

Education and Tariffs; A Battle of Ideas to Influence The Foreign World

Andrew Adiletta

Worcester Polytechnic Institute

Abstract

What is considered valuable, morally right, and honorable throughout the world is not homogenous. Historically, nations have tried to wield their influence over other nations in order to impose their values. An important misconception however, is that the attempted influence is performed through the use of military power, which is sometimes the case, but more often, it is through economic influence. Since ancient times, global powers have used trade as a weapon of influence. Blocades, embargos, and tariffs were implemented in an attempt to either develop their own interior, or to force the values of states implementing these measures on foreign powers. The United States uses its status as a global economic superpower to impose tariffs on countries in an attempt to influence these countries for both environmental and human rights reasons, as well as to protect American industry. However, in this paper it will be argued that imposing tariffs is counter-productive in influencing foreign regimes, and instead the solution should be for the United States to implement free trade with countries, while supporting academic institutions in foreign nations to promote knowledge and provide academic connections with the United States for innovation.

Education As A Tool Of Foreign Policy

To begin, I would like to argue for the merits of using education as a tool of influence on foreign powers. Bruce Bueno de Mesquita is a political scientist, and a professor at New York University, and is the author of *The Dictator's Handbook: Why Bad Behavior is Almost Always Good Politics*, and in this novel, he talks about how the leaders of society get, and keep power. Mesquita addresses education in the novel, noting that North Korea, a brutal dictatorship, has one of the highest literacy rates in the world, at 100 percent. This may be difficult to verify, but a similar trend can be seen under the dictatorship of Fidel Castro, where a 1997 UNESCO study resulted in Cuban third and fourth graders scoring higher on literacy tests than most other Latin American countries.¹



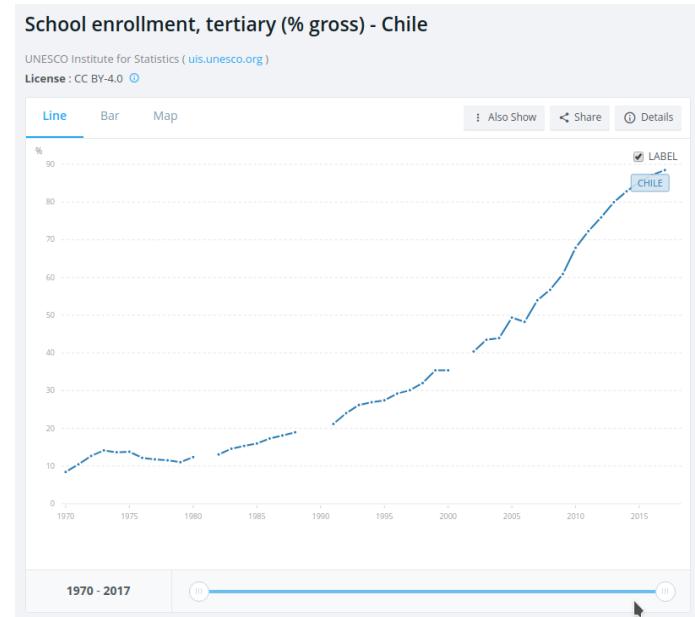
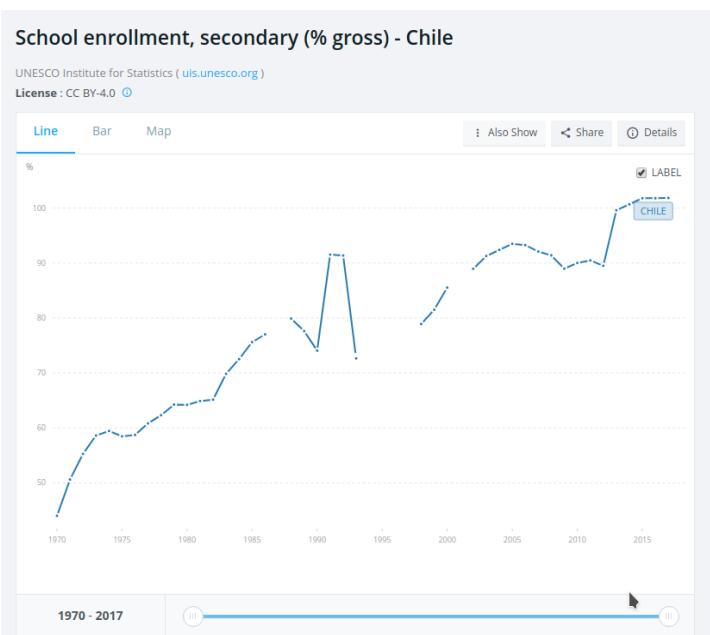
Augusto Pinochet - Dictator of Chile

The catch, however, is that these gains in education are the result of draconian measures that force primary school, but not higher education. Mesquita puts it simply,

“These leaders, whether dictators or democrats, are all grappling with the same question: How much education is the right amount? For those who rely on few essential backers the answer is straightforward. Education opportunity should not be so extensive as to equip

¹

Mesquita, Bruce Bueno de, and Alastair Smith. *The Dictator's Handbook: Why Bad Behavior Is Almost Always Good Politics*



ordinary folks, the interchangeables, to question government authority”

Higher education is a spawn point for revolution. It is the kryptonite of the repressive, authoritarian regime. If a people are educated on science and engineering, they can potentially specialize out of producing raw resources, giving more economic influence to the people,

and tipping the balance of power. Additionally, knowledge of history and political science can equip the people with knowledge on weak points of a regime.

More hard data to back this up is the education reform implemented by the Regime of Augusto Pinochet, the Chilean general and dictator who took power in 1973. The World Bank tracks key economic indicators, and allows access to these indicators by the general public, and an interesting trend seen in Chile is that after Pinochet took power in 1973, an increase in secondary education rates can be seen in the country. The graph to the left shows the gross enrollment ratio of the population age group that corresponds to levels of secondary education.²

This data backs the hypothesis posed by Mesquita that a dictator would back certain levels of education. However, the World Bank also provides the trend data for enrollment in tertiary education, as a percentage of gross for Chile, and a stark difference can be seen that in 1973 when Pinochet took power, there was a sudden flattening/decrease in enrollment in tertiary education³. The question of “how much education is too much education” for dictators can be seen being answered by Pinochet.

Overlooking political revolution, education can result in positive changes to the environment. William San Martín is a Professor at Worcester Polytechnic Institute, and published an article on the Green Revolution in Chile, *Nitrogen, science, and environmental change: the politics of Green Revolution in Chile and the global nitrogen challenge*. In the article, San Martín analyzes how the cold war and political influences shaped the consumption of environmentally harmful N fertilizer used for

² The World Bank. (2019). Indicators

³ The World Bank

growing crops at scale. During The Cold War in the 1960s, the United States funded programs and institutions attempting to boost innovation and productivity, considered capitalistic ideals, in the country.



Nitrogen Based Fertilizer

The United States considered funding these areas as a matter of national interest because according to San Martín, “If underdeveloped countries could experience higher living standard conditions through the adoption of technology, the potential for achieving those reforms through revolutionary means would be drastically reduced”.

Ironically, these educational institutions that initially were developed to promote the new N fertilizer technology became the greatest advocates for the harmful environmental impacts that these fertilizers have. Nitrogen fertilizer produces water-soluble nitrate that becomes dissolved in runoff and groundwater that pollute the environment.⁴ The creation and funding of these institutions led them to head the charge on advocating against the use of N fertilizer use because of its environmental harm. It wasn’t until September 11, 1973 where conservative parties took over Chile and,

“Dismantled an institutional framework that could have been critical in linking the science of N loss into agricultural practices and policies”

Both Mesquita and San Martín note the effectiveness of education in advocating for values that increase the standard of living in a society, and inversely challenge the authority of an immoral government. Chile is an example of how access to education could have made a difference in the environment.

The Tariff Approach to Foreign Policy

It is important to note this contrast, when analyzing current techniques of the United States government in influencing foreign powers on the environment; namely the use of tariffs. Although the original purpose of the institutions in Chile were not to prevent the use of N fertilizer, their effect was in parallel with moral interests of the United States. This contrasts with a policy that may have been put in place by the United States government to tax goods imported from Chile due to their environmental impact.

This is a hypothetical policy with Chile, as the United States currently has a free trade agreement with the nation, but can be seen in a country like China, where goods are taxed for a variety of reasons, but one being mentioned is China’s treatment of the environment. The United States wields economic buying power as a tool to attempt to persuade China to change their practices in order to have access to larger markets.

⁴ Martin, William San. Nitrogen, Science, and Environmental Change



The People's Liberation Army (China)

China has the second largest GDP and the second largest military, and is currently the fastest growing economy worth over a trillion dollars.⁵ It is, unequivocally, a global superpower. An issue arises however, in that morals of environment and human rights are not shared between the United States and China. Tariffs are implemented on Chinese imports for various reasons, but arguably the top reason is to allow US producers to compete in American markets where it is more expensive to produce due to environmental protection. The full price for goods and services is always paid, for US produced goods, it is paid by the consumer, for Chinese based goods, it is paid in part by the consumer, and in part by both the environment and by the poor conditions of a laborer.

These tariffs are not effective in stimulating change. These acts, enacted generally by members of US congress are largely influence by the ideas of Robert Sutter, a Harvard PhD, who spent 1968-2001 as a seniors specialist and director of Foreign Affairs and National Defense Division , and additionally the National Intelligence Officer for East Asia and the Pacific at the US Government's National Intelligence Council. Beginning under Lyndon B. Johnson, he influenced lawmakers' thoughts on a non-militant approach to influencing China.

⁵ Sutter, Robert G. Shaping China's Future in World Affairs

This is made clear in the monograph he wrote in 1996 titled **Shaping China's Future In World Affairs: The U.S. Role** where he emphasizes,

“There is a general agreement in the United States that Washington should use its influence in order to have Beijing conform to international norms and overtime to foster changes in China’s political, economic, and security systems compatible with American interests”

However, Sutter elaborates on the strategies of the United States and says,

“As the world's largest economy, the United States can play a very important role in determining the most constructive ways to engage the Chinese economy in the WTO and other multilateral economic organizations. U.S. policy on issues like Taiwan, Tibet, Hong Kong, the South China Sea and other territorial questions sensitive to Beijing could be done in ways that encourage constructive PRC responses to accepted international norms. Similar arguments can be made regarding U.S. policy toward trade, proliferation, human rights, environment and other questions now at the center of U.S. interaction with China.

In a word, a case can be made for the argument that, for the time being, the United States has it within its power to move the direction of PRC policy in one way or the other. Whether U.S. policymakers realize their influence and what they propose to do with it remains to be seen”

Sutter is without a doubt a brilliant historian and economist, but in this case he overestimated the United States and its ability to use trade as an influence over China. The notion that The United States could use its economic strength to influence ideology is vanity. Not only that, but the United States moving more towards a mercantilist system, where trade is promoted only with areas of moral agreement have failed countless times throughout history. The United States must trade with everyone.

A Historical Argument

The British Empire is an excellent example of how a mercantilist, aggressive trading network can fail. Philippa Levine wrote a novel, **The British Empire: Sunrise to Sunset**, and describes the late 1700s and early 1800s that mark the years where The British Empire employed policies that made the Celtic Frides of the empire economically dependent, and attempted to force them into submission



The Scottish Colonial Vessel

with restricted access to The Empire's vast trading network. As with the modern United States, The British Empire attempted to use economics and trade as a weapon to influence ideology. After the Scottish government attempted to put a foothold-colony in Spanish Central America. According to Levine, “The English were infuriated by this independent

Scottish action, fearing its effects on English colonial trade and on relations with Spain. The Scots asserted their right to exercise an independent foreign policy, but the English threat to ban exports from Scotland to England subdued the Scots' protest”. The Scots protests were only subdued for a short time, however, and the Scots, in 1699, continued their efforts at foreign policy, and launched a second voyage of more than 1000 explorers and settlers to Spanish America on the ship, *The Rising Sun*⁶. Thus, despite the overwhelming economic power of the British Empire, and the various weapons of trade that the British have at their disposal, they failed in influencing the Scottish.

Another example of the The British Empire, and how their mercantilist system that frowned upon foreign trade failed is with Sugar. Sidney W Mintz is a professor at John Hopkins University, where he taught anthropology, and wrote a novel, **Sweetness and Power**, where he talks about the trading power of Sugar during the age of the British Empire. Originally in 1625, Portugal was producing almost all the supply of sugar, grown from colonies in Brazil. Rather than continued engagement with Portugal as a trading partner,

“The English learned methods of producing sugar and its kindred substances from the Dutch... England was able to drive Portugal out of the north European trade. From the resulting monopoly came monopoly prices...”

Mintz goes on to explain that the West India colonies went on to achieve “virtual monopoly” on the British Empire's sugar market. This is problematic in the fact that mercantilist systems hurt the consumer and drive up prices because

⁶ Levine, Philippa. *The British Empire: Sunrise to Sunset*

there is less competition⁷. In a modern scenario, Tariffs on trade with foreign countries hurt the consumer, while having very little effect on stimulating a change in a foreign nation.

The British Empire, as it expanded, did not prioritize education and standard of living in the colonies they developed, and rather sought



to exploit the colonies for their resources and labor. Mike Davis is an American writer and political activist who wrote the book, **The Late Victorian Holocausts: El Niño Famines and the Making of the Third World**, and in the novel, he talks about how the British nationalists of the British Empire touted “progress” in India as it increased its trade with the British Empire as it became a colony. However, there was very little reinvest back into the welfare of the state,

“Compared to a progressive and independent Asian nation like Siam, which spent two shillings per capita on education, famine relief and public health, the Raji’s investment in “human capital” (one penny per person or 4 percent of all expenditures) was a miserable pittance”

India was exploited, and without access to education, it was unable to specialize and produce anything other than raw goods for the

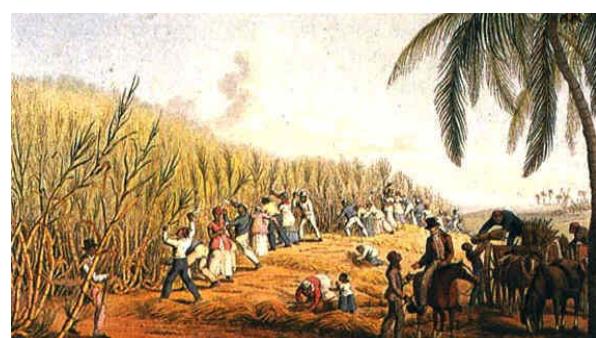
⁷ Mintz, Sidney W. *Sweetness and Power*

Empire. This was the plan, as mercantilism was meant to allow for colonies to produce raw goods to be manufactured into finished goods by the mainland, but in this case it caused financial hardships and famine in India.

The last point to make with the British Empire as an example, is how the British Empire and colonization as a whole is largely responsible for the third world nations that are seen today. Their role in mercantilism and only producing raw resources led the British to invest very little in education for specialization in the colonies. According to Joseph M Hodge, the author of **Colonial Experts, Developmental and Environmental Doctrines and the Legacies of Late British Colonialism**, for the the British Empire,

“An overwhelmingly agrarian vision was being projected onto the future of colonial, and soon to be “third-world,” peoples. Colonial experts and advisers could not imagine that colonial peoples might live any other than a rural, agricultural life, and therefore the aim of colonial policy was the more efficient reorganization of peasant agriculture with the intent of forming or reforming stable, contented, and prosperous local communities...”

The goal was not to educate the people and provide welfare, but to transform the colonies



into efficient, raw resource producing machines. This led to global inequality in the modern day, where countries that invested in education and manufacturing now dominate those that didn't. That can change if the United States government, and other first world governments turn to a policy of funding institutions abroad and developing institutional connections for the transfer of foreign knowledge.

The Nigeria Structural Adjustment Program: In Depth Analysis

The most obvious example of how economic policy fails to bring about change in other countries in the modern day is the structural adjustment programs implemented by the World Bank and the IMF in the 1970s and 1980s. These were probably the strongest examples of governments using the “soft power” of economics to influence countries to become more capitalist and to find totalitarian regimes.

October 1st of 1960, British colonization ended in Nigeria, and Nigeria declared its independence. In the 1970s, Nigeria experienced an economic boom when one of its main exports, oil, experienced a significant increase in prices. Over the course of almost a decade, oil prices rose from \$20.43 a barrel in July of 1973, to \$123.95 in April of 1980⁸. This spike in oil prices led to investment by the Nigerian government into various social programs to improve quality of life in Nigeria. Infrastructure, access to health resources, and per capita income increased during the economic expansion due to oil prices. The country became heavily dependent on oil, with oil going from 2.4% of Nigeria's GDP in 1972, to over 46% in 1980. However, in the early 1980s, oil prices collapsed, and caused an economic recession in

Nigeria, as the price per barrel dropped to \$63.47 a barrel from \$123.00 in 1980. The government was not prepared for the recession and did not reduce public spending at the rate necessary to match the recession. As a result, the country fell into debt⁹. In addition, the government, hoping that the recession was temporary, did not allow the currency to depreciate to absorb the impact that would cause inflation. However, between 1985-1986, oil prices dropped further, at the furthest in the recession a price of \$24.34 a barrel, and the Nigerian economy collapsed. Heavily in debt, and seeking aid, Nigeria looked to the world bank for loans to fund the development of their country. The World Bank provided funds for Nigeria to prop up their failing economy but included agreements on how to restructure their society to allow for a liberalistic free market. Under the condition that Nigeria implements a Economic Structural Adjustment program, Nigeria became indebted \$2.037 billion to save their economy.



The loan program included various elements with the desired impact of bringing up the Nigerian Economy. One of the main elements of the program was lowering the real, cumulative foreign exchange rate of Nigeria with other countries. Before the Structural

⁸ The World Bank

⁹ The World Bank

Adjustment Program, the national currency of Nigeria, the naira, was overvalued. This means that the exchange rate for the currency was too high in comparison to the performance of the economy. The result of overvaluation tends to be increased domestic demand for imports, and decreased domestic demands for exports, which hurts the country's economy overall.

Depreciating the currency will result in exports becoming cheaper, and imports becoming more expensive. For Nigeria, the domestic firms would benefit from increased sales, which may potentially lead to a decrease in unemployment and increase Aggregate Demand for the entire Nigerian economy. Another element of the Structural Adjustment program was changes in government regulation to increase investment into domestic firms. Specifically, regulations were simplified to allow for more foreign investment. In addition, corporate taxes were reduced¹⁰. Ultimately, in the short term if a higher percentage of the GDP is dedicated to investment, there is an opportunity cost that may lead to less GDP dedicated to consumption of domestic products. However, in the long run, increased investment should increase long run aggregate supply. For Nigeria, this was important to The World Bank because increasing Nigeria's long run aggregate supply would potentially allow the governments' revenue to increase in the future, and thus a greater chance that loans from The World Bank would be paid back. The Structural Adjustment policy also affected important physical and monetary policy mainly targeted at boosting the free market and restricting government spending. The Structural Adjustment program implemented national budget restraints, as well as reducing, or

stopping spending on all uncompleted public projects. It also recommended the privation of parastatals throughout Nigeria, which would also put more power into the free market rather than the government. Ultimately, the goal of these fiscal and monetary reforms was to avoid inflation and allow exchange rate depreciation in Nigeria.

Different sectors of the Nigerian economy can be analyzed to determine the effectiveness of the Structural Adjustment program at improving the Nigerian economy. The Structural Adjustment Program intended to increase exports, so looking at infrastructure, and specifically in air transportation of freight, would be a good indicator for the effectiveness of the policies. In addition, analyzing the investment in transportation in Nigeria would be a good indicator of the effectiveness of the policies intended on boosting overall domestic investment by deregulating the investment sector. Nigeria has a comparative advantage when it comes to oil production, so investment of air transportation of freight would allow Nigeria to exercise this comparative advantage and boost their economy. Another indicator in infrastructure would be air transport of passengers carried. The availability of air transportation helps to eliminate frictional unemployment by allowing physical mobility of the labor force. Essentially, skilled workers will be able to move to locations where they are needed. This can only happen if the Structural Adjustment program has boosted the Nigerian economy enough to allow the labor force to have this physical mobility. Another sector to look at when analyzing the effectiveness of the Nigerian Structural Adjustment Program is looking at the Health sector. Birth rate is a good indicator for the overall performance of the health and financial status of Nigeria. As living conditions in a country improve, the birth rate decreases. In

¹⁰ Western African Department Country Operations Division. (1994, May 13). Nigeria Structural Adjustment Program

developing countries, the population either lacks access to contraceptives, or lacks the education on the importance of using contraceptives which results in a high birth rate. In addition, poor economic conditions may require a child labor force to maintain financial stability, causing these populations to choose to have more children to supply the labor force. The Structural Adjustment Program then, should decrease the birth rate as the decreased exchange rate should boost exports, thus increasing Aggregate Demand and allowing families to be less reliant on child labor. Another indicator in the health sector to look at is the death rate. The crude death rate is calculated as the number of deaths in a given time divided by the population exposed to risk of death during the same period. A successful Structural Adjustment program should see a decrease in death rate as an improved economy will result in potentially higher wage jobs which tend to be safer. However, this economic boost is occurring during a time of deregulation as defined by The World Bank, and thus it would be an important indicator to represent if an improved economy (if it improves) translates to a safer community. Another sector to look at is education. If the Structural Adjustment program is successful in lowering the exchange rate, which through a series of processes should result in increased Aggregate demand, as stated before for the health sector, child labor would not be as necessary, and children would be allowed to go to school and become educated. This in the long run would further increase the Nigerian economy because the labor force would become an educated labor force, available to compete in a higher wage job market on the international scale. Specific statistics to look at in the education sector would be the gross school enrollment percentage in primary education, and the literacy rate of adults.

The reforms to the Nigeria economy were generally sustained between 1986 and 1992, so this is the time that will be analyzed to determine the effectiveness of the Structural Adjustment Program. In terms of infrastructure, between 1986 and 1992, the air transport of freight did decrease from 37.2 million ton-km to 10.3 million ton-km¹¹. This sharp decline would indicate an ineffectiveness of the Structural Adjustment program to stimulate trade though increased Aggregate Demand. In addition, in terms of infrastructure, the passengers carried through air transportation dropped from just over 2 million passengers in 1988 to just over 600,000 passengers in 1992. This would contribute to an increased rate of frictional unemployment as the labor force is not available in the locations where they are needed. In terms of the health sector however, Nigeria did see some improvement. In 1986 the birth rate per 1000 people was 27.343, while in 1992 the birth rate was 24.578 per 1000 people. This rate of decline is about 0.46 births per year and compared to the previous six years between 1980 and 1986 which had a decline of only 0.02 births per year, the country saw at least some level of improvement. Similarly, the death rate also decreased from 9.651 deaths per 1000 people in 1986 to 9.088 death per 1000 people in 1992. This would contribute to better living conditions, better access to medical facilities, and better education on health-related issues and hygiene, all made possible due to increased domestic demand in the economy. Lastly, in terms of education, the country saw a decrease in primary enrollment from 82 % of the possible age group enrolled in 1985 to 76% in 1990¹². In addition, in terms of education, the country saw an increase in the percentage of youth literacy

¹¹ Aviation Benefits. (2019). *Aviation Value To the Economy*

¹² The World Bank

rate from 1985 at 81.11 percent to 83.64 percent in 1992.



Ultimately, the Structural Adjustment program was not effective in helping to boost the Nigerian economy. Although the health sector did improve, the aviation infrastructure, and the education sector did not see significant improvement to verify the effectiveness of the new policies. One way to measure societal welfare is by measuring the GDP per capita of the nation, and from 1980 to 1992 the GDP per capita dropped from roughly \$3000 to \$500¹³. However, it is worth noting that a large part of Nigeria's economic recession was its reliance on oil, and it may be argued that the dropping prices of oil caused the economic downturn. However, the Structural Adjustment programs failed in reversing the recession, and more effective policies could have been implemented.

Conclusion

Economic policies aimed at bringing down dictators and corrupt governments rarely work, but we see that what dictators do fear is an educated population. Shifting ideology, and forcing countries to fix their human rights violations and environmental impacts cannot be done through the force of trade, but rather should be done through the education of the people impacted. It is a difficult goal, and the

results of such actions will take years to be tangible, as education and social reform take time, but it is the path that will make the world a better place to live in.

¹³ The World Bank

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