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Article — Digitized Version

Growth for all?

Intereconomics

Suggested Citation: Todenhöfer, Jürgen (1976) : Growth for all?, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 11, Iss. 10, pp. 267-268, <https://doi.org/10.1007/BF02929197>

This Version is available at:

<https://hdl.handle.net/10419/139412>

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Growth for All?

Recently Dr Jürgen Todenhöfer, development policy expert of the German Christian Democratic Union, presented a book¹ in which he pleads for an "International Social Market Economy". In the following interview Dr Todenhöfer explains his conception.

IE: Dr Todenhöfer, in your recently published book you refer to the "New International Economic Order", the establishment of which has in recent years been demanded vehemently by the developing countries, as a mistaken way. Which are in your opinion the fundamental deficiencies of this concept?

TODENHÖFER: The developing countries' demands which can be subsumed under the major term "New International Economic Order" aim at a worldwide redistribution of income without securing a simultaneous real improvement of the present unsatisfactory structure of the international division of labour and particularly of the national economic structures in the developing countries. The realization of the demands concerning raw materials, for instance, would in all probability even hamper substantially the necessary structural change which could otherwise be achieved through an enhanced diversification of the production and export structure. Moreover, the planned *dirigiste* measures – whether it is indexation or the integrated commodity programme – would affect the efficiency of the international market and thus the worldwide chances of economic growth.

IE: As an alternative you proclaim the "International Social Market Economy". Which would be the constituent elements of such an order?

TODENHÖFER: The "International Social Market Economy"

which I have demanded aims at achieving an optimum division of labour between countries by means of a removal of trade barriers and a preferential treatment of developing countries during their integration in the world economy.

This model which, of course, still wants elaboration in much more detail contains *inter alia* the following essential elements:

☐ The gradual *liberalization of world trade* and the continuous reduction of the industrialized countries' protectionism, on the one hand, as well as purposive export promotion measures for the products of the developing countries, on the other; as concrete examples I would like to mention the accelerated reduction of the tariffs for manufactured goods and of the barriers against agricultural imports as well as the improvement of the existing system of preferences through wider coverage and removal of the quotas;

☐ a facilitation of the international division of labour through purposive support to the necessary structural adjustment processes in the industrialized states by means of an *active growth-oriented structural policy*;

☐ a *substantial increase in development aid*, especially for those developing countries which dispose of few raw materials and are in a weak foreign trade position;

☐ the creation of a comprehensive *system for the stabilization of export proceeds* which is in accord with free market principles.

IE: If we do not mispoint this concept, it conforms – with the exception of the commodity sector – to the well-known trade political demands of the Third World to the address of the industrialized countries. How do you think will it be possible for you or a German Federal Government to enforce demands which the industrialized countries have recognized for more than two decades but not realized?

TODENHÖFER: During the last two decades a large number of proposals have been made in the industrialized as well as in the developing countries. Their common weakness however is that these proposals were very often – even in cases where they were made by representatives of the same country – self-contradictory and were not combined in a conclusive concept. In my book I have tried to present and substantiate a consistent and detailed overall concept. As to the chances of its realization, the results of the conference of non-aligned states in Colombo have shown that the north-south conflict is exacerbating more and more. The developing countries are pressing for realization of their catalogue of demands in an ultimatum-like manner. The delaying tactics which the industrialized countries have employed at interna-

¹ Jürgen Gerhard Todenhöfer, *Wachstum für alle. Plädoyer für eine Internationale Soziale Marktwirtschaft*, Stuttgart 1976.

tional conferences have led them into a blind alley from which they can only escape by presenting a plausible alternative which conforms to free market principles. The industrialized countries will soon be faced with this issue. I am certain that the majority of our population will very quickly declare for the opening of our markets to cheap products from the developing countries, once they have realized that the alternative would be to contribute vast funds to nonsensical international raw material stocks according to the Brussels model.

IE: The International Social Market Economy seems to be derived from the Federal Republic's social market economy. If this is true, which should be the analogues on the international level of certain social measures of our state such as government supervision of market dominating enterprises with regard to their market power and its possible abuse, progressive income taxation, financial adjustment between rich and poor lands or local authorities, respectively, equal chances of education, the system of social security, etc.?

TODENHÖFER: What I advocate is not a plain transference to the international level of the concrete model of the social market economy as realized in the Federal Republic but a transference of its principles. The demand for an International Social Market Economy is based on the notion that, although an efficient world market is an essential precondition for an optimum utilization of the existing resources, the market alone will not suffice to integrate the developing countries into the international division of labour in such a way as to enable them to derive from this sufficient development stimuli and adequate benefits. Similarly to our own social market economy this re-

quires additional complementary "social" measures.

In contrast to the social market economy in the Federal Republic of Germany, an International Social Market Economy is not able to fulfil tasks of social policy, as for instance of education, which fall within the sovereign rule of national laws. Any model which claims in a comprehensive way such social competencies – say in the context of a "world home policy" – ignores the fact that in most of the developing countries the national thinking, the claim of more independence, but also the existing differences in the conceptions of social policy would make it impossible to realize such a model.

IE: Who could play the part of the state in your concept?

TODENHÖFER: It is for the same above-mentioned reasons that the part which the state plays in the social market economy on the national level cannot simply be transferred to the international level. On the one hand, the number of tasks which can be tackled on the international level will be substantially smaller than on the national level. On the other hand, the different political, economic and social conditions in the individual countries and the different ideas of social values and targets will make it impossible to deal centrally and through political majority votes with questions, which concern the essential internal problems of individual countries. Within a measurable time it will only be possible to tackle those problems which concern the relations *between* members of the international community. This can be done in different institutions such as GATT or IMF, whereas the UN with its frequently irrational decisions seems inappropriate to play the part of the state in an International Social Market Economy.

IE: Do you consider the social market economy also an appropriate model for the national orders of the LDCs.

TODENHÖFER: The argument – which I think is wrong – can frequently be heard that the economic and social conditions prevailing in the developing countries favour a centrally planned economy rather than a model of the market economy type. If considering the organizational and administrative requirements which have to be met in an efficient centrally planned economy, and if bearing in mind the waste of resources and the planning failures in centrally planned economies – for which the experience not only of socialist developing countries but of the East European communist countries offers rich evidence – this argument of many development theorists seems to me very bold. Of course, it cannot be denied that, as a rule, the developing countries need in their initial stage a strong government and a development planning by which the framework conditions are laid down. The crucial point, however, is whether their target is a centrally planned or a market economy. I believe that government planning measures in developing countries can only be successful if they aim at creating the preconditions for an efficient market, encouraging private initiative and obviating themselves as far and as soon as possible. Only then will an optimum of economic growth be possible.

Of course, economic growth is not the only standard to be applied to development. Development includes many other social, cultural and political factors. But the thesis – which has been repeated again and again, particularly by Marxian theorists – that economic growth is always at the expense of income equity and thus impedes development, is wrong.