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U.S. POLICY CHOICES — FOOD AND COMMERCIAL TRADE

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A major study recently published by the National Academy of Sciences, prepared by specialists in world agriculture, food and nutrition, reached the conclusion that the world's food system is not working satisfactorily for either poor or rich nations. At the center of the problem are an increasing number of countries — especially the "poorest of the poor" — with malnourished people. Added to hunger are other problems of spreading seriousness, particularly badly organized and unstable market conditions. Recent developments in world agriculture and energy have transformed the structure of world trade and payments. The key developed countries, United States, Germany and Japan adjusted comparatively well; a considerable number of the higher-income developing countries fared even better. But the countries of South Asia and Central Africa have continued to suffer seriously. Their extremely low growth of agricultural output has been matched by the high growth of population. Their frustration, nationalism and intolerance have become intensified. The extremely diverse conditions among both developed and developing countries, as well as the virtual nonexistence of structural forces making for sustained improvement, give credence to the view that further failures in economic policy may engender the spread — internationally — of civil warfare.

In an article on "Lessons of the Oil Crisis," written only six months ago, I reached this conclusion:

> The most serious effects of the higher oil prices have been neither the direct real costs of adjustment within the OECD countries nor the transfer of resources to the OPEC members. They have been the hazardous uncertainty and the reduction of the credibility of demand-management policy, the success of which is essential to economic stimulus with reduced rates of inflation for the entire network of developed and developing market economies. Recent history has demonstrated that a successful demand-management strategy, as well as an energy strategy, is contingent on the recognition that price-level expectations and, consequently, future prices, are critically conditioned by the policy targets set by governments.

But ill-advised economic policies have brought the recovery from the 1973-75 recession to an extremely low growth rate in the United States, Germany and Japan. There are times in history when economics can adapt more effectively to a higher, rather than lower, rate of growth in effective demand. With inflationary pressures subdued, world agricultural output at high levels, excess plant capacity substantial, and unemployment rates still inordinately high — this appears to be an appropriate time for more confident stimulus of the market developed economies. The core of the problem centers in how to achieve it without reinforcing inflationary pressures.

Insuring World Food and Agriculture

Complexities inherent in current world agricultural and food problems are immense for both the market and centrally planned economies, for the developed and developing nations. In effect, grinding poverty in numerous underdeveloped countries is now the most pressing problem of development. According to World Bank estimates, about one billion people are living in poverty, and growth rates in the poorest developing countries are insufficient to make a dent in alleviating, much less eradicating, destitution.

From 1950 to 1977, world population grew from approximately 2.5 billion to more than 4 billion, with 80 per cent of the increase occurring in the developing countries. If the current rate of growth of roughly 2 per cent per year continues, there will be at least 6 billion people in the world by the year 2000, and 90 per cent of the additional number will be in the developing countries. As it is, no less than 750 million people now subsist on an income of less than $75 per year. More than half a billion people suffer from malnutrition, and 15 million die from it each year. Even the middle-income nations, with GNP per capita in 1972 of US$201-$375, are estimated to have 170 million people living in extreme poverty, and hundreds of millions subsisting at incomes of less than one-third of the national average. It has often been assumed — too generally — that the quantum jump in oil prices has further deteriorated the relative economic condition of the LDCs. Understandably, the increased contraints on the world economy, including the problems of the environment, unemployment and urbanization, have intensified the concern over the mounting danger not only of large-scale famine and starvation in the LDCs, but also over their attendant effects on the nonmilitary aspects of national security of the developed countries. There is need to regard these issues in terms of historical balance and economic proportion.

Insufficient attention has been devoted to the strikingly different record of economic progress during the past quarter-century among the main developing areas of the world. During this period, average real income per person in the developing countries rose substantially: about 110 per cent, but from a 1950 level of only $170 at 1973 prices. Their total food production rose about 130 per cent, but per capita production only 25 per cent. Even the food production of the poorest LDCs expanded approximately 100 per cent during this period, but their per capita production rose only 15 per cent from an abysmally low level. Food production of the developed countries rose 90 per cent, while the per capita production expanded 40 per cent. The LDCs as a group had made considerable progress in raising total food production, but the predominant volume of this advance was absorbed by increased numbers.

The important differences in this regard between the developed and developing countries, as well as among the diffferent areas in each group, are presented for the more recent periods 1961-1970, and 1970-76, in Tables 1 and 2. During both periods, the average annual rate of growth of total food production was more rapid in the developing than in the developed countries. However, since population in the developing countries rose at a much more rapid rate, their rate of growth per capita food production was strikingly smaller. For the developed economies, whose population grew at approximately 1.0 per cent per year during the period 1961-70, the per capita food production rose at 1.6 per cent per year; whereas in the developing countries where population grew 2.3-2.5 per cent per year, per capita food production rose at most 0.6 per cent per year. During 1970-76, population growth rates in the developed countries declined to about 0.7 per cent, and their per capita food production therefore continued to grow at about 1.6 per cent per year despite the decline in the rate of growth of their food production from 2.6 to 2.3 per cent per year. In the developing countries, however, where the rapid rate of population growth has apparently begun to decline — primarily reflecting reduced birth rates in Asia, including China — and may now be approximately 2.3 per cent per year, per capita food production rose only 0.3 per cent per year. Nevertheless, it is noteworthy that the developing countries, as a group, have not been experiencing a decline in per capita food production, or consumption. The contrary erroneous view may have emerged, in part, from the deleterious conditions which have prevailed in Africa and the Far East. From 1970 to 1976, per capita food production in Africa south of the Sahara actually declined; it was nearly stagnant in the Far East and, because of drought, also in Latin America. Although the countries of Central Africa, in particular, have

recorded least progress in the rate of growth of total food production, it must be underscored that even in Africa and the Far East the direct cause of the lack of improvement has been associated more with the extremely high birth rates than the comparatively low rates of growth of total food output.

Before World War II, the developing countries were actually exporters of grains — their principal foodstuff. But, after World War II, their expansion in income and numbers brought about an increased demand relative to supply of agricultural products, and this resulted in their becoming net importers of grains. In total, their economic performance was quite satisfactory before the quantum jump in oil prices. An examination of the record for the period 1961-73, as presented in Table 3, shows that developing market economies achieved annual real rates of growth in per capita GNP only somewhat lower than those of the developed market economies, 3.7 per cent per annum as compared with 4.0 per cent. Again, with the exception of Africa south of the Sahara and South Asia, the other developing market areas experienced rates of growth in investment, manufacturing and agricultural output which were not only higher than those in the developed market economies, but exceeded them sufficiently relative to their population growth rates that the market economies of East Asia and the Pacific, as well as those of North Africa and the Middle East, experienced growth rates per capita GNP higher than those of the developed market economies.

Increasingly it has become less instructive to examine developing countries, in the aggregate, as an economic category. The differences between developing industrial countries, OPEC, developing nonfuel mineral or primarily agricultural countries, and underdeveloped "orphan-country" cases are for many purposes of economic analysis more diverse than the differences, say, between the developing industrial countries (e.g., Brazil or Korea) and the comparatively poor European "developed" countries (e.g., Spain or Portugal). It is the low level of per capita income, practically always associated with backwardness and extreme variability of agricultural production, attendant maldistribution of income, high levels of urban unemployment, hunger and frustration — pervasive not only in the most underdeveloped countries but also in vast sectors of the middle-income countries — that cannot but continue to bring about national strife and transnational conflict. Yet the structure of perverse economic incentives in these very countries, and especially in Africa south of the Sahara and South Asia, provides immense opportunities for their agricultural transformations and industrial advance.

An Economic Response

The United States has a strong interest in improved trading arrangements in food and agriculture among the noncommunist as well as communist industrial and developing countries. From 1971 to 1976, United States agricultural exports provided approximately 22 per cent of total U.S. export earnings. During that period, the U.S. exported about 60 per cent of its wheat output, over 50 per cent of soybean production, and almost 20 per cent of its corn output. The export coefficient of U.S. agriculture (the proportion of agricultural exports to agricultural production) rose substantially from the 1960s to the present. For the long run, there appears to be a large and growing market for U.S. agricultural exports, especially in the low income countries that are successful in achieving rapid development. (See Table 4.) Not surprisingly, this largely depends on their own agricultural growth. From 1967 to 1976, U.S. agricultural exports to developing countries rose approximately 400 per cent; the increase of U.S. agricultural exports to developed countries was 240 per cent. Even in absolute terms, in 1976, U.S. agricultural exports to developing countries were 11.2 billion; they were not much larger to the developed countries — 13.6 billion. The trend strongly suggests a complementarity between the general growth of agricultural output in the developing nations and U.S. agricultural exports to them. An examination of U.S. trade with 66 countries for the period 1957-64 showed that as per capita income in these countries rose by 10 per cent, U.S. agricultural exports to them increased by 25 per cent — an income elasticity of demand for U.S. agricultural products of 2.5. Moreover, a study of nine important developing countries, with a history of rapid development, showed that they expanded their commercial imports of U.S. farm products from $56 million in 1955 to $2.5 billion in 1973.

Since 1971, as the U.S. exchange rate was adjusted from its overvalued par rate, U.S. agricultural exports revealed a strong comparative advantage in world markets. The net trade balance in agricultural products rose from $1.9 billion in 1971 to $11.9 in 1976. During the same period, the trade deficit in nonagricultural products increased from -$3.9 billion to -$21.1 billion. Clearly, the strong U.S. competitive position in food and agriculture in virtually all markets — the traditional ones in the European Comumnity and Japan, the developing countries of Asia, North Africa and the Middle East, the U.S.S.R., Eastern Europe and China — has much to gain from continued growth in American agricultural efficiency and mutual maintenance of more liberal, rather than restricted,

trading arrangements. There is a costly disinterest, the world over, in moving toward freer trade policies in agriculture, and even some bigotry in criticisms of recent American agricultural policies; but the ways of coping with it do not include matching it with an opposite bigotry. The American interest in an expanding agriculture is bound to play a decisive role in immediate, and long-term, U.S. international economic policies: this legitimate economic interest can be best served through incessant efforts at national and multinational removal of remedial flaws and positive government policies that assist, rather than impede, the attainment of long-term agricultural growth with a fair degree of income stability but without glaring departure from perceived equity resulting from agricultural "booms and busts."

Changing International Structure

Compared with the 1970s, the preceding decade appears as a "golden economic era" not only for the developed market economies but, with the exception of South Asia and Africa, for the developing market economies as well. As can be seen from Table 4, in the 1960s, real GNP in the industrial countries of North America, Western Europe, Australasia and Japan, which formed the OECD, had grown at 5.3 per cent per year; the GNP deflator indicating price rises rose at only 2.9 per cent per year; and the average rate of recorded unemployment was 2.8 per cent. GNP per capita growth rates averaged 4.1 per cent per year for the developed countries, and 3.2 per cent per year for the developing countries. This generally favorable record of synchronized growth began to deteriorate before the food and energy crises. The aggregate data, furthermore, do not reveal the underlying economic forces which transformed an apparently robust economic era into one of constraining limits and decline of economic growth rates.

Deep-rooted forces, of course, were responsible for the emergence of certain key distinguishing features of the current international economic structure. By historical standards, comparatively high GNP growth rates of the developed market economies during the 1950s and 1960s brought about even higher growth rates in the value and volume of trade among them. Measured in terms of physical domestic production, this in itself brought about a greater economic interdependence among developed nations than ever before in history. In part, this process was stimulated by the creation of the European Community, the intra-member trade of which grew at more rapid rates than with the rest of the world. To a large degree the key members of the European Community were particularly

interested in the transfer of superior American technology to them. From approximately the mid-1950s, American multinational corporations performed this fuction by direct investments in Europe. The combination of managerial skill, capital and knowledge of mass market production and distribution techniques — built up over generations — was thus transferred to Western Europe and, mostly by adaptation, to Japan, through the intermediation of the multinational corporation. This trade, marked by large investment in specialized training of the human agent, by long-term capitalization of differentiated oligopolistic advantages, and by the transformation of externalities into internal profits of the corporation, was basically different from — and often a substitute for — trade in commodities. The tariff structure of the European Community against the outside world accelerated this development. Measured in terms of domestic or world GNP, the volume of U.S. foreign trade plus the sales abroad of its multinational corporations brought about a degree of internationalization among the developed market economies unparalleled by any epoch in the annals of economic history. But the multinational corporations, the expansion of which appears to have been determined substantially by their perceived long-term earnings in respective areas, expanded comparatively less in the LDCs and the centrally planned economics. Investment by multinationals in the oil-exporting countries continued to grow apace. The LDCs continually pressed their claims for a substantially enlarged transfer of resources to them. But in the 1960s foreign-aid programs met with only limited success, and the governments of the developed countries kept their volume in strict control. Nevertheless, the granting of even limited aid to the LDCs brought about strong pressures for assistance to the elderly, disadvantaged and unemployed within the developed market economies.

These trends gradually had an impact on the centrally planned economies. The Soviet Union, in particular, sought the technology embodied in computer and other manufacturing fields — including machinery for consumer goods — through trade and co-production ventures with developed market economies. Although the proportion of foreign trade to GNP of both the United States and the Soviet Union rose from 1960 to 1973, the national output of both countries as a percentage of world GNP declined. Each country's exports as a percentage of world trade also fell. For these and related reasons, their degree of predominance was reduced within their respective spheres of influence. As a concommitant of this phenomenon, as well as the breakup of Western Europe empires, the foreign trade of most LDCs became less, rather than more, concentrated; it was thus more widely dispersed, with the related

reduction of "special relationships" between key developed market economies and particular groups of LDCs.

Regardless, however, of the long-term mutuality of national economic interests among many Western countries and the centrally planned economies toward gradual expansion of trade in such key fields as agriculture, oil and gas, pipeline construction, shipping and other forms of transport, chemicals, certain minerals, and many branches of machinery and consumer durables, between 1950 and 1970 the dynamics of the two systems impelled a politically rival relationship. The United States and the Soviet Union matched one another in security expenditures: between 1950 and 1970, the United States spent $1.3 trillion on defense, and the Soviet Union $1.4 trillion.

As a result of these forces, Keynesian economics, viewed as a long-term deflationary trend, had obviously been reversed. Effective demand for consumption and investment, security expenditures, budgetary outlays for social services, medical aid, unemployment coverage, social security — all combined to render economic and political markets, in the long pull, sufficiently strong that by the mid-1960s effective demand appeared to exceed supply at the going price level. Manifestly, the Vietnam war intensified these pressures. Accordingly, before the food and energy crises of the early 1970s, the combination of fundamental historical forces combined with ill-advised fiscal and monetary policies had brought about expectations of long-term inflation in the developed market economies.

As countervailing forces to these trends, at least three conflicting tendencies must be noted. (1) Less developed nations which considered themselves left in the backwash of modern economic advance had gained sovereignty over their commercial policies and had developed sufficient administrative competence to use their bargaining power effectively whenever market conditions would permit. (2) The conflict between the economic interests of the multinational corporations and the problems of extraterritoriality of nation states increasingly came to the forefront. (3) In the attempt to prevent a reduction in the level of food consumption in centrally planned economies, and to protect agricultural interests in the European Community, world agricultural markets — and especially those in grains — were fundamentally split.

The consequence of these, and the aforementioned, forces became acute as the result of the food and energy crises of 1973-74. The structure of the world economy has therefore been changed for an extended period of time. This change has been greatly

exaggerated, however, for although it requires adjustments which cannot be made solely by monetary and exchange rate policies, they are adjustments which can be tolerably handled by a program of policies which provide satisfactory macro foundations for micro economic policies.

Policy Alternatives: Macro Foundations for Essential Micro Economic Incentives

By intensifying inflationary pressures, the food and oil crises of 1972-73 critically reduced the credibility of OECD demand-management policy. After the recession of 1974-75, fear of renewed inflationary pressures, in effect, brought about fiscal policies in the United States, Germany and Japan that severely dampened the economic expansion. Among the key difficulties was the lack of coordination, especially in the United States, between essential macro and micro economic policies. Nominal profits obscured the replacement cost of capital. Reduced real profits, therefore, in a situation of substantial excess plant capacity, hindered the rate of growth of new investment. The evidence demonstrates that, even under comparatively low rates of capacity utilization, an expansion in output has in recent years triggered rising prices with about a one-year time lag. This contemporary phenomenon, I submit, is closely related to the fact that an essential stimulus in effective demand — even with the existence of extremely high rates of unemployment — cannot now be met by a substantial proportion of the labor force through going wage incentives. Confidence in rapid investment to effectuate a successful expansion is wanting not only because of uncertainty in government policies but also because of reduced real profits and the inflation-induced rise of minimum wages relative to the productivity of insufficiently trained minority groups. For a marked rise in investment, the economy therefore requires a substantial stimulus in effective demand; but the micro wage-price relationships are not conducive for its achievement without substantial price increases. Understandably, under such conditions the pressures for increased trade restrictions become relentless; the pressures for restrictive agricultural policies are renewed; the harmonization of international economic policies becomes more difficult; and the constraining limits enforced on the developed market economies make it increasingly more difficult for them to provide the minimum transfer of resources to the LDCs in a form required to render their economic development tolerably secure. In briefest terms, the following policy recommendations are presented for consideration.

1. Insuring Food Supplies.

For the long term, food aid to the LDCs does not provide a satisfactory basis for their economic development. Fundamentally, they must rely on the establishment of effective economic incentives to increase their agricultural and food production, policies which are long overdue and the successful potentialities of which are immense. To provide insurance against serious short-falls in food output, the United States could — at a moderate cost — furnish the market developing countries with food assistance approximating, say, their annual short-fall in output from long-term trend in excess of 3 per cent. Since world food output, in the aggregate, is remarkably stable, this form of insurance against natural catastrophes would not only make life in the LDCs much more secure but it would also provide the essential underpinning for their own more vigorous agricultural and industrial advance.

2. U. S. Agricultural Policy.

The progress which the United States has made towards an economic agricultural policy, especially since the food crisis of 1972-73, is in jeopardy as a result of near-record crops, and growing surpluses not unrelated to the lower rates of growth in the world economy. The sharp decline in wheat and corn prices has brought about the establishment of "deficiency payments" plus special disaster grants to American farmers. This form of assistance, when required, can be used to reduce extreme short-term fluctuations in farm income. However, the establishment of support loan levels, which also have been reintroduced recently, may once again bring about large government carryovers, impelling subsidized sales in world markets. The need for adequate reserves is incontro-vertible. But when they are the result of "price-supports," with related crop restrictions, they are unlikely to serve well the interests of United States domestic and international agricultural policy.

3. Agricultural Trade With the CPEs.

The U.S.-U.S.S.R. Grain Supply Agreement, signed October 1, 1975, appears to provide an improved basis for U.S. grain trade with the Soviet Union. Even before the agreement came into effect, the Soviet Union imported more grain from the United States in 1975 than it had done in the crisis period of 1972-73. With the existence of adequate U.S. stocks, these grain exports to the Soviet Union were in every way an assitance to American agriculture. Under the agreement, the Soviet Union has undertaken for the five years 1976-1980 to purchase annually a minimum of six million tons of wheat and corn, in approximately equal amounts, from the United

States. If the U.S. annual grain supply were to decline below 225 million tons, the United States would not be obligated to sell the six million tons. This has not happened for the past 15 years, and is unlikely to occur in the foreseeable future. If the Soviet Union wishes to purchase in excess of eight million tons, government-to-government consultations are required. The signing of the agreement indicates that the governments of the United States and the Soviet Union both recognized the need to reduce the extreme uncertainties and fluctuations which prevailed in the grain trade. Since Stalin's death, the Soviet Union has undertaken to import grains whenever required to insure adequate supplies for human consumption. This policy was extended in the early 1970s to import grain as needed to support its program of expanding livestock and milk production. In time of an even moderate world shortage in grains, this maintenance, or expansion, of grain absorption by the Soviet Union, as well as other centrally planned economies, and the European community, can — and has — exacerbated the effects of the shortage in freer world markets. The provisions of the U.S.-U.S.S.R. agreement provide the opportunity for a more stable and expanded volume of grain trade between the two countries.

4. Trade with the LDCs.

Projections indicate that until 1985, or 1990, annual grain consumption will be rising at the most rapid rate in the developing market countries, followed by the developing centrally planned economies, and the developed countries. But the absolute projected demand shows the largest expansion in the developing market countries, followed by the developed economies, and the developing centrally planned countries. This suggests that major emphasis should be devoted to U.S. agricultural trade with its traditional markets. But the success of such a policy is contingent upon the expansion of manufacturing exports by the developing countries. Their synchronized expansion with the developed market countries from 1960 to 1973 was substantially dependent upon this trend. The manufactured exports of the developing countries in 1960 comprised 14.1 per cent of their total exports; by 1973 it was 24.2 per cent and in 1976, approximately 30 per cent. Even in absolute terms, the expansion has been substantial, from $2.9 billion in 1960 to $38.5 billion in 1974. As a proportion of world manufacturing exports, this has been a modest rise from 5.1 per cent in 1960 to 8.0 per cent in 1974. However, with the contemporary slower growth rates of GNP in the developed market economies and the high levels of unemployment, relentless pressures have been growing in the

developed countries to impose trade restrictions against manufacturing imports from the LDCs.

5. Real and Imaginary Constraints.

The unparalleled internationalization of the developed market economies in the 1950s and 1960s, with the extraordinary rise in the growth rate of exports by the developing market economies, engendered potential imbalances in the weaker sectors of the developed market economies. The necessary reduction in the trend growth rate of real wages brought about by the rising oil prices was an important real constraint on the process of adjustment, as was the higher real cost of investment to produce additional output. These forces could not but lead to increased pressures for protection. Rising wages in leading sectors and rising prices intensified political demands for wage increases in the weaker sectors. Those human agents which could not stay abreast in relevant training became unemployed. Given the rise in legal minimum wages, and other forms of contractual commitments, a successful stimulus for domestic and international economic expansion therefore has become increasingly contingent on expanded investment in the human training of the disadvantaged, making it possible for them to render continual effective service at the going wage rate.

An enlarged economic stimulus is the necessary requisite as the macro foundation for a substantial degree of micro wage-price adjustments. But expanded investment in training, both in public-service employment and via tax incentives in the private sector, is now indispensable for a sustained rate of expansion with a marked reduction in the unemployment level. For a reduction in the spread of trade restrictions among the developed market economies, a harmonization of such policies appears to be a primary requisite. Recent evidence has shown that, for most developed countries, exchange rate adjustments are a very efficacious way of achieving required adaptations within the various sectors of the economies. There is need to reinforce these adjustments, under the increased surveillance of the IMF, by the harmonization of investment policies on the part of the United States, Germany and Japan. If gradual progress could be made in overcoming the major real constraints that are now impeding international economic advance, the widely believed constraints of historical diminishing returns, insufficient cultivable land and food supplies, exhaustible energy resources — and even the excessively high birth rates in the LDCs — would, in historical perspective, prove to be tractable.

Table 1

AVERAGE ANNUAL RATES OF GROWTH OF WORLD AND REGIONAL FOOD PRODUCTION

Period	Total All Developed Countries	Developed Market Countries	Western Europe	North America	Oceana	Eastern Europe & USSR
1961-1970	2.6	2.4	2.3	2.3	3.4	3.1
1970-1976	2.3	2.4	1.5	3.1	3.1	2.1

Period	Total All Developed Countries	Developing Market Countries	Latin America	Far East	Near East	Africa	Asian Centrally Planned Economies
1961-1970	2.9	3.0	3.5	2.7	3.2	2.6	2.9
1970-1976	2.6	2.7	2.8	2.8	4.0	1.5	2.4

Table 2

AVERAGE ANNUAL RATE OF GROWTH OF PER CAPITA FOOD PRODUCTION

Period	Total All Developing Countries	Developing Market Countries	Latin America	Far East	Near East	Africa	Asian Centrally Planned Economics
1961-1970	0.6	8.4	.7	.2	.5	0	1.1
1970-1976	0.3	0.1	.1	.2	.9	-1.2	.6

SOURCE: Food and Agriculture Organization, Monthly Bulletin of Agricultural Economics and Statistics, April 1977, p. 2.

Table 3

AVERAGE ANNUAL REAL RATES OF GROWTH OF SELECTED ECONOMIC INDICATORS FOR DEVELOPED AND DEVELOPING MARKET ECONOMIES: 1961-73; 1974, 1975, 1976[P]

	1961-73					1974		1975		1976[P]	
Area	G.I.	Mfg. P.	Ag. P.	Pop.	GNP/p.c.	Ag. P.	GNP/p.c.	Ag. P.	GNP/p.c.	Ag. P.	GNP/p.c.
Developed Market Economies	6.5	6.2	2.0	1.0	4.0	0.2	-0.6	2.6	-1.8	0.9	4.2
Developing Market Economies	8.2	8.9	2.9	2.5	3.7	3.3	3.7	4.6	2.9	3.6	3.7
East Asia and Pacific	12.0	12.9	4.3	2.5	4.2	2.8	2.9	4.2	1.6	4.5	6.0
North Africa and Middle East	10.4	9.2	3.0	2.7	5.2	8.4	4.0	2.3	11.1	7.0	7.9
Latin America and Caribbean	6.8	7.4	2.9	2.8	2.9	5.8	4.7	1.0	0.2	6.3	1.8
Africa South of the Sahara	6.5	8.9	1.8	2.6	1.8	7.4	5.3	2.0	0.6	1.7	1.9
South Asia	4.7	5.4	2.5	2.3	1.3	-4.6	-0.8	10.6	5.6	0.5	3.7

[P] = Preliminary.

NOTE: G.I. — Gross Investment; Mfg. P. — Manufacturing Production; Ag. P. — Agricultural Production; Pop. — Population; GNP/p.c. — Gross National Product Per Capita.

SOURCES: Calculated from Annual report of the World Bank, Washington, D.C., 1976, pp. 96-97, and 1977, pp. 104-105.

Table 4

OECD COUNTRIES: ANNUAL GROWTH OF REAL GNP AND PRICES, AND AVERAGE UNEMPLOYMENT RATES — ACTUAL 1959 TO 1976, AND PROJECTIONS TO 1980

	Actual Percent Annual Rates				Projected Rates[a]
	Golden Era 1959-1969	Inflationary-Transition 1969-1973	Inflationary-Recession 1973-1975	Sluggish Expansion 1976	1976-1980
Growth of Real GNP	5.3	4.5	-0.5	5.2	4.2 - 5.0[e]
GNP Deflator	2.9	6.1	11.4	7.1	6.3 - 7.0
Average Unemployment Rate					
- recorded	2.8[d] (1963)	3.3 (1971)	5.0[c] (1975)	4.4	
- potential[b]			6.5[c]		5.0 - 5.25 (average)[e]

[a]Projected rates assume gradual change from 1975 to 1980.

[b]Projected at full-employment participation rates, including people who had temporarily withdrawn from the labor market because of depressed economic conditions.

[c]1975 only.

[d]Average unemployment rates declined as a general trend during the period 1959 to 1969; 1959 = 4.0%; 1965 = 3.0%; 1969 = 2.2%.

[e]The growth of real GNP for the period 1975 to 1980 was first projected at 5.5% in a scenario formulated by OECD: officials of key OECD countries have since suggested to the writer that it be revised to 5.0% or lower. A growth of real GNP has been assumed at 4.2% for the period 1974 to 1985 by the OECD in a study on World Energy Outlook (1977), p. 6. Average potential unemployment rates for the years 1963, 1971, and the target date 1980 are considered by OECD as representing comparable demand conditions. The data have been adjusted for different definitions of unemployment used by the OECD countries.

SOURCES: Calculated on the basis of OECD, Main Economic Indicators; OECD, Economic Outlook (Paris, July 1976), pp. 135-137; and supplemented by 1970-77 issues.