US economic policy – addressing inequality

by Chibli Mallat

We advocated last week, for the next US president, enhanced and unimpeded trade, together with correctives ranging from conservative anti-monopoly measures to "radical" taxes on financial fluxes (the "Tobin" tax). With all this, the deepening imbalance in wealth between OECD countries and the poor countries will remain, following a consistent trend over the 20th century.

In a study by a World Bank researcher, reported in the Economist 20th-Century Survey last September, the figures speak for themselves: "In 1870, the world's richest industrial countries, Britain and the US, had an income per head roughly nine times that of the poorest country. In 1990 America's income per head was more than 45 times that of Chad or Ethiopia." The daunting miseries of the third world which invade our television sets from time to time – starvation, pandemonia, massive unemployment, slums and derelict childhoods, let alone endemic wars over meager raw resources, as with the notorious diamonds of Sierra Leone – such misery is bound to remain, unless the secular trend of wealth imbalance is curbed.

"In 1870 the average income per head of the world's 17 richest countries was 2.4 times that of all the other countries; in 1990, the same group was 4.5 times as rich as the rest." The shorter span is no less damning, as noted by Anthony Giddens in his latest book: "In 1965 the average income per capita in the G7 countries was twenty times that in the poorest seven countries. By 1997 the ratio was 40 to 1." Based on similar recent surveys in al-Nahar and Le Monde – publications just as "establishment" as the Economist – the centenarian imbalance appears like a tidal wave. One should expect little from an American president, confronted as he is by his own sharp miseries at home.

Just ask the farmers in the heart of America: they can produce half the food the world needs, but they still trail in painful debt. The story is similar in several other "old" industrial and agricultural sectors.

Still, from the gospels to Kantian moral imperative, honesty commands that something be done, and our age of reason requires more than mere correctives.

Meaningful action is conditioned on two developments: the first is factual.

Not much will be done so long as things are "steady as they go," the *rebus sic stantibus* "do-not-rock-the-boat," Latin adage of time immemorial. Unless a dramatic event, or a person with a special dedication, brings the world out of its torpor, *rebus sic stantibus* will remain the name of the international economic game. Beyond raising awareness, only economic Chernobyls can awaken the world to the danger of the growing wealth imbalance.

Perhaps AIDS is doing just that, at last triggering the transformation of man-made and natural disasters into "threats to US national (or mankind's) interests," as acknowledged by the White House last month. Still, as with the late Mother Teresa and India's lepers, actions are bound to remain marginal despite their protagonists' heroism or dedication. Unless perhaps that person with a special dedication is in the position of the US chief executive.

In the absence of a presidential dynamo of good moral fiber, perhaps the law of torts might come to assistance. The scene is haphazard and topsy-turvy in many ways. The tort-redress basket includes recent judicial awards against the tobacco industry; action against Swiss banks holding Nazi assets and fleecing Holocaust victims; compensation for the victims (but not the Iraqi victims) of the Iraqi government's invasion of Kuwait; heightened talks in Camp David and elsewhere about the Israeli responsibility in the displacement of Palestinians since 1948; indictment of war and human rights criminals in Bosnia, Chile and elsewhere.

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All these legal actions for the victims of material and moral compensation have one thing in common: a discernible trend toward accountability, including a legally-determined set of financial reparations. If colonialism and western collusion in crimes against humanity (as in the CIA's relationship with Pinochet) can be factored into the picture, the law will slowly come together morality within a grand theory of tortious liability, emerging for the benefit of past and present victims of a world out of balance.

Multiplication, consolidation and streamlining of these actions may give way to a realization of the moral/economic imperative – for instance by factoring in the energy which America and Europe have consumed over the century (over 80 per cent of world oil and coal), and the consequent pollution and degradation of the planet. Forceful victims and determined lawyers may be able to force some issues to redress the balance, especially the ecological damage caused by a handful of industrial powers over the century. This might incidentally put China and other emerging giants on guard about the costs of unreasoned development.

This brings us to the second condition for some "radical" action away from *rebus sic stantibus* in a currently-prosperous America. This second element depends on a scientifically-proven correlation between the poverty of the poor and the wealth of the rich, akin to the exploitation analyzed in Marx's Das Kapital. Twist Kapital as much as you want, though, it is hard to be convinced that the rich OECD is wringing "surplus value" out of the sweat of the third world poor.

Until the emergence of a new Marx in world economics, and a new Clausewitz in international relations, a well-meaning president will tinker at the edge, with correctives in world trade at best, and support for localized interventions to help stem the consequences of this ugly earthquake or that intolerable starvation. But with the exception of endemic poverty, starvation and/or AIDS-like mass disasters, the room for maneuver is narrow. Seattle-type stampedes will not make the wretched of the earth better off, until theory allows a scientific analysis that goes beyond moral outrage.

And yet something can be done, in some Renaissance economic programs like the Marshall plan in the wake of World War II. The problem with the Marshall Plan is its association with the Cold War, which prevents it from offering a "pure" model to vanquish "poverty" on the planet. Until the grand world theory is perfected – the search is on for one, with thinkers like Giddens, Fossaert and Sen actively engaged in rendering our view of the world more accurate – one may suggest experimenting with four sets of data and directions to reduce the secular trend of world inequalities.

The first direction, like the Marshall plan, is based on a vision of macro-economics inspired by the rebirth of Europe in the wake of World War II. This model may be dubbed variously: crash program, Great Society project (following Lyndon Johnson's failed efforts in the late 1960s), or, in our words, a "Renaissantist" plan.

Combating AIDS, as a first priority in the world, is a good example.

Fighting AIDS in the world is no less than a call for the rebirth of a whole continent, Africa, and the avoidance of a tidal wave of death in other risk continents, from Russia to South East Asia.

Clearly fighting AIDS is much more than a medical crash program forcing drug companies to bring their resources to bear in ways unknown to the free market. It involves such varied fronts as enhanced lines of communication, bolstered women's rights, and strict state accountability in prevention and cure. The fight against AIDS as "risk to national security," both in the US and elsewhere, captures the imagination. It allows specific standards of improvement to measure progress, and is economically rewarding. In addition to saving millions of people, a renaissance AIDS program will allow an expansion of the world market to include moribund and backwater societies in Africa and elsewhere.

The second, very American, direction is "investing in innovation" worldwide. This is the title of an important book published last year which offers evidence to the key role of the US government in the scientific and economic impulse offered to leading high-tech sectors in the American economy. Equivalents exist in Japan and in the EU, and such models need to be more closely studied. As argued earlier in this series, an international scientific "investment in innovation," which only an American president is currently in a position to lead, would address the problem of unequal opportunity at the root rather than act as corrective. The establishment of high-tech parks in the rest of the world is a *sine qua non* to reverse the centenary imbalance in the production of wealth.

Finally, all this can and should be measured. We have often referred on this page to the computation of a human being's budget-time, over a full life span, which could be calculated with tools akin to countries' GNP and GDP. One simple application already exists, that of the average life expectancy of a person born in South Africa, for instance, as opposed to the US. In many South African countries, his or her life expectancy stands at 30 or 35 years, in the US and Western Europe at between 75 and 80. There are other, more sophisticated calculations to be made and economic tools and models can be redirected to a fuller accountancy of the "marginal" citizen and the value added to the wealth of nations by his or her life on earth.

For all this, to borrow a word which Yale professor Owen Fiss uses in the domestic arena, an American president can at least encourage the development of "robust" international fora, which will carry out correctives to a secular imbalance in the wealth of nations, and commence uplifting initiatives for the sake of humanity's future.

Chibli Mallat is a professor of law and a practicing lawyer. This is the 18th and last article in this Daily Star series on the agenda of the next US president