

O E C D is to be formally recognised as a forum for regular exchanges of views on economic trends and monetary pressures and it is to discuss measures appropriate for each country in maintaining or restoring economic balance. The plan is clearly intended to go beyond a mere exchange of information. It will also place some limits on the independent action of borrowers. According to a comment from the French Finance Ministry, the acceptance of the principal of "collective discipline" was the most important achievement of the report.

#### By-passing IMF

One interesting question that arises is how far the American system of bilateral liquidity creation is going to be restrained by the proposed multilateral surveillance. France, Germany and some other Continental countries have always attached great importance to international financial collaboration being conditional on the country that was being assisted giving an undertaking that it would set its own house in order and prevent its balance of payments from running into deficit by rigorous economic discipline. The recent American bilateral loan to Italy is a case in point. This was large enough for Italy not to have to turn to other sources and consequently to enable her to obtain all the assistance she needed without submitting to external discipline which the I M F might well have demanded. This naturally shocked the more conservative continental feeling and they might well believe that this could set up a dangerous precedent which would permit countries to get all the financial assistance they need without having to undertake any financial discipline even if their own economic mismanagement was at the root of the trouble. Under the multilateral surveillance proposed, such bilateral loans can be considered other people's business and other members of the group would have a say in the matter. Are the American authorities now going to abandon a device that can prevent the seat of financial power moving from the U S to the Continent?

After the report of the Ten, it is a relief to turn to the Annual Report of the International Monetary Fund. It does at least devote two thoughtful and rather progressive chapters to the liquidity problem. It acknowledges that in the next decade there is likely to be persistent and substantial growth in the demand for international liquidity. At the same time,

the factors which have determined the growth of liquidity during the past decade seem likely to provide a smaller rate of growth over the decade to come. It, therefore, seems safe to forecast that in the future, greater reliance than in the past decade will have to be placed on the provision of international liquidity as needed by other means — the Fund could make a vital contribution in this connection. The Fund Report estimates that the annual rate of growth of international liquidity over the 10 years to 1963 was some 3.3 per cent. The Fund believes that reserve currency holdings cannot be expected to grow at the rapid rate of recent years. "In the circumstances it would seem both desirable and timely to enter upon a broad exploration of the possible ways to meet any inadequacies in the supply of international liquidity to which the present system might otherwise give rise and to offset any undesirable fluctuations in it".

Thus the Fund at last recognises the need for some more permanent and radical solution to the problem

#### Letter to Editor

## Goldwater

SOME of your comments on Goldwater in particular and American politics and policies in general in the editorial "Messiah from Arizona" (July 11, 1964) were somewhat misleading, and I suspect, could not be supported by many facts.

According to you, Goldwater's foreign policy "does little more than carry to its logical conclusion, with vigour and courage, the lines of policy developed by past and present Administrators". Of course, any Presidential candidate will support some "lines of policy" of previous Administrators but Goldwater's deviation from current policies are numerous, and I would have thought, obvious. Your comment seems to imply, for example, that the logical conclusion of Kennedy's nuclear test ban treaty is Goldwater's policy of re-commencing nuclear tests. Similarly the policies of the present U S Administration in regard to such vital matters as foreign aid, trade with Communist countries, the U N, control of nuclear weapons and so on could hardly be said to find their "logical conclusion" in Goldwater's policies on these issues.

You find the Americans to be hypocritical because they are using non-nuclear methods in Viet Nam. If the

of international liquidity, but in view of the report of the Group of Ten, all that seems likely to happen at the Tokyo meeting is that the system of international currency swap and support operations, which has developed in the last three years, will be put on a more formal basis. There is also likely to be a moderate general increase in members' I M F quotas.

Thus the many ideas that have been circulating in the past few years to increase international liquidity in a more fundamental way — e.g. the Triffin Plan, the Bernstein Plan, the Stamp Plan and the Maudling Plan — which would have made use of the I M F to create some of the new reserves that are required, have all been temporarily shelved. Financial orthodoxy has won the day and the idea of creating reserves on a world basis — the logical extension of creating them to help a country in temporary deficit — will be relegated once more at the Tokyo meeting to a study group, unless the developing countries, whose interests are vitally concerned, make their own voices heard at Tokyo.

number of deaths and the amount of damage in the event of the use of nuclear weapons were equal to, or less than, the deaths and damage caused by the present methods, it would be hypocritical to claim that the present methods were more justifiable simply because they were non-nuclear. However, most evidence points to the conclusion that nuclear methods are more destructive.

Your remarks on the "so-called two party system" operating in the U S A and the U K, which you describe as a "cosy preservation of the *status quo* in which politics and change can be safely forgotten" are also rather misleading. For example, I fail to see how the issue of Civil Rights in the U S A during the last ten years, or for that matter, the last few weeks, could be described in terms of a "cosy preservation of the *status quo*". In fact, the political systems of the USA and the U K have combined political stability with significant economic and social change, a state of affairs that does not seem to me to be altogether undesirable.

HAROLD CROUCH

Bombay  
August, 4, 1964.

