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North/South: The United States Responds to the New International Economic Order

Endings, not beginnings, preoccupied the makers of American policy in the era of the New International Economic Order (NIEO). The collapse of the international monetary system; the expiration of cheap oil, which had fueled the postwar resurgence of industrialized societies; the disgrace of Richard Milhous Nixon; the crisis of American world leadership, even of the Cold War international order: these were among the transitions that American leaders were struggling to navigate when President Houari Boumediene of Algeria took the floor at the United Nations in April 1974 to demand the creation of a New International Economic Order that would redistribute wealth from the industrialized societies of the global north—"the powers of domination and exploitation"—to the countries of the global south. The United States did not choose the confrontation, but as the industrialized world's wealthiest and most powerful country and the superintendent of the world's economic and political orders, it fell to the United States to respond.[1]

Understanding Washington's response to the NIEO's challenge requires situating that challenge amid a general crisis of postwar institutional arrangements. This crisis divided the West, defined here as the alliance of capitalist countries that the United States had rallied for Cold War purposes, and encouraged the global south to devise and promote alternative conceptions of international order. The poor countries that caucused as the Group of 77 (G-77) and championed the NIEO invoked the colonial era to explain their own poverty and justify remedial action, but they looked forward, not backward, entertaining a clear concept of the new order they hoped to build. Focused on the sustenance of a faltering status quo, American leaders faced the future with no such clarity. Instead, leaders in the United States and elsewhere competed with the NIEO's proponents and with one another to respond to the Third World's challenge. Some favored prudent appeasement; others envisaged counteroffensives. Some hoped that postwar arrangements might yet be sustained; others contemplated remaking postwar institutions and arrangements on their own terms. The global south's demand for the NIEO did not achieve its intended purpose, but it exacerbated the general crisis of the postwar order and prompted reconsideration, in the north, of alternatives to the status quo. Still, what resulted from this phase of creative turmoil, which spanned from the mid- to late 1970s, was not a remaking of international order on terms more amenable to the world's poorest people. On the contrary, the market-oriented solutions that emerged from the crisis of postwar arrangements in the 1970s would prove to be even less conducive to broad-based economic development than the old order had been.

Focusing on the United States, this essay charts the evolution of official responses to the NIEO's challenge in the mid-1970s. It begins by situating the NIEO's challenge within a general crisis of postwar arrangements in the 1970s. The central part of the essay follows the evolution of U.S.-led responses to the NIEO from the spring of 1974, when Boumediene issued the G-77's demands, through to the end of 1976. During this phase, U.S. secretary of state Henry Kissinger pursued a strategy of constructive appeasement—what I call his "southern strategy." This strategy aligned with the recommendations of globalist think tanks such as the Club of Rome and the Trilateral Commission, but it encountered stubborn obstacles within and beyond the executive branch of the U.S. government. Domestic politics, in particular, constrained constructive engagement. After Kissinger, the essay concludes, accommodation of the kind that Kissinger sought continued to encounter durable obstacles, as the experiences of the Carter administration would confirm.

The failure of the NIEO, it follows, owed not so much to reflexive hostility among high-ranking U.S. officials as to political and institutional obstacles that made realization of the NIEO's agenda improbable. What the G-77 proposed was, after all, an ambitious concept for achieving economic government, even economic justice, at the planetary scale. In the absence of either a world state or collaborative institutions capable of approximating the authority thereof, mastery of transnational economic relations would be exceedingly difficult to accomplish. What is most mystifying, in retrospect, may not be the failure of the New International Economic Order but the hope that it inspired in its own time.

"Crisis?" asked Britain's prime minister in early 1979. "What crisis?" Lampooned in his own country, where truckers were striking and trash was piling in the streets, James Callaghan's words still prompt debate. What kind of crisis turned on the 1970s? To invoke the specter of general crisis—a concept that historians have applied to the economic, social, and political tumult of the early seventeenth century—may be to succumb to hyperbolic analogy; the 1970s did not experience famine, war, and pestilence on a general scale, even if the horrors that visited Bangladesh, Cambodia, and Vietnam bore comparison to those that afflicted early-modern Europe.[2] The turmoil of the 1970s nonetheless revealed general characteristics: the crises of economic and political orders were interlinked, at the international scale and across societies. What the historian Geoffrey Barraclough, an astute follower of contemporary trends, perceived in the mid-1970s was a "great world crisis." "What we are faced with," Barraclough wrote, "is the breakdown of the industrial system built up in the West since 1950 and of the international order it created."[3]

For Barraclough, it was the interconnectedness of problems, "the crisscrossing web of unresolved issues in which the world has suddenly become entangled," that made the crisis of the mid-1970s systemic, mandating integrated responses. The breakdown of the world monetary system was symptomatic, and in some ways causative, of the broader crisis in the postwar order. Known as the Bretton Woods, the postwar monetary system was a rules-based order that sustained fixed exchange rates via a gold-dollar exchange standard. The United States fixed its dollar to gold; other countries pegged their currencies to the dollar and retained dollars as reserve assets. Bretton

Woods institutionalized American hegemony, but the dollar's singular role conferred costs as well as benefits. Bretton Woods collapsed in 1971–73: its breakdown resulted from the relative decline of U.S. economic power; the disruptive effects of short-term capital movements; and Washington's efforts to drive down the market value of the dollar. The collapse of Bretton Woods led to no new monetary order; instead, disorder prevailed, made manifest in the general recourse to floating exchange rates. The postwar bid for monetary stability under benign U.S. hegemony had come undone. Even regional monetary stability seemed unworkable, as the members of the European Economic Community (EEC) learned in the mid-1970s. The breakdown of Bretton Woods loosened constraints on monetary creation within capitalist economies, encouraging governments to print currency. Governments did so, hopeful of stimulating growth but instead fueling price inflation. Inflation in the most advanced capitalist economies topped 13 percent in 1974; in India, it approached 29 percent; in Chile, it reached more than 500 percent, a velocity that recalled the hyperinflation that had wrecked Europe after 1919.[4]

The breakdown of Bretton Woods did not cause the oil crisis, but the 19 percent decline in the dollar's value between 1970 and 1973 clipped the income of the oil-exporting countries, oil being denominated in dollars, and encouraged the exporters to pursue remedial action.[5] What enabled them to act was a shift in market conditions that empowered the Organization for Petroleum Exporting Countries (OPEC) and curtailed the capacity of U.S. oil producers to determine market prices. The United States had long dominated world oil production, but U.S. production passed peak output in 1971. With global demand for oil continuing to grow, the industrial countries became, as a consequence, more dependent on the producers of the Middle East. From 1970, these countries pressed for higher prices; by the summer of 1973, the price of a barrel of Dubai Light Crude had increased by 25 percent.[6] This reversed a long-term, secular decline in oil prices spanning the 1950s and 1960s, but it was mere prelude to the oil crisis of 1973–74. Meeting in early October 1973, the OPEC countries had already committed to further price hikes when news broke that Egypt and Syria had attacked Israel. Saudi Arabia now orchestrated a series of production cuts and an anti-U.S. oil boycott in the hope of dislodging Washington's support for Israel. Combined, the price hikes, production cuts, and embargo quadrupled oil prices in a matter of months. By 1974, Dubai Light Crude was selling at $13 per barrel—over six times the nominal price of $1.80 at which it had sold in 1970. For the capitalist societies whose industrial prosperity depended on cheap and abundant oil, this reversal was catastrophic. "The industrial world will have to realize," the shah of Iran proclaimed, "that the era of their terrific progress and even more terrific income based on cheap oil is finished."[7]

Straining relations between the United States and its closest allies, the oil crisis threatened, for a time, to overwhelm the U.S.-led international order that emerged from the 1940s. For a quarter century, the other capitalist countries had accepted U.S. leadership—and their own subordinate status—because Washington nurtured the capitalist world's prosperity and guaranteed the West's collective security. The cohesion of the West had nonetheless loosened during the 1960s, in part because of the diminution of the Cold War hostilities, in part because U.S. choices, especially in

Vietnam, brought American leadership into ill repute. From the mid-1960s, U.S. allies had asserted their prerogatives with new vigor: France cast NATO out of Paris; West Germany made overtures to the East; and Great Britain joined the EEC. Nixon's pursuit of Soviet-American détente from 1969, meanwhile, caused Europeans to fret over the prospect of their exclusion from an emerging superpower condominium, while Nixon's disgrace in the Watergate scandal weakened the U.S. presidency, the institution that guaranteed America's military commitments to its allies. The oil crisis of 1973–74 worsened the strains within the West. Wholly dependent on OEPC oil, the European countries repudiated Israel, distanced themselves from Washington, and worked to strike special deals with the oil producers. "The Europeans behaved like jackals," complained Henry Kissinger. "They gave us no support when we needed it."[8] With the West in disarray, the postwar order seemed to be imploding. "The world has spun," the *Economist* declared at the end of 1973, "into a simultaneous crisis of leadership, economics, and energy."[9]

The economic difficulties of the mid-1970s exacerbated the crisis of the postwar international order. For the capitalist countries, the postwar decades had been a phase of remarkable prosperity, thanks in part to cheap oil. Between 1950 and 1973, annual GDP growth averaged 4.8 percent in Western Europe, 3.9 percent in the United States, and 9.3 percent in Japan.[10] In 1974, the ascent stopped. That year, the industrialized economies grew by just 1 percent; in 1975, they contracted. Stock markets shrank: the Dow Jones lost a third of its value after October 1973 and would not recover precrisis levels until 1976.[11] Unemployment reached heights unseen for decades: in 1975, 8.5 percent of Americans, 7 percent of Canadians, and 4 percent of Germans found themselves out of work (in Germany, unemployment between 1960 and 1973 averaged just 0.7 percent of the labor force).[12] Consumer prices nonetheless surged. Annual price inflation in 1974–75 averaged 20 percent in Great Britain, 18 percent in Italy, and 17.5 percent in Japan. The toxic combination of recession and inflation, dubbed stagflation, mocked the still-prevalent belief that judicious government stimulus could sustain permanent economic expansion. Core assumptions of the postwar era—that growth was endless and that the state could direct it—were crumbling. The crises of the world's political and economic orders appeared to contemporary eyes to be closely interconnected. "The international system," the Trilateral Commission concluded in late 1974, "is undergoing a drastic transformation through a number of crises."[13]

The world's poorest countries suffered no less than the industrialized societies from the crisis of the mid-1970s; in many ways their predicament was worse. The poor spend larger fractions of their income on life's basic necessities than do the rich, and the price of such necessities was surging in early 1970s. Food prices paralleled oil prices upward thanks to a wave of crop failures worldwide in 1972 and the rising costs of energy and petrochemical inputs. Even adjusted for inflation, food prices tripled between 1970 and autumn 1974. What looked from the West's perspective like an energy crisis appeared, from the global south's perspective, like a food and energy crisis. Construing the price crunch in these terms offered a different vantage on its winners and losers: the industrialized countries paid more for oil, but such food exporters as the United States and France benefitted from rising food prices. For

societies that imported both food and oil, rising prices brought economic distress, social strain, and even political tumult. Economic dislocation fermented democratic revolution in Portugal in 1974–75, but similar pressures yielded authoritarian crackdowns in contexts ranging from Argentina to the Philippines.[14] The travails of the world economic order thereby compounded a broader crisis of postcolonial nationalism, a crisis that manifested itself, across diverse context, in the stifling of democracy and the entrenchment of kleptocratic elites. "Today," lamented Clifford Geertz in 1977, "it is no longer [Jawaharlal] Nehru who is taken for the Third World's augur, but [Idi] Amin."[15]

Geertz mourned the retreat of participatory democracy in the postcolonial world; others dwelled on the failures of economic development. On average, the Third World's economies grew by 5.7 percent per year between 1950 and 1973—faster than most capitalist countries—but rapid population growth explained much of this increase, with the result that little improvement in living standards occurred.[16] In constant (2013) U.S. dollars, the average Indian's income increased from just $800 in 1950 to little more than $1,500 in 1973—a miserly improvement over a phase when average Italian incomes tripled from around $6,000 to $18,000. Addressing the United Nations, World Bank president Robert S. McNamara in 1972 declared the achievements of development in recent decades to be "unacceptable."[17] "What are we to say," McNamara asked, "of a world in which hundreds of millions of people are not only poor in statistical terms, but are faced with day-to-day deprivations that degrade human dignity to levels which no statistics can adequately describe?" Amelioration would depend, McNamara argued, upon the industrialized countries expanding aid, but it would also require the developing countries to remedy "severely skewed income distribution" in order to "deal with the problem" of massive, persistent, and abject human misery.

Little would be achieved for development, McNamara argued, by "fruitless confrontation between rich nations and poor nations."[18] Others disagreed. While McNamara's World Bank spoke for mainstream development economics, the poorer countries had since the 1950s constructed collaborative institutions and networks of their own. Marginalized from the IMF and World Bank, the Third World countries focused their efforts on the General Assembly of the United Nations, where their numbers conferred power. Within the General Assembly, the Third World countries caucused as the Group of 77 (G-77) and convened the United Nations Conference on Trade and Development (UNCTAD) in 1964. Under the leadership of Raúl Prebisch, the Argentine economist who ascribed the developing world's poverty to the adverse terms of international trade, UNCTAD proved a hospitable environment for structural analyses that posited causal connections between the prosperity of rich nations and the stagnation of poor countries.[19] This hypothesis matured in the 1950s and 1960s as dependency theory, a body of thought that repudiated modernization theory's conception of poverty as a primordial predicament, from which industrialization could lift nation-states.[20] Dependency theorists instead concluded that the amelioration of poverty required the remaking of international structures that sustained the affluence of the few at the expense of the many. Prebisch himself left UNCTAD in 1969, but the economic and political crisis of the postwar order that

culminated in 1974–75 provided an opportunity for his heirs to launch a frontal assault upon the international status quo.

In April 1974, Houari Boumediene addressed the UN. Speaking for the G-77, the Algerian president declared a "decisive turning-point in the course of international relations."[21] The poor countries could not prosper without the remaking of international economic structures, Boumediene proclaimed. Neither domestic institutions nor natural endowments but the world economic order itself was "standing in the way of any hope of development and progress." To supplant the status quo, Boumediene proposed creating a New International Economic Order or NIEO. In this new order, developing companies would seize control of their natural resources, expropriating the claims of multinational corporations; agreements would be negotiated to fix the prices of commodity exports, substituting cartels for the market; the world monetary system would be reformed to accommodate the needs of the developing countries; and the United Nations would create a "special fund" to serve the world's most desperate people. The oil crisis animated the initiative: OPEC's example should be a "source of hope" to developing countries that did not produce oil, declared the leader of one that did. The initiative's anti-Westernism was palpable. So too was its statism. The NIEO sought the transformation not only of north-south relations but also of relations between the state and the market. Indeed, the first concrete step that the G-77 took to realize its NIEO was the passage by the UN General Assembly eight months later of the Charter of Economic Rights and Duties of States, an antiliberal manifesto that affirmed the absolute powers of governments over all economic activities, including property rights, within their borders.

The developing countries rallied around Boumediene's proposal, but the NIEO contained within it a profound paradox. The Third World's spokesmen asserted the permanence and inalienability of sovereign control over economic resources, much as OPEC had done, but achieving the NIEO's vision for equitable growth would require constructing new architectures for international governance, to which nation-states would necessarily have to be subordinate. Indeed, Mahbub ul Haq, a World Bank economist, argued that achieving economic justice among nations required a remaking of global governance akin to the remaking of national governance that the United States achieved during Franklin Roosevelt's New Deal. To achieve the NIEO's goals, Haq explained, would require "the evolution of many of the same institutions and mechanisms which have been gradually accepted at the national level."[22] This evolution would, in Haq's view, entail the creation of a new authority to superintend existing international economic institutions and plan global growth; the establishment of a world central bank and a reserve currency to supplant the U.S. dollar; and the development of an international tax system to redistribute wealth from the rich countries to the poorer nations. While elements of this vision—such as the call for industrialized countries to liberalize tariff barriers to Third World exports—were compatible with liberal axioms, fulfilling the NIEO's agenda would nonetheless require a revolutionary remaking of existing institutions—a supplanting, in other words, of the U.S.-led postwar order with a new world order.

Five days after Boumediene addressed the General Assembly in April 1974, Henry Kissinger responded. Countering the Algerian president, the U.S. secretary of state told the General Assembly that the oil crisis had "shattered" the "notion of the northern rich and the southern poor." Far from spearheading the Third World's emancipation, OPEC's actions, Kissinger argued, had exacerbated the misery of the world's poorest people, whose fuel bills had rocketed. OPEC, Kissinger insisted, did not offer a useful template for other developing countries. Growth, not redistribution, was in Kissinger's eyes the only plausible solution to poverty, hunger, and disease, and growth would be achieved only within "an open, expanding world economy." Committed, as he was, to defending the status quo, Kissinger indicated a willingness to negotiate around its margins. Having in the past resisted OPEC's calls for consumer-producer talks on energy, he now declared himself willing "to countenance such a dialogue" and to extend it to include other commodities—bauxite, tin, copper, and so on. Kissinger would even consider the creation of international mechanisms to stabilize commodity prices, a core NIEO demand. The secretary of state's boldest commitments were reserved for food, where Kissinger pledged to expand U.S. food production and to provide more assistance for the world's poorest people. Kissinger's speech met with a positive reaction from the General Assembly. Between the lines, however, a strategic agenda was cohering.[23]

In public, Kissinger was conciliatory. In private, he was frank about his purposes. "I don't want to accept a New Economic Order," Kissinger told President Gerald Ford, "but I don't want to confront Boumedienne."[24] Instead, by appeasing the global south in specific areas, such as commodity prices and food assistance, Kissinger sought to stabilize the existing international order. If quieting the Third World's insurgency required concessions, Kissinger was willing to make them. He would not mount the barricades in defense of what he called the "theology about the merits of the free market economy."[25] Instead, Kissinger would engage the G-77. Doing so promised to break the G-77's alliance of oil-exporting and non-oil-exporting Third World countries and to hold Washington's alliances together. With West European leaders appearing to sympathize with elements of the NIEO, taking a hard line, Kissinger recognized, would alienate the United States from its closest allies. Preoccupied with the stabilization of the existing international order, Kissinger improvised a "southern strategy" (as I call it) that aimed, through targeted concessions, to neutralize the NIEO.[26] Cynical as Kissinger's motives were, his efforts were in practice progressive, even creative. Washington had since the Cold War's advent targeted development assistance at individual nation-states from Chile to South Korea, but Henry Kissinger now turned, like the NIEO's proponents, to the world scale, where he conceded the necessity of reform in the hope of preempting a more revolutionary remaking of a faltering international order.[27]

Henry Kissinger favored conciliation, but others within the U.S. government mistrusted—and contested—his strategy for prudent appeasement. Ideological commitments animated the backlash, which was in some ways surprising. Since the 1940s, after all, U.S. foreign economic policy had been more pragmatic than doctrinaire. In pursuit of a worldwide anti-Soviet front, the United States had supported

European social democrats, Third World socialists, and even Yugoslav communists. By the mid-1970s, however, the forces of free-market orthodoxy in the United States were rising, emboldened by the failure of Keynesian solutions in the recession of 1974–75. Under President Gerald Ford, the influence of committed neoliberals mounted. Alan Greenspan chaired Ford's Council of Economic Advisers. A disciple of Ayn Rand, Greenspan cleaved to market-based solutions.[28] So did William Simon, a bond trader whom Ford appointed as secretary of the treasury. Seeing himself as a defender of capitalism against the "dominant socialist-statist-collectivist orthodoxy" of his era, Simon was a fierce partisan of the market.[29] Greenspan, Simon, and other neoliberals within the Ford administration would oppose Kissinger's efforts to conciliate the NIEO's proponents, constraining the options for foreign policy. Domestic and bureaucratic politics would also inhibit Kissinger's bid for constructive appeasement. Aiding the developing countries might serve foreign policy interests, as Kissinger argued, but doing so also imposed burdens on domestic constituencies, which led Ford's domestic and political advisers to express recurrent skepticism. Facing adverse domestic headwinds, Kissinger's efforts to engage the G-77 in a meaningful dialogue proved contentious, leaving the State Department isolated within the U.S. government.

Food was an area where the United States was well positioned to appease the Third World. The world's greatest producer of wheat, corn, and soybeans, the United States in 1974 exported more food than did the world's next three food exporters combined.[30] From this position of dominance, Kissinger envisaged a world food policy, a concept that he debuted at World Food Conference that convened in Rome in November 1974. To conquer hunger, Kissinger proposed to expand world food production via the sharing of advanced agricultural technologies. The United States, in Kissinger's food concept, would also expand overseas food aid and build an international food bank. In public, Kissinger described action as an ethical imperative for a globalizing era. "Now our consciousness is global," he explained, "our moral convictions have made this issue into a universal political concern."[31] In private, he stressed the utility of generosity. Food, Kissinger explained, "is useful in weaning India away from the Soviet Union."[32]

Such displays of cynicism did not quiet the skeptics within the Ford administration, who railed against Kissinger's food concept on political and ideological grounds. Expanding food aid, as Kissinger proposed, was controversial: some worried that it would increase domestic food prices, alienating voters, others that expanding overseas food assistance would exacerbate domestic inflation. "We are isolated within the government," Kissinger's advisers warned.[33] President Ford nonetheless approved the creation of an International Food Review Group to develop the proposals that the secretary of state had made in Rome. During the winter of 1974–75, the new group devised plans for creating an international food reserve that would absorb surplus production in times of plenty, sustaining agricultural prices, and provide food to the market in times of scarcity, ensuring the availability of food at stable prices. Unveiled in May 1975, Kissinger's food concept called not for the creation of a world food bank but for the establishment of a system of national reserves that "international rules or guidelines" would coordinate.[34] Kissinger envisaged making "special provision to meet

the needs of the poorest developing countries," but he encountered staunch opposition within the U.S. government. Secretary of Agriculture Earl Butz opposed the State Department's proposal, as did Alan Greenspan and Bill Simon, who disparaged Kissinger's proposal as a bid to internationalize economic managerialism and an affront to the free market.

The controversy over food prefigured even sharper confrontations within the Ford administration. In May 1975, the Economic Policy Board (EPB), which Ford had created in 1974, launched a broadside against Kissinger's southern strategy.[35] In a memo to the president, Wiliam Simon and William Seidman, Ford's assistant for economic affairs, lambasted Kissinger's willingness to "acquiesce in, or compromise with" a "new international economic order based on socialist principles."[36] Appeasing the NIEO bloc risked "compromising our basic commitment to the free enterprise system." The United States should instead stand firm in defense of "free markets and free enterprise." Compounding the controversy over Kissinger's food initiative, Seidman and Simon's memo showcased the internal opposition to dialogue with the NIEO. The neoliberals, Kissinger exclaimed, preferred "to go to the barricades," which entailed serious risks. "We have to avoid an international dispute where Americans say the existing system is great and the LDCs call for a new economic order," the secretary of state insisted. "This is a losing wicket." Appeasing the NIEO, on the other hand, held out the opportunity to stabilize a faltering status quo. "The trick in the world now," Kissinger explained to Gerald Ford, "is to use economics to build a world political structure."

Kissinger argued that engagement was necessary to achieve two purposes: thwart the consolidation of a hostile Third World bloc and hold the West together. Just months earlier, after all, the EEC had extended development aid and special trade privileges to forty-six developing countries. The Lomé Convention included provisions to stabilize commodity prices, a core NIEO demand.[37] If Washington refused to countenance dialogue, Kissinger argued, it risked alienating allies who were more dependent on OPEC and more open to the NIEO's agenda than it was. Defending his own approach, Kissinger acknowledged his unreliability "on economic matters" but insisted that the issues at hand were "not basically economic."[38] Instead, what was at stake was the legitimacy of American leadership. Talking with Daniel Patrick Moynihan, the newly appointed ambassador to the United Nations, Kissinger was explicit about his purposes. "Our basic strategy must be to hold the industrialized powers behind us and to split the Third World," Kissinger explained. "We can only do that if we start with a lofty tone and a forthcoming stance."[39] Prizing the non-oil-exporting Third World countries away from "their OPEC brethren" required real concessions, Kissinger argued, not neoliberal hectoring.[40] Whereas Simon saw opposing commodity agreements as "an issue of principle," Kissinger worried that the United States would be "beaten back" if it got drawn into "a theological fight between [the] free market and [the] regulated market."[41] "The Europeans won't support us," Kissinger exclaimed. "Nobody will support us."[42] Economics, Kissinger insisted, must be the servant of political purposes, not the reverse.

Kissinger's response to the NIEO was constructive and cynical: constructive because Kissinger acknowledged the need for meaningful engagement, cynical because

his purpose was to "pull [the NIEO's] teeth and divide these countries up."[43] To these ends, Kissinger promised "concrete and constructive proposals for action across a broad spectrum of international economic activities."[44] The specifics came in Kissinger's presentation to the 7th Special Session of the General Assembly in September 1975. This address committed the United States to work with the developing countries to stabilize their export earnings—not through an international commodities organization, as the NIEO sought, but through price agreements negotiated on a "case by case basis."[45] Building on the previous year's World Food Conference, Kissinger urged the rapid creation of a world food reserve system and pledged $200 million to support agricultural development in the Third World. While he did not accept the G-77's call for a Special Fund to be created under UN auspices to aid the poorest countries, Kissinger endorsed the creation of a similar facility within the IMF. Laden with specifics and shorn of hortatory rhetoric, Kissinger's message was that the United States would at least engage with the proponents of the NIEO in a serious dialogue.

Kissinger did not make his case in person, for Middle East diplomacy kept him away from the opening of the 7th Special Session. Instead, Ambassador Moynihan read the secretary of state's speech on his behalf. This was ironic, for Moynihan had won the U.S. ambassadorship through his advocacy of a confrontational approach to the Third World.[46] The developing countries, Moynihan believed, had fallen under the sway of a "socialist" and "redistributionist" ideology that revealed the imprint of Fabian socialism and culminated in the G-77's bid for a NIEO. Against this mélange, he argued, the United States should stand in opposition. Moynihan's ideological zeal was at odds with Kissinger's pragmatism, but the secretary of state had favored Moynihan's appointment as ambassador, reasoning that Moynihan's impassioned libertarianism would serve domestic political ends. Kissinger soon came to regret the gamble. During the fall of 1975, Moynihan led a one-man crusade against the Third World that ranged the language of human rights against the claims of postcolonial sovereignty. The contentiousness began with a diplomatic spat between Moynihan and Uganda, and it culminated in the Third World's passage of a UN resolution equating Zionism with racism and Moynihan's introduction of a resolution demanding a worldwide amnesty of political prisoners. Moynihan avowed that "we do not equate the welfare of humanity with the welfare of the police states which govern most of humanity," but Moynihan's rhetorical crusade tended to exacerbate north-south tensions, not to quiet them.[47] Frustrated, Kissinger dispensed with Moynihan in a matter of months. Brief as it was, the imbroglio was revealing. By mobilizing the claims of human rights against the Third World, Moynihan indicated how the language of global justice could be used to contest the legitimacy of postcolonial nation-states and, by implication, to counter Third World demands for a remaking of the liberal international order.[48]

Following his departure from the diplomatic corps, Moynihan won election to the Senate, which conferred the approval of New York's voters upon his ideological approach to foreign policy. Kissinger continued to pursue pragmatic accommodation with the NIEO bloc. From late 1975, the United States participated in the Conference on International Economic Cooperation, a forum of twenty-seven countries,

developed and developing, that French president Giscard d'Estaing organized to address energy, commodities, and other contentious issues. In 1976, Kissinger traveled to Nairobi to address the fourth UNCTAD Conference, where he debuted a proposal for an International Resources Bank. While that initiative floundered, Kissinger's participation marked the significance that he attached to ameliorating north-south relations amid the fractiousness that the NIEO opened.[49] Engagement ensured that the United States would not be drawn into the "New Cold War" that some Americans perceived within the G-77's demands for redistributive justice.[50] Still, it was the fact of U.S. participation in the North-South Dialogue that was Kissinger's achievement; the specific accomplishments were slim. Amid domestic skepticism, which manifested itself within Ford's cabinet and in broader public debate, Kissinger sustained a dialogue, but there was no increase in aid to the Third World commensurate to the secretary of state's rhetoric, let alone the NIEO's demands. Still, Kissinger's southern strategy served what was for Kissinger its chief purpose, which was to prevent the NIEO from becoming a source of divisive contention within the West.

Incoherence, not outright hostility, defined U.S. responses in the heroic phase of the New International Economic Order. Despite the opposition it encountered within the Ford administration, Kissinger's quest for North-South Dialogue aligned with a broader sense among Western elites that some accommodation with the G-77 should be reached. The Trilateral Commission, an informal colloquium of American, European, and Japanese leaders, argued in the mid-1970s for a concerted effort "to bring developing countries into effective participation in the international system" and to address distributional inequalities among nation-states.[51] "A number of changes are needed in the international trading, investment, monetary and other rules to promote a more equitable distribution," concluded one Commission report. The Club of Rome, another transnational body, went even further. Having formerly advocated global population control, the Club of Rome in the mid-1970s endorsed the NIEO's demand for a remaking of the international order. "The present crisis," concluded the Club's report, *Reshaping the International Order*, "is a crisis of international structures."[52] While the rich world had enjoyed unprecedented growth in recent decades, the Third World still labored in misery. "Millions of people," it noted, "toil under a broiling sun from morning to dusk for miserable rewards and premature death." "What is required," the report concluded, "is a new international order in which all benefit from change."

In the United States, the presidential election of 1976 installed an administration more open than the Ford administration had been to following the counsel of the Rome Club and the Trilateral Commission and seeking accommodation with the NIEO. The imprint of the Trilateral Commission, in particular, on the Carter administration was clear: President Jimmy Carter had been a member of the Commission, as his secretary of state and national security adviser had also been. For these men, engaging the New International Economic Order was a constructive opportunity, not just a defensive imperative. Enraptured with what Carter called "world order politics," the administration envisaged forging a new architecture for world politics, a remaking of international order akin to the one achieved during the 1940s.[53] Assumptions about

globalization animated this project and made accommodation with the Third World a strategic imperative, in the eyes of administration officials. "Throughout the world," explained Zbigniew Brzezinski, "because of higher literacy, better communications, and a closer sense of interdependence, people are demanding and asserting their basic rights."[54] If the United States remained indifferent to the clamoring of the world's poorest people, its legitimacy would succumb to the pressures that a "global political awakening," as Brzezinski called it, was generating.[55] Thus convinced, the Carter administration envisaged meeting at least some of the NIEO's demands: commodity agreements, resource transfers, tariff liberalization, and expanded representation in international organizations.

For all its good intentions, the Carter administration failed to make meaningful progress. Back in 1947, it was hard enough for the Truman administration to persuade Congress to furnish financial assistance for the explicit purpose of containing communist influence in Europe. Amid congressional parsimony, it proved far more difficult for the Carter administration to procure expanded financial assistance for international development for the vague strategic purpose of reconciling the Third World. Indeed, the real value of U.S. foreign aid declined in the second half of the 1970s, from 0.3 percent of U.S. GDP in 1975 to just 0.24 percent in 1980.[56] Other members of the Group of Seven (G-7) industrialized countries proved no more generous. The G-7 accepted their "shared responsibility" for the world's poorest societies, but none, save Japan, made specific commitments to expand aid.[57] Such parsimony precluded meaningful north-south transfers, without which the G-77's calls for economic justice would go unanswered. Perceiving the political barriers to progress on aid and tariffs as insurmountable, the Carter administration instead prioritized political goals.[58] Carter negotiated peace between Egypt and Israel and resolved the contested status of the Panama Canal, but, like Moynihan, he also embraced the project of universal human rights, which challenged the legitimacy of numerous Third World regimes. Constructive policy toward the Third World, lamented one administration official, "was an idea whose time had not yet come."[59]

The Carter administration had proceeded from the conviction that "North-South relations are the long-run problem in international politics," but it achieved no more than had done Henry Kissinger, who saw the NIEO as a threat to be preempted through defensive appeasement, not as an opportunity for constructive progress. The obstacles owed in part to domestic politics: although 52 percent of voters supported foreign aid in principle, 56 percent wanted to cut the aid budget, the Chicago Council on Foreign Relations found in 1975, and only 10 percent favored expanding it.[60] Yet the failure of engagement also owed to the implausibility of the agenda that the NIEO entertained. The international order faltered in the 1970s, but circumstances were not propitious to its reordering, far less to the construction of a global welfare state, such as Mahbub ul Haq envisaged. From a position of preponderant power in the 1940s, the United States had struggled to construct a viable international order; only with the advent of the Cold War, which prompted the U.S. Congress to extend assistance to U.S. allies, had the postwar settlement cohered. Absent either a hegemonic power capable of imposing a new settlement or a consensus among the international system's leading states about what the contours of a new order should be, the prospects for

renovation were dim. As a result, what ensued in the mid-1970s was not meaningful collaboration to build a new international economic order but a prolonged phase of institutional decay, during which governments collaborated, on an ad hoc basis, to sustain the faltering status quo.

In this context, private economic actors slipped the constraints that the postwar international settlement had imposed upon them, and a new era of globalization ensued. The globalization of finance furnished a solution to the south's demand for capital—in the form of lending—but sovereign indebtedness proved crisis prone, as the Third World discovered in the debt crisis of the early 1980s. Meanwhile, the world's political elites struggled to engage, much less resolve, dilemmas of global scope. By the end of the twentieth century, the problem of distributional equality *between societies* that had preoccupied the NIEO's proponents was less urgent than it had been in the mid-1970s, thanks to the prosperity that globalization spread to some developing countries, mainly in East Asia. Globalization nonetheless worked to exacerbate distributional inequalities *within societies*—inequalities that, some argued, would not be resolved without action at the global scale.[61] The capacities of sovereign governments in relation to other transnational dilemmas, such as climate change, also appeared inadequate, often grossly so. The NIEO failed, at least in terms of the objectives that it sought to achieve, but it nonetheless offered a template for engaging via concerted international action dilemmas implicating the whole of humankind. Washington's responses to the NIEO, meanwhile, suggested that engaging problems of global scale, much less mastering such problems, would continue to eclipse the capacities of U.S. foreign policy.

NOTES

1. Address by Houari Boumediene to the United Nations in *The Group of 77 at the United Nations: The Collected Documents of the Group of 77*, ed. Mourad Ahmia (New York: Oceana, 2006), 185–206.

2. Whether or not the idea of a "general crisis" helps to understand the early seventeenth century remains the topic of intense historiographical debate, on which this essay takes no particular stand.

3. Geoffrey Barraclough, "The Great World Crisis I," *New York Review of Books*, January 23, 1975.

4. OECD Statistics, http://stats.oecd.org (accessed September 15, 2014).

5. Bank for International Settlements, Effective Exchange Rates, http://www.bis.org/statistics/eer (accessed September 15, 2014).

6. Global Financial Data, Ticker "ABL_D," https://www.globalfinancialdata.com/ (accessed September 15, 2014).

7. "Arab Oil: Has Gone Up," *New York Times*, December 30, 1973.

8. U.S. Department of State, *Foreign Relations of the United States, 1969–1976*, vol. 25, *Arab-Israeli Crisis and War* (Washington, DC: Government Printing Office, 2011), Doc. 250 (hereafter *FRUS*).

9. "Into the Dark," *Economist*, December 1, 1973.

10. Angus Maddison, *The World Economy: Millennial Statistics*, http://www.theworldeconomy.org (accessed September 15, 2014).

11. Yahoo Finance, http://finance.yahoo.com (accessed September 15, 2014).

12. OECD Statistics.

13. Resolution of the Trilateral Commission, December 9–10, 1974, Rockefeller Archive Center, Sleepy Hollow, New York, Trilateral Commission Papers, Series I, box 5.

14. See, generally, Samuel Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (Norman: University of Oklahoma Press, 1991), 19–21.

15. Clifford Geertz, "The Judging of Nations: Some Comments on the Assessment of Regimes in the New States," *European Journal of Sociology* 18, no. 2 (December 1977): 245–61.

16. Angus Maddison, Statistics on World Population, GDP and Per Capita GDP, 1–2008, http://www.ggdc.net/maddison/oriindex.htm (accessed September 15, 2014).

17. Robert S. McNamara, Address to the UN Conference on Trade and Development, Santiago, Chile, April 14, 1972, http://documents.worldbank.org (accessed September 15, 2014).

18. Ibid.

19. Raúl Prebisch, *Economic Development of Latin America and Its Principal Problems* (New York: United Nations, 1949); and, more broadly, Edgar J. Dosman, *The Life and Times of Raúl Prebisch, 1901–1986* (Montreal: McGill-Queen's University Press, 2008).

20. For dependency theory, see Fernando Henrique Cardoso and Enzo Faletto, *Dependency and Development in Latin America* (Berkeley: University of California Press, 1979); Ronald Chilcote and Joel Edelstein, eds., *The Struggle with Dependency and Beyond* (New York: Halstead); André Gunder Frank, *Latin America: Underdevelopment or Revolution* (New York: MR Press, 1970); and Immanuel Wallerstein, *The Capitalist World-Economy: Essays* (New York: Cambridge University Press, 1979). Contrast to modernization theory, of which Walter W. Rostow, *The Stages of Economic Growth: A Non-Communist Economic Manifesto* (New York: Cambridge, 1960), is an exemplary model and to which Nils Gilman, *Mandarins of the Future: Modernization Theory in Cold War America* (Baltimore, MD: Johns Hopkins University Press, 2007), is an exemplary guide.

21. Address by Houari Boumediene to the United Nations in Ahmia, ed., *The Group of 77 at the United Nations*, 185–206; and Charter of Economic Rights and Duties of States, Gen. Ass. Res. 3281 (XXIX), December 12, 1974. On the NIEO, see Jeffrey A. Hart, *The New International Economic Order: Conflict and Cooperation in North-South Economic Relations, 1974–77* (New York: St. Martin's Press, 1983); and Stephen D. Krasner, *Structural Conflict: The Third World against Global Liberalism* (Berkeley: University of California Press, 1985).

22. Mahbub ul Haq, *The Poverty Curtain: Choices for The Third World* (New York: Columbia University Press, 1976), 156–57.

23. "The Challenge of Interdependence," April 15, 1974, *Department of State Bulletin*, May 6, 1974 ("notion"). For the reaction, see "Kissinger at UN," *New York Times*, April 16, 1974; "Resources for Mankind," *New York Times*, April 16, 1974; and "Turning towards Global Problems," *Washington Post*, May 1, 1974.

24. *FRUS*, vol. 31, *Foreign Economic Policy, 1973–76* (Washington, DC: Government Printing Office, 2009), Doc. 292.

25. Ibid., Doc. 299.

26. For an elucidation of Kissinger's strategic purposes, see my *A Superpower Transformed: The Remaking of American Foreign Relations in the 1970s* (New York: Oxford University Press, 2015), esp. chap. 6.

27. On U.S. responses to the NIEO, C. Clyde Ferguson, "The Politics of the New International Economic Order," *Proceedings of the Academy of Political Science* 32, no. 4 (1977): 142–58,

and Robert K. Olson, *U.S. Foreign Policy and the New International Economic Order* (Boulder, CO: Westview Press, 1981), offer measured perspectives, in contrast to Michael Hudson, *Global Fracture: The New International Economic Order*, rev. ed. (Ann Arbor, MI: Pluto Press, 2005), which attributes the NIEO's failure to concerted U.S. opposition.

28. On Greenspan and Rand, see Jennifer Burns, *Goddess of the Market: Ayn Rand and the American Right* (New York: Oxford University Press, 2009), esp. 149–51; and Alan Greenspan, *The Age of Turbulence* (New York: Penguin), 40–41, 51–53.

29. William Simon, *A Time for Truth* (New York: McGraw Hill, 1980), 230.

30. UN Food and Agricultural Organization, Statistical Division, FAOStat, http://faostat.fao.org (accessed September 15, 2014).

31. "Address by Secretary Kissinger," November 5, 1974, in *Department of State Bulletin*, November 9, 1974.

32. *FRUS, 1969–1976*, vol. 31, Doc. 266.

33. Ibid., Doc. 272. Also see Docs. 273–74 and 278.

34. Henry Kissinger, "Strengthening the World Economic Structure," May 13, 1975, *Department of State Bulletin*, June 2, 1975. For the development of Kissinger's food concept, see *FRUS*, *1969–1976*, vol. 31, Docs. 280, 286, and 288.

35. On the EPB, see Roger Porter, *Presidential Decision Making: The Economic Policy Board* (New York: Cambridge University Press, 1980), esp. 49–54.

36. *FRUS*, vol. 31, Doc. 290.

37. On the Lomé Convention, see "The Nine and the 46," *Economist,* February 8, 1975; and Isebill Gruhn, "The Lomé Convention: Inching toward Interdependence," *International Organization* 30, no. 2 (Spring 1976): 241–62.

38. *FRUS, 1969–1976*, vol. 31, Doc. 292.

39. Ibid., Doc. 295. For Moynihan's perspective, see Daniel P. Moynihan and Suzanne Weaver, *A Dangerous Place* (Boston: Little Brown, 1978), 120–24.

40. Henry Kissinger, *Years of Renewal* (New York: Simon and Schuster, 1999), 697–700.

41. *FRUS, 1969–1976*, vol. 31, Doc. 294.

42. Ibid., Doc. 293.

43. Ibid., 294.

44. Kissinger, "The Global Challenge and International Cooperation," July 14, 1975, *Department of State Bulletin*, August 4, 1976.

45. Kissinger, "Global Consensus and Economic Development," September 1, 1975, *Department of State Bulletin*, September 22, 1975 ("case by case").

46. Daniel P. Moynihan, "The United States in Opposition," *Commentary*, March 1975.

47. Daniel P. Moynihan, Memorandum for the Secretary of State, September 9, 1975, Library of Congress, Washington, DC, Daniel P. Moynihan Papers, Part I: United Nations File, Subject File, box 337.

48. On this episode, see Mark Mazower, *Governing the World: The History of an Idea* (New York: Penguin, 2012), 305–31.

49. See Kissinger, "Expanding Cooperation for Global Economic Development," May 6, 1976, *Department of State Bulletin*, May 31, 1976. "Report on Secretary Kissinger's Trip," May 12, 1976, Gerald Ford Library, Ann Arbor Michigan, National Security Advisor's Files, Memorandums of Conversations, box 19; and *FRUS, 1969–1976,* vol. 31, Docs. 304–305.

50. For example, Irving Kristol, "The 'New Cold War,'" *Wall Street Journal*, July 17, 1975.

51. C. Fred Bergsten, Georges Berthoin, and Kinhide Mushakoji, *The Reform of International Institutions* (New York: Trilateral Commission, 1976).

52. Jan Tinbergen, *Reshaping the International Order: A Report to the Club of Rome* (London: Hutchinson and Co., 1977).

53. On Carter's initial strategic objectives, see Sargent, *A Superpower Transformed*, esp. chap. 8.

54. Zbigniew Brzezinski, "Remarks to the Trilateral Commission," October 25, 1977, Jimmy Carter Presidential Library, Atlanta, Georgia, Hendrik Hertzberg Materials, Foreign Policy, box 38.

55. Zbigniew Brzezinski, White House Press Briefing, December 20, 1977, Jimmy Carter Presidential Library, Atlanta, Georgia, Hendrik Hertzberg Materials, Foreign Policy, box 38.

56. Based on U.S. Overseas Grants and Loans "Greenbook," http://gbk.eads.usaidallnet.gov, and IMF, "International Financial Statistics," http://elibrary-data.imf.org,both accessed September 14, 2014.

57. "Declaration of the Bonn Summit," in Peter Hajnal, *The Seven-Power Summit: Documents from the Summits of Industrialized Countries, 1975–1989* (White Plains, NY: Kraus International Publications, 1989), 47–57.

58. Brzezinski advised Carter in June 1977: "Our own public posture is in favor of doing more on the North-South front. In practice, this is difficult because other advanced countries as well as Congress are not particularly anxious to transfer more resources to the developing countries. Thus, perhaps, more emphasis ought to be put on political relationships." See Zbigniew Brzezinski, NSC Weekly Report #15, June 3, 1977, Jimmy Carter Presidential Library, Zbigniew Brzezinski Materials, Subject Files, Weekly Reports, box 41.

59. Thomas Thornton, "North-South History," December 5, 1980.

60. John E. Reilly, ed., "American Public Opinion and U.S. Foreign Policy 1975," Chicago Council of Foreign Relations, in Jimmy Carter Presidential Library, Campaign Files (1976), Issues Office (Eizenstat), box 46.

61. Thomas Piketty would call for a global wealth tax in *Capital in the Twenty-First Century*, trans. Arthur Goldhammer (Cambridge, MA: Harvard University Press, 2014), but his proposal echoed James Tobin's 1978 proposal for a small tax on transnational financial transactions to discourage speculation and finance development. See Tobin, "A Proposal for International Monetary Reform," Yale University, Cowles Foundation Discussion Paper no. 506, http://cowles.econ.yale.edu/P/cd/d05a/d0506.pdf (accessed September 15, 2014).