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<u>New Central Banking Legislation in Indonesia</u> Reed J. Irvine

On April 10, 1953, the Indonesian Parliament passed legislation establishing a new central bank, the Bank of Indonesia, to replace the Java Bank. The law went into effect July 1, 1953. This is the sixth new central bank to emerge in Southeast Asia since the end of World War II. 1/ In the case of the Philippines, Ceylon, Burma, and Pakistan the new central banks were the first such institutions to be established in those countries. In the Associated States of Indochina, the emergence of three autonomous states dictated the organization of a new institution to take over the central banking functions of the Bank of Indochina. In Indonesia, the decision to establish a new bank appears to have arisen more from the desire to sweep away the traces of the colonial past than from any strong conviction that the Java Bank was inadequate to meet the central banking needs of the new nation.

The Java Bank had served as the sole bank of issue in the area now constituting the Republic of Indonesia for 125 years. It carried on an extensive commercial banking business in addition to certain central banking functions. Although its shares were privately owned, the Government had authority to appoint the Bank's managing directors, supervise its operation, and share in its profits. The Bank could influence the cost and availability of credit through its own loans and discounts and its bank rate, but it had no direct power to control or supervise the policies and operations of other banks. Its own credit operations were limited by the statutory requirement that it maintain a gold reserve equal to a minimum of 40 per cent of its total demand liabilities.

The attainment of independence by Indonesia in December 1949 was followed by changes affecting the Java Bank, but its structure and powers were not immediately altered. Among the earlier developments were the replacement by Indonesians of a number of the Bank's Dutch officials, including the President, and the lowering of the minimum gold reserve requirement against current liabilities to 20 per cent in January 1951. In July 1951, the Government revealed its intention to nationalize the Bank and offered to pay 120 per cent of par value for all privately held shares. Within a few months the Government had acquired 97 per cent of the Bank's stock, and in November 1951 an act was passed authorizing the expropriation of the remaining shares at the same level of compensation.

It was recognized at that time that it would be necessary to redefine the relationship between the Bank and the Government and to revise the statutes governing the Bank. The new legislation goes beyond this and establishes the Bank of Indonesia as a new institution with not only a different structure but with somewhat different powers than the Java Bank.

1/ See "Recent Central Banking Developments in Southeast Asia," <u>Federal Reserve Bulletin,</u> December 1952.

Actually, the new law is generally patterned after the statutes of the Nederlandische Bank, N.V., the central bank of the Netherlands. The principal difference lies in the relationship established between the Bank and the Government and in the organizational details designed to effect coordination of Bank and Governmental policies.

Organization of the Bank

The Indonesian Government initially intended to establish the new bank as a limited liability company and to preserve the legal and operational continuity with the Java Bank. However, Parliament voted to establish it as a public corporation, thereby creating an entirely new legal entity. Bank policy will be determined by a three-man Monetary Board, composed of the Minister of Finance, the Minister of Economic Affairs, and the Governor of the Bank. This is a compromise between the views of the officials of the Java Bank, who sought greater independence for the new central bank, and those of Government officials who desired to follow the Dutch pattern and make the Bank subject to the direct orders of the Ministry of Finance in policy matters. The device of setting up a policy-making board on which the Minister of Finance or his representative and the Governor of the Bank serve as co-equals had already been introduced in the Philippines and Ceylon, and the experience of these countries may have suggested this solution in Indonesia. Decisions of the Board will be adopted by majority vote, but in case of disagreement any member may appeal to the full cabinet council for a final decision. In the event that the Governor of the Bank so appeals and fails to win the support of the Cabinet he is entitled to publish his views in the official gazette unless the Cabinet considers that to do so would not be in the public interest.

This interesting provision resembles the Netherlands law, which permits the Governing Board of the Central Bank to appeal orders of the Minister of Finance to the Crown and gives it the right to state its case in the official gazette if the Crown rules against the Board.

The Bank of Indonesia is to be managed by a board composed of the Governor and at least two but not more than four directors, all appointed by the Government for terms not exceeding five years. This managing board is to execute the policy determined by the Monetary Board and be responsible for the day-to-day business of the Bank. The Government may, on the recommendation of the Monetary Board, remove any member of the Managing Board from office.

Under the new law all board members are required to be Indonesian nationals. Interest attaches to this provision because of the fact that two of the five directors of the Java Bank have been Dutch. They will not be permitted to continue as directors of the new bank. However, the Government is authorized to appoint one or two advisory members to the Monetary

Board and the Monetary Board may appoint advisers to the Managing Board. It is possible that some of the experienced non-Indonesian officials of the Java Bank will be utilized in an advisory capacity though they are excluded from full membership on the governing boards of the Bank.

The law also makes provision for an Advisory Council in addition to the Monetary and Managing Boards. It is to consist of nine members, all appointed by the Government from among leading personalities in business, agricultural, and labor circles. The Council is to advise the Monetary Board on policy questions in order to keep it "fully informed as to the prevailing ideas and views in society." It is required to meet only twice a year, but it may meet more frequently. It evidently is not intended to exert a very active influence on bank policy, however.

Powers of the Bank

Although the organization of the Bank, and especially the introduction of a Monetary Board, appears to reflect in some degree the influence of central banking developments in other Southeast Asian countries, the same cannot be said with respect to the powers assigned to the Bank of Indonesia. These are very similar to those of the Netherlands central bank and are designed for an institution which may perform both central and commercial banking operations.

However, under the new law the Bank of Indonesia is required to terminate all operations not related to its functions as central bank at the earliest possible date and by December 31, 1953, at the latest. This is one of the most significant changes made by the new law, albeit one which was not favored by the Java Bank officials at this time. They held that this step should not be taken until the Bank Negara, a government-owned institution, was better prepared to take over the commercial business of the Bank of Indonesia. A question might also be raised with respect to the effect of the change on the Bank of Indonesia itself. The law under which it will operate gives the Bank no new powers to regulate credit and influence commercial banking policies to offset loss of the strength which the Bank now derives from its position as the most important commercial bank in Indonesia.

The Bank can influence domestic credit policy through its discount rate and open market operations. However, it has no authority to impose reserve requirements or apply qualitative credit restrictions of any type on commercial banks. Omitting the Java Bank, the greatest part of Indonesia's banking business is in the hands of branches of foreign banks. These institutions would not normally be expected to rely to any great extent upon the credit facilities of the Bank of Indonesia, and under these circumstances the discount rate may prove to be of very little effect. It may be found that divesting the Bank of its large commercial banking business will also strip it of a great part of its power to influence domestic credit. At the same time the Bank has not been clothed with any new powers which would serve to render competition by it in the commercial sphere any more unfair than it was in the case of the Java Bank.

The Bank is given power to discount (a) bills of exchange and promissory notes having at least two good signatures; (b) bills of exchange and other commercial paper drawn against letters of credit or with shipping documents as collateral; (c) Indonesian Treasury bills; (d) debentures of a maturity no longer than six months but only with acceptance of liability by the discounter; (e) Indonesian Treasury warrants issued in payment for Government purchases. 2/ The Bank may buy and sell (a) bills of exchange accepted by local banks; (b) Treasury bills; (c) Government bonds or bonds guaranteed by the Government provided they are officially quoted on a stock exchange in Indonesia. The law prescribes that commercial paper in which the Bank may deal may not have a maturity exceeding that period customary in the trade.

The Bank is authorized to grant loans, credits, or advances on current account against the collateral of stocks and bonds, merchandise, coin and bullion and/or the pledge of shipping or warehouse documents representing the same, as well as against commercial paper and securities eligible for discount or purchase.

No specific authority to lend against real estate is included in the law, but limits on real estate loans are prescribed, implying that the Bank has the right to make such loans within the limits fixed by the law. The Bank may not make unsecured advances. It may not buy and sell merchandise, stocks and bonds, or real estate save when acquired through the default of obligations due the Bank.

The types of collateral which the Bank is authorized to accept are unusually broad for a central bank, including such speculative assets as stocks, bonds, and real estate. This reflects the fact that the Bank of Indonesia will continue to perform commercial banking operations inherited from the Java Bank for a short time. The Government may intend to impose more restrictive standards on the Bank after such operations are halted.

2/ It is not clear why Treasury warrants, which should be payable on demand, are included among the items which the Bank may discount. As the Bank and its branches are to perform the function of Government cashier it is not readily apparent why the Bank should be called upon to discount instruments of this type. This provision was taken from the Statutes of the Java Bank.

No restrictions have been placed upon the maturites of loans granted by the Bank. This follows the Dutch practice, and is doubtless safe where the Bank's management is experienced, conservative, and free from excessive political pressure. Whether or not all these conditions will be found to apply in Indonesia remains to be seen.

The Bank's most important functions are likely to be in connection with its duties in managing the country's foreign exchange, in issuing notes, and serving as banker and fiscal agent for the Government. It is authorized to buy and sell foreign exchange, to invest its surplus funds in foreign securities and to manage the foreign exchange reserves of the Republic of Indonesia. It must maintain a reserve composed of gold, generally convertible foreign exchange, and drawing rights on the International Monetary Fund and the World Bank (sic) equal to at least 20 per cent of its demand liabilities. The Bank itself may suspend this requirement for 3 months and Parliament may extend the suspension. The new legislation does not appear to give the Bank power to control foreign exchange operations of other banks, although it has been stated that the Bank would be given this power. Perhaps it is intended to accomplish this through other legislation. The Bank is not given any voice in determination of the exchange rate of the rupiah.

The Bank is given exclusive right to issue bank notes and may determine the design and denomination of its notes. The Bank has custody of all Treasury funds, and undertakes to discharge the functions of cashier for the Government, Post Office Savings Bank, and any other credit institutions designated by the Government. It must also assist the Government in the flotation of bond issues and the management of the public debt.

The Government is entitled to secure temporary advances from the Bank in time of emergency. Interest must be charged on advances over 50 million rupiah. Advances may not exceed 30 per cent of the Government's revenue in the preceding fiscal year, except with Parliamentary approval. There is no time limit within which the advance must be repaid, however, and there is nothing to hinder the conversion of temporary advances made under this provision into long-term loans. Indeed, all outstanding advances previously made to the Government by the Java Bank which are still outstanding are to be converted into just such a loan. Further, the Act does not bar the Government from selling long-term securities directly to the Bank of Indonesia.

The inclusion of tighter restrictions on government borrowing from the Bank would not have guaranteed the new institution freedom from excessive governmental demands for credit, but it would have been an encouraging indication of the Government's intention to reduce its reliance on this type of financing. Java Bank advances to the Government totalled 5,292 million rupiah at the end of May 1953, an increase of 170 per cent in a twelve-month period. This was necessitated by the Government's fiscal policies. It is clear that the establishment of a new central bank will be of little significance in Indonesia if the nation's political leaders do not recognize the dangers inherent in the continuation of this trend.

Economic Survey of Postwar Europe

June 30, 1953
J. Herbert Furth

This year's report of the Research and Planning Division of the Economic Commission for Europe is entitled "Economic Survey of Europe since the War -- A Reappraisal of Problems and Prospects." Like its predecessors 1/, it includes a wealth of factual information and the 55 tables of its statistical appendix contain almost all the data needed to understand the economic history of postwar Europe. However, this reviewer believes that some of the theoretical and political judgments included in the Survey are of doubtful validity. The area of disagreement seems to be less wide than in previous years but it remains the duty of the critic to confine his praise of the great bulk of the work to one sentence and to concentrate his fire on the few blemishes.

European "stagnation" and dollar deficit

The keynote of the Survey is "stagnation in production and shrinking trade in western Europe" (p. 52). This stagnation is "partly" the result of the "new policy trend" toward "more general methods of controlling inflation" (p. 82). The authors state that "the world setting in which western European countries have to conduct their trade is very different from . . . a world operating according to the theoretical models of the classical economist" (p. 134). As in previous years, they doubt therefore the ability of "market forces" to solve the problems of the modern economy (see, for instance, p. 195), and approvingly quote Professor John H. Williams, who in his Stamp Memorial Lecture advocated "the conscious development of an integrated pattern of trade" (p. 135).

However, their own proposals sound rather familiar. As a remedy for the basic ailment, the dollar deficit, they present the following choices: "(1) An increase in western Europe's dollar earnings from sales of goods and services to . . . dollar countries. (2) An increase in production of food and raw materials both in western Europe and in other non-dollar areas . . . (3) A displacement of United States exports of manufactured goods to western Europe . . . whether as the result of stronger competition by European producers or alternatively as the result of increased discriminatory restrictions against dollar goods /underlining supplied/. (4) Finally, . . . a more effective use of the great amounts of goods and capital supplied by western Europe to the affiliated overseas countries . . ." (p. 135).

While these proposals (except for the "alternative" of increased discrimination) are unimpeachable, they hardly go beyond the level of pious

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1/ See this Review, June 17, 1952.

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generalities. Moreover, an observer who is more skeptical about the wisdom of Government planners than are the authors of the Survey, may well question the belief that "a more conscious control over the flow of capital from the United Kingdom to other members of the sterling area" would "ensure that the funds are more effectively used in order to take reasonable account of the needs of the capital-supplying as well as the capital-receiving countries" (p. 139). Capitalist enterprise has often -- rightly or wrongly -- been accused of neglecting the needs of the "capital receiving" to the exclusive benefit of the "capital supplying" economies; the opposite complaint is novel if not quite convincing.

The Survey draws attention to the role of U. S. commercial policy and recognizes the difficulty of reducing tariffs on a large scale (p. 138). However, these difficulties hardly justify the Survey's counsel of despair to make Europe less dependent upon U. S. foodstuffs by "the conclusion of agreements among western European countries to provide for the expansion of their trade with one another in agricultural products and to give assurances of market stability" (p. 139). The United Kingdom, which has declined to sign an international wheat agreement stipulating a price <u>below</u> the U. S. support price, would hardly be willing (and certainly unwise) to offer the Continental countries of western Europe a price substantially <u>above</u> the U. S. quotations, just for the sake of European solidarity.

The authors contend that the lack of competitiveness of European agriculture is "no sufficient argument against attempts to increase agricultural production further so long as manpower cannot be transferred to other areas of the world or to other branches of the European economy" (p. 173). Apparently they do not realize that (to paraphrase their own words) the world setting in which western European countries have to conduct their trade is very different from a world operating according to the theoretical models of those economists who still think only in terms appropriate to the mass unemployment of the 'thirties.

<u>Development of underdeveloped areas</u>

The authors are particularly interested in the problem of developing the underdeveloped regions of southern Europe, and believe that "the gap between rural pauperism in southern Europe and industrial progress in the rest of western Europe . . . would seem to be the main economic problem facing western Europe." Contrary to the prevailing opinion which expects to foster development by the abolition of intra-European trade barriers, the authors see in "protection against the products of the more developed countries an essential requirement for the industrialization of the less developed countries." They contend that "the existence of vast surpluses of manpower in agriculture creates a situation where money costs of production in industry are higher in relation to agricultural money costs than is warranted by comparative real costs in the two branches of the economy." Therefore, "the abolition of trade barriers would [perpetuate] the role of the southern countries as exporters of agricultural products and importers of manufactures" (p. 219).

The argument of the Survey is not conclusive. Although agricultural labor in southern Europe probably is not quite as unproductive as the authors of the Survey seem to assume -- the South Italian agricultural laborer who works only 60 days a year may still be indispensable to the gathering of the harvest in those 60 days -- it may be conceded that the real costs of its transfer to industry would be small. However, this does not mean that the monetary costs of the transfer would necessarily be so high as to make the transfer impossible. On the contrary, in such regions the wage level is usually extremely low, and there is no evidence that productivity is relatively even lower than money wages.

Not the cost relations between industry and agriculture, but rather the lack of "overhead" capital in the form of power, transportation, education, housing, and public health facilities, and the social and psychological barriers to new enterprise and labor mobility are the main obstacles to transferring labor from agriculture to industry. None of these obstacles would be effectively removed by tariff protection or other import barriers. Moreover, the Survey overlooks the possibility that more efficient agricultural production could be just as important a development factor as industrialization -- although the Survey itself emphasizes in other connections the value of increased agricultural production in Europe.

This criticism of the Survey's position is not meant to deny that very often some initial government contribution to the cost of establishing new industries in underdeveloped regions would be both necessary and in the long run profitable. However, such a contribution should preferably be made in the form of (temporary) subsidies, rather than of import restrictions; open subsidies not only make the computation of the burden on the economy less difficult but also permit a better selection of enterprises in need of such support.

Monetary policies and direct controls

In one major aspect the Survey has reversed its previous stand: it now strongly criticizes the inflationary monetary policies of the immediate postwar years. "The cheap-money policies pursued at that time appear in retrospect ill-advised, especially when account is taken of the inefficient working of direct controls . . . The consequential saving of interest on government debt was a small return in comparison with the general damage caused by additional inflation . . . Cheap money placed an additional burden on fiscal policy which prevented the latter from being fully effective in controlling over-all demand. The effects of cheap money were generalized as it created optimistic expectations and led to easy capital gains on stock markets which raised consumer demand" (pp. 67-68). The Survey also recognizes the effects of domestic inflation on external disequilibrium: "There can be little room for disagreement with this view as far as it concerns the necessity for avoiding internal inflation and the need for greater flexibility and adaptability in the use of resources. Nor can there be much doubt that quantitative controls over trade and payments do exert perverse effects on the allocation of resources, on incentives in production and trade and on business profits and ethics" (p. 134). Finally, the Survey approves, at least conditionally, the use of "general methods to reduce the excess of demand" (p. 82).

However, the conversion is far from complete. The failures of planning by direct controls are explained away by the "exceptional nature" of the postwar period, which permits "no safe inferences . . . as to the possibilities of carrying out more successfully economic planning in a private-enterprise economy." As usual, the Survey regards the United States as the main culprit: the U. S. economy appears to have been responsible for the "inflationary pressures in western Europe" by its "long and persistent boom" and -- unless I misunderstand the somewhat cryptic remark of the Survey -- also by "the supply of financial aid." "These external factors . . . made a prolonged boom in western Europe possible" and thus "it became an aim of policy to reach a state of affairs where the economy could be run with less public interference in the form of detailed controls" and "to return to a system of multilateral trade and currency convertibility" (p. 82).

However, there is still hope for planning enthusiasts: "It remains an open question whether, without some new inflationary pressure, the amount of investment required to sustain a high level of output will be forthcoming. No conclusion about this can be drawn from the post-war years" (p. 82). After all, "it is possible that concern for monetary stability is often exaggerated or that it is used as a pretext by monopolistic groups more interested in the high profits engendered by scarcity than in expanding production." And there remains the example of the Soviet empire where "inflationary pressures" have been "more or less successfully . . . combated by direct controls" (p. 210) -- the Survey fails to mention that some of these "controls" would hardly be acceptable in the free world.

Investment policies

While the fervor of the Survey for direct controls seems to have cooled off, its enthusiasm for continuous investment in basic industries remains unabated. "The disadvantages of some overinvestment in basic industries are much smaller than those of the same amount of underinvestment. A shortage of one million tons of steel capacity may mean that at least 400 million dollars worth of engineering products fail to be produced each year; a surplus of the same magnitude means only that $300 million were invested somewhat too early" (p. 211).

This reasoning is in conflict with the Survey's own statement "that capital is so scarce in all European countries that a careful choice has to be made among different investment objects" (p. 210). Obviously, if capital were abundant, it would make little difference whether or not "$300 million were invested somewhat too early" — be it in steel or any other industry; as it is, this overinvestment would mean that there has been underinvestment in some other industry. If such investment, say, in agriculture would have increased the yield of that industry by the same $400 million annually, the investment of that sum in steel furnaces would mean that (to paraphrase again the Survey's words) 400 million dollars worth of agricultural products would fail to be produced each year. In other words, the risk of overinvesting in heavy industries (and therefore underinvesting in "light" industries) is neither greater nor smaller than the corresponding risk of underinvesting.

The Survey also contends (in discussing the French Monnet Plan) that "public investment . . . is of more importance to the economy as a whole than private investment" because "a larger proportion of public outlays is concentrated on the basic sectors of the economy" (p. 80). Apparently the authors of the Survey do not believe in the basic theorem of economics, which states that the importance of expenditures is determined not by their average, but by the marginal effects. The purchase of a particular loaf of bread may be of less "importance" to a consumer than that of a particular piece of cake (although bread might be considered more "basic" than cake) -- namely, if the purchaser already has a sufficient supply of bread but lacks cake; similarly, a particular investment in the steel industry may be of less "importance to the economy as a whole" than a particular investment in the silk industry (although the steel industry might be considered more "basic" than the silk industry). An investment program can thus not be judged by comparing the "importance" of the "basic" with that of the "non-basic" industrial sector in general, but only by comparing the effects of a particular investment alternative in various economic fields.

Germany

In dealing with individual countries, the authors again display their bias against "liberal" countries. They cannot deny that the "liberal" economy of Germany made greater progress in 1952 than any other major industrial nation of western Europe. However, they try in part to explain this development away and in part to minimize it. The "present strength" of the

German trade structure "may be due much less than commonly supposed to the particular policies of the moment and more to historical developments and the strongly autarkic goals pursued over a long past" (p. 99). It must have been a queer "autarkic goal" that made the German authorities liberalize a greater part of Germany's intra-European imports than any other major European power and let its export value double between 1950 and 1952.

The authors concede that "western German policy was extraordinarily successful in terms of production . . . the industrial capacity of the country is now probably in better shape than ever before, in spite of the failure to use the investment resources to the best advantage" (p. 75; underlining supplied). In other words: Germany is very well off -- but how much better off it would be if only it had followed the advice of the previous surveys. It would be interesting to hear the authors support their bland statement by some evidence, considering the fact that German industrial production in 1952 was 45 per cent higher than in 1937 -- a year in which Germany, in contrast to virtually all other industrial nations, experienced a very high level of economic activity -- as compared with increases of 33 per cent in France and 25 per cent in the United Kingdom, and that production continues to rise in 1953.

In all other respects the authors feel that the German position is not as rosy as might appear to the unwary observer. The aim of the Government was "to keep wages and salaries low"; the authors seem unimpressed by the fact that "real" wage rates at the end of 1952 were 13 per cent higher than prewar -- while in the United Kingdom they were kept at the prewar level. The authors are equally dissatisfied with the rise in German exports: "In relation to pre-war, however, western German exports . . . still compare very unfavorably with those of other European countries, hampered as they have been by the still relatively low level of industrial production" (p. 74). The basis of this comparison with "other European countries" remains obscure, quite apart from the unintelligible reference to a "low level of industrial production" (which contradicts not only the facts but also the statement of the Survey itself): according to Table XVI of the Survey, German exports during the third quarter of 1952 were (in terms of volume) 41 per cent larger than in 1938 while the average rise in exports for all western European countries was only 36 per cent.

Italy

The authors maintain that in Italy "deflation" caused "a setback in industrial production" (p. 55). Actually, Italy was one of the few western European countries that in 1952 neither deflated its money supply nor suffered a setback in production: between the end of 1951 and the end of 1952, the money supply rose 17 per cent, domestic loans and investments of the central bank 6 per cent, and domestic loans and investments of commercial banks about 25 per cent, while industrial production increased by 8 per cent. It is true that this progress was insufficient to halt the steady rise in unemployment, and although it is questionable whether more expansionary monetary policies would have resulted in a more rapid increase in production (and employment), the Italian authorities might well be criticized for their failure to reduce unemployment. However, whatever the mistakes of the Italian authorities might have been, "deflation" was obviously not one of them.

The Survey notes that "real" wage rates in Italy have increased 30 per cent since 1938 -- probably the largest such rise in all of western Europe. However, it remarks, first, that the share of agriculture in total national income is only about the same as before the war -- a development which it considers a "result of the restrictive monetary policy in Italy" -- and second, that "it seems that industrial profits are somewhat higher than under the Fascist regime" (p. 77). The fact that agricultural income is not a higher portion of the national income than in 1938 is not surprising since agricultural production rose between 1938 and 1952 only about 5 per cent while industrial production rose 46 per cent -- certainly less surprising than the contention that the share of agriculture would have been larger if the country's monetary policy had been less "restrictive." Similarly, the fact that industrial profits increased "somewhat" while industrial production rose 46 per cent, is hardly evidence of unsound policies.

The authors also state that the situation of agriculture in Italy "contrasts sharply with developments in most other European countries where farmers are generally better off than before the war"; this statement implies that they are not better off in Italy -- while according to the data of the Survey itself only their share in the national income has not changed, but the "real" volume of national income, and therefore also the "real" income of Italian farmers, has increased "some 12 per cent" (p. 77).

Conclusion

In many cases, the Survey's outlook seems too pessimistic. For instance, the Survey estimates that the "recent increases in the gold and dollar reserves of western European countries" are "roughly offset" by "the running down of their inventories" (p. 132). This reviewer knows of no evidence for such a large decline in inventories. Furthermore, the Survey estimates that the elimination of all U. S. aid together with the removal of "discriminatory controls against dollar goods" would "probably" require an adjustment in the European balance of dollar payments "in the order of $4 billion annually" (p. 133). This reviewer believes that the effects of discriminatory import controls are equal only to a small fraction of the sum of $1.5 billion, which is implied in the Survey's estimate.

However, such estimates are a matter of personal opinion. Only on the rare occasions on which the authors succomb to their ingrained prejudices, does their work fail to conform to its usual standard of excellence. These few parts appear so bad merely because the rest is so good.