

Erling Bjøl:

This is obviously going to be a difficult task. Mr. Macrae has set up an ingenious trap which I shall try not to walk into. His outrageous propositions are evidently meant to make opponents look silly if they take them too seriously so that he can have the better of them. I am sorry that I shall have to disappoint Mr. Macrae on this point. I am not going to disagree with them much, either in essence or at length. I even agree with him on some points, in particular with his statement that some of his outrageous propositions need elaboration. My main objection is not so much that his propositions are outrageous but rather that they are partly irrelevant, partly insufficient, and partly inconsistent.

Also I would like to add a few outrageous propositions on my own as a modest contribution to this discussion from the political side, incidentally not so much in the sense of a foreign policy background as rather on a background of international politics.

In formulating these propositions I shall try to stick to my role as a political scientist although Mr. Macrae has not done so. He is not speaking as economist only. Several of his propositions are historical and sociological in contents. Taking what I believe the economists call a secular view he is roughly periodizing history into the British Century 1776-1876 and the American century 1876-1976. I must admit of course that this to a certain extent is very much of an economist's view of history. A political historian would find it hard to accept Mr. Macrae's outrageous proposition No. 3 that one would be wrong in guessing in the 1870's that world leadership would be taken over by Bismarck's Prussia. This, of course, depends upon what

one means by world leadership but Mr. Macrae does not try to define that. A political historian could at least find some evidence that Germany from the 1870's all way through 1945, as the Americans say, became the leading nation in the sense of being the main trouble maker in the world, whereas America for more than the first half of its presumed century - apart from a not very successful and determined intervention in the years 1917-1919 stayed completely aloof from international politics.

Mr. Macrae probably uses an economist's criteria, the leader being the leader in production, technology and economic organization. But his criteria are not quite clear. Why 1776 - the year of the Wealth of Nations - or in the year of American independence? If the latter be the case, it is curious, or perhaps even inconsistent, that the British century should start with a defeat in the first war of national liberation, whereas the American century ends in a somewhat similar war. And why 1876? Some people would think that Disraeli's Chrystal Palace speech in 1873 inaugurated the golden age of British imperialism, and why let the American century start in 1876, not 1865 with the end of the American Civil War?

Well, I am afraid that I am already walking into Mr. Macrae's traps so I shall try to disengage myself and stop being pedantic. Mr. Macrae's main thesis, as I understand it, is that the same thing is happening to the American power elite now that happened to the British one hundred years ago that it considers new factories ecologically unfair to their pheasants and wild ducks - proposition No. 2. Specifically, he refers to the new senators and congressmen which seem to belong to the Fabian society of about

1903. Maybe so. But we don't know how significant this is. The election of 1974 was strongly influenced by Watergate which again presumably had its background in the degradation of civil rights norms always developing in war time. Anyway, it seems that Mr. Macrae disagrees somewhat with his own paper, *The Economist*, which wrote on January 3, that there is no substitute for America. But then he takes a poor view of Mr. Kissinger's foreign policy – incidentally one of the points where elaboration might be useful.

Turning to what seems to me the propositions most closely related to the subject, the question of international stability, I must admit that it is somewhat unclear what is really meant by that. That could be the reason why Mr. Macrae does not touch upon what I would have thought would seem to be an obvious topic to an economist, the question of inflation. He does, however, seem to take stability in a wider sense somewhat like harmonious development in the world community, economically, and hence – I shall take exception to this hence later – politically. To achieve this harmonious development or stability in the world community he formulates two propositions which exceptionally do not seem very outrageous but which on the other hand seem to me somewhat inconsistent. In proposition No. 10 he states: The rich countries should start instead of looking to their GNPs to look forward to what gross world product may be a year ahead and most often pump any desirable extra spending power initially into the hands of the poorer countries. Their use of this would then mop up unwanted unemployment in the world's rich north. But then in proposition No. 11 he says: The

worst mechanism will be one much favoured by meetings of economists and foreign policy experts: namely conferences on international stability that pass motions in favour of repealing the laws of supply and demand. Now, how does Mr. Macrae expect to pump spending power into the hands of the poorer countries without some kind of repealing the laws of supply and demand? I am not an economist but it seems to me that proposition No. 10 appeals to economic planning in order to manage the world economy by deliberate political choices instead of leaving it to the invisible hand of supply and demand.

One might perhaps see some such management in the Lomé-convention. One could also find traces of such a management in joint ventures, like say the Tubaroa steel works in Brasil, the natural gas steel works at Gabés in Tunisia, or the Nippon, Marubeni & Mitsui steel works project in Indonesia.

But behind this whole reasoning of wealth-sharing among nations and economic growth as the road to stability I see a way of thinking which seems quite debatable. I shall return to that in a moment. But what does Mr. Macrae mean by economic growth? He expects is, outrageously, to accelerate. But what does he mean by it? It seems to me to be another point which would need elaboration. Is it correct to presume that the answer is to be found in the sense that he means, generally speaking, non-raw-material consuming kind of growth? But would this also be true in the poor countries?

On raw-materials Mr. Macrae is like his newspaper – or is it the other way round? – an optimist. He believes in a dialectical process of development, going somewhat like

this: What people think is in scarce supply, will be available in abundance. It is a pleasant theory, but it is not always confirmed. As far as I recall the Economist started as early as the beginning of 1974 to promise us a crash in oil prices and in his proposition No. 13 Mr. Macrae repeats this prophecy. Well, if he goes on doing so, maybe he will be right some day but so far it has not really happened and there are considerable economic and political interests invested in having a floor price not lower than \$ 6, one should think.

Now I come to my own 7 modest, but outrageous propositions:

(1) It is doubtful that economic development and even wealth-sharing creates stability. It might even be argued that it causes social upheaval which could foster political unrest.

(2) It is doubtful whether the contrast between rich and poor countries is an essential cause of international conflicts. The most striking contrast between poor and rich countries these days is between the Indian sub-continent and the Middle-Eastern oil-countries. And they seem to get along quite well.

(3) It seems doubtful whether economic causes are very important at all in international political conflicts. Certainly, the main and chronic conflict in the Middle East, between Israel and the Arabs, has very little to do with economic determinants. Undeniably, economic and social elements could be found in another perennial and everlasting conflict, that of Northern Ireland – but how important are they?

(4) International trade is no kind of guarantee against conflicts and even wars.

For why, if it were, should Britain and Germany have fought each other in 1914, since Britain was Germany's best customer, and Germany Britain's next-best, and their mutual trade regularly growing?

(5) I know of only one war, the Pacific War in 1885 between Chile, Peru, and Bolivia, which has been fought for purely economic reasons.

(6) Detente does not mean stability. Quite to the contrary it has often been prelude to war because it may lead to miscalculations of both the risk and the cost of war. The outbreak of war in 1914 was preceded by a marked detente between at least three of the main participants, Germany, Britain, and France. The Second World War was preceded by the peace-for-our-time detente at Munich. The Korean War was preceded by Soviet-American agreement to withdraw their troops from Korea and by the end of the Berlin-blockade. The 1964-65 escalation of the Vietnam War was preceded by the 1963 Moscow-treaty detente. Of course I would not go as far as to state that detente must lead to war. That would hardly apply to the Middle East, for instance. What I do say is only that detente does not necessarily lead to either peace or stability.

(7) Finally, in his secular view Mr. Macrae seems to date the decline and fall of American power from the defeat in the Vietnam War. But defeat in war does of course not necessarily lead to either economic decline or reduced political influence. Both Germany and Japan have been doing quite well economically since their disastrous defeats in the Second World War. And France hardly lost political influence after her withdrawal from Algeria, which is perhaps more

comparable to the American disengagement in South East Asia than the Second World War.

As to the main topic of this conference, stability, I would suggest that the discussion be centered on the question: What do we mean by stability? Do we mean economic development without crises? Or world politics without conflicts? Or what?

Comments

FREDE VESTERGAARD, (Dansk Landbrugs Realkreditfond):

Mr. Macrae states as his proposition number five that the ecologists are wrong when they say that a shortage of e.g. food will be a main barrier in the way of further economic growth. Mr. Macrae believes that food (plus energy, raw materials, high birth rates and high pollution) is going to be the least likely barrier(s) to growth in the next 20 years, because food is a thing in a high elasticity of supply.

I think it is very useful to make this point. Especially because the world food crisis of 1973-74 created myths about the food problem and especially about food aid which – if taken seriously – would discourage food production in the developing countries, where an increase in food production is needed most.

It is all too often ignored that the shortages which led to the devastating rises in prices earlier in the 1970s and to the notion of a world food crisis, were not the result of insufficient production capacity but came about because the leading exporting countries – the U.S., Canada, and Australia – since the end of the 1960s had reduced the acreage sown to avoid high levels of stocks,

which were rather unpopular with tax-payers in these countries.

I agree with Mr. Macrae that there will probably be a glut of food in the world during the next 10-15 years, given normal weather conditions. All serious production/demand projections I know about point to that.

(What will happen in the next century if population growth is not checked is quite another matter.)

My point is, however, that this does not mean that the food problem is a non-issue. Though there will be no food problem for the world as a whole there will probably be a need to transfer large quantities of food, i.e. grain, from the rich grain-growing countries to a number of the poorest countries which for various reasons will not be able to expand food production enough to cover their own needs.

Possibilities of meeting the projected food deficits of these nations through increased trade seem remote. The poorest countries may be in dire need of food and unable to pay for it. Will the rich grain-growing countries then be willing to ship food to the poorer countries on a concessional basis?

The problems may not be much easier for those poor countries which do succeed in exploiting their potential for increased food production, if this is at a higher cost of production, as seems likely.

Will their rapidly increasing urban population have enough real income to buy food at prices which cover the cost of production? The answer depends, I believe, on whether these countries will succeed in accelerating their general economic development.

To sum up, I suggest that though – as stated by Mr. Macrae – there are likely to