



“Summary of article by Thomas Walz and Edward Canda: Gross National Consumption in the United States: Implications for Third World Development” in Frontier Issues in Economic Thought, Volume 2: The Consumer Society. Island Press: Washington DC, 1997. pp. 330-331

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U.S. consumption levels have a systematic, largely negative impact on Third World development. The connection is not merely that a gross disparity exists between U.S. and Third World standards of living, with average American leisure spending, for example, exceeding average African per capita income. This paper argues that there are, on a deeper level, four structural reasons why U.S. consumption patterns act as a barrier to Third World development: the effects of U.S. international debt; competition for scarce resources; influence of the evolution of technology; and promotion and export of military equipment.

During the 1980s, the United States shifted from being the world's largest creditor nation to being the largest debtor. Increases in aggregate consumption since about 1980 have resulted, to an unprecedented extent, from decreases in investment and increases in foreign borrowing rather than from growth in production. In international lending markets, the U.S. is a preferred borrower and is first in line for available loans. This makes it difficult for Third World nations to borrow, and drives up the interest rates they must pay on the loans they do receive.

The United States is a voracious consumer of scarce resources such as petroleum. The American transportation system, for example, consumes a huge share of the world's oil output. U.S. demand drives up world prices; in the case of oil, the OPEC cartel was able to raise prices dramatically in the 1970s because it could rely on American demand. Much of the current indebtedness of Third World countries can be traced back to the years of high oil prices, when they were forced to pay, in borrowed dollars, for oil imports. With a lower U.S. consumption level, oil and other natural resource prices would be lower, imposing less of a burden on other resource-using economies.

The evolution of technology in today's First World is geared toward increasingly efficient, labor-saving mass production, producing the consumer goods desired by affluent households. Such technology is increasingly part of an integrated global economy that is no longer confined to individual countries. The Third World is essential to the global economy as a source of natural resources and labor, and as a market for high-technology exports. As Third World elites seek to modernize along the lines of the North, their societies become indebted, and hence vulnerable to intrusions into domestic policy by creditors such as the International Monetary Fund and the World Bank. Often, creditors impose austerity plans, lowering living standards for the poor but promoting the growth of an educated middle class, which expands the market for developed-country consumer goods.

Defense spending, which clearly diverts needed funds from domestic investment, has been growing much faster in the Third World than in industrialized countries. Third World arms purchases exacerbate the international debt crisis, and yield no capital return. Arms sales by the U.S. and other leaders in high-technology weaponry create profits for the producers, but provide no benefit for the purchasers. In fact, real threats such as terrorism cannot be stopped by technology, but will be solved only through improved distributive and political justice throughout the world.

"A sane and just society must pursue moderation in consumption, embracing at least in spirit Gandhi's call for 'non-possession' (material simplicity). . . . This would, of course, require a momentous paradigm shift in the American way." (172) Gandhi argued for an economy based on ethics rather than profits, based on the spiritual value of material simplicity as well as a concern for exhausting the finite resources of the world.

A move toward a materially simpler life in the United States would free resources for Third World development. But could such a move occur without causing crisis in the U.S.? Although there is modest evidence of a changing perspective on consumption and the environment, there is not yet the necessary commitment to an ethic of worldwide social justice.

To enable the Third World to achieve guaranteed subsistence for all, the First World must be willing to reduce the gross exaggeration of consumption patterns and levels. . . . [This] could benefit all people by affirming their right to subsistence and enhancing their spiritual integrity through a morally grounded approach to consumption. (174)