

Discussion of Prof. B. Betancur's paper

Professor Betancur was unable to attend the session. His paper was presented by Professor Archer.

The following comments were made after the presentation.

ARROW

This paper favors a position traditional in Latin America and one which has on the whole proved extremely bad policy. Latin America, like India and many other parts of the developing world, has sought to protect domestic interests against foreign trade, particularly by tariffs, the so-called import substitution strategy. The aim is to prevent the forces of globalization from interfering with domestic policy. These countries have all been marked by both extremely slow growth and by great inequality. The beneficiaries tend to be those currently engaged in manufacturing and therefore confers a monopoly on them.

These policies retard growth in productivity, which is the key to any sound policy. In the short run, somebody's higher productivity may cause people to lose jobs and profits. The important point is that increased productivity means that you can get more output with a given labor force, so that people are better off. Thus cheap appliances reduce the labour load on women and also make it easier for them to enter the labour force. One intuition behind the protectionist viewpoint is that there is just so much output to be produced, so that any time you increase productivity you reduce the amount of labour employed. This view is borne out by neither history nor logic. Globalization can have the effects of increasing productivity: greater intercourse with foreign countries permits the transfer of knowledge, and the need to compete on world markets improves efficiency. Compare the history of Korea with that of Ghana. They had the same per capita incomes in 1950. Ghana pursued a very protectionist policy. They tried to exploit their monopoly in cocoa exports; but the cocoa farmers didn't get any benefit and had no great incentive to increase cocoa planting because the government appropriated the surplus. Korea, on the other hand, decided to enter the world markets and face foreign competition. We all know the consequences.

The only advantage of a protectionist policy is that it may lead to a

more stable economy. The price is stagnation and great inequality: the protected countries have much more inequality than advanced economies, unequal as the latter are. It is certainly true that adjusting to new situations works out better if done gradually. The difficulty with such a policy is that it becomes a recipe for keeping the status quo; a protected industry will have the political power to maintain its protection.

I feel therefore that the basic thrusts of Professor Betancur's arguments are not conducive to human dignity, though there are many wise remarks scattered through his paper. They are based on the concept that an elite leadership will tell people what to do and how to adjust. Indeed, all the evidence shows that economic planning is in fact irrelevant to economic development; what happens bears little relation to what is planned. The effects of the planning process are not the intended ones; rather they are negative in requiring a lot of micromanagement of industry by the government. For example, in both India and Latin America, industries which wanted to import capital goods required import licenses. The consequences are fairly obvious. It is most unlikely that the capital goods go to the industries that will make the most efficient use of them.

From the viewpoint of neither human dignity nor economic efficiency is an isolationist protective policy going to work. A modest amount of protection can be defended. Germany in 1830 was a backward country; some of their able economists argued that it had to be protected against the then current version of globalization, that is, British manufactures. There was by modern standards a very modest tariff; by 1880, Germany was competing very successfully in the world economy, not by keeping out of it.

ZUBRZYCKI

I want to put one question to Professor Archer, and add one footnote to the text presented to us today. The question is this: on pages 2 and 3 Professor Betancur talks about the process of adjustment, the lack of synchrony, the lack of symmetry of development, and the resulting cost of social disorder. He does not spell out what the price actually is. I would like to suggest that one ingredient of that particular cost is a loss to social capital, which I would like to define as the quality and intensity of interaction for the sustaining of individuals' rights and dignity. I feel that this is an important ingredient, an important cost of adjustment which somehow, and here I agree with the text, suffers a result of lack of symmetry and lack of synchrony.

My footnote relates to the cost of the crushing burden of loan repayment, and I stick to this because in reading Professor Betancur's

paper, I happened to come across an article in *The Guardian Weekly*, which referred to a recent report by the British Charity Oxfam, describing the crushing burden of loan repayment to the World Bank, citing Zambia as an example. In 1995 Zambia spent \$US26 million on primary education, or one sixth of the level a decade ago. At the same time its obligations to multinational creditors via the World Bank rose three-fold to \$US12 million. So there is the disparity. Indeed Oxfam described this as an Alice in Wonderland situation, I quote, "whereby resources provided to Zambia by the World Bank, through the International Development Authority, were channelled to the IMF in the formal debt repayments".

ARCHER

Certainly, having lived with this text for several months, in both its English version and its Spanish version, I am sure your first point was absolutely in line with what Professor Betancur is arguing, because on page 3 he actually talks about the consequences of unemployment and lists these. After he has gone through his list, (I think I quoted his example of reduced government ability, social debt, effects on culture, growth, productivity, etc ...), he has this rather intriguing phrase about all of these factors having a knock-on effect, reducing what he calls both the capacity and agility for preventing and perceiving, and I think those were exactly the qualities to which you were referring in your first point, so I imagine you would be on the same wavelength here.

MALINVAUD

D'accord avec bien des propositions du texte, je voudrais me permettre de répéter deux d'entre elles, telles que je les comprends; car elles me semblent très importantes pour nos travaux futurs. Les ai-je bien interprétées? Tous les académiciens acceptent-ils ces propositions?

La première proposition que je retiens me paraît très conforme à l'enseignement de l'Eglise, tel qu'il nous a été présenté par le Père Schasching. Elle consiste à dire que les conditions de la mondialisation économique doivent être étudiées en fonction des finalités humaines, en tenant compte de l'impact de cette globalisation sur tous les pays du monde, et avec la participation active de tous les pays. Mais, ainsi que nous l'a rappelé le Père Schasching, ce principe général doit être rendu plus concret. L'Académie ne devrait-elle pas chercher à dégager les éléments objectifs de cette concrétisation, notamment quant aux aspects touchant le travail?

La seconde proposition concerne les modalités de la transition d'un

système économique à un autre. Pour les sociétés et les travailleurs qui les vivent, ces transitions peuvent être plus ou moins compatibles avec la dignité humaine. Cela s'applique aux pays en voie de développement et aux pays en voie de passage du système communiste à un système de marché. Le texte insiste sur cette question dans sa quatrième conclusion. Je me demande, là aussi, si l'Académie ne devrait pas consacrer quelques-unes de ses réflexions futures à l'étude de différents modèles de transition. Après tout, il existe maintenant un ensemble d'expériences vécues dont nous devrions être capables de tirer les conclusions.