

SECTION 1

THE ALLEVIATION OF POVERTY

Nature of the problem

10. The terms of reference of the Group require us to consider the gap between the rich and the poor nations and to suggest measures for closing it. There are several dimensions of the gap which exists between the rich and the poor countries, and comparisons of per capita income are at best a rather crude indicator of the differences. Yet these figures are telling enough. Of the roughly 4,000 million people of the world, 1,200 million live in countries where per capita GNP is conventionally estimated at less than \$200 a year – 2,000 million if the People's Republic of China is included in this group. At the other extreme, a minority of around 600 million live in countries with per capita GNP ranging from \$2,000 to \$5,600. Another 1,200 million people live in countries where the per capita GNP levels range between \$200 and \$2,000.^{1/}

11. The gap in terms of living standards, wealth, technology, and socio-economic infrastructure between the rich and the poor countries is extremely wide. Given a gap of such enormous proportions in income levels and in productive capacities, a comprehensive programme directed towards *closing* the gap would involve measures of unprecedented nature and scope which could only be sustained by a radical, even revolutionary, change within the developed economies and in the structure of international economic relations, as well as in the developing countries. Even if the objective of closing the gap is not formulated in terms of an equality in levels of income, it would involve wide acceptance of the concept of ceilings on growth and consumption in the rich countries and their implementation through changes in socio-economic objectives and ways of life, and radical changes in patterns of consumption and production structures within the developed countries. At the same time, it would involve the establishment of universally accepted minimum standards of living in the majority of the developing nations. Furthermore, this would involve in many cases an international redistribution of assets as well as direct transfers of income between rich and poor nations. The experience of the developed countries in narrowing the gap between the rich and the poor within their own economies illustrates the nature and magnitude of the problem under discussion.

12. It is obvious, therefore, that an objective of closing the gap between nations, even if it is attainable, could only be achieved in the very long run. The achievement of such an objective would indeed represent the fulfilment of the aspirations and the ideals of a truly international community firmly bound together by a sense of solidarity, cohesion and close interdependence. However, our terms of reference require us to suggest practical measures for early implementation. We have therefore devoted our attention to the immediate objective, i.e. minimum measures which must be adopted on an international level to alleviate the conditions of poverty – indeed crushing poverty – in which the majority of the developing world live. The Group

^{1/} Figures for 1972, at the prices and exchange rates of that year, taken from *World Bank Atlas*, 1974.

hopes that the efficient implementation of the suggested measures would at least arrest, and we would hope reverse, declines in standards of living in the poorest developing countries and the poorest sections within their economies, and accelerate the rate of growth and expansion of employment in the rest of the developing world.

13. Starvation, malnutrition, disease and generally wretched conditions of life are the daily lot or a constant risk for millions of people in the poor countries. These deprivations, coupled with illiteracy and limited access to formal education, are not only symptoms of poverty and under-development, but by stunting physical and mental development and weakening productive capacity and enterprise, they are also a cause of the perpetuation of poverty.

14. We have already pointed out that developing countries suffer from acute shortages of productive capacity and infrastructure, coupled with limited managerial skills and capacity to adapt technology to local circumstances and to devise and apply new technologies. The affluent, industrialized countries, on the other hand, have amassed a huge capital stock and extensive productive organization, which continue to grow. The problems which arise for developed countries are only temporary setbacks in the trend of ever-increasing economic possibilities. Because of limitations in productive capacity the poorer countries have no such resilience, and no such assured hope of progressively increasing capacity to tackle and overcome their difficulties. It is little wonder that leaders in the developing countries feel a mounting sense of frustration when they contrast their problems at home with the plainly visible, continuing increase in the economic power and technological capacity of the advanced, industrialised countries.

15. When the international community began systematic work on problems of global development over two and a half decades ago, it was assumed that the solution lay in a comparatively narrow range of measures of capital and technical assistance. It is clear that this approach did not measure up to the complexity of the task. Nevertheless, one should not ignore the economic growth which has occurred in developing countries since the war. Many developing countries have achieved increases over the post-war years in real GNP per capita, helped by their own savings and hard work, expanding world trade, transfers of technology, and net capital inflows. However, too many countries, particularly those in the lowest income group, have either stagnated or advanced very little, and then on too narrow a front.

16. A disturbing feature of the development process in many countries has been the failure to achieve more substantial progress with the reduction of unemployment and extreme poverty in both the rural and urban areas. Moreover, agricultural development and improvements in transport and the distribution system have not yet been sufficient to protect millions of people from the recurrent risk of starvation.

17. In the more immediate context, high prices of petroleum, food, fertilizers, capital equipment and other manufactured goods imported by developing countries, coupled with the collapse of prices and demand for most primary products as a result

of economic recession in the industrial countries, have added the threat to many of the poorest countries of totally inadequate capacity to import the goods and services needed to sustain conditions of life and the momentum of development.

Objectives of change

18. We have already observed that the magnitude and nature of poverty in the developing countries are intolerable, are not in the interests of a stable and expanding world economy, and give rise to increasingly dangerous tensions. It is now generally accepted that all nations should derive fair benefits from the earth's resources and from the products of man's ingenuity, and that the basic needs of all men should be satisfied. It is now common ground that economic activity is a means, not an end in itself, and that it must be made consistent with the other needs of mankind and with the dignity of the human being.

19. It should not be assumed that developing countries would wish to conform uniformly or closely to the economic and social patterns which now obtain in industrial societies. In spite of the pervasive nature of international culture contact, we expect that each developing country will wish to follow its own path, conditioned by its own circumstances and aspirations. It is our hope that the lessons of experience will help the developing countries to avoid some of the strains, social costs and inequities which the developed countries have encountered in the course of their development.

20. We welcome and endorse the increased emphasis at the national and international level on the need to achieve minimum decent living standards for all countries and individuals. In our view the overriding objective of global development should be to secure for all the people of the world acceptable levels of nutrition, clothing, shelter, public health and medical care, and education. Such a policy is necessary not only to bring all mankind up to tolerable minimum standards of existence, but also to lay the foundations for effective self-help and sustained improvement in the conditions of life. The magnitude of the task is illustrated by the fact that in South Asia alone half of the population is below a stringently drawn poverty line – 360 million people in absolute poverty in this one area.

A shift in the distribution of economic activity

21. It has previously been mentioned that a new and more equitable economic order must depend on progressive and radical change in the distribution of economic activity throughout the globe, so that the developing world no longer finds itself cast predominantly as a supplier of raw materials and a reservoir of cheap labour for the industrialized countries, while remaining highly dependent on the developed countries for a major part of its capital equipment, other manufactured goods and productive technology. A new economic order must be founded on arrangements providing genuine equality of opportunity between states, and bring new relationships of inter-dependence in place of the older patterns of dominance and dependence.

22. The desired *relative* shift in the distribution of economic activity should bring into play a dynamic concept of comparative advantage. In shaping the international economic policy, there is a need to judge considerations of efficiency in relation to the

desired distribution of the benefits of economic and social change. The process will call for an acceleration of structural change in the developed as in the developing countries. It will also require changes of institutional structure. These changes will be most readily achieved in the setting of a dynamic world economy, to which they will contribute. In this setting, the necessary process of structural change will bring benefits for all.

Transformation in the developing countries

23. A new economic order must be designed to encourage the development of individual and collective efforts of self-reliance by developing countries. It is increasingly recognised that true development cannot be imposed from above, but must be generated from the grass roots of these societies through popular participation and self-help. The role of the international framework must be to create the conditions and provide the support within which self-reliance can flourish.

24. Creation of a new dynamic of development in the developing countries, and the improvement as a matter of priority of the conditions of life of their most deprived people, will depend on sustained national efforts in a framework of soundly conceived policies. It depends on continuous efforts in mobilizing national resources – human as well as material – and in making efficient use of available resources, both internal and external. Economic and social transformation is a complex process, calling for prolonged national self-discipline and sensible ordering of priorities. There are no simple solutions.

25. While the pattern of development will vary from one country to another, according to a wide variety of factors which include the endowment of natural resources, geographical location and the skills and aptitudes of the people, in most countries progress will depend on an appropriate balance being achieved between developments in the agricultural, industrial and service sectors.

26. We endorse the emphasis given by the international community, notably at the recent World Food Conference, to increasing food production and accelerating rural development. More and better food is needed to overcome the threat of starvation and to improve nutrition. Accelerated rural development is needed to improve the conditions of life of the millions who live in the countryside and to check the excessive migration to the cities, with its attendant problems.

27. At the same time, development of agriculture has to be placed in a setting of economic advance on a broader front. As countries develop, the growth of demand is more and more directed towards manufactured goods and the services on which modernized agriculture and industry depend. Furthermore, trade in manufactured goods is the fastest growing sector of international merchandise trade. While quantitative projections of export earnings of developing countries differ, all of them agree in showing that a major part of the increase of export earnings of developing countries as a group will have to come from exports of manufactures.

28. Over the past twenty years, the demand for many of the primary commodities exported by developing countries, and particularly for most agricultural commodities, has grown slowly, and has been further limited by the remaining measures of protection, serious for some commodities, and by the development of synthetic substitutes in the industrialized countries. This has limited the growth of export earnings, and hence the development potential, of many of the developing countries which are not yet able to diversify at all rapidly into non-primary activities. Accelerated development in many of these countries will continue for some considerable time to depend on buoyant export markets for primary commodities, liberalization of market access where this is limited at present, other improvements in trading conditions, and measures to accelerate development of processing of primary commodities in their countries of origin. Accordingly, these questions are considered in detail later in this Report. We also pay considerable attention to the development of manufacturing and related questions of transfer of technology, in line with the importance already assigned to increasing exports of manufactured goods.

29. Narrowing the gap will also depend on acceleration of both capital formation and technological change in the developing countries. We believe that a new international economic order will be meaningful only if the global process of capital formation begins to favour the poor developing countries. There is a pressing need to establish built-in processes and international mechanisms to bring about a more rapid accumulation of capital – including human skills and organization – within the poor societies relative both to the hitherto distressingly slow historical process in these countries and to the hitherto relentlessly speedier process of capital formation and technological advance within the already wealthy societies.

30. At the heart of the development process in both agriculture and industry is the diffusion and assimilation of productive technology and methods of organization adapted to the particular circumstances and needs of each country. To close the technological gap, in many respects the most basic of the many gaps which separate the poor from the rich countries, the developing countries need not only to adapt technologies and methods derived from the world outside but to build up their own capacities in research and innovation. This is of fundamental importance not only because the social and economic objectives of developing countries may differ from those of the industrialized countries which have hitherto been the main centres of innovation, but also because the different resource and factor endowments of developing countries demand different methods – for example, more labour-intensive technologies. Beyond research and development is the task of management, again to be developed within an indigenous framework, involving the assimilation of capital equipment, technical know-how and principles of organization into operative structures.

External conditions for development

31. The actions and policies within developing countries required for development will only be fully effective, and often will only be at all possible, if supported by the necessary external conditions and cooperation. An effective transfer of technology on suitable terms and conditions can be of great benefit to developing countries. They

need full access to buoyant markets for their exports, so as to be able to import adequate and increasing amounts of the goods and services which they need to complement those they can produce for themselves. At the same time, even with the changes in the regime of international trade which we examine and endorse in this Report, we consider that many developing countries will continue to need more resources from the outside world than they will be able to pay for from their commercial earnings, and hence to need continuing large net capital inflows, much of them on concessionary terms.

32. Just as the processes of development are complex and inter-related, so they depend on a wide range of inter-related external conditions and support. The evident inter-relationships between fields such as, say, commodities, industrialization, the transfer of technology and development assistance for example serve to indicate the value of working out coordinated and consistent programmes of action in these fields. Moreover, international development policy must take into account the differing needs of particular developing countries in terms of their resource endowments and levels of development. If adequate provision is to be made for a new era of progress throughout the developing world, then a whole array of measures and instruments will have to be employed to take care of the varying needs and circumstances that have to be accommodated.

33. Limitations of time and readily available information prevented us from giving as full consideration to some topics as was given to others. This has led to some unevenness in the presentation. Where the treatment of a subject has been essentially tentative in nature, we have sought wherever possible to provide indications regarding some of the directions in which immediate progress can be made and to suggest how further work in these fields can be advanced.