

Cambridge University Press  
0521267161 - The Evolving International Economy  
Graciela Chichilnisky and Geoffrey Heal  
Frontmatter  
[More information](#)

---

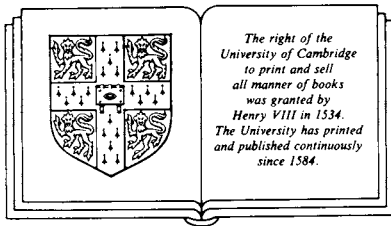
## **The evolving international economy**

Cambridge University Press  
0521267161 - The Evolving International Economy  
Graciela Chichilnisky and Geoffrey Heal  
Frontmatter  
[More information](#)

# The evolving international economy

GRACIELA CHICHILNISKY  
*Columbia University*

GEOFFREY HEAL  
*Columbia University*



CAMBRIDGE UNIVERSITY PRESS  
*Cambridge*  
*London New York New Rochelle*  
*Melbourne Sydney*

Cambridge University Press  
0521267161 - The Evolving International Economy  
Graciela Chichilnisky and Geoffrey Heal  
Frontmatter  
[More information](#)

---

Published by the Press Syndicate of the University of Cambridge  
The Pitt Building, Trumpington Street, Cambridge CB2 1RP  
32 East 57th Street, New York, NY 10022, USA  
10 Stamford Road, Oakleigh, Melbourne 3166, Australia

© Cambridge University Press 1986

First published 1986

*Library of Congress Cataloging-in-Publication Data*

Chichilnisky, Graciela.

The evolving international economy.

Includes index.

I. International economic relations. I. Heal, G. M.

II. Title.

HF1411.C4159 1986 337 86-6124

*British Library Cataloging-in-Publication Data*

Chichilnisky, Graciela

The evolving international economy.

I. International economic relations

I. Title II. Heal, G. M.

337 HF1411

ISBN 0 521 26716 1 hard covers

Transferred to digital printing 2004

## Contents

<i>Preface</i>	vii
1 Introduction	1
<b>Part I Industrial economies and the international market</b>	7
2 Domestic policy issues	9
3 Protectionism and the management of trade	23
<b>Part II The role of developing countries</b>	37
4 Export strategies	39
5 Armaments and North–South trade	65
6 Aid, trade, and debt	73
7 Resources and North–South trade	88
<b>Part III Summary</b>	103
8 The evolving world economy	105
<b>Part IV Theoretical background</b>	111
9 Adjustment, stability, and returns to scale	113
10 Large-scale technologies and patterns of trade	122
11 North–South trade and export policies	136
12 Aid and transfers	150

## Preface

The first version of this book was produced in partial fulfillment of a contract between the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Institute of Training and Research (UNITAR), under which the latter undertook to assist the Secretary General of UNCTAD in the preparation of material relevant to UNCTAD VI, the sixth major international conference of the UN system on trade and development. It draws on results of economic studies, both theoretical and empirical, conducted by the authors over a number of years. Chichilnisky's studies originated in the production of the Bariloche model at Fundación Bariloche, Argentina, 1972–6, and were subsequently conducted under the auspices of the UNITAR Project on the Future at Harvard University, Columbia University, and the University of Essex with support from the U.S. National Science Foundation, the Rockefeller Foundation, the Institute for Mathematics and Its Applications at the University of Minnesota, and the Center for the Social Sciences, Columbia University. Their conclusions are embodied in Part II of this book. Heal's research was begun at the University of Sussex, and subsequently continued at the University of Essex, at Yale University, and at the Columbia Business School with support from UNITAR, the National Science Foundation,<sup>1</sup> the U.K. Economic and Social Research Council, the Institute for Mathematics and Its Applications at the University of Minnesota, the Center for Social Sciences, Columbia University, and the Faculty Research Fund of the Columbia Business School. His research was concerned mainly with the issues in Part I of the book.

The book focuses on the main issues of trade and development, and on the attainment of the major development goals generally espoused by the international community. These include rapid development in the third world, sustained economic expansion in the industrial countries, and the eradication of deep inequalities and of extreme poverty. A prerequisite for this is full participation in international and local societies, for which the fulfillment of basic needs, introduced and defined in the Bariloche model, is in turn necessary.

<sup>1</sup> The authors wish to acknowledge support from NSF grants SES-84-20244 and SES-84-09857.

Cambridge University Press  
0521267161 - The Evolving International Economy  
Graciela Chichilnisky and Geoffrey Heal  
Frontmatter  
[More information](#)

viii      **Preface**

Although these goals are highly normative, our analysis is descriptive. It is focused on the particulars of market behavior, both at the domestic and at the international levels. It traces the ways in which markets respond to policies, in the belief that policies cannot be viewed in a vacuum, but must be confronted with the responses of the market. International markets are one of the most powerful forces governing the evolution of the world economy and must be taken into consideration when analyzing alternative policies. The interplay of domestic policies and international markets is a main feature of our analysis.

The book comprises four parts. The first three give an overall analysis of the world economy, with commentary and conclusions on major issues of trade and development. They make no use of either formal analysis or mathematical modeling. The intention here is to explain and illustrate rather than to provide rigorous proofs.

The fourth part of the book goes somewhat further than the first three in formalizing and making rigorous the earlier claims. It does not aim at the standards of formalization that one would ideally expect from professional journals. It attempts to indicate, for the benefit of readers with an acquaintance with basic economic theory, the nature of the models and the arguments that substantiate the discussion in the first three parts. It provides, within the context of the formal models, the intuitive basis for the main results. Rigorous proofs are found in the references given to the technical literature.

Our work has benefited from comments by many of our colleagues and a complete acknowledgment seems beyond our reach. However, we mention in particular Philippe de Seynes, Director of the Project on the Future at UNITAR, as well as the many comments and suggestions from Kenneth Arrow, Dragoslav Avramovic, Havelock Brewster, Joan Butler, John Cuddy, Gamani Corea, Juan de Castro, Avinash Dixit, Reinaldo Figueredo, Jerry Holtham, Ronald Jones, Soichi Kojima, John Llewellyn, A. McIntyre, Darryl McLeod, Jan Pronk, Michael Sakbani, and Joseph Stiglitz.

Research assistance from Michael de Mello, Arlene Roberts, and Rachel Pohl is gratefully acknowledged. Maxine Braiterman and her colleagues in the word processing unit at the Columbia Business School provided invaluable help in the protracted task of preparing this manuscript. Finally we would like to acknowledge the editorial advice of Colin Day of the Cambridge University Press.

The opinions expressed here are entirely those of the authors, and do not reflect the positions of any supporting organization.

G. Ch.

G. M. H.