

ALTERNATIVE TRADE SYSTEMS  
IN THE PRESENT CRISIS

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If the present crisis has its origin at the world level then it is at the world level that at least a part of the solution to the crisis has to be found. However, in order to act rationally at the world level adjustments at the local and national level are also necessary. This, in very few words, is the assumption of the present paper.

I think it is not unfair to say that the main stream solution in current First World societies (Japan is here not seen as a part of the First World) is to maintain the free trade system, at least at the verbal level, and then try to make use of it by exporting more. One justification for this is to be found in the idea of "maintaining the standard of living", another one in the idea of "maintaining a high level of employment". In order to maintain a high standard of living, in a world system of division of labor, import is necessary; in order to import one has to export. And in order to maintain an acceptable level of employment production is necessary; production, however, without adequate marketing so as to obtain economic cycles leading to adequate capital accumulation is meaningless.

The rest is the question of how to become competitive on the international market. Main stream ideology has it that this is mainly a question of competitive pricing. The assumption is that what is wrong with First World goods and services is their price, not - for instance - their quality. Assuming constant want structure and buying power in the customers, and assuming constant quality, the conclusion that prices are important is of course warranted. As to that assumption, see later.

In order to obtain lower prices main stream ideology has it that production factor substitution must take place.

This is done by some kind of linear extrapolation: up till now decreasing labor intensity and increasing capital intensity has been accompanied by economic growth, ergo it has to do so also in the future. By substituting capital for labor, and research for the creativity of lower echelons in the production structure, and - one should add - high level administration for lower level self-administration, one hopes to obtain goods at comparable quality for lower prices. This, however, means not only capital intensity, research intensity and administration intensity but also, to transform these terms from economic to sociologic jargon, capitalist-intensity, researcher-intensity, and administrator-intensity. It certainly also means less labor-intensive production. Knowledge industry is in, research, "intelligence". No doubt some less skilled workers can be dismissed under this formula, even many of them. But at the same time more people trained in handling capital, abstractions/-generalizations (researchers), and administration have to be hired. Usually these people have much higher salaries; even if they are hired in lower numbers than the workers dismissed. It is not obvious that the savings are substantial, or at all positive.

However, that is not the only problem with the main stream solution. Another problem has already been hinted at above: it is not obvious that the First World is able within this formula to produce goods at a quality competitive (assuming constant price level) with Fourth World products, particularly Japanese products. It should be noted that "quality" has intangible aspects to it. It is not only a question of expensive materials, an elaborate finishing touch, and so on. It is also a question of that intangible "it" imparted to it by the country or region of origin. It may be that in a sense the world has already passed that fatal watershed where quality is seen as resting with the Fourth World rather than the First. Again this has as its assumption constant price level: at a much higher

price people are probably still perceiving Swiss watches as having a higher "quality" than many of the watches produced by Japan. The only problem is that at that level of price there are only few customers available - a principle that applies not only to watches, but also to luxury cars. Middle class demand matters more.

However, there are more problems for the First World in this connection. In order to produce goods at a higher level of productivity substitution of workers for bureaucrats, capitalists and intelligentsia (to stick to that formula) in a relatively mechanistic way is not sufficient; even assuming that the total capital outlay for the higher echelon is lower than the savings obtained by dismissing the lower echelon. For these top levels to produce any result they also have to cooperate. Some kind of organic cooperation among the components - roughly speaking the state/planning sector, the corporation/marketing sector and the intelligentsia/professional sector - will have to emerge quickly. Since this is exactly one of the dimensions along which the Fourth World is particularly strong it may be argued that the condition for this type of production is better fulfilled among the competitors than in the First World itself. In other words, it may be argued that the First World is trying to beat the Fourth World with its own weapons. It stands to reason that the Fourth World, exposed to this kind of challenge, will attain even higher levels of integration as an obvious response. It should also be noted that in this particular combination of bureaucracy and corporation the total efficiency, meaning by that some kind of combined measure of high quality and low price, is so high that it is difficult to see that the world can accommodate many more producers without running into the problem of world overproduction, not only overproduction of inferior goods. It may very well be that some western countries are better equipped

for a better position in that corner than others, thinking of for instance France (with its elite integration obtained by means of Les Grandes Ecoles), and Switzerland (with its elite integration obtained, to a considerable extent, through the military). However it is difficult to believe that even they should be more perfect in the organic integration than what can easily be obtained in Fourth World societies.

In short, the assumption of this paper is that the First World will, by and large, not succeed. And this is also true if it tries to practice the free trade principle asymmetrically by higher levels of export and lower levels of import, through tariff and non-tariff barriers. It goes without saying that not all countries can do this so it requires some ability to cheat (relative to the free trade axiom) at a higher level in some countries than in others. As a transitory solution there may be some virtue to this, but virtuous or not it is a relatively safe prediction that this is what many countries are going to do. Transitory, however, is begging the question: transitory to what?

This is where the alternative system has to be spelt out. The alternative system would have as its basic point of departure exactly the opposite of the normative compulsion "Export more!", viz, a cool objective assessment of the state of affairs with the conclusion that "we are, in fact, whether we like it or not, going to export less". If that is a fact then, if "freedom is the insight in necessity" (Spinoza/Leibniz) rather try to make the best of it than trying to fight against forces totally beyond one's own control. But the problem shows up immediately: If one exports less one has to import less. On the other hand many of the goods imported are basic to our "standard of living". Hence, what to do?

The answer is obvious: we have to produce it ourselves, in other words import substitution. The question is only who are these

"ourselves"? In the reasoning to follow three levels of "ourselves" will be distinguished: the rather obvious national level, then there is the local level within the nation and then the regional level among nations that usually will be neighbours, if not by the principle of vicinity at least by the principle of affinity - in other words at roughly speaking the same level of technical development and with sufficiently complementary economic geography etc. In short, one would be aiming for a type of alternative also known as self-reliance.

Instead of asking how can we export more (so as to import more or equally much, using the balance to pay off debts) the question would be how can we make more ourselves. If a First World country today really asks of itself how it can produce a much higher proportion of the goods consumed the list of industries that would have to be expanded or started could easily become a very long one. The next question is that of location: under the theory of self-reliance one would give priority to the local level, then to the national level, and then to the regional level. In short, the question would not be "How can I obtain this and that in exchange for what I have in excess" but "How can I make this and that drawing on my own production factors; "own" meaning 1. local, 2. national, 3. regional"?

As often said when the word "self-reliance" comes up: it does not mean self-sufficiency (autarchy); it means using one's own resources as far as possible, including capital, research and administration, and only then looking outside the local community for cooperation with other local communities up to the national level, and only then looking outside the national level for cooperation with other nations at the regional level. It presupposes a system of concentric circles, starting in the center and avoiding dependency formations by attaching oneself to countries at a much higher level of technical development; also avoiding making others dependent on oneself by attaching oneself

to countries at a much lower level of technical development.

Self-reliance, in other words, means using one's own forces and beyond that horizontal exchange. It probably means a lower all-over level of trade; it definitely means a much lower level of vertical trade and possibly an equal and in some cases even higher level of horizontal trade, among equals. Relative to the present system this type of trade is not "free", meaning a trade pattern following the gradients of verticality induced by the world capitalist system, legitimized through the ideology of "comparative advantages". It would mean a system of "directed trade" or "redirected trade" and in the present system this would only be possible by increasing some tariff- and non-tariff barriers. That system is also known as protectionism, but it is a selective protectionism according to the general guidelines mentioned. It should be noticed, however, that protectionism as such is a much more general concept and not necessarily implying the search for equity underlying the concept of self-reliance; it could also be selective in a highly exploitative manner.

How would this system relate to the problem of unemployment? Is there any built-in guarantee that this system will lead to a higher employment level, assuming that it would through mobilization of local, national and regional ingenuity at least to some extent maintain standard of living at an acceptable level? Obviously, there is no such built-in guarantee as the concept of self-reliance itself does not preclude highly labor-extensive modes of production. Hence, something has to be added to the approach just mentioned.

There seems to be no other way of guaranteeing higher employment given a constant demand than to compensate for a higher number of workers and/or working hours through a lower level of productivity. A more restricted market, the corollary of a self-

reliance as opposed to a "free trade" solution, will also mean in some sectors less demand, in other sectors more demand because of the import substitution. However, it should also in principle mean a more predictable demand, knowing better the extent of the market. And that should make it possible to plan relatively rationally, and relatively long term, in which sectors of production productivity should/could be very high and in which sectors it should/could be lower.

One would probably have to maintain a high, even higher productivity in the sectors where one still might prefer to compete on the world market, even according to the old free-trade model. In the self-reliance sector of world market cooperation this will be less necessary since mutual agreements could be obtained about horizontal division of labor, maintaining a mutually agreed upon level of productivity which may be lower than that which is considered competitive at a "free" market, in order to obtain employment levels that are acceptable, not only at home but also in one's partner. Self-reliance is cooperative, not competitive.

For the domestic market a distinction could be made between a high and a low productivity sector; the question is how to draw the line. One way of drawing the line might be as follows: the more fundamental the needs satisfied by the products, the lower the productivity. In other words, the closer to oneself, to one's own basic existence, the more priority should be given to what traditionally is referred to as artisanal modes of production, high labor intensity, low capital, research and administration intensity. For here we are approaching the sectors of care, of fundamental security: food, clothing, housing, health, education. In these fields "love and tender care" are so terribly important for human well-being, and that expression translated into economic thinking spells low productivity. It means small and well staffed hospitals and schools; it means



local bakeries, even at home; it means clothing and housing produced locally, etc. How this is done is well known; it also applies to the whole sector of social care which can be seen as a part of "health" in a broad sense. The lower the productivity, the higher the care - by and large; and even if that should not be entirely true, it certainly seems to be true that the higher the productivity the lower the care in a more human sense. Moreover, most or at least much of this could and should also be placed in the local community with intercommunity cooperation if the economic geography makes it too complicated particularly where the provision of sufficient energy is concerned.

Having said this it is obvious that the alternative answer relating to world trade translated into national political economy comes very close to the green pole of development or social organisation in general. A weak point in what one might call "green theory" is the asymmetry between the high level of thinking and practice relating to the local level and the relatively low level of both when it comes to the other spheres of organization, national, regional and global. The present paper is an attempt to provide some of the theoretical linkage, trying to close some of the gap by relating global self-reliance theory to some of the thinking of green economics .

And that thinking is relatively clear. The green economy can be seen as divided into three parts: production for own consumption, production for exchange but against other goods and services (barter); and production for exchange in a monetized market, but only at the local level, in relatively limited economic cycles. The strength of the green system is the unfolding of human activity at the local level, not excluding the other levels, but giving higher priority to localism. Another strength is the idea of a higher priority given to non-monetized economies modelled after what has gone on inside families and primary groups in general all through human history, and after what

used to be the case in local economies. In both cases one is concerned with economies at a relatively low level of productivity but a high level of human interaction, direct contact, concern and if possible also mutuality in an equitable way. It is still hard to beat Kropotkin's works on mutual aid in this connection; at least very few except Schumacher in his famous essay on "Buddhist Economics" have been able to do so.

However, the authors mentioned in my view both make the mistakes of seeing localism as exclusive of other levels of social organization, including the economic sphere. I am missing the debate about what is to be done locally, what nationally, what regionally; and the corresponding debate about what should be done at a low and what at a high level of productivity. The main stream system we have had up to now after the Second World War, till the world crisis starts getting a major destabilizing grip or hold on the system, in a sense solved this problem through linear extrapolation: ever higher productivity, ever more concern with higher levels of organization, from the local to the national, from the national to the regional, from the regional to the global, thereby causing a very heavy annual increase in world trade. It is only to be expected that the world crisis should result in some reversals in these trends; unreflected as they have been, encouraged and reinforced by their own apparent success.

However, does this not simply mean that the First World will enter into a phase of extreme polarization. There will be a corporation and/or ministry directed, highly productive, highly capital-, research-, administration-intensive export sector combined with a domestic sector for some less essential needs; all of this coupled with many local communities where people will lead their daily lives surrounded by a green localism concerned with basic needs, at a low level of productivity, reminiscent of earlier stages of historical development

in its emphasis on artisanal modes of production of goods and services? In other words, will this not only strengthen the tendency towards division of labor between center and periphery within countries, given the present division of power? And still worse: will the corporate and bureaucratic sectors of society not simply use the inexpensive green sector so that they can proceed unabated, saving health, education and welfare expenses; accumulating capital and power?

The answer is that it probably will unless this economic orientation is accompanied by some kind of political reorientation, in the institutional realm. More particularly, one would have to think in terms of a political system whereby local communities had a much higher proportion of the total amount of power exercised in society than is the case today. It is obvious what this would mean in practice: a trend towards federalization of nations, a two or even three tier system with basic power given to the basic social units, the local communities, including power to lay down the rules for cooperative behavior to the other levels. On purpose they are not referred to as "higher"; nothing can be higher than the level at which people are having their most fundamental, most human existence. One would immediately think in terms of Switzerland as a model, cantonization of a country, but with the added assumption that the cantons would have to be small, so small as to permit as far as possible direct democracy. And there is also in this an inherent criticism of representative parliamentary democracy whereby a national majority can overrule minorities, be they geographically defined (local) or defined in terms of class, gender, age or even ethnic belongingness as we have witnessed very, very often in contemporary industrialized democracies.

The alternative system would introduce, probably in addition to representative parliamentary democracy rather than instead of it, the notion of direct local democracy and a certain level of local veto power in a federated context. But this veto power would not be absolute. There would be rules of the game for joining a

country then seen as a union of federated communities: in certain cases a majority of local communities (like a majority of cantons in Switzerland) might be able to override local vetos - for instance when it comes to questions of res comunis and patterns of communication and transport. But without some system of this type power would tend to go where productivity is highest and the contact with the outside world and with the nation as a whole through the economic cycles into which the products are unleashed is also most extensive: in other words, to the classical center. Under a federated system local communities might agree on formulas of sharing such high productivity industries, a formula also well known under the present system, so as to assure a more equitable distribution.

One major problem in this connection has to do with the definition, in exact geographical terms, of that basic social unit here referred to as the "local community". Under the present system most people would think in terms of municipal border lines. The problem is that they may or may not be adequate for these purposes, often being drawn according to what is convenient for the administrative purposes as seen by the center. Ideally they should be drawn in such a way that the local level of self-reliance could be optimal, meaning by that a high level of self-sufficiency in basic needs satisfaction, and a high level of capacity for interlocal interaction. This, in turn, means in practice that each local unit should have within its borders the capacity for agricultural self-sufficiency combined with industrial capacity and "tertiary sector" capability. As far as I know there is only one country in Europe that consistently seems to have been organizing its activities along such lines: Bulgaria. Being both in eastern Europe, southern Europe, and in addition a socialist country, more arrogant parts of Europe would certainly have protected themselves efficiently against any impact such a social message could have had through deeply

ingrained patterns of arrogance. It may, however, also be that this problem is much less dramatic than it sounds. After all the First World has considerable experience both with fusion of municipalities and fission of municipalities; the recent pattern being towards the latter rather than the former after some experimentation with excessively big municipalities. However that may be, the basic guidelines should probably spell out under what conditions not only local self-reliance, economically speaking, is possible, but also a high level of direct democracy.

Going back now to the point of departure one might ask the question: would this be sufficient to solve some of the problems into which the First World, and many other parts of the world as well, are so deeply steeped? Or would it merely make matters worse by decreasing the total level of world trade, thereby cutting down on that famous totality that is more than the sum of the parts? There is no denial that the pattern of free trade has served certain countries very well, or at least certain classes within those countries. The present distribution of goods and services bears ample testimony to that. There is also the danger that the more horizontal pattern of trade would increase world stratification in, for instance, three very clear tiers: at the top countries that are exchanging highly sophisticated, processed goods; in the middle those that are exchanging the less sophisticated products and at the bottom those that are engaged mainly in the exchange of raw materials in order to compensate for the often cruel asymmetries in the economic geography of the world.

The last problem calls for an organization of the world not too different from the one we have: some type of very weakly and loosely federated system with veto power at the national level; in other words United Nations and its family of agencies.

But it also calls for a much greater propensity and willingness of countries lower on this scale of "development" to rely on their own forces, pulling themselves up by their own bootstraps. In doing so they might be helped by the current crisis which will make at least many of the countries currently on the top of the system less able to flood the world market with their goods. But it will also make other countries more able than before if the general theory of a transition of the point of gravity in the world economy from the First World in the north western corner of the world to the Fourth World in the south eastern corner is correct.

However all this may be it may also be the case that global reasoning about possible future patterns of stratification is not what is going to serve as a directive. It may also be that the crisis is going to cut so deeply into the economies of many countries around the world, and the First World in particular, that they will resort to almost any strategy in self-defense. As mentioned, in the first run the strategy will be to import less and export more; in the second run it will be increasingly obvious how few countries can engage in such strategies given the limitations of the world system. Gradually they will have to turn to import substitution. In doing so they will not actually do things that are very different from what many developing countries have tried in an even more difficult world context in the years after the Second World War, with more or less success.

However, these countries have generally made a mistake which it is to be hoped that the First World countries will not commit. They have thought in terms of national self-reliance, but almost never in terms of local self-reliance; and if they have thought in terms of the latter they may still not have thought sufficiently in terms of individual self-reliance which would be meaningless without a high level of employment. In short, import substitution is only the beginning of a program, not the end of it.

It forces the country to consider higher levels of national production in some lines and the opening of new sectors of production, but that thinking should also apply to the local level. And since there is no guaranteed carry-over in the form of high level of employment an employment policy also has to be launched - in my view inextricably linked to the problem of the much too high productivity all over that First World countries in general have engaged in. Productivity must come down.

And there we stand, roughly speaking. Most of what has been said above runs clearly against three very basic assumptions that have dominated the thinking of First World elites: free trade at the world level; an ever higher level of productivity for almost any type of good and services; the nation rather than the local community and the individual as the unit of economic book-keeping. These are deeply held beliefs, deeply ingrained in that pattern of thought here characterized as economism. Hence, the basic question may be whether it is at all possible to change such patterns of thinking sufficiently to engage seriously in structural reform before the economic crisis becomes even more destructive, possibly also spilling over into political and military destructiveness.