

CHAPTER III

SELECTED ECONOMIC POLICY ISSUES (CONT.)

D. The U.S. Economy and the Developing Nations: Complexity, Challenge, and Choices

1. The Complexity of Economic Relations in an Interdependent World

251. The global economy is made up of national economies of industrialized countries of the North and the developing countries of the South, together with the network of economic relations that link them. It constitutes the framework in which the solidarity we seek on a national level finds its international expression. Traditional Catholic teaching on this global interdependence emphasizes the dignity of the human person, the unity of the human family, the universally beneficial purpose of the goods of the earth, the need to pursue the international common good, as well as the common good of each nation, and the imperative of distributive justice. The United States plays a leading role in the international economic system, and we are concerned that U.S. relations with all nations—Canada, Japan, European countries and our other trading partners, as well as the socialist countries—reflect this teaching and be marked by fairness and mutual respect.

252. Nevertheless, without in the least discounting the importance of these linkages, our emphasis on the preferential option for the poor moves us to focus our attention mainly on U.S. relations with the Third World. Unless conscious steps are taken toward protecting human dignity and fostering human solidarity in these relationships, we can look forward to increased conflict and inequity, threatening the fragile economies of these relatively poor nations far more than our own relatively strong one. Moreover, equity requires, even as the fact of interdependence becomes more apparent, that the *quality* of interdependence be improved, in order to eliminate "the scandal of the shocking inequality between the rich and the poor"(98) in a world divided ever more sharply between them.

253. Developing countries, moreover, often perceive themselves more as *dependent* on the industrialized countries, especially the United States, because the international system itself, as well as the way the United States acts in it, subordinates them. The prices at which they must sell their commodity exports and purchase their food and manufactured imports, the rates of interest they must pay and the terms they must meet to borrow money, the standards of economic behavior of foreign investors, the amounts and conditions of external aid, etc., are essentially determined by the industrialized world. Moreover, their traditional cultures are increasingly susceptible to the aggressive cultural penetration of Northern (especially U.S.) advertising and media programming. The developing countries are junior partners at best.

254. The basic tenets of church teaching take on a new moral urgency as we deepen our understanding of how disadvantaged large numbers of people and nations are in this interdependent world. Half the world's people, nearly 2.5 billion, live in countries where the annual per capita income is \$400 or less.(99) At least 800 million people in those countries live in absolute poverty, "beneath any rational definition of human decency."(100) Nearly half a billion are chronically

hungry, despite abundant harvests worldwide.(101) Fifteen out of every 100 children born in those countries die before the age of 5, and millions of the survivors are physically or mentally stunted. No aggregate of individual examples could portray adequately the appalling inequities within those desperately poor countries and between them and our own. And their misery is not the inevitable result of the march of history or of the intrinsic nature of particular cultures, but of human decisions and human institutions.

255. On the international economic scene three main sets of actors warrant particular attention: individual nations, which retain great influence; multilateral institutions, which channel money, power, ideas, and influence; transnational corporations and banks, which have grown dramatically in number, size, scope and strength since World War II.(102) In less identifiable ways trade unions, popular movements, private relief and development agencies and regional groupings of nations also affect the global economy. The interplay among all of them sets the context for policy choices that determine whether genuine interdependence is promoted or the dependence of the disadvantaged is deepened.

256. In this arena, where fact and ethical challenges intersect, the moral task is to devise rules for the major actors that will move them toward a just international order. One of the most vexing problems is that of reconciling the transnational corporations' profit orientation with the common good that they, along with governments and their multilateral agencies, are supposed to serve.

257. The notion of interdependence erases the fading line between domestic and foreign policy. Many foreign policy decisions (for example, on trade, investment, and immigration) have direct and substantial impact on domestic constituencies in the United States. Similarly, many decisions thought of as domestic (for example, on farm policy, interest rates, the federal budget, or the deficit) have important consequences for other countries. This increasingly recognized link of domestic and foreign issues poses new empirical and moral questions for national policy.

2. The Challenge of Catholic Social Teaching

258. Catholic teaching on the international economic order recognizes this complexity, but does not provide specific solutions. Rather, we seek to ensure that moral considerations are taken into account. All of the elements of the moral perspective we have outlined above have important implications for international relationships. (1) The demands of *Christian love* and *human solidarity* challenge all economic actors to choose community over chaos. They require a definition of political community that goes beyond national sovereignty to policies that recognize the moral bonds among all people. (2) *Basic justice* implies that all peoples are entitled to participate in the increasingly interdependent global economy in a way that ensures their freedom and dignity. When whole communities are effectively left out or excluded from equitable participation in the international order, basic justice is violated. We want a world that works fairly for all. (3) *Respect for human rights*, both political and economic, implies that international decisions, institutions, and policies must be shaped by values that are more than economic. The creation of a global order in which these rights are secure for all must be a prime objective for all relevant actors on the international stage. (4) *The special place of the poor* in this moral perspective means that meeting the basic needs of the millions of deprived and hungry people in the world must be the number one objective of international policy.

259. These perspectives constitute a call for fundamental reform in the international economic order. Whether the problem is preventing war and building peace or addressing the needs of the poor, Catholic teaching emphasizes not only the individual conscience, but also the political,

legal, and economic structures through which policy is determined and issues are adjudicated.(103) We do not seek here to evaluate the various proposals for international economic reform or deal here with economic relations between the United States and other industrialized countries. We urge, as a basic and overriding consideration, that both empirical and moral evidence, especially the precarious situation of the developing countries, calls for the renewal of the dialogue between the industrialized countries of the North and the developing countries of the South, with the aim of reorganizing international economic relations to establish greater equity and help meet the basic human needs of the poor majority.(104)

260. *Here, as elsewhere, the preferential option for the poor is the central priority for policy choice.* It offers a unique perspective on foreign policy in whose light U.S. relationships, especially with developing countries, can be reassessed. Standard foreign policy analysis deals with calculations of power and definitions of national interest; but the poor are, by definition, not powerful. If we are to give appropriate weight to their concerns, their needs, and their interests, we have to go beyond economic gain or national security as a starting point for the policy dialogue. We want to stand with the poor everywhere, and we believe that relations between the United States and developing nations should be determined in the first place by a concern for basic human needs and respect for cultural traditions.

3. The Role of the United States in the Global Economy: Constructive Choices

261. As we noted in *The Challenge of Peace*, recent popes have strongly supported the United Nations as a crucial step forward in the development and organization of the human community; we share their regret that no international political entity now exists with the responsibility and power to promote the global common good, and we urge the United States to support UN efforts to move in that direction. Building a just world economic order in the absence of such an authority demands that national governments promote public policies that increase the ability of poor nations and marginalized people to participate in the global economy. Because no other nation's economic power yet matches ours, we believe that this responsibility pertains especially to the United States; but it must be carried out in cooperation with other industrialized countries as in the case of halting the rise of the dollar. This is yet another evidence of the fact of interdependence. Joint action toward these goals not only promotes justice and reduces misery in the Third World, but also is in the interest of the United States and other industrialized nations.

262. Yet in recent years U.S. policy toward development in the Third World has become increasingly one of selective assistance based on an East-West assessment of North-South problems, at the expense of basic human needs and economic development. Such a view makes national security the central policy principle.(105) Developing countries have become largely testing grounds in the East-West struggle; they seem to have meaning or value mainly in terms of this larger geopolitical calculus. The result is that issues of human need and economic development take second place to the political-strategic argument. This tendency must be resisted.

263. Moreover, U.S. performance in North-South negotiations often casts us in the role of resisting developing-country proposals without advancing realistic ones of our own.(106) North-South dialogue is bound to be complex, protracted, and filled with symbolic and often unrealistic demands; but the situation has now reached the point where the rest of the world expects the United States to assume a reluctant, adversarial posture in such discussions. The U.S. approach to the

developing countries needs urgently to be changed; a country as large, rich, and powerful as ours has a moral obligation to lead in helping to reduce poverty in the Third World.

264. We believe that U.S. policy toward the developing world should reflect our traditional regard for human rights and our concern for social progress. In economic policy, as we noted in our pastoral letter on nuclear war, the major international economic relationships of aid, trade, finance, and investment are interdependent among themselves and illustrate the range of interdependence issues facing U.S. policy. All three of the major economic actors are active in all these relationships. Each relationship offers us the possibility of substantial, positive movement toward increasing social justice in the developing world; in each, regrettably, we fall short. It is urgent that immediate steps be taken to correct these deficiencies.

265. a. *Development Assistance*: The official development assistance that the industrialized and the oil-producing countries provide the Third World in the form of grants, low-interest/long-term loans, commodities, and technical assistance is a significant contribution to their development. Although the annual share of U.S. gross national product (GNP) devoted to foreign aid is now less than one-tenth of that of the Marshall Plan, which helped rebuild devastated but advanced European economies, we remain the largest donor country. We still play a central role in these resource transfers, but we no longer set an example for other donors. We lag proportionately behind most other industrial nations in providing resources and seem to care less than before about development in the Third World. Our bilateral aid has become increasingly militarized and security-related and our contributions to multilateral agencies have been reduced in recent years.(107) Not all of these changes are justifiable. The projects of the International Development Agency, for example, seem to be worthy of support.

266. This is a grave distortion of the priority that development assistance should command. We are dismayed that the United States, once the pioneer in foreign aid, is almost last among the seventeen industrialized nations in the Organization for Economic Cooperation and Development (OECD) in percentage of GNP devoted to aid. Reduction of the U.S. contribution to multilateral development institutions is particularly regrettable, because these institutions are often better able than the bilateral agencies to focus on the poor and reduce dependency in developing countries.(108) This is also an area in which, in the past, our leadership and example have had great influence. A more affirmative U.S. role in these institutions, which we took the lead in creating, could improve their performance, send an encouraging signal of U.S. intentions and help reopen the dialogue on the growing poverty and dependency of the Third World.

267. b. *Trade*: Trade continues to be a central component of international economic relations. It contributed in a major way to the rapid economic growth of many developing countries in the 1960s and 1970s and will probably continue to do so, though at a slower rate. The preferential option for the poor does not, by itself, yield a trade policy; but it does provide a frame of reference. In particular, an equitable trading system that will help the poor should allocate its benefits fairly and ensure that exports from developing countries receive fair prices reached by agreement among all trading partners. Developing nations have a right to receive a fair price for their raw materials that allows for a reasonable degree of profit.

268. Trade policy illustrates the conflicting pressures that interdependence can generate: claims of injustice from developing countries denied market access are countered by claims of injustice in the domestic economies of industrialized countries when jobs are threatened and incomes fall. Agricultural trade and a few industrial sectors present particularly acute examples of this.

269. We believe the ethical norms we have applied to domestic economic questions are equally valid here.(109) As in other economic matters, the basic questions are: Who benefits from the

particular policy measure? How can any benefit or adverse impact be equitably shared? We need to examine, for example, the extent to which the success in the U.S. market of certain imports is derived from exploitative labor conditions in the exporting country, conditions that in some cases have attracted the investment in the first place. The United States should do all it can to ensure that the trading system treats the poorest segments of developing countries' societies fairly and does not lead to human rights violations. In particular the United States should seek effective special measures under the General Agreement on Tariffs and Trade (GATT)(110) to benefit the poorest countries.

270. At the same time, U.S. workers and their families hurt by the operation of the trading system must be helped through training and other measures to adjust to changes that advance development and decrease poverty in the Third World. This is a very serious, immediate, and intensifying problem. In our judgment, adjustment assistance programs in the United States have been poorly designed and administered and inadequately funded. A society and an economy such as ours can better adjust to trade dislocations than can poverty-ridden developing countries.

271. *c. Finance:* Aid and trade policies alone, however enlightened, do not constitute a sufficient approach to the developing countries; they must also be looked at in conjunction with international finance and investment. The debtor-creditor relationship well exemplifies both the interdependence of the international economic order and its asymmetrical character, i.e., the *dependence* of the developing countries. The aggregate external debt of the developing countries now approaches \$1 trillion,(111) more than one-third of their combined GNP; this total doubled between 1979 and 1984, and continues to rise. On average, the first 20 percent of export earnings goes to service that debt without significantly reducing the principal; in some countries debt service is nearly 100 percent of such earnings, leaving scant resources available for the countries' development programs.

272. The roots of this very complex debt crisis are both historic and systemic. *Historically*, the three major economic actors share the responsibility for the present difficulty because of decisions made and actions taken during the 1970s and 1980s. In 1972 the Soviet Union purchased the entire U.S. grain surplus, and grain prices trebled. Between 1973 and 1979, the Organization of Petroleum Exporting Countries raised the price of oil eightfold and thereafter deposited most of the profits in commercial banks in the North. In order to profit from the interest-rate spread on these deposits, the banks pushed larger and larger loans on eager Third World borrowers needing funds to purchase more and more expensive oil. A second doubling of oil prices in 1979 forced many of these countries to refinance their loans and borrow more money at escalating interest rates. A global recession beginning in 1979 caused the prices of Third World export commodities to fall and thus reduced their ability to meet the increasingly burdensome debt payments out of export earnings.

273. The global *system* of finance, development, and trade established by the Bretton Woods Conference in 1944—the World Bank, the International Monetary Fund (IMF), and the GATT—was created by the North to prevent a recurrence of the economic problems that were perceived to have led to World War II. Forty years later that system seems incapable, without basic changes, of helping the debtor countries—which had no part in its creation—manage their increasingly untenable debt situation effectively and equitably. The World Bank, largest of these institutions, has been engaged primarily in lending for specific projects rather than for general economic health. The IMF was intended to be a short-term lender that would help out with temporary balance of payments, or cash-flow problems; but in the current situation it has come to the fore as a monitor of commercial financial transactions and an evaluator of debtors' creditworthiness—and therefore the key institution for resolving these problems. The GATT, which is not an institution, had been largely supplanted as trade monitor for the developing countries by UNCTAD,(112) in which the latter have more confidence.

274. This crisis, however, goes beyond the system; it affects people. It afflicts and oppresses large numbers of people who are already severely disadvantaged. That is the scandal: It is the poorest people who suffer most from the austerity measures required when a country seeks the IMF "seal of approval" which establishes its creditworthiness for a commercial loan (or perhaps an external aid program). It is these same people who suffer most when commodity prices fall, when food cannot be imported or they cannot buy it, and when natural disasters occur. Our commitment to the preferential option for the poor does not permit us to remain silent in these circumstances. Ways must be found to meet the immediate emergency—moratorium on payments, conversion of some dollar-denominated debt into local-currency debt, creditors' accepting a share of the burden by partially writing down selected loans, capitalizing interest, or perhaps outright cancellation.

275. The poorest countries, especially those in sub-Saharan Africa which are least developed, most afflicted by hunger and malnutrition, and most vulnerable to commodity price declines, are in extremely perilous circumstances.(113) Although their aggregate debt of more than \$100 billion (much of it owed to multilateral institutions), is about one-quarter that of Latin America, their collateral (oil, minerals, manufactures, grain, etc.) is much less adequate, their ability to service external debt much weaker and the possibility of their rescheduling it very small. For low-income countries like these, the most useful immediate remedies are longer payment periods, lower interest rates, and modification of IMF adjustment requirements that exacerbate the already straitened circumstances of the poor.(114) Especially helpful for some African countries would be cancellation of debts owed to governments, a step already taken by some creditor nations.

276. Better off debtor countries also need to be able to adjust their debts without penalizing the poor. Although the final policy decisions about the allocation of adjustment costs belong to the debtor government, internal equity considerations should be taken into account in determining the conditions of debt rescheduling and additional lending; for example, wage reductions should not be mandated, basic public services to the poor should not be cut, and measures should be required to reduce the flight of capital. Since this debt problem, like most others, is systemic, a case-by-case approach is not sufficient: lending policies and exchange-rate considerations are not only economic questions, but are thoroughly and intensely political.

277. Beyond all this, the growing external debt that has become the overarching economic problem of the Third World also requires systemic change to provide immediate relief and to prevent recurrence. The Bretton Woods institutions do not adequately represent Third World debtors, and their policies are not dealing effectively with problems affecting those nations. These institutions need to be substantially reformed and their policies reviewed at the same time that the immediate problem of Third World debt is being dealt with. The United States should promote, support, and participate fully in such reforms and reviews. Such a role is not only morally right, but is in the economic interest of the United States; more than a third of this debt is owed to U.S. banks. The viability of the international banking system (and of those U.S. banks) depends in part on the ability of debtor countries to manage those debts. Stubborn insistence on full repayment could force them to default—which would lead to economic losses in the United States. In this connection, we should not overlook the impact of U.S. budget and trade deficits on interest rates. These high interest rates exacerbate the already difficult debt situation. They also attract capital away from investment in economic development in Third World countries.

278. d. *Foreign Private Investment*: Although direct private investment in the developing countries by U.S.-based transnational corporations has declined in recent years, it still amounts to about \$60 billion and accounts for sizable annual transfers. Such investment in developing countries should be increased, consistent with the host country's development goals and with benefits equitably distributed. Particular efforts should be made to encourage investments by medium-sized and small

companies, as well as to joint ventures, which may be more appropriate to the developing country's situation. For the foreseeable future, however, private investment will probably not meet the infrastructural needs of the poorest countries—roads, transportation, communications, education, health, etc.—since these do not generally show profits and therefore do not attract private capital. Yet without this infrastructure, no real economic growth can take place.

279. Direct foreign investment, risky though it may be for both the investing corporation and the developing country, can provide needed capital, technology, and managerial expertise. Care must be taken lest such investment create or perpetuate dependency, harming especially those at the bottom of the economic ladder. Investments that sustain or worsen inequities in a developing country, that help to maintain oppressive elites in power, or that increase food dependency by encouraging cash cropping for export at the expense of local needs, should be discouraged. Foreign investors, attracted by low wage rates in less developed countries, should consider both the potential loss of jobs in the home country and the potential exploitation of workers in the host country.(115) Both the products and the technologies of the investing firms should be appropriate to the developing country, neither catering just to a small number of high-income consumers, nor establishing capital-intensive processes that displace labor, especially in the agricultural sector.(116)

280. Such inequitable results, however, are not necessary consequences of transnational corporate activity. Corporations can contribute to development by attracting and training high-caliber managers and other personnel, by helping organize effective marketing systems, by generating additional capital, by introducing or reinforcing financial accountability, and by sharing the knowledge gained from their own research and development activities. Although the ability of the corporations to plan, operate, and communicate across national borders without concern for domestic considerations makes it harder for governments to direct their activities toward the common good, the effort should be made; the Christian ethic is incompatible with a primary or exclusive focus on maximization of profit. We strongly urge U.S. and international support of efforts to develop a code of conduct for foreign corporations that recognizes their quasi-public character and encourages both development and the equitable distribution of their benefits. Transnational corporations should be required to adopt such a code and to conform their behavior to its provisions.

281. e. *The World Food Problem—A Special Urgency*: These four resource transfer channels—aid, trade, finance, and investment—intersect and overlap in all economic areas, but in none more clearly than in the international food system. The largest single segment of development assistance support goes to the agricultural sector and to food aid for short-term emergencies and vulnerable groups; food constitutes one of the most critical trade sectors; developing countries have borrowed extensively in the international capital markets to finance food imports; and a substantial portion of direct private investment flows into the agricultural sector.

282. The development of U.S. agriculture has moved the United States into a dominant position in the international food system. The best way to meet the responsibilities this dominance entails is to design and implement a U.S. food and agriculture policy that contributes to increased food security—that is, access by everyone to an adequate diet. A world with nearly half a billion hungry people is not one in which food security has been achieved. The problem of hunger has a special significance for those who read the Scriptures and profess the Christian faith. From the Lord's command to feed the hungry, to the Eucharist we celebrate as the Bread of Life, the fabric of our faith demands that we be creatively engaged in sharing the food that sustains life. There is no more basic human need. The gospel imperative takes on new urgency in a world of abundant harvests where hundreds of millions of people face starvation. Relief and prevention of their hunger cannot be left to the arithmetic of the marketplace.(117)

283. The chronic hunger of those who live literally from day to day is one symptom of the underlying problem of poverty; relieving and preventing hunger is part of a larger coordinated strategy to attack poverty itself. People must be enabled either to grow or to buy the food they need without depending on an indefinite dole; there is no substitute for long-term agricultural and food-system development in the nations now caught in the grip of hunger and starvation. Most authorities agree that the key to this development is the small farmers, most of whom are prevented from participating in the food system by the lack of a market incentive resulting from the poverty of the bulk of the populations and by the lack of access to productive agricultural inputs, especially land, resulting mainly from their own poverty. In these poor, food-deficit countries, no less than in our own, the small family farm deserves support and protection.

284. But recognizing the long-term problem does not dissolve the short-term obligation of the world's major food-exporting nation to provide food aid sufficient to meet the nutritional needs of poor people and to provide it not simply to dispose of surpluses but in a way that does not discourage local food production. There can be no successful solution to the problem of hunger in the world without U.S. participation in a cooperative effort that simultaneously increases food aid and launches a long-term program to help develop food self-reliance in food-deficit developing countries.

285. Hunger is often seen as being linked with the problem of population growth, as effect to cause. While this relationship is sometimes presented in oversimplified fashion, we cannot fail to recognize that the earth's resources are finite and that population tends to grow rapidly. Whether the world can provide a truly human life for twice as many people or more as now live in it (many of whose lives are sadly deficient today) is a matter of urgent concern that cannot be ignored.(118)

286. Although we do not believe that people are poor and hungry primarily because they have large families, the Church fully supports the need for all to exercise responsible parenthood. Family size is heavily dependent on levels of economic development, education, respect for women, availability of health care, and the cultural traditions of communities. Therefore, in dealing with population growth we strongly favor efforts to address these social and economic concerns.

287. Population policies must be designed as part of an overall strategy of integral human development. They must respect the freedom of parents and avoid coercion. As Pope Paul VI has said concerning population policies:

It is true that too frequently an accelerated demographic increase adds its own difficulties to the problems of development: the size of the population increases more rapidly than available resources, and things are found to have reached apparently an impasse. From that moment the temptation is great to check the demographic increase by means of radical measures. It is certain that public authorities can intervene, within the limit of their competence, by favoring the availability of appropriate information and by adopting suitable measures, provided that these be in conformity with the moral law and that they respect the rightful freedom of married couples. Where the inalienable right to marriage and procreation is lacking, human dignity has ceased to exist. (119)

4. U.S. Responsibility for Reform in the International Economic System

288. The United States cannot be the sole savior of the developing world, nor are Third World countries entirely innocent with respect to their own failures or totally helpless to achieve their own destinies. Many of these countries will need to initiate positive steps to promote and sustain

development and economic growth—streamline bureaucracies, account for funds, plan reasonable programs, and take further steps toward empowering their people. Progress toward development will surely require them to take some tough remedial measures as well: prevent the flight of capital, reduce borrowing, modify price discrimination against rural areas, eliminate corruption in the use of funds and other resources, and curtail spending on inefficient public enterprises. The pervasive U.S. presence in many parts of our interdependent world, however, also creates a responsibility for us to increase the use of U.S. economic power—not just aid—in the service of human dignity and human rights, both political and economic.

289. In particular, as we noted in our earlier letter, *The Challenge of Peace*, the contrast between expenditures on armaments and on development reflects a shift in priorities from meeting human needs to promoting "national security" and represents a massive distortion of resource allocations. In 1982, for example, the military expenditures of the industrialized countries were seventeen times larger than their foreign assistance; in 1985 the United States alone budgeted more than twenty times as much for defense as for foreign assistance, and nearly two-thirds of the latter took the form of military assistance (including subsidized arms sales) or went to countries because of their perceived strategic value to the United States.(120) *Rather than promoting U.S. arms sales, especially to countries that cannot afford them, we should be campaigning for an international agreement to reduce this lethal trade.*

290. In short, the international economic order, like many aspects of our own economy, is in crisis; the gap between rich and poor countries and between rich and poor people within countries is widening. The United States represents the most powerful single factor in the international economic equation. But even as we speak of crisis, we see an opportunity for the United States to launch a worldwide campaign for justice and economic rights to match the still incomplete, but encouraging, political democracy we have achieved in the United States with so much pain and sacrifice.

291. To restructure the international order along lines of greater equity and participation and apply the preferential option for the poor to international economic activity will require sacrifices of at least the scope of those we have made over the years in building our own nation. We need to call again upon the qualities of leadership and vision that have marked our history when crucial choices were demanded. As Pope John Paul II said during his 1979 visit to the United States, "America, which in the past decades has demonstrated goodness and generosity in providing food for the hungry of the world, will, I am sure, be able to match this generosity with an equally convincing contribution to the establishing of a world order that will create the necessary economic and trade conditions for a more just relationship between all the nations of the world."(121)

292. We share his conviction that most of the policy issues generally called economic are, at root, moral and therefore require the application of moral principles derived from the Scriptures and from the evolving social teaching of the Church and other traditions.(122) We also recognize that we are dealing here with sensitive international issues that cross national boundaries. Nevertheless, in order to pursue justice and peace on a global scale, *we call for a U.S. international economic policy designed to empower people everywhere and enable them to continue to develop a sense of their own worth, improve the quality of their lives, and ensure that the benefits of economic growth are shared equitably.*

E. Conclusion

293. None of the issues we have addressed in this chapter can be dealt with in isolation. They are interconnected, and their resolution requires difficult trade-offs among competing interests and

values. The changing international economy, for example, greatly influences efforts to achieve full employment in the United States and to maintain a healthy farm sector. Similarly, as we have noted, policies and programs to reduce unemployment and poverty must not ignore a potential inflationary impact. These complexities and trade-offs are real and must be confronted, but they are not an excuse for inaction. They should not paralyze us in our search for a more just economy.

294. Many of the reforms we have suggested in this chapter would be expensive. At a time when the United States has large annual deficits some might consider these costs too high. But this discussion must be set in the context of how our resources are allocated and the immense human and social costs of failure to act on these pressing problems. We believe that the question of providing adequate revenues to meet the needs of our nation must be faced squarely and realistically. Reforms in the tax code which close loopholes and generate new revenues, for example, are among the steps that need to be examined in order to develop a federal budget that is both fiscally sound and socially responsible. The cost of meeting our social needs must also be weighed against the \$300 billion a year allocated for military purposes. Although some of these expenditures are necessary for the defense of the nation, some elements of the military budget are both wasteful and dangerous for world peace.⁽¹²³⁾ Careful reductions should be made in these areas in order to free up funds for social and economic reforms. In the end, the question is not whether the United States can provide the necessary funds to meet our social needs, but whether we have the political will to do so.

FOOTNOTES

Chapter III - U.S. Economy and the Developing Nations

⁹⁸ *Instruction on Certain Aspects of the Theology of Liberation*, 1:6. See also *Peace on Earth*, 130-131; and *On Human Work*, 11.

⁹⁹ Overseas Development Council, *U.S. Policy and the Third World: Agenda 1985-86*.

¹⁰⁰ Robert S. McNamara, *Address to the Board of Governors of the World Bank* (Washington, D.C.: World Bank, September 30, 1980).

¹⁰¹ U.N. Food and Agriculture Organization, *Dimensions of Need*, E 9 (Rome, 1982). The UN World Food Council uses this figure consistently, most recently at its 11th annual meeting in Paris.

¹⁰² Joseph Greenwald and Kenneth Flamm, *The Global Factory* (Washington, D.C.: The Brookings Institution, 1985); see also Ronald Muller and Richard Barnett, *Global Reach* (New York: Simon and Schuster, 1974); Raymond Vernon, *The Economic and Political Consequences of Multinational Enterprise* (Cambridge, Mass.: Harvard University Press, 1972); the United Nations Center on Transnational Corporations maintains current data on these institutions.

¹⁰³ *Peace on Earth*, 56-63.

¹⁰⁴ *On the Development of Peoples*, 44 and 58-63; quoted also by Pope John Paul II, *Origins* 14:16 (October 4, 1984): 247.

¹⁰⁵ President's Commission on Security and Economic Assistance (Carlucci Commission), *A Report to the Secretary of State* (Washington, D.C., November 1983).

¹⁰⁶ For example: After a dozen years of negotiations, during which nearly all of the issues were resolved to U.S. satisfaction, the United States refused to sign the Law of the Seas treaty; only the United States failed to support the U.N. infant formula resolution; the United States has not ratified the two UN Covenants of Human Rights, etc.

¹⁰⁷ U.S. Agency for International Development, *Congressional Presentation, Fiscal Year 1986, Main Volume* (Washington, D.C., 1985).

108 The clients of the International Development Association, the "soft loan window" of the World Bank, are the poorest countries. The United States insisted upon—and obtained—a 25 percent reduction in IDA's current (seventh) replenishment. Taking inflation into account, this meant a 40 percent drop in real terms at exactly the moment when developing-country debt levels are punishingly high and the prices of their export commodities are almost at rock bottom.

109 See ch. II.

110 The GATT—third of the Bretton Woods "institutions" (with the World Bank and the IMF)—is in fact a treaty, monitored and supported by a secretariat located in Geneva, Switzerland. Periodic "rounds" of negotiations among its several-score members, North and South, modify and extend its provisions and regulations.

111 Debt figures have been compiled from data published by the World Bank, the IMF; and the Bank for International Settlements.

112 The United Nations Conference on Trade and Development (UNCTAD) originated in Geneva in 1964 at a meeting convened by the UN to discuss trade, development and related problems of low-income countries. It established a quadrennial meeting and created permanent machinery in the UN to deal with these problems. A Trade and Development Board (TDB), with standing committees, meets every two years; and there is a small secretariat to staff it. UNCTAD is viewed as representing the developing countries' continuing effort to have a larger voice in international decisions affecting trade and development and to secure more favorable terms of trade.

113 *U.S. Policy and the Third World*, Table B-5.

114 When the IMF helps a country adjust to balance-of-payments problems (e.g., by assisting in the rescheduling of its external debt), it negotiates certain conditions with the debtor country in order to improve its immediate financial position. In general these require the borrowing country to earn and save more. The adjustments, usually referred to as "conditionally," tend to fall most heavily on the poor through reduction of government spending on consumer subsidies and public services, and often of wages.

115 North American Coalition for Human Rights in Korea, *Testimony before the U.S. Trade Representative*, June 24, 1985.

116 E.F. Schumacher, *Small Is Beautiful: Economics as if People Mattered* (New York: Harper and Row, 1973).

117 *On the Development of Peoples*, 44, 58-63.

118 *Ibid.*, 37; *Pastoral Constitution*, 87.

119 *On the Development of Peoples*, 37.

120 Ruth Leger Sivard, *World Military and Social Expenditures 1983* (Washington, D.C.: World Priorities, 1983), 23.

121 Pontifical Commission *Justitia et Pax*, *The Social Teaching of John Paul II*, 6 (October 6, 1979).

122 *On the Development of Peoples*, 44, 58-63.

123 See "Testimony on U.S. Arms Control Policy," *Origins* 14:10 (August 9, 1984): 154ff.