

# UNCTAD and the North-South Dialogue

Kenneth R. Minogue



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# Preface

Issues of economic development characteristically are discussed in a language that is imprecise and euphemistic. For example, the prime objects of interest, the poor countries, have become known, successively, as undeveloped countries, less developed countries or LDCs, developing countries, the Third World, and the South. These semantic shifts presumably have served the changing rhetorical needs of an evolving debate characterised by increasingly shrill political demands for aid by and on behalf of the poor countries. It is noteworthy that the notion of a continuum of countries on a wealth or development scale was followed by an uneasy trichotomy - rich, communist, and poor - which itself has been succeeded by a sharp dichotomy - North-South - suggestive of stark contrast - black-white, good-bad, etc. - and confrontation.

The ideas and words which so often obscure rather than inform the the discussion of development issues are the theme of Dr Minogue's paper. He starts with the notion of 'development' itself, notes its modernity, and defines it as the idea that every society has an inevitable destiny to become affluent. He discusses several theories of imperialism and points out that when the end of empires did not result in the impoverishment of the metropolis and the enrichment of the former colonies, a theory of neo-colonialism was elaborated to explain the disparities in the wealth of nations.

Among the nicer euphemisms exposed by Dr Minogue is 'development education', which he translates as 'persuasion to give more'. He is perceptive on the use of the O.K.-word 'stabilisation': frequently it is simply a euphemism of higher prices; insofar as it means what it says, it is 'in many cases merely the acceptable face of attempts to square economic circles by political willpower'; and in the context of development politics 'what the expression really stands for is a way of supplying aid to the South without the appearance of a donor-recipient relationship'.

He sees the use of a terminology of equality, partnership, and negotiation to describe the essentially unequal donor-recipient relationship as part of a struggle by the recipients

and the aid agencies to secure greater power over the disposition of aid. Also, 'if [aid] is discussed in an arcane language, and is apparently reciprocal in its benefits, and can also be presented as a matter of servicing international obligations as well as pursuing national interest, then the money is likely to be allocated without much challenge in democratic parliaments of the donors.'

Dr Minogue's essay is highly recommended as a guide to the political usage and abuse of the language. It is appropriate that it should be published in 1984.

**Ross Parish**

## The Author

Kenneth Minogue was educated at Sydney High School and the University of Sydney. In 1956 he joined the London School of Economics, where he is currently Reader in Political Science. He is the author of *The Liberal Mind* (1963), *Nationalism* (1967) and *The Concept of a University* (1974). He has published over 100 articles etc. in journals and magazines worldwide.

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# UNCTAD and the North South Dialogue

K.R. Minogue

## I INTRODUCTION

The acronym UNCTAD (United Nations Conference on Trade and Development) resembles the English word 'uncle' and thus has a reassuring sound. But there are good uncles and bad uncles, and as we shall see, both of these figures play an important role in thought about development. My concern is with the whole idea of development, and I shall concentrate on how we have come to think about North-South relations.

My general theme will be that the serious issues raised by the idea of development have been largely obscured by false ideas, some merely confused, others serving particular interests. That expression 'North-South Dialogue' in my title, for example, is meaningless unless one subscribes to a variety of false beliefs. Apart from the use of the modish word 'dialogue' to describe a situation in which one set of people is aiming to get concessions from another, one must believe that the world can be divided into one homogeneous group constituted by its wealth, and another by its poverty.

The literature on this subject is often impenetrable, not because of technical complications - on the contrary, the issues are often simplicity itself - but because a whole new vocabulary of euphemisms has grown up designed to obscure the question of who is doing what for whom.

## II. COLONIALISM, IMPERIALISM AND OTHER ECONOMIC FALLACIES

There have been empires for as long as there have been written records. The common view of empires, which is now enshrined in the theory of imperialism, is that an aggressive political centre, such as Rome, conquers large tracts of the world and exploits them. There is a sound basis for this view,

if we remember what Verres got up to in Sicily, and Brutus in Cyprus.

But it is not always true that the wealth moves to the capital. It can also happen that the capital moves to the wealth, as happened when the Romans moved their capital to Constantinople. Nor it is always the case that the colonised are merely exploited when they become part of an empire. The Britons and the Gauls made large strides in civilisation under the Romans; and in the late nineteenth century, Indian nationalists sometimes composed elaborate balance sheets of what they conceived to have been the costs and benefits of the Raj. They usually succeeded in demonstrating that, on balance, India had lost more than it had gained, but they recognised that the argument was narrow.

As empires receded **after** 1945, it became very clear that the loss of empire was not followed - as ought to have happened if empires were vampiric - by the rapid impoverishment of the metropolis. But with the end of actual European empires there came the super-imposition onto our picture of world politics of an image of the whole world as a kind of empire, with Europe and America being the metropolis and the rest of the world being the colonies. This shadowy image soon developed a theory, an apparatus of statistics, and the name 'neo-colonialism'.

The colonial status of what came in time to be called the South or the Third World was no longer believed to depend upon the fact that it was administered from Europe, but rather on the fact that it was, on average, poorer in wealth than Europe and America, and that its wealth, such as it was, came largely from primary products. The condition of ending the unhealthy and immoral condition of empire was thus no longer merely acquiring a local sovereignty, but achieving the same level of wealth as the metropolis. The name for the process was 'development' and a whole vocabulary has grown up around it.

It is a completely modern idea. Everyone always knew that some places were wealthy and others poor, but it did not occur to people that everybody could be made wealthy. What were the preconditions for the appearance of this idea, the fundamental assumption on which UNCTAD rests?

They were, I think, two. The first was the idea that the human race, for all the diversity of its beginnings, was steadily evolving in a unilinear direction: material prosperity was the telos of mankind. The second was that the only conditions of wealth were economic variables like saving, investment, demand management and other mysteries known

to economists. Given an input of capital, education, energy and so on, the output was inevitably, wealth. These two premises supplied the idea that development was possible, and it was inevitable. Whether it was desirable or not was another question, but it was certainly widely desired. This progressive belief dates from somewhere in the nineteenth century, and comes in two versions which we may call, respectively the Good Uncle and the Bad Uncle theories of development. Let us take them each in turn.

### **The Good Uncle**

The Good Uncle theory is a secularisation of the missionary impulse to turn the human race into good Christians and help them to live richer, more fulfilled lives. European missionaries carried a Bible in one hand, but in the other they carried a bar of soap and a piece of chalk. Soap and medicine soon brought down the rate of infant mortality and education led the natives towards a wider world than that of the village and the tribe. The control of disease-bearing insects was a further step. What development meant, in the first place, was an increasing independence from such grim and preventable hazards of African and Asian life as disease and malnutrition, and this aim has always been the central idea of the Good Uncle theory of development. Its better side today is seen in famine and disaster relief, investment in irrigation improvements, building of factories, and the education of Third World students in European (and Australian) universities.

The idea behind much of this is that it is our moral duty to help our fellow men in other countries to take the path that we have already taken towards a more human and reflective kind of human life. But everyone has to take the rough with the smooth, and we have diffused the evils of modern life no less than the goods.

### **The Bad Uncle**

The Bad Uncle theory of development goes by the name of imperialism and neo-colonialism. It also takes for granted that development is not only possible but also inevitable. It differs, however, in believing that the role of Western countries in development is largely malign.

The theory of imperialism as an economic idea was invented by an Englishman called **Hobson**, who appropriated a word which, in its modern form, had begun as a piece of

political abuse directed against Napoleon III. In Hobson's view, imperialism was bad because it drew away from Europe the capital investment which would otherwise mitigate the condition of the European poor.

The general idea of imperialism was, however, quickly taken up by Marxist writers preoccupied with explaining the unexpected longevity and vitality of capitalism in the generation after the death of Marx and Engels. The most sophisticated version of this theory was created by an Austrian called Rudolph Hilferding, who theorised capital as a force seeking the best outlets available in opening up colonies. European states arranged the necessary pacification.' In this way, the inhabitants of non-European countries were drawn into the capitalist world by being proletarianised. The most famous exponent, and vulgariser of this doctrine was, of course, Lenin,<sup>2</sup> for whom imperialism was the **highest** stage of capitalism, which is what it remained until a new generation of Marxists had to find an explanation for the yet continuing life of capitalism and invented something called 'late capitalism'.<sup>3</sup>

The theory of imperialism may be understood either in its simple or its complex form. The simple form is that what appears to be a trading relationship between Europe and the rest of the world is in fact a disguised kind of robbery, which additionally fixed those who are being robbed as perpetual victims, always supplying the materials for manufacturing which always takes place in Europe.' Later versions of the theory needed to accommodate new developments, such as the fact that capitalists showed a disposition to transfer manufacturing processes abroad because the labour was cheap, and this led to variations of this theme, such as the idea that the West was 'de-skilling' the Third World.

The more complex versions of the theory of imperialism are concerned with the supposed laws of capital, its need for markets, and the declining rate of surplus value in capitalist production. Sometimes the search for markets is emphasised, sometimes the search for cheaper and therefore more profitable labour. But the main technicalities depend upon '... a breakdown in the formation of surplus value. As capital accumulates, surplus value is raised at a diminishing rate, but more surplus is needed to set each new worker to work.'<sup>5</sup>

## **Either one, or the other, or both**

Thought about economic development oscillates between these two theories, and the conferences actually organised by UNCTAD reflect both kinds of Uncle. In a rather vague sort of way, the combination of these theories represents something like the realities of the last century and more, since the effect of Europeans in creating a global society has indeed had both good and bad consequences. The point that does need to be made is that the Bad Uncle theory attempts to transpose everything that happens into a scientific system of why it **must** happen. It discounts entirely such phenomena as human greed, folly and short-sightedness and replaces these factors with a neatly tailored system of imperatives to which the multi-national companies of the world react.

But it is perhaps more important than this to observe that having both theories available is useful to countries in the Third World, whose very situation is almost certain to induce in them feelings both of gratitude and resentment. Sometimes they feel that they control their own destinies, and at other times they will have a sense of being victimised by the movements of the market, destiny, changes of taste, etc. The first human response to helplessness is usually the creation of a demonology.

### **m. WHO IS RESPONSIBLE FOR THIRD WORLD DEVELOPMENT?**

What may loosely be called 'the philosophy of UNCTAD' is for the most part dominated by the Good Uncle theory of development, which takes it for granted that the inevitable destiny of every society is to become affluent. The mechanism by which this is to happen is by a 'massive transfer of resources from North to South.' The 1964 UNCTAD recommended that official aid should be at **least** 1 per cent of the national income of the richer countries,<sup>6</sup> and the aim was for annual rate of growth of 5 per cent in the underdeveloped world. The setting of targets of this macroeconomic kind is a common exercise of the developmental imagination: realism in this sphere simply consists in lowering the targets. The 1 per cent has come down to about 0.7 GNP in more recent pronouncements of the UN, and even that has been attained only in countries such as Sweden and Holland which have displayed a consistent enthusiasm for the project.<sup>7</sup>

The First Brandt Commission Report took the view that mere government-to-government aid was an impersonal and uninvolved relationship with the Third World, and that there ought to be a special tax paid directly to the South, and this would lead to a higher level of involvement among the populations of the developed world. The idea that a new tax would provide a basis for a warm and deep community of feeling is one only likely to occur to a set of world leaders after a good lunch in some remote **Hilton** set far in the desert. It seems to me to adumbrate an extension to the whole globe of the redistributive projects of the welfare states of recent decades, though this interpretation is resisted by some of its foremost **exponents**.<sup>8</sup>

Details aside, UNCTAD is based upon the view that the North is responsible for the economic development of the South, and that its responsibility includes supplying capital and knowledge to the less developed countries, or **LDC's** as it has become common to call them, no doubt because 'less' sounds better than 'un'. Such a responsibility means, in practice, that money will be taken from taxpayers in the North and given to governments in the South, and it is important to keep one's eye on these realities of the situation, since they very quickly get lost in the jargon.

### **Arguments that the rich are responsible**

What are the grounds for this responsibility? The clearest and most appealing are:

1. The South contains many starving and diseased people who ought to be helped.
2. Linked to this is the idea that we in the West are fortunate in our affluence, and ought to help others to achieve a share of it.

These are both, as it were, **Good Uncle** arguments, but they are supplemented by other **considerations** in which **Bad Uncle** can be seen making an appearance:

3. Poverty is a continuing threat to world peace, and therefore we ought to aid the South lest the entire globe gets caught up in destabilisation and violence.
4. To aid Third World countries is no more than a just recompense for the depredations of Europeans in the past.

There is one further argument of a moral kind to be noted:

5. It is an unfortunate fact of life that the South mostly exports primary products, and that mining and agriculture are unjustly victimised by the terms of trade, which consistently favour the manufacturing sector.

Added to these moral arguments there is usually to be found a Keynesian argument to the effect that aiding the South is in the interests of the North, since much of our trade is with the South and this trade depends upon the South's prosperity. Hence:

6. The poverty of the South is a Common Crisis for the whole world, for the North cannot prosper without a prosperous South as a trading partner. And,
7. If we do not help the South, it will become resentful and go communist.

I cite these arguments because they are staple ingredients of the discussion. I don't propose to discuss them in detail, but rather to make some general observations about the whole structure of argument.

### **The foundations of the arguments**

The first is that the validity of all remarks in this field must be qualified by the fact that the concepts in terms of which they are framed are inevitably very crude. It is not true that the North is purely given over to manufacturing, as the American wheat exports remind us, nor that the South is entirely primary and agricultural. Countries like Brazil are particularly confusing in this way. Nor is it true that everyone in the North is rich and everyone in the South poor. There are some quite remarkable pockets of wealth in the South; some gulf sheikhdoms have in some years had the highest per capita incomes in the world.

These may seem like pedantic considerations but they are not, because a great deal of development thinking insists on taking the matter globally. What this means is that development thinking is highly resistant to the multiplication of small scale and piecemeal responses to the problems of development as they affect many different countries. It prefers to think in terms of vast global organisations under the wing of the United Nations. Given the fact that enormous and costly mistakes have been commonly made in

the past, this disposition to continue thinking in expansive, and expensive, global terms must suggest to the critical observer that one factor in this complex situation not adequately studied is the emergence, in its own right, of a bureaucratic interest in the administration of aid, an interest which evidently must be seen as quite distinct from that of both the donors and the receivers.

My second observation is that the moral arguments are evidently the most compelling in this list, but even they raise very difficult problems. There is a consistent trend in the practice of development aid to concentrate upon the countries that need the aid most, but the paradox is that these are the countries where it is not only least effective, but where aid may even do damage. This particular paradox begins to disappear, of course, if we can disentangle the whole subject from the confusions involved in the very idea of 'aid'.

### **What constitutes 'aid'?**

To use the word 'aid' suggests helping someone to achieve an end on which he is already embarked, but this is not at all the case with the poorest people in the South. The idea of steady improvement in their material condition has hardly occurred to most of them, and it is not entirely clear what they could possibly do about it if it had. Thus 'aid' to the poorest countries is often better described as charity or philanthropy, and it is better regarded in this light because otherwise the donors will become increasingly frustrated by the discovery that what they have embarked on is a very long term commitment indeed.

The idea of 'aid' (like such ideas as the welfare state, which were generated by the same people at the same time) involved the belief that aid is a temporary expedient which will help people who are currently in difficult circumstances to stand on their own feet, to reach the take-off point, to escape the vicious circle of poverty, and so on. The point is that aid, if it really is **aid**, is self-liquidating. The classic example of aid is, I suppose, the Marshall Plan for post-war Europe, and that was entirely successful because it went to a set of people who knew precisely what they wanted to do with it. To assume that the inhabitants of the South are in the same position would be to believe, falsely, that they are identical with Europeans, and they are not.

This point should not be exaggerated. It is, on a smaller scale, such private charities as Oxfam and Christian Aid

which have concentrated on disasters and the very poor, and they claim an emphasis upon making their recipients self-sufficient. They claim considerable success, and it seems to me plausible that in this area, the only likely successes will come from a multiplicity of small-scale operations by people dedicated enough to go right down to the grass roots and spend a lot of time responding to the needs of quite small and local communities. It is at this level that the ideal might be achieved: aid without intermediaries, and in particular, with minimal involvement of the local government. For the local government always has its own quite distinct interests.

### **The perverseness of good intentions**

Again, it is natural that disasters should call forth aid, but it is also true that most disasters produce situations which are in the highest degree morally ambiguous. Mid-seventies aid to Kampuchea in the wake of the disastrous regime of Pol Pot, for example, had to be channelled through the Vietnamese, who were in the process of consolidating their conquest of the country and the establishment of a suitably compliant regime. In such a situation, the control of food is a trump card. People cannot be allowed to starve; on the other hand, international aid finds itself the instrument of the political ambitions of an aggressive power.

Consider again, the ambiguities of the Ethiopian famine of 1983. This famine is in part caused by a government policy, called the 'Green Campaign', in which people from the towns were forced out into the countryside to grow food; and it is also partly caused by the fact that the government of Ethiopia has been lately engaged, in the worst hit Tigre Province, in air and ground attacks on the civilian population, many of whom support something called the 'Tigre People's Liberation Front'. The Ethiopian government has appealed for international relief, while continuing to spend very large sums of money on armaments, including naval equipment worth 25 million from **Britain**.<sup>8</sup> It is in receipt of immense supplies of armaments from the Soviet Union, of which it is a client state, and parts of the population in need of relief have fled to Eritrea and the Sudan. Further, 'the irony of the situation is that economic development of central Africa, which has for long been an important objective in the aid programmes of governments and international agencies, is likely to be the main cause of the over-exploitation of local resources and hence of drought and **famine**.'<sup>9</sup>

The imperial regime of Haile Selasse fell in Ethiopia because of the last major famine; international aid thus seems doomed to being instrumental in keeping in power a vicious and irresponsible collectivist regime.

Even in the most benign cases, aid tends to destroy agriculture in the surrounding areas because the market for food collapses, and populations have been known to give up seeking to feed themselves in favour of spending their time in extracting food from the local aid machine. The effect of aid in cases of this kind is to create and extend dependence, which is precisely contrary to the explicit aims of aid.

### **Government's role in third world development**

These remarks bear upon my next point: that the vocabulary of aid obscures the point that aid moves not from donor to needy people, but from government to government. All of these governments, of course, **claim** to be democratic and thus to represent the interests of their peoples, but many of them are, of course, authoritarian, corrupt and irrational. Corruption means that not inconsiderable quantities of the aid are appropriated by government officials and hence less trickles down the grass roots. That they are authoritarian means that the governments themselves have their own ideas about what is good for people, and set up expensive administrative systems to administer aid they way they see fit. And irrational means that aid has commonly been used to create entities which have nothing to do with economic development, but much to do with national prestige. Sports stadia, steel mills and national airlines are well-known examples of this waste of development money, and whole regimes have been bankrupted by it.

There can be little doubt that development economics since the Second World War has been dominated by the idea that governments and their experts know all the answers, and are the obvious agency to plan for the rational development of a national's resources. Taking an overall view of what the country needs and applying the lessons of European development, governments can prevent the waste of money on luxuries and the conspicuous consumption of the rich, and invest it where it will best develop the resources of the country. Rational central planning, based upon projections of future needs, will iron out the vagaries of markets, educate people so that they may best contribute to the country's development, and match investment with need.

The paragraph just read was an attempt to parody the kind of waffle so often written in the last few decades, but I can't keep it up. It is evidently absurd. The truth about economic development has been nicely summed up by Peter Bauer:

There are great differences between the economic achievements of different peoples, as between those of individuals, and they largely reflect differences in economic qualities. Interest in material progress, industry, thrift, self-reliance, readiness to perceive and exploit economic opportunity, a questioning turn of mind and an experimental outlook - these are some of the qualities behind material success, though not necessarily behind contentment, dignity, harmony or happiness.<sup>10</sup>

There's little that governments can do to create this situation, but there has proved to be a lot they can do to destroy it. Nothing, I suppose, can quite match the disasters into which China was led by the despotism of Mao, disasters which wasted the energies and talents of whole generations, but others have tried their best to compete. It might perhaps be thought unfair to cite the achievements of a lunatic like Idi Amin, who within a decade reduced the steady progress of a century of Ugandan effort to a blood-stained shambles; but his neighbour Julius Nyerere, so much a favoured beneficiary of every type of aid that he has come to be known as an 'aid junkie' in development circles, has a record of economic progress not vastly different.

His intentions are no doubt beneficent, but they have involved large-scale interference with the natural inclinations of the population, and the outcome has been increasing dependency and, in recent months, a campaign against people described as 'economic saboteurs', people who operate not through the official but through the much more thriving black market. It is a notorious weakness of governments to believe that they can determine facts, such as prices, or quantities produced, by law and dictat. This is the ultimate effect of the vice of abstraction, which we shall presently consider, and it comes from living in a world of jargon and meaningless statistics. ♦♦

#### IV. CONSEQUENCES OF ADOPTING THE UNCTAD VIEW

I have so far sketched out what I regard as some of the central issues of the UNCTAD philosophy, and I now wish to approach my central argument. It is that the rhetoric of UNCTAD is more than usually misleading, that it is characterised by a systematically misleading form of abstraction, and that the consequences of confusion in this field are likely to be pernicious.

But even beyond this, the language of those who support development is intolerably vague. Thus, to choose an entirely random example, the second Brandt Report advocates:

Greater attention to be paid to supply relative to demand conditions, so that payments deficits are corrected by an appropriate mix of policies with less exclusive concentration on demand constraints, devaluation and credit ceilings as the main instrument of adjustment." 2

What can be less exclusive than exclusive? What is an **appropriate** mix?

In so far as this is meaningful, it appears to be a recommendation that when countries get into balance of payments difficulties, the IMF ought to supply them with the necessary cash without asking them to devalue or to restrain demand. If this is actually what it means, then the donor countries had better take a very careful look at the funds they commit to such international institutions. More generally, the simple realities<sup>13</sup> of the situation are obscured by high-toned rhetoric about vision, and the need for imagination to face the challenges of the future on the one hand, and arcane terminology about special drawing rights and similar entities on the other.

#### **Stabilising prices - at what level**

Let us move, then, to the way in which abstraction systematically obscures what is going on. One of the main aims of the development movement (and it is nothing less than a movement) is to achieve the stabilisation of exchange rates, and commodity prices, and it is often suggested that these aims can be achieved if all governments agree to take the necessary economic action. But what stabilisation also involves is higher prices, and this point rarely if ever features in the discussion.

Now the value of currencies is in the largest part determined by the performance of an economy and the policy of governments. It is quite possible, and it has often happened, that the policies of governments have led to a rapid fall in the value of the national currency. Any attempt to offset the consequences of such policies by supporting currencies in decline would be inordinately expensive and probably impossible.

That stabilisation has a kick in the tail was recently demonstrated in the case of the European 'snake', when French policies led to a decline in the value of the franc, and the Germans found that part of the effect of this decline was off-loaded onto them in the form of an unwelcome revaluation of the Deutschmark. The idea of stabilisation is thus in many cases merely the acceptable face of attempts to square economic circles by political willpower. In the long run, such attempts don't seem to succeed. The Europeans have, indeed, stabilised agricultural prices at a high level, and as a result find themselves faced with butter mountains and wine lakes which are dumped, to the detriment of the rest of the world. The most spectacular case of commodity stabilisation in recent times has of course been OPEC's control over oil, a special case in many ways, but instructive nonetheless because it has shown that even with so enormously saleable a commodity as oil,<sup>14</sup> stabilisation, inevitably at a high level, will in the medium term tend to defeat itself by encouraging the opening up of new sources of supply and a weakening of demand. Further, contrary to the explicit aims of development, it must always involve the creation of monopolies.

It is with the idea of stabilisation as with most of the other abstractions that dominate this field: they conceal the costs. Stabilisation is an interference with markets, and since markets reflect demand, it can only be achieved either by the availability of a large supply of money to sustain demand which otherwise isn't there, or a large quantum of political control to sustain the monopoly position of the producers, or both. This can be done for a period where states are associated together under common rules, as in the European Economic Community, but even in these circumstances, it seems bound to become an intolerable burden in time.

### **Unbalanced transactions**

But to make these points about stabilisation is to take it seriously in its own terms, and this is a mistake to the extent

that what the expression really stands for is a way of supplying aid to the South without the appearance of a donor-recipient relationship. For in the background to the proposals about stabilisation is a version of the Bad Uncle theory to the effect that the North has long been getting its raw materials on the cheap because the terms of trade have been largely disadvantageous to the South.<sup>15</sup> Stabilisation of commodities at a higher level is thus a way in which the North can subsidise the South by paying a kind of notional 'just price' for commodities, one which would off-load the strain of market instabilities onto consumers in the North. Now whatever view one takes of the desirability of aid, this would seem to be undesirable simply because this is an area where any concealment of the realities is pernicious.

The point may be elaborated if we turn to another persistent theme of international development practices. This is the attempt to transform the donor-recipient relationship into a form of partnership in which negotiations take place between equals. The parties to these aid agreements are, of course, sovereign states, and in that respect they are certainly equals, but the donor-recipient relationship is clearly not egalitarian. Hence the multiplication of theories suggesting that in giving aid to the South, the North is solving the North's problems. Sometimes the problem allegedly being solved is a deficient level of demand in the North, sometimes it is what to do with surplus production, sometimes it is a matter of common concern in a global crisis which affects us all, and so on, but the outcome is always a switch into the egalitarian terminology of co-operation and negotiation.

Now it is true that there are matters of common concern, especially if one takes seriously the moral obligation of the North to help the South (as I would) and it would seem churlish to object to rhetorical changes which are merely polite, and which do away with inappropriate considerations of dependence. Why, then, should we take such usages as distortions of the truth, rather than as perfectly acceptable conventions of politeness?

The reason is that, at its most fundamental, we are concerned with who gets money from whom, and the interest of the receivers is to get as much as they can, while the interest of the donor and the size of his obligations are indeterminate. The situation is complicated by the fact that virtually all of the donors are democracies and must watch public opinion in their countries, while most of the recipients are dictatorships, and need not. At the present moment, for

example, the United States has not paid \$245 million which is owing to the International Development Association, the World Bank's concessionary lending arm. It is held up in Congress.<sup>16</sup>

Again, asked how the people of Britain could help the poor of his country, Julius Nyerere of Tanzania is reported to have said: 'Change public opinion in your own country'. Advocacy is increasing for what is whimsically called 'development education',<sup>17</sup> by which is meant persuasion to give more. In the budgets of democratic countries, overseas aid must compete with other demands upon the economy, including, these days, the pressure to keep down spending in order to limit inflation. And in Britain, for example, the aid budget is over one billion pounds sterling, which is macroeconomically significant.

### **Deliberately clouding the issue**

This situation is the source of much of the tendency to bureaucratise and jargonise the whole subject of aid. If it is discussed in an arcane language, and is apparently reciprocal in its benefits, and also can be presented as a matter of servicing international obligations as well as pursuing national interest, then the money is likely to be allocated without much challenge in the democratic parliaments of the donors. It will flow from donors to the agencies, and then from the agencies to the recipient governments, and finally from the recipient governments to those who might be expected to benefit from it. In the past, the amount of money has diminished as it has passed through each of these stages.

There is a further implication of transposing development thinking into the terminology of partnership and negotiation. Once the cash has passed from the donors into the hands of the development agencies, its fate depends upon decisions made by committees and international civil servants, and not unnaturally, a struggle for power has grown up around those agencies.

The main focus of this struggle for power today is the question of just how much the recipient countries, rather than the donors, will be represented in decision-making about how the money is spent. And here we may observe that there is a direct conflict of interest between donors and recipient **governments**. The donors presumably want to hasten the development of the South in order to hasten the day when they will no longer pay aid and can get back to the more equal relationship of trade. The recipient **governments**

(though not necessarily their populations) find aid money a costless boon, and presumably it is to their interest, at least in the immediate term, to get as much of it, on as soft conditions, as possible.

It is for this reason that the rhetoric of partnership is very far from being merely cosmetic. The first stage in the struggle for power consists in establishing a terminology of equality to describe the essentially unequal donor-recipient relationship. A classic example of this tactic can be seen in the Lome Convention of 1975, which regulated trade and aid relationships between the European Economic Community and a set of African Caribbean and Pacific (ACP) signatories. Supporting greater power for the ACP signatories, one writer argues as follows:

Thus, the reality of ACP economic dependency reduces the rhetoric and institutional trappings of political partnership to a sham. However, the ACP leadership have proved unwilling to remain quiescent and accept a marginally revamped client status. They have expressed mounting discontent over the delays in agreeing a mutually acceptable sugar price for 1981-82, the inadequacy of the **Stabex** fund and, in particular, the Community's extensive trading links with **South Africa**.<sup>18</sup>

One may sympathise with the ACP signatories of Lome who are trying to extract political and economic benefits from so highly protectionist an association as the Common Market, but it is clear that once aiding and trading relations have been channelled into this world of bureaucracy and negotiation, they have moved into a situation where the donors have lost a good deal of control over what they do with their money, and may begin to find themselves pressured in some quite remarkable directions. And it is by no means the case that those who have, in some measure gained control over these resources, will make a wise and beneficent use of them. On the contrary, as we have seen in the Ethiopian case, a great deal of international aid permits governments in the South to carry on with policies of war and oppression which would otherwise be much more difficult. In the most extreme cases, development subsidies allow governments actually to destroy a country's economic viability by the persecution and expulsion of its most productive minorities.

There is a climax to demands for partnership, and it, too, is a wolf which comes wrapped up in an appropriately

sheeplike terminology. It is call the New International Economic Order, and while its details are often unclear, its general drift is unmistakable. International trade is to be politicised through increasing regulation by international agencies, preferably aligned with the United Nations. Words like 'breakdown' and 'crisis' are invoked to justify the hegemony of such international agencies; and the ultimate obfuscation lies in suggesting that politicisation, which is the coming of regulation into areas that were not regulated before, is merely to improve an order which already exists, rather than further to regulate relationships which have hitherto largely been left to the judgment of a plurality of actors, individual, corporate and governmental.

## V. ECONOMIC DEVELOPMENT ON THE POLITICAL AXIS

The rhetoric of a 'new order' is, then, chosen for exactly the same reason that riders often conceal the bridle from the horse as they approach it. For when we put all these considerations together, we may realise, I suggest, that the development movement is actually the reappearance in a new form of a very old issue. Ought production, distribution and exchange be left to the judgment of individuals who will inevitably find themselves guided by prices established in markets, or ought these matters be arranged through the central planning of experts operating in terms of principles like need, or social justice?

Now in many countries of the world, both of these considerations are used as seems appropriate, and we all know that as 'capitalism' and 'socialism' (to use terms of a limited appropriateness) they elicit a passionate allegiance from many people. The central point to be emphasised, however, is that it may make very good sense to choose one or other solution according to the level of human organisation we are concerned with. From the family at one end, to the planet as a whole at the other, stretches a continuum of human associations including the village, locality, state, region, and so on. All families are socialist, and socialism is, from one point of view, the attempt to turn the human race into a family and run it in terms of love and brotherhood.

But just as some socialists now believe that socialist entities such as collective farms and **co-operative** factors ought to compete against each other in market relationships, so it would be perfectly logical for someone to believe in a socialist organisation at the level of the state, and to reject the incipient socialisation proposed by the development movement for the planet as a whole.

## Dismantling the global marketplace

From this point of view, two things are striking about development literature. Firstly, the entire Communist Bloc, the Second World as it were, is almost entirely a blank, for it is concerned merely with relations between North and South. It is not, of course, that what happens in the Communist World has no effect on the less developed countries; the chronic incompetence of agriculture in communist states, for example, has obvious effects upon the world demand for food.

Secondly, development literature is largely dedicated to the proposition that governments are the orchestrators and creators of development, yet aid for development is almost completely a distribution of wealth which has been produced by capitalist means. The arguments that abound in the literature will, to the historically minded, have a familiar ring. They are consistently hostile, for example, to something called 'the vagaries of the market' where the word 'vagary' suggests to all classical scholars a movement both meandering and irrational. And it is indeed true that price movements are affected by all sorts of foolish fears and greeds such as commonly strike the human species.

In the long run, however, market forces are very far from vagarious. The market for oil and computers is pretty lively these days, while that for crossbows, flintlocks and the horse drawn carriage is remarkably slack. Markets reflect what lots of people want to buy, and indeed, their sheer physical popularity is such that everybody flocks to them whether they have much money to buy with or not.

The advocacy of commodity and other forms of stabilisation is thus an attempt to hold fixed prices which would be much more volatile if they responded, as markets do, to changing preferences and improving technology. The argument usually is that the experts employed in International Commodity Agreements could use funds to iron the vagaries out, so that people would know where they were from year to year. Such experts can focus on the underlying long term trends in supply and demand. But these movements are in fact unpredictable, and hence, as Bauer remarks, 'Those who can assess market conditions and prices more rationally than can the commodity markets would accumulate great wealth', adding, with that mordant irony for which he is so highly valued by connoisseurs of this literature, 'Diligent search has failed to uncover many such examples among politicians, civil servants and academics who claim explicitly

or implicitly to be able to perform better than participants in commodity markets." <sup>9</sup>

### **Unequal does not mean immoral**

A related reason for the haze of imprecision which afflicts so much of the literature of development lies in a profound confusion of aims. What one might call its 'gut basis' is a belief that it is irrational that Westerners should consume vast quantities of steak and drive round in cars, while millions starve and **walk**. This situation is found morally offensive, and no doubt rightly so. But it may be found offensive on a variety of grounds which are far from internally consistent. The strictly rational position embedded in the idea of development is that the poor must be helped to become rich, or at least self-supporting, as the rich are. But this is often overlaid by another quite different feeling that it is positively **obscene** (to use the most violent of the terms which can occur in some writing) that such wealth should exist - when people still starve. The real thrust of this argument leaves out the last clause, and takes the view that the individual enjoyment of affluence is an evil in itself.

Pushed one stage further, this turns into the Bad Uncle theory which, in its most elementary form is the belief that Ethiopians are starving **because** the rich in the North spend their money on swimming pools and chrome-plated motor cars. No account is taken of the fact that what is new is not the poverty of the South - it has always been poor - but the wealth of the North, which also used to be poor. The emphasis in the literature thus shifts from development to inequality, and illogicality is not far behind, as when economic development is actually equated with diminution of **inequality**.<sup>20</sup> The whole issue of aid thus comes to be distorted by the intrusion of unargued desirabilities, such as egalitarianism, or pacifism, into the argument.

### **Aid perpetuates dependency**

The outcome is that many important problems are not faced because it seems preferable to submerge them in the morally coercive fundamentals of helping the starving. Yet it is precisely here that some of the most difficult problems arise. For the provision of food aid does nothing to improve a condition of dependency, and since population is often rising faster in these areas than anywhere else, it conduces to a problem which keeps on growing bigger and more

threatening. It was the classic objection to imperialism that it involved power without responsibility; but in the reversed imperialism of aid, the North (or the West - the geographical metaphors become confusing) finds itself having to accept the responsibility without the power to affect the situation. Further, it is clearly undesirable both that such people should sink into a position of chronic dependency, and also that the West should provide **merely** food, or perhaps just food and medicine. Yet it is difficult to see how many of these peoples can actually be helped in a way that can transform their situation.

The confusion of aims, and perhaps the realisation of these problems, may help to account for the fact that development thought attends little to the question of its own extinction. Once countries have developed, presumably, they will no longer need to be helped to develop. The problem is partly that 'development' stands for a moving target, and from many points of view, there can be little doubt that the further it moves, the more demoralisingly distant the goal must seem. That it is by no means impossible to hit is attested by many economic experiences of the last century or more - ranging from Japan to South Korea, and in a different idiom, Brazil. But there are other areas which show little sign of developing along these lines. Further, there is accumulating evidence that even within states, the provision of benefits can have the effect of increasing rather than diminishing dependency, and there is no reason to doubt that this may well happen on the international scale as well.

### **No one wants to grab the runaway horse**

Putting these considerations together, we must arrive at the conclusion that economic development, whose very concept suggests that it is a temporary expedient, is tending to become a permanent feature of international life, and that the reason for this is that powerful interests combine to make it so. The development movement has over the last four decades managed to conjure into existence a vast bundle of resources. The amount of money which UNCTAD will demand at the Belgrade conference in June 1983 is reported to be no less than \$90,000 million,<sup>21</sup> which is a very large and desirable sum of money. It is the most elementary move in political understanding to consider the interest such a sum is likely to arouse. It is clear that the governments of the South have excellent reasons for seeking to get, to increase and to control such resources. They help to entrench the regimes of

the South, many of whose leaders are perfectly aware that they are sitting on a volcano.

It is further true that there is now a very large administrative and intellectual interest in sustaining the process of aid.<sup>22</sup> Very large quantities of money have been passing through international agencies for decades, and it has been spent with very patchy results indeed. The rational response is to reconsider the policy, above all the simple-minded belief that the way these problems can be solved is by hurling money at them.

The actual response has been in accordance with what we might call, for want of a better name, the dialectic of self-reinforcing failure. There are certain kinds of solutions to problems which, when they fail, call forth demands for more of precisely the same remedy that has failed. The use of increasingly severe punishments in deterring crime has sometimes operated in this way. Aid certainly does. If huge sums of money fail to solve the problem, the solution is that colossal, or super-colossal quantities must be provided. And all of this is mixed up with an invocation of hysteria. The crisis is upon us, the situation is urgent. But we have been told this ever since the development movement began.

The longer term solution, however, reveals the trend of thought to which this interest is tending. It seeks, by way of creating a new economic order, to increase materially its control over these resources. It is hostile to bilateral arrangements, and seeks to channel more and more aid through international agencies. But it also seeks to increase the control of the recipient nations over the way the money is disposed of, both by way of increasing its quantity, and relaxing the conditions on which it is given.

The ideal situation, from this point of view, would be by allocation in terms of the voting procedures of the UN General Assembly - one government, one vote, on which principle the South would have a clear majority. In time, someone will undoubtedly dream up a version of demographic proportional representation.

And the stakes of this aspiration are so high that all the more obvious negotiating tactics are being employed, including threats of the South being alienated from the North, going communist, sinking into uncontrollable anarchy etc. The North is alternatively flattered as a good Uncle, and abused as a bad Uncle, and a direct but invalid link is made between the new economic order on the one hand, and the relief of human suffering on the other.

## V. CONCLUSION

All of this is unfortunate because it will very soon be self-defeating. There is no more certain way of killing off geese that lay golden eggs than separating control of production from control of distribution. There is also, incidentally, no more sovereign way for guaranteeing the wasteful and inefficient use of resources than consigning it into the hands of irresponsible governments and bureaucracies. But the policy is self-defeating in another way. The only long term hope both for the development and the dignity of the South is trade, and the main barrier to that is the protectionist impulse in the North.<sup>23</sup> To put the matter most brutally, the North's enthusiasm for aid allows it with a better conscience to keep trade at arms length and thus protect at home obsolescent industries. Development is the name of a very painful adjustment of living which has been forced upon non-European peoples by the spread of Westernisation throughout the globe. But the West itself will soon find itself faced with dire problems resulting from competition from the more successful countries of the South - of which the career of Japan is just the beginning.

## Notes

1. Finance Capital: A Study of the Latest Phase of Capitalist Development, ed. Tom Bottomore, 1981. First published Vienna, 1910.
2. **VL** Lenin, Imperialism: The Highest Stage of Capitalism, Peking: Foreign Languages Press, 1976.
3. The issues can become complicated, especially if laced with statistics which may well be of dubious reliability and arguable relevance; But George Lichtheim, himself a Marxist, sums up the problem when he tells us that Lenin 'rejected the underconsumption theory' by which **Hobson** had explained capital's move abroad, and 'thus avoided the trap of having to explain why profits could be made more easily from starving peasants abroad than from relatively well-paid workers at home. At the same time, however, he introduced the falling rate of profit as an

explanation of the imperialist search for colonial superprofits. In point of fact, the bulk of British investment, before and after 1914, went to the developed industrial areas of Western Europe, North America, South Africa, Australia and New Zealand, leaving the dependent tropical empire starved of investment capital. After 1945, this became the standard reproach against the historical record of British imperialism, but if one accepts it, one cannot at the same time affirm that colonial exploitation was a major source of profits for the British investor at the peak of the imperialist era.' Imperialism, London: Harmondsworth, 1974, pp. 113-14.

4. Europe, for this purpose, includes the United States; and, latterly, Japan must be added.
5. Michael Barratt Brown, *The Economics of Imperialism*, London: Harmondsworth, 1974, p. 68.
6. Peter Bauer, *Dissent on Development*, London: Weidenfeld & Nicholson, 1971, p. 236.
7. In *The War on World Poverty* published in 1953, Harold Wilson and Barbara Castle suggested a minimum of 3 per cent of GNP!
8. I have discussed some of these issues in 'Towards a New Disorder' in *Encounter*, October 1981.
9. W.E. Omerod, of the London School of Hygiene and Tropical Medicine, writing in *The Times* of 11 April 1983.
10. Bauer, p. 519.
11. The misuse of statistics is a whole theme in its own right. The late Eli Devons made a detailed study of the defects of economic data, and Peter Bauer has many acute remarks on the subject, as in Part III of *Inequality and the Third World*
12. *Common Crisis North-South: Co-operation for World Recovery*, London and Sydney: Pan Books, 1983, p. 153.
13. Perhaps a philosophical note about the actual **form** of this type of discussion might clarify what is at stake. One of the central moves in the art of rhetoric (by which we orient ourselves in a complex world) is to point to realities which have been ignored or suppressed. This, too, for all its tendency to denounce 'rhetoric' in the sense of a cosmetic, is also a rhetorical move. Discussion proceeds to build up understanding by assembling (and sometimes contesting) alleged realities of the field in question. But in putting these realities together, our understanding tends to become generalised in a specific direction (economic, for example, or moral) and must then be corrected by attending to further

- realities. Such is the logic of policy discussions, by contrast with mathematics, or demonstrative reasoning.
14. See also Sydney Caine, *The Price of Stability*, Hobart Paper series, London: Institute for Economic Affairs, 1983.
  15. For an account of both the factual errors and conceptual inadequacies of much of this argument, see Bauer's *Dissent on Development*, especially Essay VI: a critique of UNCTAD.
  16. *The Times*, 5 April 1983.
  17. Independent Group on British Aid, *Real Aid: A Strategy for Britain*, London, 1982, p. 19.
  18. Trevor W. Parfitt, 'Partnership of Dependency? The Politics of Lome', *Politics*, vol. 2, no. 2, October 1982.
  19. Bauer's *Inequality*, p. 158.
  20. I have remarked on some of these problems in 'The Brandt Report: Between Rhetoric and Fantasy', *Encounter*, December 1980.
  21. *The Times*, 31 March 1983.
  22. *Business Week* reported on 20 July 1981 evidence that the UN's \$3,000 million economic research programme was being manipulated to promote the New International Economic Order. There appears to be evidence of interference by UNCTAD officials and others in research findings which do not suit the development movement, especially on such issues as commodity terms of trade and potential growth rates. Juliana Geran Pilon, *Through the Looking Glass: The Political Culture of the UN*, Washington: Heritage Foundation, 30 August 1982.
  23. Thus *Common Crisis*, p. 108 cites production for the Canadian clothing industry which cost \$33,000 per job saved, where the average wage in the industry was \$20,000. In the US between 1975 and 1977, protection over five industries cost consumers \$4 billion.

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# UNCTAD and the North-South Dialogue

Kenneth R. Minogue

It is common for governments of western industrialised nations (the 'North' in the title) to allocate healthy portions of their budgets as aid for under-developed countries (the 'South'). Dr Minogue returns to fundamentals to argue perceptively and persuasively that this is an inefficient method of assistance that may even be more detrimental than beneficial to the recipients.

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