be cancelled, a step already taken by a few creditor nations.

125) The Third World debt problem is only one illustration of the interrelationships within the global economy within which all national economies must operate. Granted that the Soviet Union, China, and some oil-rich Third World countries are involved in economic relationships with other countries, nevertheless the First World market economies are preeminent worldwide and the United States is the single most powerful economic actor on the scene. Not only through its policies on bilateral loans, but also in its almost total control of the international economic agencies, it sets the rules for the game.

126) This infusion of outside capital has helped to make a few of the Third World countries viable competitors in the international export-import market and raised their per capita income markedly in the years since World War II. But the vast majority of the countries that were poor in the 1940's are still poor and are further endangered in the 1980's by falling commodity export prices and escalating import costs.

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Military Expenditures and Economic Welfare

127) World War II marked a turning point in the world's approach to national security. Before then, countries only mobilized their military forces in time of war. But in the post World War II years, a large permanent military establishment was created and the number of military forces has grown steadily ever since. The superpowers have six times the number of persons under arms as before World War II. Globally they number 106 million, one soldier for every forty-three people (*World Military and Social Expenditures*, 1985, Ruth Leger Sivard, p.25). Global military expenditures in 1985 of \$940 billion exceeded the total income of the poorest half of humanity. (*State of the World*, 1986, Lester Brown, p. 196).

128) The impact on the world economy is tremendous, whether measured by the share of the gross national product used in production of military goods and services, by the military share of the national budget, or by the employment share in armed services, weapons research and production. Until very recently, global military expenditures have continued their upward spiral regardless of economic downturns or arms control treaties between the superpowers. Many commentators have also emphasized the role of the "military industrial complex" which they accuse of both profiting from the military expansion and also of aiding and abetting the increased dependence on military solutions for the world's problems.

129) With attention focused on the military component of national security, other sources of danger to national security and well-being are often ignored. Deterioration of the environment, misuse of natural resources, failure to provide for basic nutrition, health care and educational opportunities for the development of a healthy and well-informed citizenry, as well as neglect of infrastructures needed for a productive economy have been seriously affected by the militarization of the global agenda. Rich nations and poor nations alike have pursued this agenda. Sometimes there has been the added motivation of needing to maintain order within a country which is troubled by alienation and unrest among its own people, ironically growing out of the economic inequities caused in part

industries or erecting trade barriers, that is just a waste of money. Quite significantly, the best thing that can be done for Third World economies (and for the global economy) is to eliminate all trade barriers to foreign goods.

136) For free market capitalists, the alternative to the free market is to become a stagnant economy of subsidized, non-competitive industries. By allowing comparative advantage and exchange to proceed unrestrained, both they and the Third World can gain.

137) Modified market capitalists share this commitment to free trade for quite similar reasons. Domestically they would see a role for government in helping save those parts of failing industries which can be competitive and in assisting new and more productive industries in getting started. They also recognize the need to assist workers with this transition. This is what is often called industrial policy. They would also recognize that Third World nations sometimes need to subsidize beginning industries to protect them from outside competition through trade barriers. Beyond this, wealthy nations should help Third World nations through direct foreign assistance, trade concessions, and supportive policies from international agencies. While this is sometimes defended as simply just, it is also seen as a way of developing new markets for the products of the wealthier nations.

138) At the core of the theory of centralized socialism is the commitment to place power in the hands of "the people." Relationships with Third World countries should be those that increase the possibility of this power shift taking place. For example, economic aid from the wealthier centralized socialist countries would replace the need of such aid from the First World-controlled international agencies (IMF and World Bank). The argument is that such aid almost always goes to countries with controlling elites who have accepted capitalist economic theories.

139) Similarly, although transnational corporations do exist within centralized socialism, the theory calls for these corporations to be under the control of the people of the Third World countries.

140) Some socialist theoreticians argue that true socialism cannot exist under conditions of poverty. From this perspective, the economic development of the Third World countries is a necessary step if the socialist model is to be realized. For socialists, the best hope for such development is that the people of all countries are able to control their own economic destinies, rather than having to submit to terms imposed by outside corporations or countries.

141) Those who are attempting the localist approach within existing economic systems ask only for the freedom to develop at a pace and in ways that have been determined by the members of the local group. National laws and international agreements should protect that freedom. Major business corporations should be resisted if they seek to use their economic or political power to weaken or eliminate these smaller localized enterprises.

142) Localists hope that other countries will oppose any regimes which seek to crush these independent community efforts, especially in Third World countries where the more traditional economic theories and systems have brought little help to the poor and powerless.

143) Because localists are convinced that meaningful economic development requires local community organization, they would like to see more development grants from private or governmental sources funnelled directly to such local projects.

144) One thing is certain: we are all part of a world economic system. While it is still true that economically speaking, when Washington sneezes, most of the world catches a cold, it is equally true that changes in the Third World now also impact the United States' economy and indeed all other economies. How one views what these relationships should be will be determined by both one's economic and ethical perspective.

Applying Christian Ethics to Our Economic Problems

145) Economics in both theory and practice impacts our value systems. Those value systems will in turn impact our thinking as to how economic systems should relate and what changes are called for in the United States economy with regard to the Third World. But Christians have a special responsibility to raise the ethical issues related to these choices.

146) In our section entitled "Christian Affirmations," it was noted that the Judeo-Christian tradition emphasizes a deep concern for the poor, stresses the importance of community, affirms the dignity of every human being, and is realistic about what can be expected of persons and institutions.

147) If we accept these four Christian affirmations, we would seem to be led inevitably to a conclusion that the current economic relationships in the world are deeply flawed. The rich continue to get richer; the poor get poorer; the gap widens. Christians should be able to agree that changes are

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called for. Christians can never be satisfied with a world that can produce food for all but in which millions suffer from malnutrition.

148) While we will not easily agree as to what changes are called for, our "Christian affirmations" provide the criteria for evaluating any such change. Will it benefit the poor? Will it increase a sense of community within nations and among nations? Will it give people greater dignity and allow them to be involved in more of the critical decisions which affect their lives? Will it contain within itself the possibilities for additional reforms and has it provided some checks and balances to correct the abuses which will inevitably occur?

Conclusion

149) We all yearn for a simpler life — a life when a rock concert can end world hunger, and our Christian faith can tell us which economic model to choose. Rather, we are forced to admit that ending hunger and providing good jobs for farmers and factory workers are complicated problems.

150) We may believe that our faith leads us to prefer some particular model. If so, we will want to advocate that approach and debate its merits with those who believe their faith supports other models. However, in doing so we should keep in mind the basic moral values our faith implies — standing with the poor, community, human dignity, and social realism. We can advance these values by being true to the ones our chosen model stresses and being sensitive to the ones it tends to minimize. In this way the strengths of each model are maximized, the people of the world may realize some value from each, and an overall result will be a more just world economy.

151) As we wrestle with different positions, our awareness of economic and political realities may broaden and we may even find our views shifting. At the very least new situations should cause us to rethink our present economic analysis. Throughout, awareness of our "Christian affirmations" should shape both our attitudes and our actions, for justice is more basic than any theory of economic relations.