

The Economic Weekly

A Journal of Current Economic and Political Affairs

(Established January 1949)

September 13, 1952

Volume IV — No. 37

Eight annas

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India and Pakistan Rs 24/-
Foreign Rs 27/-

The Economic Weekly
Noble Chambers, Parsi Bazar St.,
Fort, Bombay
Phone: 23406

A Ritual Performance

ONCE more the International Monetary Fund have cautioned the governments of the member-countries that the choice before them was either to end inflation or to move farther towards a world of restrictions on trade and convertibility of currencies. This warning has been repeated year after year while the hope that the twin Bretton-woods institutions would be able to help the world move forward to freer trade and exchange convertibility has flickered and waned. The warnings are no longer uttered with any conviction that they would be heeded and acted upon. And yet, the meetings are held every year, the Governors from the member-countries put in their ceremonial appearance and the same ritual is repeated. To what purpose, no one stops to inquire.

There is little point in holding aloft the banner of free trade and multiple convertibility to those who are driven by necessity and by the operation of forces which are not fully understood, or deliberately ignored, to hang together in regional groups and currency blocs for sheer self-preservation. Adherence to the aim of free convertibility avails little, when the sterling countries are engaged in a desperate attempt to save themselves, not because they are indifferent to the fate of other countries, whom they want to send to perdition, but because this is the only workable solution they can find for their problems. As far into the future as they can see, they see no other.

That inflation disturbs the cost price structure and the distribution of resources through space and time or that it weakens export prospects and strengthens import demands, hardly explains why seven years alter the war, the free world should still remain in the grip of inflation. This sort of broad generalisation tends to obscure the reasons which forces so many countries to resort to varying doses of deficit financing, not always because they cannot help it, if they are prepared to pay the price, but because they feel that it is more worthwhile perhaps to pay a bigger price, if thereby they can maintain employment and raise their income's to a higher level. This may prove a snare and delusion in the end but the Fund authorities have vet to appreciate that the problem is not to balance payments at any level, but to maintain them at a reasonable level that can ensure the prosperity and well-being of the country concerned. If the resulting balance between aspirations and achievements is not what it should be, the reasons are to be sought elsewhere. The time has surely come to re-examine the validity of the Fund's analysis of the post-war difficulties to see if they are not missing some vital links in the chain which will ultimately lead to a world that is not left in a state of recurring crises.

One of the missing links is surely the fluctuating world demand for export produce, particularly painful and spectacular in the case of raw-material producing countries but by no means of any less import for the others also. For it is unhelpful over-simplification to assume