

ON PROBLEMATIC ASPECTS OF THE
NEW ECONOMIC WORLD ORDER

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The increasing insistent call on the part of the less developed countries (LDCs) for a New Economic World Order has its origin in the widening gap between the 'have' and 'have not' nations in the post World War II era. With the collapse of imperialism and the achievement of independence, the LDCs have experienced the 'revolution of rising expectation.' There have always been differences in levels of living among nations, but it is only since the end of World War II that these differences have become 'felt differences.' In consequence, the LDCs, in accordance with the U. N. charter and with the assistance of the United Nations and its specialized agencies, have been striving for economic development in order to raise the level of living of their people. Moreover, the more developed countries (MDCs), through the framework of the international agencies and the various multilateral and bilateral assistance programs, have been encouraging and aiding the LDCs to achieve their national aspirations.

Yet despite all efforts to induce economic development and raise the living levels of the poor countries, the gap between the 'have' and 'have not' nations has been widening, not decreasing. Between 1960 and 1973, for example, as reported by the Overseas Development Council, the proportion of world GNP generated in the LDCs decreased from 19% to 17%, their proportion of world export earnings diminished from 21% to 18%, their proportion of world public education expenditures declined from 15% to 11%, and their proportion of

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world public health expenditures plummeted from 11% to 6%. Contrariwise, the population resident in the LDCs rose from 71% to 74% and, ironically, their proportion of world military expenditures increased from 9% to 13%.¹

By reason of their relatively worsening economic position, the LDCs have become increasingly aggressive in their effort to achieve what they perceive to be their fair share of the earth's bounty. This is evident in the increasingly vituperative rhetoric of the regular and special sessions of the General Assembly of the United Nations and at other international forums. At the World Population Conference in Bucharest in August 1974, the developing nations in response to proposals of the MDCs to increase efforts at population control made explicit a number of urgently needed measures 'in view of the continuing severe economic imbalance in the relations between developed and developing countries, and in the context of the constant and continuing aggravation of the imbalance of the economics of the developing countries.'² Explicit demands containing evidence of post-imperialism resentment included:

- . an end to all forms of foreign occupation and alien domination and exploitation;
- . a 'just and equitable relationship' between prices that developing countries receive for their raw products and the prices they must pay for imported goods;
- . net transfer of real resources from developed to developing countries, including increases in the real price of commodities exported by developing countries;
- . improved access to markets in developed countries through a system of preferences for exports of developing countries and through the elimination of tariff and nontariff barriers and restrictive business practices;
- . reimbursement to developing countries of customs, duties and taxes imposed by importing developed countries;
- . arrangements to mitigate the effects of inflation on developing countries and to eliminate the instability of the world monetary system;
- . promotion of foreign investment in developing countries in accordance with their needs and requirements;
- . formulation of an international code of conduct regulating the activities of transnational corporations;

- . measures to promote the processing of raw materials in the producer developing countries;
- . an increase in essential inputs for food production, including fertilizers, from developed countries on favorable terms;
- . urgent measures to alleviate the burden of external debt.³

In addition, "The Programme further declares that 'the response of the developed countries which have by far the greater capacity to assist the affected countries in overcoming their present difficulties must be commensurate with their responsibilities. Their assistance should be in addition to the presently available levels of aid.'"⁴

Moreover, the 18-month conference of ministerial representatives of the MDCs and the LDCs which terminated in Paris on June 1977 left many areas of disagreement. The communique issued by the LDCs stated that "progress has been accomplished...but conclusions of the conference fall short of what is necessary to create a new economic system."⁵ The final communique listed twenty areas of agreement and twenty-one areas of disagreement.

The conference did foreshadow what lay ahead. It demonstrated that the 'have' nations were not yet ready to accept the demands of the poor nations for the New Economic World Order, even though they recognize that the LDCs were dependent on provision of raw materials for their foreign exchange and required more assistance than they were receiving.

Several perspectives must be reviewed in attempting to evaluate the prospect for achievement of the New Economic World Order. First of all, it is well to examine the relationship between total world GNP and population, and its implication for correcting the imbalance between the poor and the rich nations. In 1970, world population totaled 3.6 billion, and total world GNP was estimated at \$2,640 billion. World per capita GNP was therefore \$730. European (including the U.S.S.R.) per capita GNP was \$1,530.⁶ The total world product therefore could support 1.7 billion people at the European level of living. GNP per capita in Northern America was \$4,300, the total world product

could therefore support only 600 million people at the Northern American level of living. Assuming that relationships are the same in 1977 as in 1970, a not unreasonable assumption, then the world product in 1977 could support only 1.9 billion persons at the European level of living and 700 million at the Northern American level of living, as contrasted with the actual world population of 4 billion. These facts may be interpreted to mean either that the world is already over populated or that the world product must be greatly increased. It is clear that an egalitarian distribution of the world product, although it would materially increase GNP per capita in the LDCs, would also significantly decrease GNP per capita in the MDCs.

Requirements to Meet 1970 European or Northern American Levels of Living

Since the objective of the New Economic World Order is to decrease the differences in the levels of living between the MDCs and the LDCs, and since it is unlikely that the MDCs would be prepared voluntarily and gracefully to diminish their product per capita, the objectives of the LDCs can be obtained only through increase in the total world product. Moreover, it is obvious that if the product per capita of the MDCs continues to rise, the total world product must grow much more rapidly than if the MDCs remained at their present levels of living. These considerations necessarily raise an unprecedented question to which no definitive answer is at present possible, namely, do the earth's resources permit LDCs to reach the European or the Northern American levels of living? The implication of the answer to this question will be further considered later.

Next, let us consider the magnitude of the task which faces the LDCs if they are to achieve the European and Northern American product per capita respectively.

First, let us consider the extent to which GNP would have to increase to match the European and Northern American levels respectively under the unrealistic assumption that LDCs' population was to remain fixed at its 1970 level. To match the 1970 European GNP per capita, GNP would have to increase from \$400 billion in 1970 to \$3,902 billion, about a 10-fold increase. To achieve such a GNP by the year 2,000, the LDCs' GNP would have to grow at a rate (geometric) of 7.9% per annum (see Table 1).

To match the 1970 Northern American GNP per capita under the assumption of no further population growth, GNP of the LDCs would have to increase to \$10,965 billion, about a 27-fold increase. To achieve such a GNP by the year 2,000, the LDCs' GNP would have to grow at a rate of 11.7% per annum.

It is, of course, realistic to assume that LDCs' population will continue to increase to the end of this century. The United Nations' population projections as of 1973 are at hand as this paper is being written, but they are at present being revised downwards because of estimated increases in mortality as well as decreases in fertility. In the absence of the revised projections, the 1973 low and medium variants will be used in the analyses which follow. It is felt that in doing this, reasonable and conservative procedures are being used. If the high variant projection was used, then of course the GNP growth rates necessary to match present European or Northern American products per capita would be materially higher.

If the LDC's population should reach the level of 4,545 million by 2,000, the low variant projection of the U.N. as calculated in 1973, in order to match the 1970 European level of living, the GNP of the LDCs has to increase to \$6,954 billion, a 17-fold increase. To achieve this, a GNP growth rate of 10.0% per annum would be necessary for the 30-year period. In order to match

the 1970 Northern American level of living, under the same assumption, the GNP of the LDCs would have to increase to \$19,544 billion, a 49-fold increase. Such an increase will necessitate a GNP growth rate of 13.8% per annum.

Under the medium variant projection, it is assumed that LDCs' population will reach the level of 5,061 million by 2,000. The above calculations are retabulated using this projection and this will provide some basis for gauging the effects of faster population growth. In order for the LDCs to match the 1970 European level of living under this assumption, the GNP of the LDCs must increase to \$7,743 billion, a 19-fold increase. To achieve this, a GNP growth rate of 10.4% per annum would be necessary for the 30 years. In order to match the 1970 Northern American level of living, under the same assumption, the GNP of the LDCs must increase to \$21,762 billion, a 54-fold increase. Such an increase would necessitate a GNP growth rate of 14.3% per annum.

As to be expected, there are variations among the less developed continental regions in their outlooks for future GNP growth under the assumptions considered above. Under the assumption of constant population (as of 1970), the GNP of Asia would have to increase from \$240 billion in 1970 to \$2,938 billion in order to match the 1970 European level of living, a 12-fold increase. To do so, the product of Asia would have to grow at a rate of 8.7% per annum. In order to match the 1970 Northern American GNP per capita, under the assumption of no further population growth, GNP of Asia would have to increase to \$8,256 billion, a 34-fold increase. To achieve such a GNP by 2,000, the GNP of Asia would have to grow at a rate of 12.5% per annum.

Under the low variant projection, the population of Asia will reach 3,394 million by the year 2,000. The GNP of Asia has to increase to \$4,907 or \$13,790 million, 20- or 58-fold increases, in order to match the 1970 European

or Northern American GNP per capita respectively. To achieve this, the GNP growth rates of Asia would have to increase at rates of 10.6% or 14.5% per annum.

According to the medium variant, however, the population of Asia will reach 3,590 million by 2,000. Under this assumption, in order to match the 1970 European and Northern American GNP per capita, the GNP of Asia would have to increase to \$5,493 or \$15,437 billion, 23- or 64-fold increases respectively. This will necessitate GNP growth rates of 11.0% or 14.9% per annum.

Under the unrealistic assumption that Africa population was to remain constant at its 1970 level, her GNP per capita will have to increase from \$50 billion in 1970 to \$536 or \$1,505 billion, about 11- or 30-fold increases, in order to match that of 1970 European and Northern American levels, respectively. This will necessitate GNP growth rates of 8.2% or 12.0% per annum.

Under the low variant projection, the population of Africa will reach 734 million by 2,000. Her GNP would have to increase to \$1,123 or \$3,156 billion, 23- or 63-fold increases in order to match the 1970 European and Northern American GNP per capita respectively. To achieve this, GNP growth rates of 10.9% or 14.8% per annum would be necessary for the 30-year span.

Under the medium variant projection, however, the population of Africa will reach 818 million by 2,000. In order for Africa to match the 1970 European and Northern American GNP per capita, her GNP would have to increase to \$1,252 or \$3,517 billion, 25- or 70-fold increases respectively. Such an increase would necessitate GNP growth rates of 11.3% or 15.2% per annum.

Again, under the unrealistic assumption that Latin America's population was to remain at her 1970 level, in order for Latin America to match the 1970 European and Northern American GNP per capita, her GNP would have to increase

from \$110 billion in 1970 to \$428 or \$1,204 billion, 4 or 11-fold increases respectively. To achieve such a GNP by the year 2000, the GNP of Latin America would have to grow at rates of 4.6% or 8.3% per annum.

According to the low variant projection the population of Latin America will reach 604 million by 2000. In order to match the 1970 European or Northern American GNP per capita, the GNP of Latin America has to increase to \$924 or \$2,597 billion, 8 or 24-fold increases. Such increases will necessitate GNP growth rates of 7.4% or 11.1% per annum.

Under the medium variant projection, however, the population of Latin America will reach 652 million by 2000. In order to match the 1970 European or Northern American GNP per capita, the GNP of Latin America must increase to \$998 or \$2,804 billion, 9 or 26-fold increases. To achieve this, GNP growth rates of 7.6% or 11.4% per annum would be necessary for the 30-year period.

A number of significant conclusions can be drawn from the data which have been presented. Even if the LDCs as a whole experience no further population increase, an unrealistic assumption, they must generate a 10-fold or 27-fold increase in GNP respectively to match the 1970 European or Northern American levels. The annual growth rate required to achieve such GNP increases are clearly far beyond their capacity over a 30-year span. With the variations noted above, the same conclusion can be drawn for each of the less developed continental regions. It is clear that no New Economic World Order is likely to greatly reduce the gap in the levels of living between the "have" and "have-not" nations by the end of the century because it is to be emphasized that all of the calculations made are based on the unrealistic assumption that no further increases in product per capita will occur in the MDCs in the remainder of this century. In fact, growth will undoubtedly continue in GNP per capita in the MDCs. Further increases in GNP per capita in the MDCs may lead to further

widening of the present gap in the living levels.

Effect of 5% GNP Growth Rates in LDC

Let us now examine what the GNP per capita in the LDCs would be in relation to 1970 European and Northern American GNP per capitass if the LDCs were able to continue to increase their product between 1970 and 2000 at 5% per annum --the growth target set by the United Nations for the First Development Decade, the 1960's.

If the LDCs can increase their GNP in 1970 by a 5% annual growth rate for 20 years, then their GNP will reach \$1,729 billion by 2000. Under the unrealistic assumption that their population would remain fixed at their 1970 level (2550 million) then GNP per capita will be \$678, 44.5% and 15.8 of the 1970 European and Northern American GNP per capitass. However, if the population of the LDCs was to increase to 4,545 million, as in the low variant projection of the United Nations, the 5% annual GNP growth rate will give them a GNP per capita of \$380, 24.8% and 8.8% of the 1970 European and Northern American GNP per capitass (see tables 2 and 3). By the same token, if the population was to increase to 5,061 million, as indicated in the medium variant projection, \$342 will be the GNP per capita for the LDCs as a whole in 2000, 22.4% and 8.0% of the 1970 European and Northern American GNP per capitass respectively.

Similar data are shown in Table 3, for each of the less developed continental regions. It is to be observed that under the assumptions stated, GNP per capita in Asia with no population increase would reach only to 35.3% of the present European and 12.6% the present Northern American per capita figures. With low variant population growth, Asian GNP per capita would reach 21.1% and 7.5% of the European and Northern American per capita figures respectively; with the medium variant population growth, Asian GNP per capita would reach to 18.9% and 16.7% of that of present European and Northern American levels respectively.

GNP per capita in Africa with no population growth would reach only to 40.3% of the present European and 14.3% of the present Northern American per capita figures. With low variant population growth, African GNP per capita would reach 19.2% and 6.8% of the European and Northern American per capita figures respectively; with the medium variant population growth, African GNP per capita would reach to 17.3% and 6.1% of that of present European and Northern American levels respectively.

GNP per capita in Latin America with no population growth would reach to 110.8% of the present European and 39.4% of the present Northern American per capita figures. With low variant population growth, Latin American GNP per capita would reach 51.4% and 18.3% of the European and Northern American per capita figures respectively; with the medium variant population growth, Latin American GNP per capita would reach to 47.6% and 17.0% of that of present European and Northern American levels respectively.

In 1970, GNP per capita in the LDCs as a whole was 10.3% and 3.7% of the European and Northern American product per capitass respectively. GNP per capita in Asia was 8.2% of that in Europe and 2.9% of that in Northern America. GNP per capita in Africa was 9.3% of that in Europe and 3.3% of that in Northern America. GNP per capita in Latin America was 25.7% of that in Europe and 9.1% of that in Northern America. Clearly then, even if the U.N. GNP growth rate target for the First Development Decade were to be achieved by the LDCs and substained for the remainder of this century, and even if the MDCs' product per capita were not to increase above its 1970 level, the gap in levels of living will not materially diminish. In 1970, LDCs' GNP per capita was only about 1/10 of that of Europe and less than 1/25 of that of Northern America. Under the unrealistic assumption of no further LDC population growth, the LDC product per capita would still be well below 1/2 of

that of Europe and about 1/6 of that of Northern America. Under either the assumption of low or medium LDC population growth to the end of the century, the LDC product per capita would still be less than 1/4 of that of Europe and about 1/12 of that of Northern America.

Concluding Observations.

Although considerations of the type presented above make it appear that the task of reaching 1970 European or Northern American levels of living during the remainder of this century is a hopeless one for the LDCs, it must be observed that some absolute if not relative gains could be achieved. More specifically, for example, if the U.N. 1960 growth rate target of 5% per annum could be achieved, the LDCs as a whole would increase product per capita between 1970 and 2000 from \$157 to \$342 under the medium variant population projection, and \$380 under the low variant population projection; a rise of 117.8% and 142.0% respectively. Similarly, Asia would increase her product per capita from \$125 to \$289 and \$323, a rise of 131.2% and 158.4% respectively under the two population projections. By the same token, Africa would increase her GNP per capita from \$143 to \$264 and \$294 under the medium and low variant population projections, a rise of 84.6% and 105.6% respectively. As for Latin America, her GNP per capita would rise from \$393 to \$729 and \$786 respectively under the medium and low variant projections, a rise of 85.5% and 100% respectively. Thus, absolute increases in level of living could be obtained even if the relative position of the LDCs continues to deteriorate. (See Table 2)

Although it may be anticipated that LDCs' population will enthusiastically welcome absolute increases in their levels of living, it may nevertheless be assumed that especially under the influence of rising expectation, the LDCs' population will not become unmindful of their worsening relative deprivation.

The less developed nations may well experience increased frustration and alienation despite the doubling or more than doubling of their absolute levels of living. In this situation, it is possible that not only their rhetoric will become more abusive in their relation to the MDCs but also that they will undertake collective actions in the form of cartels, as manifest in OPEC, possible boycotts and even threats of overt violence to achieve their objectives. Given the fact that China and India among the "have-not" nations already possess nuclear weapons, it would be unrealistic not to assume that even nuclear blackmail may be employed. After all, it must be borne in mind that the MDCs are and will remain much more vulnerable to atomic warfare by reason of greater population and industrial concentration.

At this point, it is well to return to one of the considerations raised above. Can the earth's resources enable the some 70% of the world's population ever to attain either the European or Northern American levels of living, even if it was to achieve without the same baskets of goods and types of services? As indicated above, there is at present no definitive answer to this question. One answer pessimistic in character is provided by the Club of Rome's Limits to Growth. The prospect of limits to consumption of new materials and energy would in relatively short periods of time create a zero sum game situation in which increases in levels of living of the LDCs could be achieved only at the expense of decreases in MDCs' living levels. Needless to say this would be a situation that would tend to exasperate tensions and increase prospects for international violence.

But at the other extreme is the answer to the question by Herman Kahn of the Hudson Institute in the publication, The Next 200 Years. This optimistic answer contains the prospect in due course, although certainly not by the end of this century, of substantial increases in LDCs' GNP per

capita at least to approximate either European or Northern American levels of living. Under this optimistic framework, it is conceivable that MDCs' product per capita could continue to rise even while LDCs' product was increasing faster to narrow the 'have' - 'have-not' nation gap. Should this be possible, then indeed a New Economic World Order will have been achieved. Under such conditions, the prospect for increased tension, hostility and violence will certainly be diminished.

Which ever of these extreme answers may turn out to be correct, it is a vital certainty that the gap in levels of living between the LDCs and MDCs is not likely to narrow much or may even further increase during the remainder of this century. Abraham Lincoln once questioned whether the United States could survive half slave and half free, the comparable question at this juncture in history is whether with 70% of the population poor and 30% affluent, the world can survive?

TABLE 1. Population in 1970 and U.N. low and medium variant projections to 2000, GNP necessary to match 1970 European and Northern American GNP per capita^a by 2000 under assumptions of zero, low and medium population growth for the total LDCs and LDC continental regions. (Population in million, GNP in billion U.S. dollars).

	Population			GNP necessary to match European GNP p.c. under pop. gr. assumpt.			GNP necessary to match Northern Amer. GNP p.c. und. pop gr. assumpt.		
	1970	2000(low)	2000(med)	1970	2000(low)	2000(med)	1970	2000(low)	2000(med)
1) LDCs	2,550	4,545	5,061	3,902	6,954	7,743	10,965	19,544	21,762
2) Multiple Increase of 1970 GNP ^b	-	-	-	9.8	17.4	19.4	27.4	48.9	54.4
3) Rate of Growth ^c	-	-	-	7.9%	10.0%	10.4%	11.7%	13.8%	14.3%
1) Asia	1,920	3,207	3,590	2,938	4,907	5,493	8,256	13,790	15,437
2) Multiple Increase of 1970 GNP ^b	-	-	-	12.2	20.4	22.9	34.4	57.5	64.3
3) Rate of Growth ^c	-	-	-	8.7%	10.6%	11.0%	12.5%	14.5%	14.9%
1) Africa	350	734	818	536	1,123	1,252	1,505	3,156	3,517
2) Multiple increase of 1970 GNP ^b	-	-	-	10.7	22.5	25.0	30.1	63.1	70.3
3) Rate of Growth ^c	-	-	-	8.2%	10.9%	11.3%	12.0%	14.8%	15.2%
1) Latin American	280	604	652	428	924	998	1,204	2,597	2,804
2) Multiple Increase of 1970 GNP ^b	-	-	-	3.9	8.4	9.1	10.9	23.6	25.5
3) Rate of Growth ^c	-	-	-	4.6%	7.4%	7.6%	8.3%	11.1%	11.4%

^aGNP per capita in 1970 for Europe and Northern America were \$1530 & \$4300 respectively.

^bMultiple by which 1970 must increase to reach projected GNP (line 1)

^cGeometric rate of growth necessary to reach projected GNP (line 1)

Notes

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