"World Developments and Trends" * 14.6.78

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A. INTRODUCTION

Mr. Chairman, let me say first of all what a genuine pleasure it is for me to be here - even though I am more than a little overwhelmed by the span of the subject I have been asked to consider.

As your biographical comments have noted, I come from the West coast of Canada. My roots go back, I guess, all of a generation and a half in my native land. I learned economics at a time when it was - or was attempting to be - a self-contained analytical science, and the business cycle was declared obsolete. Now I have been asked to discuss world social and economic trends, here, in a country where one can refer casually to developments four millenia before Christ, and at a time when economists can only explain the persistent inflationary recession by appeal to sociology, expectations, and the dynamics of social groups in conflict. It is a challenging assignment you have given me, but I hope that we can find some interesting views to explore.

I realise that in part my job, as an opening speaker, is to be funny and optimistic, and set a cheerful tone for a hard day's work. Unfortunately, my colleagues often find me more abstract than funny, so I shall have to concentrate on being optimistic and cheerful. When it comes to present economic issues, that too, as you are all well aware, has its problems.

Indeed, I was asked last night what was so optimistic in talking about economic prospects in the longer term. I had to admit that it is primarily that it takes so long for one to be found out.

April 1973 - just five years ago - would hardly have been a good time at which to attempt a discussion of "economic and social prospects", even over the next five years. Think of ~~the change~~ in outlook ~~that~~ has occured just since ~~then~~. No doubt April 1978 will prove, in the fullness of time, to have been equally unpropitious. I have no illusions about trying to make a reputation as a prophet here today. Nor do I think that should be our goal in this morning's discussion.

I must confess also to a small timing problem. In July 1976, the OECD published, as a supplement to the Economic Outlook of that date, a "growth scenario to 1980". That discussion is, however, already in need of substantial revision in the light of subsequent events. A year later there appeared the report Toward Full Employment and Price Stability prepared by a group of independent experts (the so-called "McCracken Group") as a report to OECD. But that too is felt by many to be somewhat inappropriate - or at least incomplete - as a guide to the coming years. We are, at OECD, now working on a new medium-term framework as an analytical backdrop to discussions of medium-term policy. That work has, however, some way to go. And finally, various

* Notes for an opening address to the 5th Annual Conference of the Greek Management Association, Athens, 3rd April 1973

reports from OECD's Interfutures Project (on which I will comment briefly later) will probably not begin to emerge for public discussion until early next year. So I fall between periods here today - I was not able to bring the definitive picture even of the next five years with me at this time.

All that we can do, I suppose, in attempting to understand a little better what the future might hold for us all is to try to see a little more clearly the underlying nature of present problems - and identify some further questions to explore.

Some of you may recall a recent book by Herman Kahn, entitled The Next Two Hundred Years. In that study, Kahn suggests that the four-hundred-year slice of human history centred on the U.S. Bicentennial (1976) might best be seen as a transition from a low-level steady state stretching 8000 years back into pre-history to a high-level stationary state sustainable into the indefinite future. During this unique epoch humanity can be viewed as passing (relatively smoothly, in historical perspective) along a conventional S-shaped growth curve through an industrial revolution and a population explosion into a larger and richer post-industrial society consistent with our finite world. Obviously this is an essentially - perhaps the quintessentially - optimistic view.

With the more modest vision appropriate to an ordinary economist, a 400-year time-slice is a little daunting. But, on a suitably more modest scale, it is nevertheless tempting to wonder whether the last five - or maybe seven - years and the next five - or maybe seven - years might not be viewed together as a period during which a series of severe shocks to our post-war Western economy were encountered and absorbed, and the transition to - or recovery back to - a more settled pattern of economic evolution completed. In this perspective, there are two obvious sorts of questions to talk about - the question of the transition to what, and the question of difficulties along the way.

I would like to talk only very briefly about the first question, on which you may hear more later this year from Interfutures, an OECD project initiated by the Japanese government to explore the longer term evolution of relations among developed and developing nations. The remainder of my comments will be concentrated on the second aspect, the economic problems likely to arise in the medium-term during a process of economic recovery or transition to a new phase of steady growth.

On the question as to where we are going, there are many views, but perhaps they are bracketed by what I might call a "Club of Rome" view at one pole and a "McCracken" view at the other. The first, "Limits to Growth", approach suggests that many of the shocks of the last five to seven years have been the portent of critical problems of learning to live in a finite world; in this view, the only plausible end-point or target in the medium-term is a path of essentially zero growth of material output. Such a target implies profound problems of adjustment to a society of greater leisure, presumably reduced aspirations with respect to material well-being, and some major changes in the way incomes are earned and redistributed.

The second approach, attributed to the so-called McCracken Group, did not, as some critics have suggested, duck the question of longer-term goals or assume it away. In its recent report, Toward Full Employment and Price Stability, however, the Group did, on examination, conclude that a return to balanced growth at a rate not much less than the growth rates of potential output experienced in the past probably was necessary - necessary not for its own sake but for attainment of underlying social goals with respect to income distribution, expanded provision of public goods, and the availability of employment for all who wish to work.

The Group also argued that conventional instruments of economic policy remain effective, and that an appropriate, predictable setting of these macroeconomic instruments is necessary to provide a general framework within which private business decisions, and more selective government action, can be taken in a way that might support sustained recovery. In this view, therefore, the next several years should ideally be seen as a period of consolidation and return to a path of economic growth at rates broadly comparable to those of the past.

In reaching this view, the Group surveyed the usual list of the determinants of economic growth, and concluded that - if the rate of investment and capital formation is maintained - the growth of labour supply, and labour productivity, the pace of innovation, the introduction of new technology, the availability of savings and the supply of primary resources would all be adequate to assure continued growth.

There is, as always, an intermediate view, which argues that the world economy is not necessarily running up against hard physical constraints dictated by finite resources, but has nevertheless changed profoundly since 1973, in its attitudes to economic systems and market mechanisms, in its acceptance of market outcomes, and in the underlying distribution of power within and among nations. On this argument, continued economic growth at rates comparable to the past, based on continued increasing integration within the world economy, and extension of an open trading system, is simply not feasible.

There are a number of particular reasons why potential growth rates might decrease somewhat, even if investment outlays prove adequate. First, even without absolute scarcities, energy and raw materials costs probably do begin to push up a rising supply curve. This does not say that we could not attain a full employment growth path, but it does imply reduced rates of growth and a greater proportion of output devoted (either domestically or through transfers abroad) to energy and material supply.

Second, "selective growth" may mean a greater proportion of productive resources being drawn through the public sector to produce an increased supply of goods or services not captured - or not fully measured - in gross national product. Or, as I shall argue later, it may mean that, through public regulation, a greater proportion of capital and labour services will effectively be diverted to assuring attainment of other goals not captured in GNP - health and safety, environmental quality, and so on.

Finally, one might speculate that growth rates might be reduced as a greater proportion of the gains are taken out in leisure, or at least more leisurely work practices.

But none of this argues that a path of renewed growth with high employment is ruled out for the future. It just suggests that measured growth rates may be significantly below those associated with the post-war economic miracles.

In its professional view, if I understand my senior colleagues correctly, the Economics and Statistics Department of the OECD Secretariat remains fairly close to the McCracken Group opinion as to the necessity and feasibility of continued economic growth. The Interfutures Project, which I mentioned earlier, will be questioning these prospects more deeply in its later reports. And my own personal view is that long-run growth prospects will probably be substantially reduced compared to past rates - in part, as I just mentioned, because renewed growth will begin to drive the price of energy resources and raw materials up more quickly in real terms.

Thus in looking at general economic prospects from the point of view of resources - the so-called "supply side", I have tried to distinguish three cases:

(a) "Club of Rome" - will see return to zero growth, the natural long term or stationary condition, because of resource constraints;

(b) "McCracken" - will see return to full employment post-war growth patterns, because neither resource constraints nor enduring problems with market system

(c) "Middle ground" - sustained but slower growth of potential with rising resource costs - possibly slowing technological change, and possibly the so-called "jobless growth."

But this middle ground also leaves open the question of whether there can be, in the medium-term, a sufficient recovery in effective demand - and it is to that I would now like to turn.

B. FEATURES OF A POSSIBLE RECOVERY PATH

Indeed, the argument on the supply side only accentuates some of the difficulties I shall mention later. So let us take as a starting point the proposition that the next several years - in Europe as well as in the rest of OECD - will be characterised by determined efforts on the part of all governments to achieve, through appropriate economic policies, rates of economic expansion consistent with significant reductions of unemployment and eventual return to some path of fairly rapid economic growth with high employment. There seems no reason to believe that a change in that basic goal is either forced upon us, or widely desired.

One version of such a recovery path was suggested in a "growth scenario" published as an annex to the OECD's Economic Outlook for July 1976. This envisaged, for France, Germany, Italy and the U.K., from the business cycle trough in around 1975 to a terminal year "around" 1980, average growth rates of real GNP ranging from 6% per annum to 3½%, and running, for each country, about ½-¾ of a percentage point above its average rate in the late 1960's. Since the early part of 1976, of course, growth rates have fallen considerably short of these levels. The recent <u>Economic Outlook</u> emphasised the prospects for a still more disappointing outcome this year, with a rate of growth of output in Europe as low as 2½% for 1978 over 1977, and levels of unemployment rising for Europe as a whole, possibly to 6% by the end of this year, or 17 million unemployed for OECD as a whole. (I might note, parenthetically, that it is usually estimated that real growth of about 4½% is required just to maintain unemployment rates constant.)

At the same time, while inflation rates have come down a long way since the peak levels of the early seventies, they remain high in some European countries, and they appear to have stabilised at a relatively high level or are declining only slowly in others. Moreover, many governments appear to believe that even at present depressed levels of activity, the response of wages and prices to any substantial policy action to stimulate aggregate demand will still be sharp. Finally, many governments are concerned that policy action which appears to increase the risk of inflation may lead to unacceptable balance of payments or exchange rate consequences which will, in turn, only aggravate the domestic inflation problem. Thus, our starting point here at the beginning of 1978 is not only one of unprecedented economic slack, including substantial "hoarded" or under-utilised labour, but one in which governments in many respects feel constrained from taking the action necessary to bring about an appropriate expansion of demand.

A growing body of opinion seems to be questioning whether we can in fact achieve rates of expansion of aggregate demand fast enough to restore full employment even by the mid-1980's. At the same time, a different problem must also not be forgotten: full employment may be restored, but by bringing down potential supply through lower investment, lower productivity, (and of course, par consequence, lower income per head).

Substantial direct government stimulus to expansion of aggregate demand is difficult. I have mentioned the fact that many governments feel constrained in their economic policy actions, and one might also add that there appear to be important political constraints limiting the possibilities for expansion of public expenditure (because of concern about public sector growth) or the possibilities of tax cuts which appear to benefit business rather than consumers (which are unpopular on distributional grounds).

In the analysis of medium-term prospects which we have been attempting at OECD, the question of growing taxpayer resistance to public expenditure growth and increased taxation is central. It does seem to be the case that in the bargaining process money wage targets increasingly reflect an emphasis on real after-tax relative incomes - that is, a focus on disposable take-home pay taking anticipated price changes into account. This is one of the key respects in which the much-talked about inflationary expectations get into the picture.

Growing taxpayer resistance would not be altogether surprising. Expansion of public sector expenditures has been substantial: from 34 to 51% of trend GNP for the Netherlands over the period 1962-1975, 33 to 49% for Sweden, 32 to 47% for Norway; U.K., Denmark, Belgium, Germany, Italy all over 42% in 1975. (The U.S. was at 34%, Japan at 23% in the same year.) We do not see comparable expansion occurring over the next five years.

Moreover, trade prospects are not strong. In a brief review of medium-term prospects, some work at the OECD Secretariat suggests, on the basis of a 5%/year expansion of the OECD area and a 5% annual rate of increase of trade prices, a rate of growth of OECD imports of around 8%/year (in round numbers, 9%/year for manufactured goods, 6%/year for non-oil commodities, and 3%/year for oil) and a rate of growth of exports of around 8% also; in the OPEC countries and the Eastern bloc, a rate of growth of imports around 8%, and exports around 4%; in the NOPEC (non-oil producing less developed) countries, perhaps 8%/year on exports (but 11%/year on manufactured goods), and 6½%-7% on imports. If this were all to be realised, it might lead to a situation in which the OECD was about in balance on its current account by the mid-1980's, the OPEC surplus reduced to much smaller levels than at present, and the NOPEC countries as a group running a moderate but sustainable deficit.

The possibility of an "oil crunch" in the mid-980's remains, however, with implications for the "real" price of oil that would throw all the above into serious question. Moreover, other difficulties in the way of achieving the degree of smooth balance of payments adjustment implied in this rather optimistic story shouldn't be discounted altogether. Problems of international monetary instability are still only too apparent.

So prospects for export demand also are not strong. Thus a great deal of concern not only with a possible expansion of aggregate demand overall, but also with future supply, must centre on the investment decision. Indeed, one might argue that on the demand side, the key structural problem is the weakness of desired private investment expenditure, while from the supply side the problem is the corresponding weakness of fixed capital formation.

In order to understand why the response of private investment might be more than cyclically weak, it is necessary to look at the determinants of the investment decision as conventionally understood by economists.

Here despite popular belief, the evidence is not clear. For many countries, the low degree of capacity utilisation, and the weakness of growth prospects, is sufficient in itself to account for the behaviour of current investment relative to past performance. In some countries - particularly, perhaps in Europe - the impact of rising labour costs in depressing profits levels is still significant (although it is important to note that in many countries profit levels, on a cyclically-adjusted basis, have been restored generally to levels of the mid-1960's). Moreover, the need to treat labour costs as an overhead item which can only slowly and with difficulty be adjusted to varying operating rates is having its own impact on investment planning. Whether, in light of current uncertainty, concerns with respect to anticipated inflation, worries with respect to difficulties of implementing decisions affecting the workforce, regulatory constraints and other government intervention, and now also important exchange rate uncertainties, the profit rates of the 1960's are sufficient to stimulate investment, remains unresolved. Some empirical work does suggest that risk premia have increased - that expenditure on major investment projects entailing long life-times, such as plant and structures, are well below "normal" levels. You will obviously know a lot more about that issue than I.

This weakness reflects, of course, a feeling that the expenditure components that have been the driving forces for growth in the past are unlikely to be so in the next few years. I've already mentioned that there appear to be a number of constraints limiting the rate of growth of public expenditures in the future. These same pressures are likely to lead to persistent public sector deficits.

And it is clear that balance of payments constraints will not permit the sort of export-led expansion which has in the past driven both economic recovery and the progress of developing countries within the southern tier of OECD or the rest of the world.

Thus one must expect pressures for a shift toward policies to promote private consumption, in order to stimulate private investment and domestic demand in the major European economies of OECD.

This, in a longer-term perspective, creates some puzzles. Rather than an attempt to eliminate alleged "over-saving" in the major industrial countries of OECD, one would expect the needs of longer term "resource transfer" to lead to greater efforts to channel such saving towards the development of poorer sectors of the world for whom high saving rates are inadvisable, and for whose consumption room must ultimately be made.

But it is one of the costs of the OPEC deficit that, so long as the net high saving rates of OPEC countries persists, the maintenance of high employment in OECD countries will generate pressures not to conserve on material inputs, but to encourage increased consumption in countries already enjoying high standards of living simply to offset the "excessive" flow of world saving which we find ourselves unable to channel to capital formation. This problem seems likely to be significant over the period we are considering.

Thus, to summarise the argument so far we've agreed that making predictions - particularly about the future - is hard, and I've emphasised that my comments are in no sense intended to constitute a forecast, but rather only a few considerations that may be relevant to future prospects.

I've suggested that the next few years clearly will be characterised by slower rather than faster economic recovery, and by determined government efforts to reverse rising unemployment rates by restoring conditions under which sustained strong growth in private investment expenditures is possible. But I've also suggested that there exists a risk that the short-run response of economic policy to the pressures of rising unemployment will be such as to shake investor confidence, jeopardise future growth prospects, and kill the longer-run capacity of the economy to adjust to changing circumstances*.

* In this respect it is possible to identify growing concern about the degree of detailed government intervention, and a feeling that the swing of the pendulum from very generalised and limited government responsibilities ("peace, order, and collection of customs") through acceptance of responsibility for maintaining overall macroeconomic equilibrium to an apparent responsibility for intervention in individual transactions to assure proper reflection of political and social goals within individual economic processes has simply gone too far, to the point of threatening the long term viability of economic system itself.

In no respect is this concern greater than in the need to accomodate the emergence of the new industrial nations of the South, and particularly to adapt to the increasing scale of their exports of manufactured products. This development will undoubtedly be accompanied by continued and indeed growing pressure on the big exporting nations of OECD to withdraw to leave room for a better distribution of a continuing OECD deficit due to oil imports.

C. NIC's and adjustment problems

There will undoubtedly be, as you are all well aware, increasing competition from newly-emerging industrial nations. New and expanded capacity to produce and export manufactured products now coming on stream in a number of developing countries outside OECD will be added to the existing excess capacity present in OECD countries. The needs for structural adjustment not only to accomodate the changing composition of demand and the march of technical progress, but also to adapt to the presence of substantial modern equipment, installed "off-shore" - outside the OECD - will create immense strains in the next five years - as indeed it has already.

Accomodating this emergence of developing nations as fully-fledged producers in an integrated world economy need not entail any sacrifice for charity's sake. OECD exports to LDC's are growing faster than imports from them, and the growth of world markets as demand in the developing countries expands may turn out to be the major force for OECD growth in the years to come. But the necessary acceptance of increased manufactured imports is surely going to be an important source of political conflict and social strain during a period of relatively slow growth and at best only slowly declining unemployment.

Under these circumstances there is a clear risk not only of protectionist trade policies, but of expanded appeal to a whole spectrum of government instruments coming under headings like "industrial strategies", but having often the effect of limiting needed industrial adaptation. There is, moreover, the obvious fact that a failure of many developing countries to find the anticipated export markets that warranted their investment in productive capacity in the first place will call into question not only their ability to service the corresponding debt, but also their perception of a stake in an open world economy.

A similar concern might be expressed in relation to prospective markets for OECD exports in Eastern European countries, and for the viability of their debts, if increasing restrictions prevent the members of Comecon from achieving their desired expansion of manufactured exports.

Neither in the case of LDC's nor of Eastern Europe need the financial problem - concern for the viability of existing debt structures - be considered critical at the moment. But if growing appeal to protectionist measures succeeds in severely curtailing their export growth, particularly into the European economy, problems clearly may arise within the five year horizon we are talking about.

In this sort of discussion, one always has to be aware of the general difficulty of "conceiving of the inconceivable". It is hard to think analytically about dramatic ruptures or discontinuities - hard to imagine that the shocks which the future may bring will not be absorbed with as little adverse effects on incomes and living standards as the last five years brought. There were of course massive disappointments - expectations were frustrated and hopes for strong increases in living standards were dashed. But in the event, the rigidities of wages and the difficulties of relative price adjustment turned out to be surmountable - significant adverse adjustments in real incomes were absorbed in many countries without serious domestic disruptions; worries about the catastrophic consequences of government budget deficits appear to have been largely unwarranted when the dive into recession widened public sector deficits dramatically; the problems of recycling the oil deficit turn out to have been taken in stride by private financial markets.

Nevertheless, it cannot be taken for granted that the future will look, underneath a lot of shocks and fluctuations, much like the past in terms of the underlying living standards for Europe and the rest of the OECD. It is pretty routine for talks like this to end with dire warnings about risks and choices. But it is hard to escape the feeling that there are some serious consequences hanging in the balance.

If there is a message in all this, therefore, it would be that we cannot hope for any easy economic recovery to old-fashioned growth. The prospects for continuing - and, in Europe, rising - unemployment in the near term are likely to create pressures - political and social, as well as economic - that do threaten the world economy as we know it. That suggests the need, first, to support government efforts to stimulate economic activity generally - in particular, to accept the need for tax cuts and government budget deficits without getting hung up on economic doctrine.- but secondly, to accept the challenge that comes from adjustment to the competition of emerging industrial nations without promoting government interventions that will reduce the overall adaptability of the economy.*

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* This concern that the short-run policy responses may prove to be perverse in relation to longer run goals, and the more specific concern that they may seriously diminish the flexibility not only of market mechanisms, but also of social institutions more generally, has been a central focus of analysis within the Interfutures Project from its beginning. (For a theoretical treatment of the issue, one might see Jacques Lesourne, Les Systèmes du Destin, Editions Dalloz, Paris 1977.) This concern leads to a search for means to promote social goals - particularly with respect to provision of individual welfare - without reducing the cohesiveness of the community or hampering market adjustment processes. The problems arising in the pooling of risks or the redistribution of income (social insurance and social welfare) while maintaining adequate incentives to individual enterprise, initiative, and innovation are particularly challenging.

D. CONCLUSIONS

In summary, existing constraints seem clearly to rule out even the gradual recovery to full utilisation of potential envisaged in the OECD "strategy"; the basic choice is therefore to take action, through political leadership, either to relax these constraints, or else to plan consciously for the most orderly possible transition to a lower rate of economic growth.

The consequences of the latter course are, on examination, distinctly unattractive. They include:

- a reduced rate of growth of income per capita strongly out of line with expectations and desires;

- high but stagnant standards of living in a small (10%-20%) pocket of the world offering little hope of markets or support for the large (80%-90%) developing portion of the world;

- inflationary pressures likely to emerge as bottlenecks arising from stagnant investment become evident;

- a growing bureaucracy to fill the vacuum left by the decline of private enterprise and production for market;

- increasing appeal to administrative criteria in resource allocation, and in wage-setting or pricing decisions, as the link to real market criteria vanishes;

- possibly growing public sector deficits as revenues level out while demands for public goods, services, transfers, job creation, and assistance to industry continue to rise.

The constraints which prevent achievement of economic recovery through conventional measures may be seen as clustered under three main headings:

(a) ineffective linkage of wage and price decisions to underlying production possibilities or needs of market equillibration. Entrenched expectations and perceptions of equity lead to claims unrelated to economic possibilities. (It may be argued that a rapid expansion of output provides the best climate for reconciling competing claims, but this approach then encounters fears of resurgence of inflationary pressures simply in response to policy actions rather than real economic imbalances.)

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(b) uncertainty arising from political and social change, shifting balances of power, and variability in economic performance, economic policy, and economic structure or rules of the game.

These two developments may be seen as leading to a third,

(c) failures of intermediation - inability to achieve transfers of income. Domestically this leads to oversaving and imbalances in the flow of funds which may not be offset by public sector action. Internationally this leads to increasing strains in the international monetary system, exchange market turbulence, and external constraints on policy action which apparently cannot be fully offset by capital flows or a "global Marshall Plan".

These strains on mechanisms for transfering purchasing power are exacerbated because in two key countries - Japan and Germany - there appears to be some concensus that a lower rate of growth is desirable (to reduce dependence on external resources and vulnerability to external shocks) or inevitable (because of saturation with both public and private goods). In neither case have potential rates of growth yet slowed to the same extent, so that both countries are heavily dependent on foreign demand to preserve high employment. But neither country seems to feel that a strong shift towards shorter working hours to reduce unwanted output would be willingly absorbed.

The key feature underlying this intermediation problem is the basic weakness of private investment. Because of uncertainty and weak profits, investment outlays are weak; because of this weakness and inadequate transfer mechanisms, overall demand and capacity utilisation are low. In turn capital stocks are not replenished, and "structural" problems of "capital shortage" arise, leading again to unemployment and weak demand.

In the face of a deflationary gap, OECD has argued the need for the public sector in individual countries to mobilise savings and channel them (through tax reductions and public sector deficits) to demand for goods and services. It could also argue the case for a concerted decision (through a new "Marshall Plan for the Third World") to improve the international transfer of purchasing power in a similar way. But to tackle the more fundamental problem seems to require a conscious decision to undertake direct government intervention into individual wage and price decisions, and/or conscious action to reduce the degree of integration in the world economy.

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The paradox of seeking greater management of an interdependent world economy while attempting to preserve and indeed restore the role of market forces needs to be faced. If it is not possible to achieve sufficient management of an integrated world economy through generalised instruments such as transfers of purchasing power, then either much more detailed intervention is inevitable, it seems, or a process of disintegration ("decoupling") must be initiated.

You might be forgiven for wondering if this talk really is the bright side of things. On the one hand, it is clear that the risks in the present situation are enormous and the possibility that there exists "no exit" is very real. On the other hand, so far as the economic analysis is concerned, there appears to be still an opportunity: it is still our choice. Recovery could just be feasible, even though one can't forecast that it will happen. The big problem, in a way, is who will step out front first. Companies undertaking major investments clearly are terribly exposed individually. But if investment expenditures are not restored to the point that they resume their role as the driving force in the economy, there is no other place to look.

This brief review implies that the constraints limiting the prospects for economic recovery are political, not economic. This doesn't make them any easier to handle, but in some sense it puts them more within our collective power to change.

Mr. Chairman, when an international bureaucrat concludes that the situation calls for greater international co-ordination of economic policy, that's hardly news. But it would be inappropriate for me to close this brief review without emphasising that international co-operation is crucial in the present context. The collective interest in preserving and extending a world economy based on the free interplay of economic forces and international exchange among democratic societies needs no emphasis. Through international co-operation one can hope to relax some of the constraints which limit each of our countries separately in pursuing that goal.