

PUBLICATIONS ON INTERNATIONAL ECONOMICS¹

RECENT interest in international economic problems has been shown by the appearance of considerable literature on the subject. A number of studies in this field have been made by the United Nations and various universities. This review presents a digest of five recent reports, two published by the United Nations and three by university presses.

Programs of economic development in various parts of the world provide the subject for two publications: "The Underdeveloped Areas: Their Industrialization," written by John H. Adler and published by the Yale Institute of International Studies, and TECHNICAL ASSISTANCE FOR ECONOMIC DEVELOPMENT, prepared by the Secretary-General of the United Nations in consultation with the executive heads of several specialized international agencies.

Adler gives a general report on the present stage and economic implications of industrialization of underdeveloped countries in Latin America, Asia, Africa, Oceania, and Eastern Europe. He states that production indices show that in the past twenty years physical volume of manufacturing production has approximately doubled in most underdeveloped countries for which data are available. However, Adler suggests that on the whole no progress has been made in narrowing the gap in industrial output and capacity between the underdeveloped areas and the more industrialized countries because the more industrialized countries have also made great advances during this period.

¹ Adler, John H.: *The Underdeveloped Areas: Their Industrialization*. Yale Institute of International Studies, Memorandum 31, New Haven, Connecticut, March 31, 1949. 30 + iv pages.

United Nations, Secretary-General in consultation with executive heads of interested specialized agencies: *TECHNICAL ASSISTANCE FOR ECONOMIC DEVELOPMENT*. United Nations, Lake Success, New York, May, 1949. 328 pages, \$2.50.

United Nations, Secretariat of the Economic Commission for Asia and the Far East: *ECONOMIC SURVEY OF ASIA AND THE FAR EAST 1948*. Department of Economic Affairs, United Nations, Lake Success, New York, 1949. 289 pages, \$2.00.

University of Texas. Institute of Latin-American Studies: *POLITICAL, ECONOMIC, AND SOCIAL PROBLEMS OF THE LATIN-AMERICAN NATIONS OF SOUTHERN SOUTH AMERICA*. Papers read in a lecture series. Latin American Studies VI. University of Texas Press, Austin, Texas, 1949. 107 pages.

Kaplan, Jacob J.: *Economic Stagnation in Italy?* Yale Institute of International Studies, Memorandum 32, New Haven, Connecticut, May 10, 1949. 30 pages.

Drives for great increases in industrialization are now under way in many of the underdeveloped countries. In part, they are an outgrowth of desire of underdeveloped areas for greater economic independence. The new drives are characterized by general emphasis on heavy industry and power generation. Many of the projects, such as plans for electrification or irrigation, provide limited expectations for immediate financial return. As a result government funds may often be needed.

Adler suggests that industrialization plans may cause two economic difficulties for underdeveloped areas: inflationary pressure and an unfavorable balance of trade. Inflationary pressure is likely to arise for several reasons. For example, the supply of voluntary savings available for investment purposes is small in most underdeveloped countries, and imperfections of the capital market make it difficult to obtain use of savings which do exist. Faced with limited funds many countries will probably finance industrialization plans in part by inflationary expansion of credit. Further, in the process of industrialization manpower tends to be drawn from low productivity agricultural work into more productive urban employment. This is likely to result in rises in income followed by increases in demand for consumer goods. The shift of population from rural to urban areas may accentuate the increased consumer demand and lead to additional capital outlays, especially for housing. Presumably the new demand will exert upward pressure on prices.

The balance of payments is likely to be adversely affected by several factors. For instance, imports of investment goods will probably be needed for industrialization purposes. In addition, secondary demand for imports can be expected to rise as a result of: (1) expansion of income, (2) increased urbanization since persons who live in cities have a greater propensity to import than persons living in rural areas, and (3) price rises in domestic goods which tend to give an advantage to foreign products in competition with domestic output. Finally, the volume of exports may decrease if the higher income of industrial workers is spent for food and other domestic products that might have been sent to other countries. It should be noted in this connection that present industrialization plans do not in themselves tend to make new products available for immediate

export. Adler believes that the foreign exchange problem is one of the "crucial limiting factors" for investment plans of underdeveloped areas. He suggests that countries with extensive industrialization plans may have to continue use of exchange controls—contrary to recent international agreement.

The study by Adler provides valuable factual and theoretical material which furnishes a background for judging proposals for industrialization of underdeveloped areas. Attention is limited primarily to economic aspects of the programs. Problems of a rather technical nature are explained in a very understandable way although one wishes at times that more consideration had been given to possible differences in short-run and long-run effects of industrialization. The report is very timely in view of the great interest now being taken in advancement of underdeveloped countries.

The United Nations report gives details of an extensive proposed program for international assistance to local areas in development of plans for increased production and greater human welfare. Suggested forms of aid include sending advisory missions, providing training opportunities, furnishing direct help in operation activities, doing research to evolve suitable production methods, and disseminating technical information.

International assistance would be furnished by the United Nations and various specialized international agencies including the Food and Agriculture Organization; the International Labour Organisation; the World Health Organization; and the United Nations Educational, Scientific, and Cultural Organization. Assistance would be provided to local areas upon their request, and would be given to or through individual governments. Receiving countries would be expected to assume considerable responsibility for administration and costs of the plans. Working relations between receiving countries and international agencies and among the international agencies would be strengthened to provide for coordination of plans for economic development. Proposed expenditures for the United Nations and the specialized international agencies were \$35.9 million for the first year and \$50.2 million for the second.

The report suggests that primary emphasis of plans for economic development be placed on improvement of agriculture

and expansion of industry. For agriculture proposals include land management; increased crop and animal production by such measures as distribution of seed, better animal breeding, and control of disease; and economic services, including development of credit systems and marketing plans. In industry suggestion is made for concentration on production of capital goods in some areas, and emphasis on production for current consumption needs in others. In the labor field programs are proposed for migration, industrial relations, labor statistics, and social security.

Plans are also proposed for health and education. For health they include elimination of reservoirs of communicable disease; promotion of positive health along special lines such as maternity, mental health, and nutrition; and improvement in environmental sanitation. In education they include provision for better school facilities, scholarships and fellowships, research, and books.

Numerous other programs are proposed in the United Nations report. In our present stage of progress some of them are idealistic and probably will not be adopted on an extensive scale in the immediate future. However, the report makes the valuable contribution of presenting suggestions for future activity made by leaders in international affairs. Backed by the actual assistance of international organizations, such suggestions are an important means of encouraging underdeveloped areas in social and economic advance.

Economic conditions in particular areas are discussed in three studies: (1) *ECONOMIC SURVEY OF ASIA AND THE FAR EAST 1948* prepared by the Secretariat of the Economic Commission for Asia and the Far East for the United Nations; (2) *POLITICAL, ECONOMIC, AND SOCIAL PROBLEMS OF THE LATIN-AMERICAN NATIONS OF SOUTHERN SOUTH AMERICA*, a collection of papers presented in a lecture series on this subject held by the University of Texas in 1948; and (3) "Economic Stagnation in Italy?" written by Jacob J. Kaplan and published by the Yale Institute of International Studies.

In the Survey of Asia and the Far East emphasis is placed on post-war changes in the area. The region studied consists of British North Borneo, Brunei and Sarawak, Burma, Ceylon,

China, Hong Kong, India, Indochinese Federation, Indonesia, Japan, Korea, Federation of Malaya and Singapore, Pakistan, Philippine Republic, and Siam. General changes noted in the region include decline of colonialism, increased economic planning and control by the government, and a movement toward greater economic equality by such means as agrarian reform and labor legislation. Specific changes found in the fields of production, monetary and fiscal affairs, and international trade are described in the paragraphs which follow.

Production. Production in 1948 was generally below prewar (usually 1934–1938 or 1935–1939) levels in spite of improvements during the year. Production of major food crops was close to prewar but information available for a few countries suggested that the fish catch was still far below prewar. Continued shortages of work animals delayed agricultural recovery. In approximate figures production of coal was 70 per cent of prewar; of cement, 50 per cent; and of iron ore, one third. Limited recovery of the iron and steel industry was an important factor in the low level of industrial output.

Monetary and Fiscal Affairs. Note issuing authorities and central banks received greater powers in post-war years. State control of both increased. Despite improvement in banking facilities lack of finance remained a serious hindrance to agricultural and industrial development.

In post-war years budgets of war devastated countries were relatively low in terms of prewar prices; budgets of countries not directly affected by the war showed continuous expansion compared with prewar. In some countries defense expenditures increased in relative magnitude in the total budget and considerable attention was given to use of government funds for economic development. Indirect taxes, especially customs duties, remained a primary source of revenue. However, after the war income taxes assumed greater importance in several countries, notably India and Japan.

International Trade. Large post-war trade deficits replaced prewar export balances. Marked improvement during 1948 suggested that many of the changes would be transitory with the exception of limited world demand for rubber, natural silk, and tin metal produced in the region. However, in 1948 exports of

rice, fats and oil, sugar, and jute remained generally far below prewar.

In most countries in the region imports from the United States rose sharply relative to other imports between 1937 and 1947. In the same period trade—especially exports—of several countries with the United Kingdom declined. Probably as an answer to the dollar shortage the proportion of imports from the United States declined in nearly all countries in the area during 1948. In the same year trade of the region with the United Kingdom showed a marked increase.

A wealth of additional statistical data on prewar and postwar economic conditions in the area is given in the survey. Also, more attention is devoted to the demographic implications of modernization than in the other reports under review. It is noted that "Whereas the application of technical knowledge is likely to have a great effect in reducing the death-rate, there is no reason to expect an immediate effect on the birth-rate," which is closely related to social institutions and customs that cannot be easily changed. The probable result is therefore an acceleration of population growth. This point suggests that due consideration should be given to the formulation of satisfactory population policies when plans are made for increased industrialization.

The publication on southern South America includes an interesting article on the regional economy of the area written by William L. Schurz. For purposes of his study, southern South America consists of Argentina, Chile, Paraguay, Uruguay, and Bolivia.

Schurz indicates that a traditional basis of economic life for the Latin-American republics—exports of raw materials in exchange for imports of manufactured articles—has been greatly disturbed in recent years. The international trading position of Latin America has been weakened by such factors as wars; use of substitute materials by manufacturers which threaten the future of such industries as rubber, copper, and sodium nitrate; development of competitive sources of supply in Africa, Indonesia, and other parts of the world for staple export products of Latin America; and reorientation of trade channels as a result of bilateral agreements between countries outside Latin Amer-

ica or preference arrangements of colonial powers, such as England has made with the British dominions.

Two types of measures have been adopted in Latin America to meet the new international situation: greater industrialization, and increased trade within the area. Schurz states that Argentina and Chile have made great progress industrially and Uruguay has embarked on an ambitious program to industrialize. He indicates that industrialization in Latin America has not always proceeded along lines giving sufficient attention to economic reality, such as availability of private capital and raw materials and the stage of economic development.

Schurz notes certain increases since 1938 in the importance of trade between individual countries of southern South America relative to total trade of the countries. However, he concludes that the economies of the region are largely competitive rather than complementary and the nature of trade relations in the area does not favor a comprehensive scheme for economic integration.

The publication on southern South America includes other articles which are concerned with problems in particular countries. The content of the articles is partially indicated by the titles, such as "Chile Today and Tomorrow from the Social and Economic Viewpoints," "Uruguay and the Proposed Basic Agreement for Inter-American Economic Co-operation," and "Political Events and Governmental Changes in Argentina, 1943-1948."

In the study of Italy, Kaplan describes recent economic difficulties in that country and evaluates post-war economic aims of the European Recovery Program and the Italian government in the light of these difficulties. He presents an interesting discussion of the importance of economic improvement if democracy is to survive there.

Kaplan notes that at the end of the war Italy was faced with an acute shortage of consumer goods and raw materials. Industrial production stood at only 15 to 20 per cent of the 1938 level. In post-war years imports were inadequate and private investment in long term projects was low. During 1946 exports increased rapidly to meet foreign demand and by the fall of 1947 industrial production reached 82 per cent of the 1938 level.

Contrary to the situation in other European countries unemployment persisted. Beginning in late 1947 unemployment increased, production fell, and a general depression took place. The serious nature of the depression was indicated by the fact that it occurred in spite of the presence of favorable conditions in the economy, such as available raw materials, high export demand, and the prospect of balancing the foreign payments account. Kaplan points out that the improvement in the Italian balance of payments position "underlines the paradox of domestic depression in the face of world recovery."

In a discussion of the situation, Kaplan suggests that the private sector of the Italian economy is not "geared for expansion." He states that for several decades the industrial system of the country has been characterized by greater interest in monopolistic restriction than in competitive quest for maximum profits. Under Fascism cartel agreements, tariff restrictions, and government favors became typical ways of attaining success in business. To a large extent expansion of capacity was accomplished by direct government investment. The distribution of income and falling level of real wages under Fascism did not provide the basis for expecting rising domestic demand. Kaplan states that the "Italian business community has come to regard the high rate of population increase as a cause of low real income per capita rather than as a source of increased demand, and to base its hopes for expansion on the willingness of foreign markets to absorb more of its products." He continues by pointing out that by acting on such anticipations the business community assures the failure to expand.

Kaplan believes that increased investment—as a means to rising national income and declining unemployment—is a central answer to the problem. He suggests that the government undertake a positive program in which it is prepared "to abandon its balanced budget program for as long as seems necessary" to attain goals it has set for production and investment. Types of measures which might be adopted include easy credit, subsidies, tax penalties or abatements, direct government investment, price regulation, raw materials allocation, and guaranteed government purchase of program output exceeding market demand.

This publication performs the important service of presenting a unified description and analysis of the post-war economic and political situation in Italy. Some persons might oppose the extensive government program which Kaplan favors. However, it is in line with much recent economic thought. For persons who believe that economic welfare in a country is basic to success of democratic institutions, the report presents an interesting case study.

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